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Washington, D.C.

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JANUARY 1982

The Waste Book Group
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Bela Balassa's chron files - January 1982

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B. BALASSA CHRON FILE JAN 1982

OFFICE MEMORANDUM

TO: Files

FROM: Bela Balassa, DRC

SUBJECT: Back-to-Office Report, Morocco, January 12-18

DATE: January 29, 1982

1. I went to Rabat on a review mission of the Moroccan protection and incentives study. During my visit there, I also discussed the latest version of the industrial investment code with M. Gessous, Minister of Commerce, Industry and Tourism.

The Protection and Incentives Study

2. Mr. Horton and his team have completed the estimates of incentive and domestic resource cost measures, as agreed during the course of my September 1981 visit to Rabat. In the place of sectoral reports, however, they have prepared reports on individual firms. While these reports are of interest, and can serve as models for the evaluation of firms, I re-emphasized the need for sectoral reports in fulfilment of the obligation assumed for the completion of the study. This has been agreed to and the enclosed report outline and revised timetable have been accepted by all concerned. The same enclosure shows the composition of the individual sectors and subsectors that has been agreed to in the course of my visit.

3. The revised timetable calls for completing the overall report by June 15th. Considering the fact that this year Ramadan extends from mid-June to mid-July, it has been suggested that the second half of July would be an appropriate timing for the proposed mission on industrial policy. Possible issues for the mission are briefly noted in the second enclosure.

4. It may be added that the efforts of Mr. Horton and his associates are bearing fruit in the practical work of the Ministry. There is a much better understanding of the adverse effects of protection than I had encountered two years ago. This has found expression in the rejection of demands by firms for increased protection and in the liberalization of quantitative import restrictions undertaken in January 1982.

The Industrial Investment Code

5. The revised version of the industrial investment code, approved by the Council of Ministers and submitted to Parliament, incorporates several of the revisions I proposed in September 1981. The most important of these is a reduction by seven-tenths of the tax-free reserve provided to firms in the more developed regions for investment in the less developed regions. Also, the employment subsidy has been limited to small to medium size firms that have an investment cost of employment creation less than 70,000 dirhams (about \$13 thousand).

6. I also welcomed the fact that incentives will be provided for extension investments in the Casablanca region. However, I objected to the form the incentives would take, i.e. duty exemptions on imported machinery,

and suggested instead reductions in profit tax rates which do not distort the choice of techniques. The Minister promised that my objections will be taken into account in preparing the final version of the code.

cc: Messrs. Chaufournier, EMNVP; Bart, EM2; Picciotto, EMP; Carter, EM2;
Dubey, EMNVP; Asfour, EM2; Zaidan, EMP; Etti, EMP;
Mathieu, EM2; Ms. Guerard EM2;
DPS Directors, DRC Senior Staff

BBalassa:nc

L'ETUDE DE LA PROTECTION ET
DES INCITATIONS INDUSTRIELLES AU MAROC

<u>A. COMPOSITION DES SECTEURS</u>	<u>No. de firmes</u>
<u>I. Textiles et habillement</u>	<u>27</u>
1. Filature	4
2. Tissage -- habillement	7
3. Tissage -- autres	2
4. Bonneterie	4
5. Confection	3
6. Cuir	3
7. Chaussures	4
<u>II. Industries agro-alimentaire</u>	<u>18</u>
1. Conserves de poissons	3
2. Aliments de bétail	2
3. Conserves de légumes	5
4. Huile alimentaire	1
5. Vins et boissons	3
6. Farine	1
7. Divers	3
<u>III. Industries mécaniques</u>	<u>31</u>
1. Automobile	1
2. Camion et remorque	2
3. Pièces détachées	3
4. Cyclomoteurs	2
5. Composants électriques	4
6. Autres produits électriques	3
7. Piles et accumulateurs	3
8. Fonderie	3
9. Articles en métal	5
10. Emballages métalliques	2
11. Articles de ménages	3
<u>IV. Chimie-parachimie</u>	<u>20</u>
1. Chimie de base	2
2. Pâte à papier et papier	5
3. Emballages	2
4. Industries de bois	3
5. Matériaux de construction	5
6. Pneus	1
7. Peintures	1
8. Détergents	1

B. STRUCTURE DES ETUDES SECTORIELLES

1. Caractéristiques générales du secteur -- Analyse basée sur les statistiques industrielles, utilisant les indices économiques 1/ pour les branches industrielles (2-3 pages environ).
2. Analyse des résultats empiriques de l'étude par sous-secteur avec comparaison des résultats par firmes -- indices économiques, protection effective, subvention effective, coût économiques de devises et taux de rentabilité économique (4-5 pages environ par sous-secteur).
3. Analyse comparée des sous-secteurs -- caractéristiques principales, incitations, rentabilité économique, relations entre les caractéristiques principales, les incitations, et la rentabilité économique (5-6 pages environ).

