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CZECHOSLOVAKIA

Jakes Regime's Position Reviewed

90EC0103A Rome LISTY in Czech No 5, Oct 89 pp 14-17

[Article by K. (Prague) in the bimonthly "publication of the Czechoslovak socialist opposition": "Digging In: A Talk With an Observer of the Domestic Political Scene"; initials "R." and "P." are used by LISTY to designate, respectively, the interviewer and the interviewee]

[Text] R.: "At this time, at issue is not so much a renewal as a rescue of socialism." We selected this quotation from a reader's letter which was published in TRIBUNA No 34, a weekly of the bureau for party work in the Czech lands. What do you think of it?

P.: It is significant, because it aptly expresses the dug-in-the-trenches, passively defensive nature of the "restructuring", toward which the political leadership of this country has been working its way so strenuously for the past 4 years since the arrival of M. Gorbachev at the head of the Soviet Union. And it shows that priority is given to maintaining gained positions rather than to remote visions of some renewal. Or, in other words, a bird in the hand is worth two in the bush.

R.: In the interest of objectivity it must be added that the reader's letter is not necessarily the official position, or even the editorial position, even though in this case what is involved is a commentary on and an amplification of the introductory speech by M. Jakes at the latest, 14th Plenum of the CPCZ Central Committee. It is obvious from the entire context that the TRIBUNA editorial board is at the very least very close to such an interpretation.

P.: Should there be any doubts about this, I can offer the most up-to-the-minute and authentic statement of Jakes himself, which marvelously supplements our quotation from the TRIBUNA reader's letter. In his speech on 27 August on the occasion of the 45th anniversary of the Slovak national uprising in Banska Bystrica, he said unhesitatingly: "Let everyone be clear that the Party, the National Front, our working people will not vacate their positions for the enemies of socialism."

R.: Yes, but that is an old song. It is quite obvious that the current CPCZ leadership is now concerned only about power and privileges, which fact is only very thinly camouflaged by the seeming defence of socialist achievements. But it acted that way already in the past, pre-Gorbachev, era and it continues to act that way now. I do not see any difference.

P.: Nevertheless. The difference lies in the fact that this camouflaging of purely egotistic interests is today much more transparent to every thinking citizen who follows political events even just a little. He can observe how as a result of international developments the political legitimacy, on which the CPCZ leadership is basing its claim to a monopoly on power, is constantly crumbling and melting away. After all, for 20 years it justified this by claiming to have been successful in defending socialism against the danger of counterrevolution. And now when the developments in the Soviet Union, and particularly in Poland and Hungary, which are generally considered revolutionary, are already exceeding the boundaries of the Prague Spring, it is more and more difficult for the normalizers to justify even to their adherents why they are remaining in power, and why they have the right to introduce analogous reforms which quite recently they suppressed. Thus nothing is left but to keep defending the indefensible: the intervention by the armies of 5 Warsaw Pact countries in Czechoslovakia in 1968 and Breznev's document "Lessons From the Crisis."

R.: A question keeps coming up in this connection, as to why the CPCZ leadership did not take the same approach to political restructuring as Rumania or the GDR. It would be in an incomparably easier situation and would not be up against the wall so much.

P.: In any case, it would rally all the conservative and reactionary forces around the current leadership. You see, these forces are also disoriented by the duplicitous course which the CPCZ entered upon in 1987. It may be that some members of the leadership are already regretting that they accepted the concept of restructuring at all. It may be that in the initial panic, which set in following the unexpected change in Soviet policy, the leadership hesitated and commited the so-called escape forward. In the meantime, particularly when it became apparent that there is no danger of a direct intervention by Moscow which would force other countries to follow the policy of reform, the leadership "recovered," and since last year's June conference of Soviet Communists began a slow, but visible process of distancing itself from the Soviet policy and particularly from the developments in Poland and Hungary.

R.: Do you think that this course will continue?

P.: There is not the sightest doubt about it. This process pervades ever more openly the pages of the press, from the essay of Eva Fojtikova in KMEN in August of last year, through the selective choices of articles from the Soviet Press, and to an open distancing from the Soviet developments as an example for us. This distancing is spelled out in the letter from the Presidium of the CPCZ Central Committee, which was read in Party aktivs during July and August of this year. Whereas this distancing is entirely public as far as Poland and Hungary are concerned, against the Soviet policy this process is more circumspect and for the time being conducted more or less internally. Although in the above mentioned TRIBUNA No 34 there appeared an article which quite sharply takes to task the bourgeois and revisionist views of Dzengiz Ajmatov, member of the CPSU Central Committee and deputy to the Supreme Soviet, whom the author dares to brand "a communist in quotation marks". If this trend continues, and everything so far points to it, it will put even more of a stress on mutual

relations. Differences that were thus far hidden inevitably will come into the open and that will only bring closer the moment when even the official Soviet leadership will condemn the 1968 intervention, which would totally isolate our normalizers in the international political arena. It is not by chance that this year there did not appear a single article which would publicly defend the 1968 intervention. That could not escape even the CPCZ leadership, no matter what we think about it. It must have taken note of the highly interesting interview with Jiri Hanzelka, published, together with the photograph of his young face, in IZVESTIA only a week before the 21th August of this year. Jiri Hanzelka was invited by a letter from the editorial board of the newspaper for an exclusive interview, which at first he declined. He cited two events as his reason: first, that already in 1968 he made a vow not to visit the Soviet Union until the USSR denounces the August intervention. And second, that some time ago his passport was taken away from him and he doubts that the Czechoslovak authorities will give it to him. The response was surprisingly prompt. It seems that the point was precisely a discussion in connection with a reevaluating of the Soviet intervention in Czechoslovkia; and at the same time he was personally given a passport and visa for this trip to the Soviet Union by a deputy of the Soviet embassy in Prague

R.: I still do not understand, however, what the CPCZ leadership hopes to achieve by this policy. It cannot possibly be deluding itself that it can achieve a reversal in the Soviet policy?

P.: It seems that first and foremost it wants to gain time, to withstand the first and perhaps even the second assault of rushing events, so that it may be able to reestablish itself in the upcoming congress, so that by adopting a new constitution it can again establish its claim to a monopolistic status and thus revive its uncomfortably withering legitimacy, which it must have to continue governing before the eyes of the domestic and international public.

R.: Although the way you describe our immediate future sounds realistic, nevertheless it is not a very encouraging prospect. Our public keeps getting more impatient because it does not see any concrete results of the restructuring policy.

P.: Some things are being done for restructuring, but you are right, it is damned little, and that only at the administrative-technocratic level. The legislative measures to ensure the restructuring of the economic mechanism are also being formulated very slowly, and I do not even talk about the quality of the planned documents. Compared to what was achieved in 1968, what will stand out particularly will be the foot dragging and incompetence of the current leadership. At that time, the Action Program of the CPCZ was adopted and defined at all levels, within the framework of national reconciliation the judicial rehabilitation of citizens illegally prosecuted in the fifties was successfully taking place, the parliament discussed the law on rehabilitation of people prosecuted outside the courts within the framework of permanent cadre purges during the same period, a new government was formed, the Czech National Council was elected, a law on enterprise was worked out, the Work Code and the Labor Union Code were amended, a new program of the Party was worked out, delegates to the extraordinary Party congress, called for the fall of 1968, elected, etc. I only mention these things at random, to make it clear that the current Party leadership in no way accomplished in the 4 years of restructuring what Dubcek's leadership accomplished in a few months. And I am not even comparing the substance aspect of the matter.

R.: I admit that even this partial comparison sounds very convincing. The official propaganda has succeeded during the past 20 years in piling up on those 8 months of the Prague Spring so many lies that these facts were as if forgotten. Just let us remember last year's campaign, whose theme was that Dubcek's leadership did not succeed in 3 whole months beginning January 1968 to prepare a program of political renewal. In reality, there was much work accomplished in a very short time. How to explain it?