C. DATES D'ECHEANCE

Etudes sectorielles:

Textiles et habillement	31 janvier
Industries agro-alimentaires	31 mars
Industries mécaniques	15 mars
Chimie-parachimie	15 avril
Etude globale	15 juin

1/ C/E, VA/E, VA/C, S/VA, B/VA, B/C, X/P, VA/P, ou C -- capital investi, E -- emploi, S -- salaires, B -- bénéfices; VA -- valeur ajoutée, P -- valeur de la production; X -- exportations. Dans le cas des secteurs, sous-secteurs et les firmes, les rapports X/P, VA/P, et E/C seront calculés aussi au prix internationaux.

Issues for the Proposed Industrial Policy Mission to Morocco

I. The Industrial Incentive System

1. The system of industrial protection and its practical application: tariffs and tariff type measures, quantitative import restrictions, export subsidies and taxes, and price control.
2. The industrial investment code: changes under the new code, comparison with other codes, effects on exports, location, and choice of techniques.
3. The financing of industry: interest rates, private credit institutions, public development finance, and evaluation of investment projects.
4. The system of taxation: proposed changes in the tax system, effects on production, consumption, and the choice of techniques.

-- The analysis would concern legal provisions, their practical application and the institutional framework. The basic information on the system of industrial protection is available from the protection and incentives study; the IMF is updating its earlier work on taxation while information would need to be obtained on the other investment codes as well as on industrial finance.

II. Quantification of the Structure of Incentives

1. Nominal and effective protection, reflecting the effects of protective measures.
2. Effective subsidies, reflecting the joint effects of protection, credit, and tax measures.
3. Comparisons with incentives to primary activities.

-- The analysis would be based on the findings of the protection and incentives study, with emphasis given to intersectoral and sub-sectoral differences in incentives. Additional information would be necessary, however, for making comparisons with primary activities.

III. Comparative Advantage

1. Intersectoral and subsectoral differences in the domestic resource cost of foreign exchange and the economic rate of return, reflecting the structure of comparative advantage.
2. Other indicators of comparative advantage, such as capital-labor ratios and labor-output ratios.

3. The comparative advantage of industry vs. primary activities.

-- Indicators of comparative advantage derived in the protection and incentives study would need to be supplemented by information on primary activities.

IV. Policy Recommendations

The policy recommendations would focus on overall incentives to industry; incentives to exports and import substitution; and incentives to mature and to infant industries. Desirable changes in regard to various incentive measures, including protection, credit, and tax preferences, would further be considered, taking account of the fiscal cost of possible alternatives. Among measures of protection, particular attention would need to be given to the revision of the tariff structure, the role of quantitative import restrictions, and the provision of export subsidies.

BBalassa:nc

January 29, 1982.

Professor Walter Galenson
Cornell University
168 Ives Hall
Ithaca, N.Y. 14853

Dear Professor Galenson:

Since my last letter to you, I have had some delays in completing my paper on Korea. I will certainly make the April 1st deadline you indicate in your letter of September 14th, but I hope to get it to you earlier.

Yours sincerely,

Bela Balassa

January 29, 1982.

Professors D. C. Hague and Graham Hall
Manchester Business School
South Street West
Manchester M15 6PB
United Kingdom

Dear Professors Hague and Hall:

I would like to inquire about the expected publication date of the volume "Problems of Changes in Relative Prices." I did not write earlier because I do not wish to make any changes in the paper I gave at the Conference.

Yours sincerely,

Bela Balassa

Mr. Jacques de Groote, IMF

January 29, 1982.

Bela Balassa, DRC

Hungary

In reference to our conversation the other day, I enclose my two papers on Hungary. The first provides an overview of the Hungarian new economic mechanism since 1968; the second critically examines the 1980-81 reform.

Enclosures

BBalassa:nc

Enclosed: Reforming the New Economic Mechanism in Hungary
The Hungarian Economic Reform, 1968-81

Mr. J. de Larosiere, IMF

January 29, 1982.

Bela Balassa, DRC

Hungary

In reference to our conversation the other day, I enclose my two papers on Hungary. The first provides an overview of the Hungarian new economic mechanism since 1968; the second critically examines the 1980-81 reforms. I earlier sent copies of the papers to Mr. Whittome.

Enclosures
BBalassa:nc

Enclosed: Reforming the New Economic Mechanism in Hungary
The Hungarian Economic Reform, 1968-81

Mr. Roland Barker, AMEX

January 28, 1982.

Bela Balassa, DRC

Ticket

Please make reservation for me on the following flights.

February 10 Baltimore New York Air flight 81 lv. 4:20 p.m.
New York arr. 5:10
LaGuardia

February 11 New York (LaGuardia) OPEN
Washington (National)

BBalassa:nc

DRC Professional Staff

January 27, 1982.

Bela Balassa

Reprint Series

Please send me 13 copies of any papers you wish submitted to the Reprint Series. The last day for submission is February 5.

BBalassa:nc

1 1 61991

MAHN JE KIM, PRESIDENT, KOREA DEVELOPMENT
INSTITUTE, P.O. BOX 113 CHEONGRYANG, SEOUL, KOREA
COPY TO MR. SAKONG. PLEASE PROVIDE THE FOLLOWING INFORMATION BY
RETURN TELEX. 1. DATE OF PUBLICATION OF MY PAPER, KOREA DURING THE
FIFTH FIVE-YEAR PLAN PERIOD (1982-86). 2. TITLE OF BOOK IN WHICH
PAPER WILL APPEAR AND 3. TITLE OF BOOK. REGARDS, BALASSA

KDIPROJECT SEOUL

1/26/82

BELA BALASSA

BETTY ELTEZAN

BBalassa:nc

DRC - Director's Office

1 1 61991

MEHMET GUN CALIKA, WEBAN SECURITIES BROKERAGE,
ODAKULE IS MERKEZI ISTIKLAL CADDESİ, 286 BEYOGLU, ISTANBUL, TURKEY
REGRET INABILITY TO COMPLETE PROMISED PAPER BEFORE DEPARTURE FOR
MOROCCO. WILL SEND PAPER UPON RETURN TO WASHINGTON ON JANUARY 28.
REGARDS, BALASSA

MBAN 23111

1/11/82

DELA ~~xxxxxx~~ BALASSA

BETTY ELTAZAN

BBalassa:nc

DRC - Director' Office

January 8, 1982.

Dr. Mûkerrem Hic
Professor of Economics
Istanbul University
Faculty of Economics
Institute of Economic Development
Istanbul
Turkey

Dear Dr. Hic:

Thank you for your letter of December 22 and the enclosure. Due to a change in his schedule, Mr. Roy will not go to Istanbul with the Bank structural adjustment mission. I am, therefore, asking Ms. Katrine Saito to collect the report on the reliability of data for the first half of 1981 and to have discussions with you on this subject. I will call you myself after my return from Morocco and Tunisia at the end of the month.

Yours sincerely,

Bela Balassa

cc: Ms. Saito and Mr. Roy, EM2

January 8, 1982.

Mr. Lawrence Brainard
529 Fifth Avenue
New York, New York 10017

Dear Mr. Brainard:

On my visit to Hungary two weeks ago, Mr. Bacskaï told me that you developed estimates of the net foreign debt of Hungary in convertible currencies for the past eight years. I would appreciate it if you could provide me with these figures. They would be used in my paper ~~which~~ ^{on the} Hungarian ~~Enclosed~~ Reform, 1968-81" which is enclosed. I also enclose a copy of a subsequent paper that deals with the latest reforms "Reforming the New Economic Mechanism in Hungary."

With best regards,

Sincerely yours,

Enclosures

Bela Balassa

Mr. Vito Tanzi, IMF

January 8, 1982.

Bela Balassa, DRC

Annual Performance Report Evaluation, 1981

Mr. Chand performed very well on the mission I led to Turkey in May/June 1981. He had a difficult task for lack of information on taxes and investment incentives but nevertheless produced an excellent report. I would be happy to have him on other missions.

BBalassa:nc

Mr. R. Fernandes, EM2

January 8, 1982

Bela Balassa, DRC

Visit to Tunisia

I would very much welcome the possibility that one of your economists would join me for discussions in Tunis. I would like to express a preference for Rene Vauris who came with me last time and with whom I have established an excellent working relationship.

BBalassa:nc

January 8, 1982.

Mr. Jean L. Waelbroeck
Universite Libre de Bruxelles
Faculte des Sciences Sociales
Politiques et Economiques
CP 139
Avenue F.-D. Roosevelt 50
B-1050 Brussels
Belgium

Dear Jean,

I have just received a copy of your joint book with Victor.
Congratulations for the outstanding job you have done. Yours is indeed
a seminal work for all those who labor on the subject. Your kind reference
to me is much appreciated; I wonder if I deserve it.