P.: The answer to that is quite easy. The main and deciding precondition was a real freedom of the press, which gave the objectives of the reformers almost instantly a considerable credibility and to the entire process of change the needed dynamism. It ensured in a very short time a mass support by the general public and the young people for the new policy. At that time the policy of the Czechoslovak Communist Party was so appealing and its representatives so popular, that if completely free elections had been held then, the Communist Party could have been certain to count on an absolute victory. After all, public opinion surveys confirmed that unequivocally.

R.: Today, of course, the result would be quite different.

P.: They know it. But I would like to return once more to the freedom of expression or the policy of glasnost, which I do not consider as identical with a real and full freedom of expression. But even in the Soviet Union it was the policy of glasnost which was the basis and precondition for the changes being implemented, and also their main guarantee. There is a direct relationship between glasnost and the pace of the changes. The more glasnost there is, the more changes—and vice versa. There is no glasnost here, and therefore also no confidence in changes.

R.: Glasnost would immediately turn against today's leadership. It would have to say its goodbyes immediately or else nip it in the bud.

P.: Certainly. Freedom of expression even in a limited form of glasnost also means a real dialogue, which would not be restricted only to those with whom the Party leadership would be condescendingly willing to conduct it. It would be a dialogue with all citizens' groups and forces in the country who would sign on for such a constructive dialogue. And that is unthinkable today,

because this leadership, although it does not refuse a "dialogue" in words, it will engage in one only with those whom it chooses, at a time of its own choosing, and on a topic which it determines. It is in favor of glasnost, too, but under a strict control from above. We are talking about some refined propaganda of the official party policy, camouflaged as a discussion. And who does not agree with that and is not ready to submit, shall go to jail according to the slogan: we shall not allow the republic to be subverted! Because that is how they interpret the restructuring and democratization of the dictatorship's monstrous creature.

R.: This just confirms the bleakness of our situation and our prospects.

P.: I did not mean to do that, I just wanted to point out what the situation is like, which is not at all rosy. Even though the policy of the leadership continues to be a sort of amalgam of the fashionable vocabulary of restructuring and the entirely tried and true Stalinist and Breznevist methods, still, it does not mean that this leadership is here forever. Fortunately, what is going to happen does not depend solely on it, there are much more important counterforces here, domestic as well as international, and a confrontation with them will be sooner or later unavoidable. Even today, this antagonistic development is manifested in the ever growing isolation of the Czechoslovak leadership, not only within the framework of the entire international community but also within the Soviet bloc. At issue are not only the growing differences of an ideological nature, but also specific questions of human rights and their interpretation, attitude toward the Prague Spring and its representatives, attitude toward the events in China or to the question of refugees from GDR to the FRG, etc. The Party leadership can have various things in mind, but can it succeed on its own? Developments in the world are now so swift that their face changes "from day to day" and that cannot remain without an impact on our situation. It is hard, therefore, to predict what will happen. It is, of course, easier to make a prognosis during the time of inertia than it is when history is overwhelming us like an avalanche. Our hope is precisely in these changes, which we have to follow carefuly and make use of them. Time is now again somewhat more in our favor than for the reactionaries of all stripes.

R.: To conclude, I would like to go back to the declaration "Several Sentences". What do you think of this document and its repercussions here?

P.: I am glad that you asked this, because most of what we have been talking about here very much applies to the reaction of the leadership to this document. First of all, the Party in its inner circle evaluated this document as being very cunning, because it is very well written, actually it was said that six out of the seven demands contained in the document could have been signed by many a worker of the Party apparat, and particularly disturbing was the number of signatories and many well-known artists who are now said to be daring beyond what is allowable, and therefore it was decided to put a stop to it at all costs, by any means, as it is stated in a letter of the Party presidium to basic organizations. Furthermore, the leadership decided to initiate a broadly based campaign against this document of an allegedly unimportant group of isolated individuals, and for 2 whole months had on its agenda in Party aktivs and meetings primarily and exclusively these unimportant and isolated individuals. Even resolutions on R&D from the latest, 14th Plenum of the CPCZ Central Committee, had to yield to this campaign. The opposition groups thus forced the Party, with all its power, to turn its attention to real internal political questions and to actually enhance the importance of the opposition. It was in no way a convincing proof of self-confidence and strength of the CPCZ, if it once again allowed itself to be "rattled". Simply, the Party accepted the document "Several Sentences" as a challenge, and in doing so unwittingly acknowledged that even though it has the police and the army at its disposal, it does not have enough natural authority and influence to stop the constantly growing opposition movement. By its attitude it contributed greatly to the fact that "Several Sentences" found much broader interest and support than a mere signature count could achieve. Particularly if we consider that just the mere act of gathering them became a enormously risky matter for which people have already been persecuted and some are in prison. Under these circumstances, 20,000 names have a value many times greater.

Prague Spring Leader on Events in Eastern Europe

90EC0102A Rome LISTY in Czech
No 5, Oct 89 pp 56-59

[Article in the bimonthly "publication of the Czechoslovak socialist opposition": "Ota Sik Talks With the Austrian Journal TREND"]

[Text] [TREND] After the surprising election of the first noncommunist prime minister in 40 years in Poland, Tadeusz Mazowiecki went into seclusion for a few days in order to think things through in peace. What advice would you give him?

[Sik] I think that he must gain the trust of workers and broad strata of the population for the policy of the new government. He must tell them frankly that it is not possible to make basic changes in the course of one year. And that each demand for immediate improvement, strikes for higher wages, etc., may cause the entire experiment to founder and lead to another dictatorship. He must have the courage to tell people that if they wish to have prosperity, such as in the FRG or the USA, it cannot be achieved by strikes but by enterpreneurship and better work.

[TREND] Talking about blood, sweat, and tears is nothing new for the Polish people.

[Sik] It is not a matter of words. The reformers must support everything that can quickly improve the availability of consumer goods. In the first place, agriculture.

In Poland there are mainly independent farmers, but they lack everything they would need for more efficient production.

[TREND] "They talk about threshing machines, but in the meantime they do not have scythes." as Lech Walesa points out.

[Sik] Yes, they lack tools, machinery, fertilizers, seeds, simply everything. Gorbachev, too, must pay the strictest attention to agriculture. Food is the most important thing that has to fill the empty shelves.

[TREND] Gorbachev has already tried to overcome the kolchoz misery with a law, according to which it should be possible for independent farmers to lease land.

[Sik] However, low-level bureaucrats simply sabotage this. They offer the poorest kind of land to the farmers, and they do not provide them with seeds, fertilizers, tools, or draught horses. These bureaucrats must first be overcome so that changes can actually occur. The second matter, to which I would pay attention, is housing. That is precisely the way how to reduce excessive purchasing power. And also by those measures which the reformers have already been implementing: joint ventures, attracting foreign capital into the country, expanding the infrastructure, training new managers, etc. The most important thing, however, is a reform of the distorted price structure. Many prices do not even cover the production costs. And without free market prices the market mechanism will not begin to function.

[TREND] Thus far the most politically dangerous route for all East European reformers has been to abandon the decades-long practice of setting prices that had no relation to real costs. In Poland the decontrol of prices lead to price increases of up to 500 percent and store shelves still are not filled with goods.

[Sik] Naturally, all prices cannot become free in one day. That is what the Yugoslavs did, and they unleashed an enormous, endless inflation. The decontrol of prices will lead to higher prices, because in all "socialist" countries there is an enormous surplus of purchasing power in contrast to the existing availability of goods. Price increases then lead to wage increases, which then leads to further price increases—and so on ad infinitum.

[TREND] How would have Ota Sik accomplished in 1968 the change-over to true market prices?