Yours sincerely,

Bela Balassa

Dictated but not read.

Nr. Luis de Azcarate, WANVP

January 8, 1982.

Bela Balassa, DRC

Paper on sub-Saharan Africa

In response to your suggestion, and after consultation with Hollis Chenery, I have decided to undertake a study of policy responses to external shocks in sub-Saharan Africa in the period 1973-80. The study will utilize the methodology I have applied in my earlier papers. I wish to add that Pradeep Mitra plans to include several of the additional countries I will cover in his own research project.

I enclose a list of countries proposed for the study; those for which estimates have already been made are marked by an asterisk. I would appreciate your indicating the priorities you attach for the inclusion of the various countries. I would also appreciate it if economists in the region could help my assistant, Mr. John Fry, with data he cannot obtain from International Statistics and the World Bank data bank.

cc: Messrs. Chenery, Fry

Enclosure
BBalassa:nc

Kenya *
Nigeria *
Ivory Coast *
Tanzania
Mali
Mauritius *
Zambia *
Cameroon *
Madagascar
Malawi
Upper Volta
Zaire
Ghana
Senegal
Niger
Chad
Togo
Gabon
Sudan
Maritania

* Completed

Those listed

January 8, 1982.

Bela Balassa

Turkey Report

I enclose the proposed final version of the Summary Report. Any comments you may have by January 22 would be appreciated. I wish to add that I did not have the chance to read the retyped version before my departure and hence it may contain some errors.

cc: Messrs. Dubey, EMNVP; Asfour, EM2; Davar, EM2; Gregory, EM2; Roy, EM2.,
Hume, EMP.

Enclosure
BBalassa:nc

January 7, 1982.

Praeger Publishers
521 Fifth Avenue
New York New York 10175

Dear Sir:

I wish to order a copy of *The monetary approach to International adjustment*, by Bluford H. Putnam and D. Sykes Wilford. A check for \$18.95 is enclosed.

Sincerely,

Bela Balassa

P.S. This letter was sent to the wrong address on December 28 and returned.

Praeger Publishers
111 Fourth Avenue
New York, N.Y. 10003

December 28, 1981

Dear Sir:

I wish to order a copy of *The Monetary approach to international adjustment*, by Bluford H. Putnam and D. Sykes Wilford.

Enclosed is a check for 18.95.

Sincerely,

Bela Balassa

January 7, 1982

Mr. Egon Ronay
Egon Ronay Organization
Greencoat House
Francis Street
London SW1P 1DH
England

Dear Mr. Ronay:

David Davis suggested that you might be interested in a copy of my Culinary Guide for Paris. It is enclosed. Needless to say, I would be interested in having a copy of your 1982 guide for England, if possible.

Yours sincerely,

Enclosure

Bela Balassa

January 7, 1982.

Dr. Etienne Kirschen
Université Libre de Bruxelles
Département D'Economie Appliquée
Avenue F.-D. Roosevelt 50
1050 Bruxelles
Belgium

Dear Etienne,

As usual you are right and there were some typing errors in Table 1 of my paper. Unfortunately, it is too late to correct it as North Holland is bringing it out soon.

My secretary sent you my c.v. and list of publications on December 11. This letter has been delayed due to my travels to Turkey and Hungary.

Best wishes for the New Year, I remain,

Sincerely yours,

Bela Balassa

January 7, 1982.

Mr. Jean Pavlevski
Economica
49, rue Héricart
75005 Paris
France

Dear Mr. Pavlevski:

I would like to inquire if you have received a copy of my book, *The Newly Industrializing Countries in the World Economy* from Pergamon Press. I would further like to inquire about the possibility of your publishing the book in French.

Yours sincerely,

Bela Balassa

January 7, 1982.

Ms. Elizabeth Johnson
Economics Editor
The University of Chicago Press
5801 Ellis Avenue
Chicago, Illinois 60637

Dear Liz,

I was very much hoping to come to see you at the University of Chicago Press exhibit. Unfortunately, I was held up at the World Bank and was only able to go to the Hilton on Wednesday morning when my two papers were presented. Hoping to see you next year, I remain,

Sincerely yours,

Bela Balassa

January 7, 1982.

Mr. Martin Wassell
International Chamber of Commerce
38 Cours Albert 1^{er}
75008 Paris
France

Dear Martin,

My letter of December 7 has remained without an answer. I am enclosing a copy in the event that it got lost.

I hope that you can send me air mail additional copies of the volume Growth and Entrepreneurship as requested in my letter. I would also appreciate receiving my agreed upon honorarium of \$5,000 in the form of a check sent to my home address, 2134 Wyoming Avenue N.W., Washington, D.C. 20008, together with the expenses incurred.

Finally, I wonder if you could send me the recent statement on Trade in Services by ICC as well as any other papers on services such as insurance, advertising and civil aviation that were prepared for the Congress. After perusal, I would pass this on to my wife who works on trade in services at the office of the Trade Representative.

Yours sincerely,

Enclosures

Bela Balassa

January 7, 1982.

Mr. György Szakolczai
Szamki
Research Institute for Applied
Computer Sciences
H1536 Budapest
P.O. Box 227
Hungary

Dear Mr. Szakolczai:

Thank you for your letters of November 23, December 2 and December 7. I will be happy to have my paper "Adjustment to External Shocks in Developing Economies" included in the volume you are publishing in Hungarian. I understand from our discussions that the numbers in some of the tables are not readable. I am enclosing a copy of the paper in which this is not the case. I further enclose the three additional papers you have requested. The last mentioned paper is being sent to you in the form of a World Bank Staff Working Paper as I do not have copies left of my Princeton Essay. I will also put you on the mailing list for future publications.

Yours sincerely,

Enclosures

Bela Balassa

Enclosed: The Policy Experience of Twelve Less Developed Countries, 1973-1979
W.B. Staff Working Paper No. 440

The Newly-Industrializing Developing Countries after the Oil Crisis
Welwirtschaftliches Archiv

The Process of Industrial Development and Alternative Development
Strategies,

Reforming the New Economic Mechanism in Hungary - December 4, 1981

Adjustment to External Shocks in Developing Economies WB Working Paper
No. 472

January 7, 1982.

Mr. Julio Berlinski
Instituto Torcuato Di Tella
11 de Septiembre 2139
1428 Buenos Aires
Argentina

Dear Julio,

I am sorry to say that your letter arrived too late to make the changes you have suggested. I trust that this will not cause problems since the changes are rather minor.

Yours sincerely,

Bela Balassa

January 7, 1982

Mr. Ponciano S. Intal, Jr.
396 Whitney Avenue Apt. 6
New Haven, Connecticut 06511

Dear Mr. Intal:

Thank you for your letter of December 4. I am sorry to say that there is presently a freeze on hiring at the Development Research Center. Should the situation change I will let you know. I will also write to you if I have any comments on the dissertation chapter you have sent me.

Yours sincerely,

Bela Balassa

January 7, 1982.

Mr. Myron Kolatch
The New Leader
212 Fifth Avenue
New York, N.Y. 10010

Dear Mr. Kolatch:

Thank you for your letter of December 4. I will give consideration to the possibility of writing a note for the *New Leader* once I get a few copies of the publication.

Yours sincerely,

Bela Balassa

January 7, 1982

Mr. Kenneth K. Meyers
2218 Haste Street #4
Berkeley, California 94704

Dear Mr. Myers:

Thank you for your letter of December 7. I would indeed be interested in having you work with me, but unfortunately, a freeze has recently been imposed on hiring at the Development Research Center. I will let you know if the situation changes.

Yours sincerely,

Bela Balassa

January 7, 1982

Mr. E. Guillon
Secrétaire Administratif
Club de Dakar
4 Avenue Hoche
75008 Paris
France

Dear Mr. Guillon:

Thank you for your letter of December 2 informing me of the expected visit of President Diawara to the United States. I am leaving this Friday for a trip to Morocco and Tunis but will be back in Washington in the last week of January. Please let my secretary know Mr. Diawara's plans so that I can invite him for lunch during his visit to Washington.

Yours sincerely,

Bela Balassa

January 6, 1981

Professor Lance Taylor
Massachusetts Institute of Technology
Department of Economics
Cambridge, Massachusetts 02139

Dear Lance,

Please excuse the delayed answer to your letter of October 23 but I wanted to be able to give you a definite reply. I am in the process of writing a paper on the policies followed in sub-Saharan Africa after the oil shock. If you agree, I would like to include it in the Chenery Festschrift. It would fit in under your heading E or H.

Yours sincerely,

Bela Balassa

P.S. The New York Times reported your estimate of arms as a percentage of imports in Sub-Saharan Africa for 1968 and 1978. Could you please provide me with the source of this estimate and related material.

January 7, 1982.