[Sik] Every reformist leadership has to deal with this price explosion. We calculated wholesale prices with the help of a computer model, and we wanted to create three categories of prices: free market prices, limited prices, and also fixed prices, for example for the most important foodstuffs. The goal was—to support competitiveness, gradually overcome monopolization, achieve a greater availability of goods of better quality, while at the same time keep expanding the range of free prices.

[TREND] How many years did you expect this transition period to last?

[Sik] We wanted to reach within 5-7 years such a structure of costs and products that would have enabled us to achieve competitiveness on foreign markets, and thus create a basis for currency convertibility.

[TREND] In the Soviet Union, Mikhail Gorbachev has not yet dared to implement a radical, but highly unpopular, price reform. Most likely so that he would not endanger perestroika. How long will it take, in your view, before that cold wind will set those crippled Soviet enterprises into motion?

[Sik] About 15 years, in my judgement. It will take at least 5 years before the sellers' market will change into a buyers' market. Simultaneously with the decontrol of prices the subsidies to enterprises would have to be dismantled and pressure to make profits created. Enterprises which would continue to be unprofitable will go into bankruptcy.

[TREND] Perestroika has really not yet achieved much in the economic sphere. While on one hand old taboos are being broken, such as the subject of the Hitler and Stalin pact recently, in the economic sphere they are afraid, for example, to carry out the reprivatization of agriculture.

[Sik] Unfortunately, that attests to the fact that too many dogmatic forces still have influence in the Party.

[TREND] Do you consider Gorbachev to be an advocate of market economy?

[Sik] I think that he sees the deficiencies of the old system, that he sees the necessity for fundamental reforms. But whether he will go as far as is necessary, that I do not know. I do not know if he sees the necessity of a pluralistic democratic system and a market mechanism in the economy. In the official Soviet documents and resolutions which have been adopted, there is no mention of the need for a market mechanism. In the whole concept there is a lack of a clear formulation of the key problems, how the sellers' market, where the seller is king and the consumer subordinate, can be converted into a buyers' market.

[TREND] Do you think that he wants to avoid a fundamental criticism of the system?

[Sik] I am of the opinion that the Marxist-Leninist concept of socialism simply failed totally and is not viable. Criticism must reach to the very roots of Marxist theory and must not stop with Stalin.

[TREND] Soviet reform economists refer in part to Lenin's new economic policy at the beginning of the twenties, which once more allowed private entrepreneurship. It opened up the country economically to the outside world, and even introduced convertible gold based currency. The picture of Lenin as the first market economist, as the Soviet economists are currently painting himis that historically supportable?

[Sik] Lenin is being idealized, and people do not see that it was he who laid the foundations for the actual economic and political development. For the political system of one party, for the total elimination of competitiveness between equally positioned parties and thus also of true democratic liberties. Lenin pushed this through with brutality and force. It simply is not true, as is often claimed, that he changed his original view of socialism. He merely noticed that Marx's concept of an barter economy without the use of money cannot function in the transition to socialism.

[TREND] Karl Marx is said to have expressed only very vaguely what is supposed to come after capitalism, and talked about a "free association of producers".

[Sik] In one of his latest works, Marx advanced the opinion that immediately after seizing power and expropriating the capitalists, market relations will no longer exist, and in their place there will be commodity planning and distribution of goods without the use of money. Stalin then, as the practitioner, saw that even in a socialist economy money cannot be eliminated. But he eliminated the market mechanism. He did away with market prices and let them be set administratively from the center, destroying all competitiveness. That led to total monopolization and bureaucratization, to a command system of giving orders from above with all that it entails: no private initiative in enterprises, no interest in a flexible adaptation to the structure of demand, no market pressure to be economical.

[TREND] Today we are looking at the absolute bankruptcy of the planned economy system. Everywhere where it was introduced, be it in Cuba or Vietnam or Mongolia, or in the highly developed countries like Germany or Czechoslovakia, it produced shortages. What, in your view, is the reason why Marxism-Leninism failed?

[Sik] I believe that the basic reason is that Marxism lacks the whole sphere of the individual: individual interests, incentives, motivation. It talks only about great historic laws, but fails to take into account how people actually behave. Marxism is built on the premise that some rationally accepted views about economic development can be transmuted into motivation. But I am of the opinion that people will always endeavor to achieve their individual priorities. They will try to gain the most income for the least effort. Marxism completely missed this point. Optimal economic growth must be the result of the individual initiative of millions of people. That cannot be replaced by any bureaucratic agency. In the market economy, however, this is what enterprises will face: who puts in less effort, is lazy, and sleeps through the innovative process, will simply be unprofitable and in the end the enterprise will be liquidated.

[TREND] In your main works you outlined the concept of a third approach, of a socialist market economy which can function only under democratic conditions and can be introduced only by the decision of the majority. But at present, in Hungary, not even mentioning Poland, the Communist parties will not achieve a majority even if they are democratically oriented and are trying for a market economy.

[Sik] The situation today is more difficult than in 1968. At that time we had the majority of citizens enthusiastically on our side when we talked about pluralism and economic reform. At that time it would never have occurred to me that a reformed Communist Party would fail in democratic elections. Today the situation in Poland is different.

[TREND] Can the reform in Eastern Europe under the current conditions lead to something else than a return to capitalism?

[Sik] I am convinced that in Hungary the active economists think in approximately the same direction as I do.

[TREND] In your concept of the "third way" you aim fo"a profound democratization and humanization of the economy", for "overcoming the conflict between wage and profit interests", and for "linking together the plan and the market". How is that to be achieved?

[Sik] First, through the participation of workers in enterprises (universal participation). Second, through macroeconomic planning. I consider the sharing by employees in the enterprise capital to be an evolving process which is beginning to be used more and more often in the West. It became obvious that alienated, only wage-oriented workers without any responsibility or interest in the enterprise are not an optimal production factor. I think it will be precisely the strong technological progress in the West that will lead to an ever greater employee participation. Competence and involvement of workers will be more important than material capital. In Silicon Valley, where the new technology is being developed, many associations can be found. I think that "associations of employees" will become universal. And I consider macroplanning essential. I am not talking about the Marxist concept of planning, but about something like framework planning: how do we wish to live?

[TREND] And the market lacks a plan for that?

[Sik] There is no substitute for a market mechanism in the microsphere. But the market mechanism does not say anything about the large-scale, long-term developmental trends, about the question: where does the road lead, where does society want to go.

[TREND] Can you imagine an association of employees as heirs to the decades-long command economy in Eastern Europe?

[Sik] I believe that a favorable situation offering a point of departure now exists. Large state-owned enterprises can be turned into corporations, and that way also a capital market can be created. Privatization and liberalization should go hand in hand with a specially arranged sale of shares to workers. At least half of the shares should be in the hands of employees. And I also plead for

the right to vote according to people, not capital, in the corporations. The point would be to balance capital and work interests. That would make it possible to prevent the old struggle between work and capital.

[TREND] You do not see the danger in this concept that directors elected by employees would be reluctant to implement such measures that would benefit the enterprise but would be disadvantageous to the employees, such as, for example, drastic modernization and dismissals?

[Sik] I believe that under the market mechanism the employees would sooner or later realize that by having at the top popular people who do not dare to implement structural changes, the enterprise could be destroyed. More so, when there would be no one to keep the enterprise artificially alive by subsidies.

[TREND] It is not politically easy, of course, to eliminate subsidies even in the Western market economies. Did not the experiences in Yugoslavia show us that enterprises are more afraid of efficiency than of failure?