Professor Oleg Bogomolov
Director, Institute of Economics of the
World Socialist System
Academy of Sciences of the USSR
46 Novocheryomushkinskaya
117418 Moscow B-418
USSR

Dear Mr. Bogomolov:

Thank you for your letter of December 2 and for your kind words concerning my publications. I have put your name on my mailing list so that you can receive my papers in the hope that they may be useful to you or to your institute.

I appreciate your sending me three of the publications of your institute. Unfortunately, I do not read Russian, but I will pass them over to people who do.

I extend my best wishes to you for the New Year and express the hope that we can maintain contact in the future.

Yours sincerely,

Bela Balassa
Consultant to the World Bank
and
Professor of Political Economy

cc: Mr. Duloy with copy of incoming letter. The Johns Hopkins University

January 7, 1982

Professor Victor L. Urquidi
El Colegio de Mexico
Camino al Ajusco No. 20
Apartado Postal 20-671
Mexico 20, D.F.
Mexico

Dear Victor,

It was good to see you again and I am sorry that we did not have more of a chance to talk. I admire the work you are doing for the betterment of the International Economic Association and I wish you success.

I mentioned to you that I would be interested in preparing a paper for the Madrid Congress. The paper would compare the adjustment experience of developing countries in 1974/75 and 1980/81. I plan to do work in the latter during the summer and a comparative paper should be completed in time for the Congress.

Yours sincerely,

Bela Balassa

1 1 61991

BRENDAN HORTON, C/O MR. MOUMILE, MINISTERE
DU COMMERCE ET DE L'INDUSTRIE, RABAT, MOROCCO
ARRIVING JANUARY 12 TUESDAY ON AF 2017 AT 1220 HOURS. REGARDS,
BALASSA

31872 MOROCCO 1/7/82

BELA BALASSA

BELA BALASSA

DRC - Director's Office

BBalassa:nc

January 7, 1982

Mr. Gustav Ranis
Department of Economics
Economic Growth Center
P.O. Box 1987
New Haven, Connecticut 06520

Dear Gus,

I was glad to learn about the progress of the Reynolds Festschrift. I hope that the laggards have caught up by now. Please let me know a few weeks in advance of when you plan the presentation to Lloyd. I would like to attend but could not do so on my teaching days, Tuesdays and Wednesdays, or during the last week of March.

Yours sincerely,

Bela Balassa

January 7, 1982.

Mr. Ernst Löschner
Director
Oesterreichische Kontrollbank
Aktiengesellschaft
A1010 Vienna
Am Hof 4
Austria

Dear Mr. Löschner:

Thank you for sending me your articles on export credits and
on the situation in Austria. I look forward to reading them.

Yours sincerely,

Bela Balassa

1 1 61991

CHEDLY AYARI, CHAIRMAN, ARAB BANK FOR ECONOMIC
DEVELOPMENT IN AFRICA, PARIS, FRANCE

REGRET THAT DUE TO OTHER OBLIGATIONS WILL NOT BE ABLE TO PARTICIPATE
IN THE WORK OF THE JURY. REGARDS, BALASSA

PARIS 612719 JANUARY 7/82

BELA BALASSA

BELA BALASSA

DRC - Director's Office

BBalassa:nc

January 6, 1982.

Mr. Suk Tai Suh
Associate Professor
Yonsei University
College of Business and Economics
Seoul 120
Korea

Dear Mr. Suh:

This is a note to tell you that I have not yet had the
chance to read your study. I hope to do so in the course of January.

With best regards,

Sincerely yours,

Bela Balassa

January 6, 1982

Mr. José da Silva Lopes
Caixa Geral de Depositos
Largo de Santa Catarina
Lisbon
Portugal

Dear Mr. Silva Lopes:

We had a very productive visit to Turkey. I am sorry you were not there to hear the compliments on your chapter and on the report as a whole. In several respects recommendations are being followed or plans are being made to apply them. These are indicated in the final version of the report which I am in the process of preparing. I will send you a copy in due course.

Yours sincerely,

Bela Balassa

January 6, 1982

Mr. Dong Fureng
Deputy Director
Institute of Economics
Chinese Academy of Social Sciences
5 Jianguomen Nei Dajie
Beijing
China

Dear Mr. Dong:

Thank you for your letter of December 31. The arrangements you suggest are fine. May I add that I would like to have no more than a one day stopover in Xian on the way to Chendu.

As regards the timing of my visit. I would tentatively suggest May 15 to 29. Please let me know if these dates are convenient to you.

Yours sincerely,

Bela Balassa

P.S. This letter is handcarried by Mr. Edwin Lim.

cc: Mr. Edwin Lim, AEA

中国社会科学院经济研究所

INSTITUTE OF ECONOMICS, CHINESE ACADEMY OF SOCIAL SCIENCES

Dec. 31, 1981

Dear Prof. Bela Balassa,

I have received your letter, and agreed to your proposed two-week visit to China beginning from the second half of coming May. You will first visit Beijing and then Chendu in Sichuan Province. On the way to Chendu from Beijing you'll have a stopover in Xian. Please let me know your exact dates of visit to China as soon as you decide it in order to make arrangement for you.

Yours Sincerely

Dong Fureng
Dong Fureng

Mr. Attila Karaosmanoglu, EM1

January 5, 1982.

Bela Balassa, DRC

Roundtable on the Hungarian Economy

I enclose the program of the Roundtable on the Hungarian Economy. Please let me have the names of your staff you wish to attend the Roundtable to be held in Bloomington, Indiana, on March 21-24, 1982.

cc: Mr. Dubey, EMNVP

Enclosure
BBalassa:nc

ROUNDTABLE ON THE HUNGARIAN ECONOMY AND EAST-WEST ECONOMIC RELATIONS
Bloomington, Indiana, March 21-24, 1982

Tentative Program of Days 1 and 2

Sunday, March 21

10:45 A.M. Opening welcome: Gyorgy Ranki, Hungarian Chair Professor,
Indiana University and Institute of History, Budapest

11:00 A.M. - Session 1. THE EVOLUTION OF HUNGARY'S ECONOMIC REFORMS AND POLICY
12:45 P.M.

Chair: Paul Marer, Indiana University

Ivan Berend, K. Marx University of Economics, Budapest,
"Economic Mechanism and Economic Policy: Relationships
and Contradictions"

Paul Hare, Univ. of Stirling, Scotland, "The Beginnings of
Institutional Reforms"

Bela Balassa, The Johns Hopkins Univ. and The World Bank,
"Hungarian Economic Reforms, 1968-81"

1:00 P.M. Luncheon

2:30 P.M. - Session 2. ASPECTS OF HUNGARY'S NEW ECONOMIC MECHANISM (NEM)
5:45 P.M.

Chair: Gyorgy Ranki

Paul Milch, Naval Graduate School, Monterey, CA, "Price Reforms
of 1979-81: An Analysis and International Comparison"

Marton Tardos, Institute of Economics, Budapest, "The Increasing
Role and Ambivalent Reception of Small Enterprises"

Coffee Break

Rezso Nyers, Institute of Economics, Budapest, "International
Aspects"

Question and answer (Please hold discussion and comment until
Session 3)

6:15 P.M. Dinner

7:30 P.M. - Session 3. ASSESSING THE REFORMS AND THEIR FUTURE PROSPECTS
9:30 P.M.

Chair: Morris Bornstein, Univ. of Michigan

Janos Kornai, Institute of Economics, Budapest, "Present State and Prospects"

Summary discussion of papers presented at Sessions 1, 2 and 3

Morris Bornstein

Hugo Radice, Univ. of Sterling, Scotland

General discussion

Monday, March 22

9:00 A.M. - Session 4. HUNGARY'S ECONOMIC REFORMS AND POLICY: INTERNATIONAL
12:30 P.M. PERSPECTIVES

Chair: Bela Balassa

Paul Marer, "Hungary's Response to External Economic Shocks: A Comparison with Other Countries"

Laura Tyson, Univ. of California at Berkeley, "Comparing the Reform Experiences of Hungary and Yugoslavia"

Coffee Break

Tamas Bauer, Institute of Economics, Budapest, "Is There a Distinctive Hungarian Model of Economic Planning?"

Discussant: J.M. Montias, Yale University

General Discussion

1:00 P.M. Luncheon

2:30 P.M. - Session 5. HUNGARY'S AGRICULTURE
5:30 P.M.

Chair: D. Gale Johnson, Univ. of Chicago

Csaba Csaky, K. Marx Univ. of Economics, Budapest, "Organization and Management"

Michael Marrese, Northwestern Univ., "Performance"

Stephen Schmidt, Univ. of Illinois, "International Aspects"

Coffee Break

Josef Brada, "Agriculture in Eastern Europe Productivity,
Resources, Organization"

Discussant: Robert Thompson, Purdue Univ.

General Discussion

6:00 P.M.

Dinner

7:30 P.M. -
9:30 P.M.