[Sik] It is certainly the case in Yugoslavia that all enterprises are protected from liquidation by subsidies, and weak enterprises are lead by popular managers. That is a manifestation of the absurdity of the Yugoslav way. They fought against etatism, but in reality they introduced etatism of the individual republics, where the governments of those republics protect their enterprises against competitive pressure from the rest of the republics. They do not allow enough goods from the other republics to come to their market, and they subsidize enterprises in order to prevent unemployment. That is, of course, a glaring antithesis of market mechanism. An absolute undermining of market pressures. The behavior of enterprises can be changed only by competitive pressure, not by protectionism.

[TREND] All attempts at reform in Eastern Europe, leading toward the return of capitalism or to the third way, depend on the success of the Soviet perestroika. But what if Gorbachev fails?

[Sik] It must be realized that in the Soviet Union a smart person arrived at its head, not just by chance, to reform the system. Somebody had to come, after all. The old system could now be maintained only by military power. But with the stagnating economy, it became more and more difficult to keep in step with the USA in military competition. The USA spends 6 percent of its national income on the military, the Soviet Union spends 15 percent while it has a much lower per capita national income. To keep up with the arms race, the standard of living would absolutely have to be lowered. If dogmatic forces would again come to power, the way out of this dilemma might be looked for in an armed conflict, perhaps even in a world war.

[TREND] Do you think there is a possibility that perestroika will fail?

[Sik] I am convinced that one way or the other the development toward a market mechanism and democratic pluralism will come about. Something has been put into motion that cannot be reversed very easily. The more information the masses of people get, the more impossible it will be to continue keeping them in Stalinist chains.

[TREND] Does that apply also to your former country?

[Sik] Yes, the system in the CSSR or in the GDR cannot endure forever. To my mind, we are talking only about temporary paralysis.

[TREND] In your latest work you pursue the convergence theory, according to which capitalism and socialism will be coming closer and closer to each other. Is there, in view of the failure of the planned economy, still a possibility of such a development?

[Sik] I think that there will be a convergence of a different kind. By implementing worker participation in the West, which can also happen in the East.

[TREND] And in the end the systems will meet?

[Sik] They will be very close.

[TREND] We thank you for talking with us, Professor.

Slovakia's Long-Term Social, Economic Prospects Evaluated

90EC0094A Prague NOVA MYSL in Slovak No 10, Oct 89 pp 40-46

[Article by Jozef Markus: "Social-Economic Development of SSR [Soviet Socialist Republic] in Prognosis"]

[Text] Internal as well as external factors and linkages are objectively pushing to the forefront complex strategic and conceptual questions of the SSR's development, issues of its future trends. It is in this context that the results of forecast studies in Slovakia—undertaken in a working relationship with forecast studies on the CSSR and CSR level—are understandably encountering considerable social interest.[1]

On the other hand, work on a long-term national forecast makes us realize that it is precisely because of the turns and qualitative changes in the present and future world trends—which will open up possibilities and opportunities for us, but also put obstacles in our way and raise demanding challenges—that we need a clear concept of development and a well thought-out strategy. True, forecasts and other conceptual studies are not the end but rather the beginning and just one step on a small country's passage to a long-term future; on this beginning must build a creative and active search, both internal and external, and especially action leading to a flexible utilization of development opportunities and vigorous warding off of developmental threats and dangers.

The international environment and conditions for the next 20 years of our development are favorable from many relevant points of view. Let us note first of all the process of a radical social restructuring in the USSR and

many other socialist countries linked with a restructuring of relations within the socialist community, as well as the interest of advanced capitalist states in cooperation with socialist countries. But let us add quickly that the "advantageous" external environment during the forecast period will at the same time mean an unusual rise in its demands, and the definitive loss of "soft" external markets.

In these conditions the SSR (as well as the CSSR) is entering the future years and decades with a structural as well as general tilt toward economic imbalance, and with the necessity of overcoming it. This necessity stems from the transition of advanced states to a higher level of development. Only a "breakthrough" transition to the new (intensive) logic of social-economic movement will enable us to reconnect with the most advanced world trends and on this basis make effective choices of the tendencies and trends in modern civilization in accordance with our own possibilities and preferences (avoiding, as much as possible, the faults and many negative phenomena we can observe and study in advanced capitalist countries).

The SSR (as well as the CSSR) thus faces a fundamental structural reorientation, a profound change in the social-economic structures and the logic that led to their formation. This is a social "surgery" never undertaken in any country easily and without conflict and which in the SSR's conditions may in the beginning temporarily aggravate some of the imbalances. But at the same time it must—assuming a combined creativity and decisiveness in tackling key social problems—shape the social-economic forces capable of restoring balance on a higher level. Otherwise, putting off the "surgery" may lead (as has already happened in some socialist countries) to a blind alley: a deep imbalance renders impossible the start of economic reform, absence of this start renders impossible solution of the causes of the imbalance, all of which leads to a loss of faith in the possibility of a positive turnaround.

In the summary forecast of SSR development we paid attention to the problems of the proposed qualitative transition to a new development logic especially through the prism of the interaction of political, economic, cultural, scientific-technical and social processes. Let us say up front that in the present development logic the mutual linkages and interactions among these core spheres of social development are not adequately positioned.

During the forecast period the SSR is faced with a demanding change in the overall approach to social development connected with a choice of the direction in development, a matter of decisive importance. The basic purpose of forecasting in this state of affairs is to assist in the choice. Of course it is not for the forecasters to make this choice, yet they offer a scientific foundation and impulse for it.

Qualitative Changes in the Structure of Socioeconomic Trends

Instead of the traditional "heavy" industrial structures and trends sustaining their formation, the advanced world is adopting new "lightened" information technologies and structures, with mechanisms to establish them. These new structures and mechanisms generate processes both in the economy and society for which we use the term of multiple "i's." In addition to information as cited above, it is intellectualization, individualization (in a contradictory fashion promoted as a unity of differentation and socialization, homogenization), a new qualitative level of internationalization, further also intensification of the capital renewal process on the basis of a qualitatively higher level of innovation, as well as fostering inventiveness and innovation throughout society.

It is a consequence of the new great change in the process of social division of labor, in which the creation and distribution of information not only has become relatively independent but also begun to play a decisive role from the point of view of overall civilization trends and general production of goods and services. Information and mixed activities[2] determine the country's standing in about the same way the activities of mass production industries determined it the age which is now "going out." Key activities are ceasing to be (though "only" in terms of a prevailing tendency) those directly connected with production and their place is taken by activities traditionally termed as preproduction and postproduction activities.

In economic as well as social and human terms the most important is the gradual abandonment of the industrial logic and industrial development stages, leading to the substitution of "mind" for mass, replacing energy and materials inputs with the results of research and development. Here we have a fundamental turn away from a "material-centered" to "human-centered" logic of the development process, from favoring investment in the material requirements of production to priority investment in the people, from uniformity and passive discipline to ingenuity and creativeness, from a technology approaching man from the outside and forcing upon him a predetermined work rhythm to a technology frequently embodying his own creativity, offering opportunities for a practical application and further enrichment of the intellect.[3]

The very effort to overcome industrial structures and traditions is for Czechoslovakia a historically more demanding, more complicated and "bulkier" problem than for many other countries. It is not merely a problem of the so-called material proportions and structures but very prominently also a problem of social relations impacting on the interests and fate of many of the CSSR's citizens. Yet at the same time this is an objective need, indeed from a long-term point of view a virtual necessity to abandon deeply entrenched structures, mechanisms and methods of the so-called extensive stage of socialist building. For the SSR this obligation emerges in a different and from a certain point of view even sharper focus than for the CSR.

As we approach the task of moving beyond the industrialization stage and industrial logic of Slovakia's development we bump up against the fact that the socialist industrialization of this land represents one of the most

successful chapters in the nation's history, having brought an end to Slovakia's backwardness. One can rightly speak of the fresh memory and generational connectedness between socialist industrialization and present-day Slovakia, as also of the undeniable connection between the bulk of the managing structures and industrial decisionmaking, acting, way of resolving problems.