Session 6, ROUNDTABLE ON GLOBAL AGRICULTURAL PRODUCTION AND
TRADE TRENDS

Chair: Mihaly Simai, Institute of World Economics, Budapest

Panelists: D. Gale Johnson
Robert Thompson
Csaba Csaky
Josef Brada
Stephen Schmidt

General Discussion

The following papers will have to be scheduled, along with the remaining Hungarian papers, during Days 3 and 4.

Edward Hewett, Brookings Institution, "Prospects for Energy
Conservation in Eastern Europe"

Thomas Wolf, Ohio State Univ., "US Economic Policy Toward the
Soviet Union and Implications for Eastern Europe"

Franklyn Holzman, Tufts Univ., "A Critical Look at US Controls
on Exports to the CMEA Nations"

Richard Portes, Bierbeck College, London, "Financing East-West
Trade"

Mr. L. A. Whittome, IMF

January 5, 1982.

Bela Balassa, DRC

Roundtable on the Hungarian Economy

I enclose the following: (a) my back-to-office memo dated December 24; (b) a copy of my paper, "Reforming the New Economic Mechanism in Hungary" and (c) the program of the Roundtable on the Hungarian Economy.

Please let me know if you wish to nominate one or more Fund staff to attend the roundtable to be held in Bloomington, Indiana on March 21-24.

Enclosures
BBalassa:nc

Mr. Edwin R. Lim, AEA

January 5, 1981.

Bela Balassa, DRC

Roundtable on the Hungarian Economy

I enclose the program of the Roundtable on the Hungarian Economy to be held in Bloomington, Indiana on March 21-24. Please let me have the names of suggested participants from China and from your Division.

Enclosure
BBalassa:nc

Mr. Maurice P. Bart, EM2

January 5, 1981

Bela Balassa, DRC

Back-to-Office Memo: Turkey, December 11-18

1. I was in Ankara on December 15-18, accompanied by Messrs. Davar, Gregory, and Roy, to discuss the green cover report of the mission on "Industrialization and Trade Strategy" I had led to Turkey in May-June 1981. Together with Mr Roy, I also had discussions on the report at the OECD in Paris on December 11 and met with businessmen and bankers in Istanbul on December 14.
2. While in Ankara, we had meetings with the Deputy Prime Minister, the Ministers of Agriculture, Finance, and Industry, the Governor of the Central Bank, the Undersecretary of the State Planning Organization, and other government officials. The report was well-received and it is said to provide the basis for an agenda for future policy discussions within the government.
3. Several of the report's recommendations have been implemented while others are being prepared for legislative action. The grey cover version will take note of these changes as well as of recent progress made in the Turkish economy. Merchandise exports are expected to reach \$4.6 billion in 1981 compared to a figure of \$3.9 billion in the Annual Program; the exchange rate has been devalued by over 10 percent in real terms since June 1981; and inflation has declined to about 35 percent.
4. With unchanged interest rates, the fall in inflation rates has increased, however, the burden on nonpreferential borrowers whose interest charges attain 70 percent if account is taken of compensating balances held with the banks. There is an excess demand for loans even at this rate, reflecting the scarcity of funds in the private sector in the face of requirements for inventory holdings and wage payments, when existing regulations do not permit dismissing workers. At the same time, apart from the continuation of restrictive monetary policies, the scarcity of funds for the private sector is related to the continued large financing needs of the public sector. In our discussions, we raised questions about the need for limiting public spending and reducing taxes on financial intermediation.
5. I further reviewed the progress of the research project on protection and incentives in Turkey. The project is about three months behind schedule, due in large part to administrative delays in providing the first tranche of Bank financing. Professor Hic, the project director, believes that the delay could be eliminated if present arrangements continue. At the same time, the possibility has been raised of postponing data collection for about one-half

of the firms until the 1981 reports become available. A decision on this issue will be made at the end of January when information will be available on the reliability of data for 1980 and the first half of 1981 which have been collected so far. According to Professor Hic, the use of 1981 data would still permit completing the project two months after the target date.

cc: Messrs. Stern, SVPOP; Chauffournier, EMNVP; Picciotto, EMP; Dubey, EMNVP
DPS Directors, DRC Senior Staff

Cleared with and cc: Messrs. Davar, Gregory, and Roy, EM2

BBalassa:nc

OFFICE MEMORANDUM

TO: Mr. Maurice P. Bart, EM2

DATE: January 5, 1981

FROM: Bela Balassa, DRC

SUBJECT: Back-to-Office Memo: Turkey, December 11-18

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BBalassa:nc