The arguments put forward in the forecast studies highlight the untenability of industrial logic for the further development of Slovakia, as well as the dangers flowing from the specific historical fusion of this development logic with a system of planning and management based on administrative direction and branch concept. If we continue to keep and cling to the logic of this trend Slovakia will be threatened by falling back, as was typical of nonindustrial countries in the period of the industrial revolution. At the same time, overcoming such a newly emergent trend toward Slovakia's falling behind cannot be done in the same manner as its industrialization was carried out. That would lead to preservation of the lag.

It turns out that the key role in the formation of a new quality in the reproduction process, as seen from the point of view of production forces, has been played by the computer breakthrough and the information technologies based on it. In the coming decades efficiency growth in the production sphere (in the narrower sense of the word) will depend ever more on the expansion of service activities in general and the development of R&D, software and other activities in particular. This is because the changing character of social production in general and within it especially a growing differentiation, even individualization of products and services is reflected in the need for broader and faster inputs of a research, developmental (including software) and other (for the most part information) character. Within the tertiary [services] sphere the focus of development will unquestionably shift to activities involving the creation, storage and transfer of information. A dynamic and dynamism-imparting tendency will be the expansion of information-communication activities and processes including development of a newly forming—or perhaps "reforming"—society's information infrastructure.[4]

Within the development context sketched out for Slovakia it follows that insofar as it will be able to maintain or earn the status of a country which, although small, nevertheless is relatively advanced (especially as regards the cultural, educational and R&D level), it will have prospects for joining in the international division of labor by its nonstandard, individualized products and services and—this is not just putting it figuratively—actually export brainpower, ingenuity, taste, capacity for an original technical as well as aesthetic design.[5] But for this it needs—and that applies fully and urgently also to the entire CSSR—an informational and metainformational hinterland sustained by the culture and values of society's underpinning and by a mechanism and political climate favorable to the growth of information activities, production based on brainwork and innovative spirit.

The so-called macroeconomics of informatizing our society is indeed conditioned primarily on social relations, mechanisms and politics, especially in two respects.

First, informatization of the Slovak as well as Czechoslovak society is possible only on condition of a parallel economic, cultural and human functional opening up to Europe and the world. It follows that the macroeconomics of informatization is in the international sphere tied up with profound changes in the entire social and economic practice, in the forms and instruments for exerting influence.

The other condition for the macroeconomics of informatization is internal in nature. Only citizens who develop initiative and an enterprising spirit in the flexibly adapting economic organizations (including change in the forms of socialist ownership) provide the environment, fertile ground and impulse for the development of informatization. Only in such conditions can informatization of the SSR bring to fruition its potentially truly vast and manifold social effects.

For Slovakia as a small country it is further essential that in connection with the growing importance of creating information it cannot even think of a frontal, "across the board" development of R&D activities (even large countries are now already specializing in research and development). But it cannot afford not to apply the results of worldwide research and development in the entire breadth and depth of social practice. The more (relatively) than the large countries it must build up two pillars of its information-communication system; basic research (to have a basic orientation about what is being done and is about to be done in world research, in order to acquire metainformation about which information from word research can be obtained and how it may be possible to join the R&D mainstream), and an information infrastructure—that is, a modern telecommunications network and various types of information services (so that information especially from world—but also domestic—science, technology, and trade become accessible quickly and reliably). Only when economic policy addresses these two pillars full-scale will it be possible also in the SSR to have information begin replacing energy, raw and other materials and help eliminate ecological dangers as well.

In connection with a new structure and quality of the reproduction process one also has to visualize phasing out the narrowly quantitative conceptions of methods and developmental solutions in the current predominantly extensive type of social-economic development. Slovakia's situation is moreover made more difficult by the fact that in many respects it must round out, also in quantitative terms, finish completion of its R&D, economic, social and cultural potential from the point of view of CSR-SSR relations as well as CSSR's relations vis-a-vis other countries. But the quantitative aspect of this task must not be allowed to predominate; on the contrary, it must become the basis for qualitative shifts

and changes. In this context we see the process of a social-economic equalization between the CSSR's national republics acquire a different dimension. Qualitative factors and linkages are moving to the forefront, especially the process of creating conditions for informatizing and intellectualizing the entire reproduction process in the SSR and raising the level of creativity in the nation's work output.

The complex of qualitative structural changes in the SSR which has been sketched out is connected with the new trend logic of shaping economic and social processes. This logic may be characterized briefly as a transition from administering to planning and management based on making use of social and economic interests and the motive forces of progress hidden in them; from command and instinctive regimentation of detail to unified state policies involving core spheres of society; from allocations and quest for allocations to competition already "built in" in the process of plan formulation; from management by branch authority to management emanating from local and regional authorities; from planned and directed objects to planning subjects; from a one-sided vertical plan method to a balanced system ex ante and ex post, vertically and horizontally linked interactions of planning participants and functional role of the economy and society (in this system planning and the market mechanism have mutually reinforcing roles in the process); from the prevailing uniformity of organization and ownership to a multiplicity of socialist forms of organization and ownership.

Human Potential of the SSR's Long-Term Development

At a time when the value of creative search (in social terms the broadest and deepest, the more valuable) which leads to innovation processes has increased enormously, the main "material" problem of the SSR's future development is actually a "personal" problem. This is the quality of the human individual and cultivation of his personality encompassing above all the shaping of his attitude to work and especially to quality and skilled work.

In understanding this issue there are both agreements and disagreements among Czechoslovak forecasters. Most agree that the future prospects lie in man, his intellect and character. They also agree that this is a latent and to date still insufficiently utilized development resource. But we see a rather substantial difference of opinion on the issue of how this latent development resource might be mobilized. According to one group's opinion it is a potential resource which can be mobilized rather quickly. The other group whose opinion we share sees the chances for mobilizing the SSR's (as also the CSSR's) "human reserve" in a much more contradictory light. This school of opinion based on a study of our human potential[6] sees its multifaceted diversity and the ways of its full utilization therefore as less smooth; it views them rather as full of obstacles. This contradictory assessment of the qualities of our human potential and prospects of engaging it for development purposes could be analyzed in greater detail. At least some attention should be given to the real skills of the population, the state of health and growing unsocialized groups of our population.

With special regard to the SSR's human potential, the contradictory assessment—as a unity of opportunities and obstacles—emerges even more prominently. The forecast studies have revealed things here and there, and from their findings we pick up only one, though perhaps the most important for the next 10-to-20-year period. It is that Slovakia will enter the period of transition from a predominantly extensive to a predominantly intensive type of development with relatively high population growth (especially in the 1990's), which is in marked contrast to all comparable (neighboring) countries. In itself this otherwise extremely important fact and factor may become an opportunity in the process of development.

Longer term contexts and consequences of the development process assume that the SSR will not postpone intensification processes or soften up intensification criteria in the sphere of employment. When these criteria are applied, utilization of the SSR's population upswell should be understood in the context of the socioeconomic trend pointing to intensification of the economy, in the context of facilitating consistent transition from extensity to intensify and from quantity to quality of growth. Entry of new strong yearly additions to the young workforce and citizens well prepared for the requirements and conditions of an informatized (and intellectualized) economy and society is again dependent on profound changes in the mechanisms and processes of cadre work, education, and social life in general.

Nature and Land in Long-Term Perspective

From a long-term point of view an intelligent use of nature and natural resources represents one of the most basic development strategies. Thus in this context also the SSR's development puts on current agenda the complex problem of ecologizing the reproduction process, problems of qualitatively higher forms of concern for natural and human environment, for the land.

Despite the undoubtedly complex present as well as future problems with environment it can be said that the SSR still has many—but, if present tendencies continue, increasingly fewer—natural landscapes and scenic gems whose relatively undisturbed condition makes them unique from a central European and even European point of view. So here we have the SSR's opportunity for developing tourist traffic and "offering renewable natural values." This opportunity for Slovakia is the greater as the demand for tourist accommodations and services in Europe will unquestionably be great in the future. One can reckon with long-term demand.

The attractiveness of this opportunity is bound up with our country's attraction to tourists (foreign as well as domestic), and this in turn to the relatively undisturbed condition of the landscape. Exceeding the capacity of specific localities and tourist facilities means disturbing the landscape and thus losing its

attractiveness. So this is a contradictory problem; its resolution and utilization of the beauty and potential of the Slovak landscape is possible only on the basis of considering the issue in its many aspects closely connecting professionalism with democratism.

True, the issue is not merely the landscape's charm for the casual visitor but also its attractiveness to the permanent resident. Here we confront primarily the problem of residential structures, of SSR's urbanization. From the forecast studies in the SSR we can draw the relevant conclusion that Slovakia has an opportunity to escape duplicating the concentration-deconcentration cycle of the advanced countries (concentration in the sense of urbanized settlement). From this follows that it is unnecessary (even harmful) for the center to support concentration tendencies (SSR towns have their natural attractiveness). Slovakia has its own relevant conditions and advantages to develop in the forecast period in the direction of an external as well as internal balance of its settlement pattern. It is a direction toward having the entire territory of Slovakia both urbanized and "rural" with a relatively undisturbed relationship to nature, forests, mountains, (living) streams, to the land's values and its own history embodied also in the structure and form of its settlement.

Footnotes

1. In late 1988 we saw completion of a synthesizing summary forecast of the SSR's development to the year 2010 and four so-called component or aspect forecasts: a forecast of the SSR's economic development, of its social development, of science development in the SSR, and of strategic interbranch trends in the SSR, all oriented toward the year 2010.

2. Mixed activities in the sense of not "purely" information activity but with a substantial or important information element.

3. "SSR Economic Development Forecast to the Year 2010. Concluding Synthesis." Bratislava, Economic Institute of the Slovak Academy of Sciences, 1988 pp 21-22.

4. The proposed differentiated model should also extend to understanding the process of society's tertiarization: within its limits the rapid growth and expansion does not involve all tertiary activities.

5. In many important sectors of the world market it is already now possible to make successful headway only in this fashion and by these "weapons."

6. The term "human potential" as such sometimes invites objections that it amounts to reducing man to a resource, a means of economic development. In fact, the term was coined in a man-centered, homocentric context and not in the context of reductionist economism.

POLAND

Michnik States Solidarity's Need for Differentiation

90EP0099B Warsaw GAZETA WYBORCZA in Polish 6-8 Oct 89 p 1

[Article by Adam Michnik: "A Trade Union Is No Longer Enough"]

[Text] The debate over the future of citizens' committees is entering a new phase. Its context has changed as well—it has already become perfectly obvious that the chairman of NSZZ Solidarity is not just the leader of one of the trade unions. Lech Walesa is a national leader whereas Solidarity is the movement of the entire nation. Nonetheless, the question regarding the institutional consequences arising from this continues to remain open. What does the Solidarity movement want to be? Does it want to be a political power solely in terms of a trade union or as a trade union, does it want to be the sole support of the OKP [Citizens' Parliamentary Club] and of Premier Mazowiecki? Or perhaps the moment has come to look for new forms of being? This concerns the controversy over citizens' committees which had formed all over Poland during the elections campaign and then disbanded by the decision of the KKW NSZZ Solidarity as institutions carrying the name of Solidarity. Today, under changed circumstances, the problem has returned. Lech Walesa places emphasis on the changed situation. "At that time," he states, "we wanted to adhere strictly to the decisions of the roundtable. However, today matters have gone further."

The controvery persists. Activists from union structures are expressing apprehension that the growth of citizens' committees will weaken the union. The other aspect of the controversy comes down to the questioning of the existence of Solidarity as a political entity. Within this context, Solidarity simply becomes a federation deprived of its own identity and one that embraces all socialists and National Democrats, Christian Democrats and agrarians, liberals and monarchists. This is how I understand the voices of those deputies and senators who after the elections announced that "Walesa's party" does not exist and that they are getting ready to form their own political representations in the Sejm.

I regard these opinions damaging, although, I am far from dramatizing the situation. In this chaos of words and concepts, I see phenomena invariably associated with growing democracy. I am only wondering what will triumph: democratic order or chaos? I believe that the creation of democratic order requires the formation of citizens' committees into a Solidarity citizens' movement. In my opinion, it lies in the interest of NSZZ Solidarity that prior to the elections to territorial self-government, a citizens' movement take shape which will be capable of transforming Poland in the spirit of the concept of Solidarity and under its banner. I am submitting this opinion for public consideration.

From the very beginning, since August of 1980, Solidarity had a dual character: it was a trade union and a social movement. Today, I maintain that the trade union formula is no longer sufficient. The Solidarity movement needs more differentiated institutions: a trade union and a citizens' movement. It is possible to ponder the shape of the interrelationship. It is difficult, however, to defend the argument that the movement, which reached for the mission of shaping the government, could confine itself to the formula of a trade union. A trade union that is to decide about everything can no longer be just a trade union. It will be an institution for everything: everything and nothing because it will do nothing well. The situation requires that political stipulations be articulated in the language of a political movement.

I do not believe that Solidarity is a federation of separate political options. I believe that it is a particular Polish synthesis of formerly competitive orientations; that it is a movement organically arising from Polish soil and the Polish struggle with a totalitarian system. The complex of Solidarity's principles is made up of Christian ethics and the undisguised bond with the values of the Catholic Church, the national tradition of the struggle for liberty, independence and tolerance; the undaunted struggle for social justice and the liberation of the working classes; for truth in the world of political conflicts and rationality in the world of economic decisions.

I contend that Solidarity is neither leftist nor rightist nor sociodemocratic or Christian democratic. Solidarity is a new movement impossible to understand or describe in the language of the political concepts of the Second Republic.

I also believe that it will be impossible to reconstruct the world of political divisions from a year ago. We have entered a period of the formation of divisions of a new kind that are appropriate to the age of posttotalitarian evolution. The democratic concept will collide with the longing for autocracy; the European concept with nationalistic provincialism; and an open society with a closed society. That is why, I believe that Poland needs a movement such as Solidarity.

ROMANIA

Economic Journal Comments on Nonaligned Conference

90EB0048A Bucharest REVISTA ECONOMICA in Romanian No 37, 15 Sep 89 pp 28-29

[Article by Florin Bonciu: "Increased Contribution To Solving Problems of the Modern World"]

[Text] International political life had a very important event on its agenda last week: the ninth high-level conference of nonaligned countries. The conference, which took place in Belgrade on 4-7 September, brought together 172 delegations comprised of representatives of the 102 member countries, among which 40 were at the level of heads of state and 12 were at the level of heads of governments, as well as delegations from certain countries, national liberation movements and international organizations with observer or invited status.

The ninth high-level conference of nonaligned countries has been included among the top international demonstrations, both by the broad participation brought on by the fact that the nonaligned movement currently includes more than two-thirds of the world's states, as well as by the world-reaching scope of its subject.

The dimension of and rise in the nonaligned movement are expressed by the fact that whereas at its creation on 1 September 1961 the movement united 25 states, the total member countries currently has reached 102, with the last country rallying to the movement being Venezuela (in 1989).

With regard to the agenda of the high-level conference discussions, among other subjects, it included the review of the current international situation and the role of the movement of the nonaligned countries in consolidating peace and security, in solving situations of conflict, in transforming detente into a lasting and global process, examining the economic situations of the world with a view to promoting the progress of the developing countries and of picking up the world economy, extending economic, social and cultural cooperation among the nonaligned countries and among all the developing countries. Priority in the subjects of the meeting—under the current complex and serious conditions of the international situation—was given to the ways to make the activity of the nonaligned states more dynamic, to overcome the difficulties felt within the movement.

Romania, which has been participating in the activities of the nonaligned movement since 1976 with permanent invited status, has given special attention to the work of the Belgrade conference, to the documents adopted and to the consensus achieved on the great problems on the agenda. As we know, Romania is consistently helping the developing nonaligned countries and is developing relations of close collaboration with these states, feeling that the nonaligned movement is one of the most important forces in the modern world. In this spirit, the message addressed to the Belgrade conference by President Nicolae Ceausescu reaffirming the principled positions of our party and state on the strategic goals of the nonaligned movement pointed out that just as until now "Romania will always be alongside the developing and nonaligned countries and will actively cooperate with these countries in achieving the goals to eliminate underdevelopment, to have the economic and social progress of each nation and in affirming the policy of understanding, collaboration and peace in the world more and more powerfully."

The discussions of the Belgrade conference brought out the correctness of the consistent policy of Romania and President Nicolae Ceausescu, powerfully reasserted in

the message mentioned, according to which the profound political, economic and social changes taking place in the world demand that there be a rise in the contribution of the nonaligned movement to the orientation of events in a positive direction, in consensus with the people's basic aspirations. This means firm and effective actions aimed at completely eliminating nuclear and chemical weapons and all weapons of mass destruction, substantially reducing the number of conventional weapons and military expenditures and rejecting the policy of force once and for all, putting out the hotbeds of tension and conflict, regulating the differences among states by peaceful means. Romania also feels that the nonaligned states, among which the overwhelming majority is represented by the small and medium-sized developing countries, are being called on to have their say more firmly in international life and to take decisive action for an equitable solution to the problem of the foreign debt and to eliminate underdevelopment and establish a new international economic order.

Proceeding from these realities, through the message of President Nicolae Ceausescu, Romania has powerfully emphasized: "Today more than ever the capacity of the nonaligned movement to take action and its power to exert a positive influence at the international level depend on strengthening the unity and solidarity of the nonaligned countries. Current international conditions demand that the nonaligned movement strengthen its anti-imperialist and anticolonialist nature, that it take action more forcefully and consistently to promote its basic goals—independence, social progress, and peace in the world."

The quintessence of Romania's position on the role of the nonaligned movement in the world of today, President Nicolae Ceausescu's message, disseminated as an official document of the ninth high-level conference of nonaligned countries, was received with particular interest, with a high evaluation from participants in the meeting. The report given during the plenary meeting brought out that the message strikingly expresses the main goals of the nonaligned movement. The appeal made by Romania's president to strengthen the unity and solidarity of the nonaligned countries and the movement's ability to take action evoked a lively response.

The vast problems of the discussions which took place during the meeting's 4 days, as well as the directions of action for the movement of the nonaligned countries for the next 3 years, are found in the documents adopted in the final session. Among other things, these documents refer to international security and disarmament, to the states of conflict in various regions of the world, decolonization, peaceful use of nuclear energy, international economic relations, international trade, changes in the area of science and technology, economic cooperation among the developing countries, the environment and industrialization.

Although the nonaligned movement groups together greatly differing countries with regard to size, level of development and social-political options, a situation which inevitably also generates a diversity of positions on one problem or another, one may feel that what prevailed at the Belgrade conference were the common interests of the participating countries, as is seen in the unified positions expressed in the final declaration and the other documents adopted.

Bearing in mind that, although the state of tension existing at the world level no longer is at a critical point, one still cannot speak of a stable peace, of fulfillment of the aspirations of all the peoples of liberty, independence and national identity. The final declaration adopted by the participants reiterates the urgently necessary nature of achieving complete disarmament, particularly in the area of weapons of mass destruction, with the very existence of mankind on this planet depending on it in the end. The simultaneous existence of enormous military expenditures and of poverty brings out the urgency of applying the concept of the relationship between disarmament and development in a specific form. Thus, during the discussions it was pointed out that the current course of preparing for war can only be seen as irrational and lacking in ethics, since amounts equal to the annual UNICEF budget are being wasted for arming every 4 hours. It is necessary that all countries, particularly the states having nuclear and conventional arsenals at their disposal, channel greater financial and human resources in the direction of development. The increasingly more insistent demands to take firm action in the direction of affirming a new way of thinking and a new means of treating and solving the major problems confronting our era above all have at their basis the fact that the people are more and more aware of the danger to survival represented by the course of preparing for nuclear conflict, the occupation of foreign territories and use of force, the flagrant inequalities both within nations as well as among them, poverty, starvation and the burden of debts.

At the same time the document shows that the economic situation in the overwhelming majority of developing countries, particularly the most poorly developed ones, "has deteriorated dramatically." Referring to this chapter, Robert Mugabe, president of the Republic of Zimbabwe and president of the nonaligned movement in the period since the previous meeting, firmly criticized the industrialized countries and the national financial institutions for the lack of progress in the "North-South dialogue." In turn, Janez Drnovsek, president of the Federated Socialist Republic of Yugoslavia and current president of the nonaligned movement, called on the industrialized countries to resort to "economic detente" along with "political detente" in the interest of a comprehensive peace. It was pointed out that in some parts of the world, development has reached a total stoppage and social tensions have been created which can lead to political conflicts. In many areas we are witness to a major imbalance in the world economy and to an absence of negotiations among the industrialized and developing countries. As a result, proceeding from the fact that the world economic situation today is particularly serious, particularly as a consequence of the continuation of the old imperialist policy of inequality and

oppression and an inequitable financial-monetary policy, it is necessary to intensify actions to eliminate underdevelopment and build a new international economic order based on new principles of full equality and equity, to stop the transfer of hard currency from the developing countries to the rich ones, to ensure just ratios between the prices of raw materials and those of the industrial products, to ensure the broad and unhindered access of all countries, particularly the developing countries, to the achievements of modern science and technology.

Under these circumstances the proposal formulated by Romania is proving to be particularly timely; it unites the consensus of the nonaligned countries on resuming the North-South economic dialogue and toward this end convening a conference under sponsorship of the United Nations, participating in which would be both the developing as well as developed countries under equal conditions, which would discuss all the problems connected with eliminating underdevelopment and establishing a new international economic order.

Both the conference as well as the documents adopted emphasized the need for having all states respect the principle of peaceful coexistence between states with different social-political systems as a basic condition for ensuring progress and peace in the world. In this context one notes the fact that Romania, as was pointed out in the Romanian president's message, decisively is coming out for categorical rejection of any forms of intervention which seek to change the social-political system in one country or another and any measures of economic restrictions in relations among states and of making the development of commercial exchanges and economic cooperation conditional upon certain changes in the political and economic structure of certain countries.

As far as ecological problems are concerned, the final declaration notes that the developed states have contributed to the greatest extent to seriously exacerbating the threat represented by deterioration of the environment; at the same time these states have the necessary resources and technology to cope with these problems. Environmental protection in the developing countries must be conceived as an integral part of the process of development.

The declaration also points out that elimination of colonialism and neocolonialism and the economic liberation of all peoples as a beginning condition, which is indispensable for maintaining and strengthening political independence, are continuing to be a priority task for the nonaligned movement. At the same time, proceeding from the fact that racism and discrimination are still being practiced in the world, the document condemns apartheid as a crime against humanity.

A separate point of the declaration is outlining the role of the United Nations as an irreplaceable means for placing international relations on a normal track, as well as for solving the problems now confronting mankind by political means.

Proceeding from the fact that the world today is emphasizing its multipolar nature, the nonaligned states are conscious of the need for increasing the effectiveness of the organization, of assuming an active and direct role in solving modern-day problems. In this regard, the current president of the movement feels that modernization of the nonaligned movement, a process already launched, will consist of a constant effort aimed at an objective evaluation of the changes being produced in the world and, at the same time, of initiating and stimulating new positive processes.

The final portion of the declaration sets the priorities for the future activity of the nonaligned movement, efforts in the direction of peace, disarmament and solutions of differences by peaceful means seeking effective solutions to the problems of international economic relations, aiding the struggle for the self-determination and independence of peoples still under colonial or foreign domination or occupation, environmental protection and strengthening of the UN's role.

The document on international security and disarmament affirms that eliminating any kinds of weapons, detente, respect for the goals and principles of the UN Charter, particularly the principles of sovereignty, independence, equality of rights, neutralization of force or threatening with force and the right to the people's economic and social development, eliminating colonialism, apartheid and other forms of racism are conditions of peace and security. Having a document from the conference reaffirm these principles is of particular importance, especially since nearly three decades ago these principles were placed at the very basis of the nonaligned movement called Pancea Sila [as published].

Another important document adopted at the close of the high-level conference of nonaligned states is the document on the world economy and international economic relations. This document shows that the current evolution of the world economy as well as worsening of the economic situation of the developing countries require measures and actions which can bring structural changes to international relations as well as establish a system which would permit the balanced growth of the world economy, primarily the faster progress of the backward countries. At the same time the document reaffirms the commitment of the nonaligned states to take action in the direction of establishing a new international economic order.

As is noted in the analysis of discussions and of the documents adopted by the ninth high-level conference of nonaligned countries, we find in the participants' speeches the major ideas of Romania's position on the nonaligned movement, as they were presented in President Nicolae Ceausescu's message. This fact is an eloquent confirmation of the correctness of the feelings of

our party and state leadership about the international situation, about the ways and means of action which must be adopted by the progressive forces throughout the world with a view to improving the international climate.

The complexity of the problems confronting the modern world and the fact that they are truly worldwide keenly require the participation of all states in solving them. Through common efforts, through strengthening their unity and solidarity, the nonaligned countries and the developing countries can make a valuable contribution to fulfilling the aspirations of all mankind for peace and progress.

YUGOSLAVIA

Reasons for Eclipse of LCY Examined

90EB0046A Zagreb VJESNIK in Serbo-Croatian
1 Oct 89 p 7

[Article by Radovan Stipetic: "Why Did They Become Extinct? The Dinosaurs Probably Became Extinct Because of a Solar Eclipse, While the Communists No Doubt Became Extinct Because of an Eclipse of Reason"]

[Text] Why did the dinosaurs become extinct? Unlike the historical world in which we live, the posthistorical world (you will soon find out what that is) has the will, the means and the energy to concern itself with the catastrophe that occurred as much as 65 million years ago, to solve the mystery of the disappearance of the enormous reptiles—the dinosaurs and similar creatures—who millions of years ago inhabited the earth in masses, but then vanished. Did they disappear instantaneously, so to speak, as the result of impact by a giant asteroid (which is what the catastrophic school of thought would like to prove), or was it gradual extinction over the course of many millions of years, owing to the gradual disappearance of suitable living conditions (as the evolutionists would have it)? Thus the interest shown by the rich and idle, who recently gathered in the Apennine village of Gola del Bottaccione in Italy. It is there that layers of rock were discovered that are 60 million years old, which means that they could contain clues—just as in any detective story—about the primeval death of the dinosaurs: Are the catastrophists right, or are the evolutionists?

For the time being, we do not know, because there is as yet no laboratory research that can corroborate either of the hypotheses. However, it is possible that the question is not even of interest to us, since we do not yet belong to a post-historical society. Posthistory, the latest exposition launched by Francis Fukuyama, vice director of the State Department's division for long-term policy planning, is the phase of human development in which liberal reason has triumphed; in which it has been realized that conflicts based on class, nationality, religion, etc. lead nowhere and serve no one, least of all those who instigate them; in which everyone's intellectual, economic, political, etc. freedom is guaranteed; a phase in which, in a word, there is no longer a conflict of class, nationality, religion, etc. to constitute the essence of history, meaning that there is no longer any history as such. Posthistory as a happy, secure, not eternal but nonetheless protracted, golden age of humanity, as personified by contemporary Western democracy, its kaetas aurea, an era in which happy and rich people live who, for example, even have occasion to concern themselves with academic questions such as the destruction of the dinosaurs 65 million years ago. All until, in the distant future, conflicts once again flare up because of reasons completely incomprehensible to us present-day people, and history once again begins to wind and unwind.

Future History

And we? We are not yet in future history, nor are we in the phase of posthistory in which some are momentarily reveling; we continue to trudge along with our former, current history of conflict and animosity, and that is part of the reason that we are not concerned with the posthistorical question of why the dinosaurs became extinct; rather, we are concerned with a thoroughly historical question: Why did the communists become extinct?

Why indeed?

Both in the case of the dinosaurs and in this disappearance, which is historically close to us, the two schools of thought are legitimate, both the catastrophic and the evolutionary. But if we are talking about the latter event, it would be more appropriate to speak of the involutist or devolutionist school. Catastrophists, in justifying their school of thought, could no doubt cite several recent examples, like the slaughter of a half million Indonesian communists in the mid-1960's, which was no doubt a catastrophe for them. But looking more widely and across a broader range of time since individual communist parties began to gain or be given power, the involutionists could come up with a considerably larger number of examples in defense of their school of thought. If the disappearance of the dinosaurs is to be explained by a total eclipse of the sun (caused by dense clouds of volcanic ash, which drastically cooled down the atmosphere, prompting a decline in plant life, their main source of food), then the disappearance of communists could also be attributed to another total eclipse: of reason.

After mentioning them, I will not deal in great depth with these eclipses at the dawn of real communism, meaning that communism that emerged from the cradle of an ideal secular utopia in an attempt to become reality in wielding practical power over people and things. The first eclipse of reason set in when the question of the further development of the October Revolution was raised. Instead of understanding it as a revolution which could, in their own interest, be followed by a period of peaceful, orderly and constructive work, the communists chose to spuriously perpetuate the revolution, either in

Leo Trotsky's expansionist variant of permanent revolution, which (fortunately) was not realized, or in Joseph Stalin's reductionist variant of the "building of socialism in one country," the variant that (unfortunately) was realized—leading to the death of millions and jeopardizing in the long term the prospects of socialism as a project for humanely transforming the world. That eclipse of reason also caused a further eclipse: the theory (also Stalin's) of "intensification of the class struggle" alongside the building of socialism. But if the class struggle is to be intensified, then new enemies must constantly be found, and if there are none, then they must be invented—which many imitators of the great teacher and self-proclaimed bringers of happiness to humanity later did, from Rakosi to Ceausescu, from Pol Pot to Ortega. And then, if the revolution is something that must endure, but its endurance is ensured by seeking out and destroying enemies, then the third eclipse of reason is inevitable, which is proving critically fatal to communist parties in the present age: the imperative to maintain power at any price, because without a monopoly on power there is no (fictitious) revolution, nor are there the (invented) enemies!

Obsessed with maintaining power at any price, regardless of the pressing needs of the state that they are ruling, it is historically unavoidable that communists must begin to lose that power—which is in fact happening, from Cambodia to the Adriatic, and beyond.

Disgrace

Let us look a little more closely at the question of why communists in this country became extinct.

Why indeed?

There is no need for a better example of their disappearance than last week's meeting of the Central Committee of the League of Communists of Yugoslavia [LCY], which even on cautious Zagreb television was termed "a disgrace." Not only do these people not know how to prepare for a political meeting; they also do not know how to conduct one, all the political science departments and party schools where they studied notwithstanding. Those who knew what they want are no longer communists (if the traditional value of that notion even means anything any more), and those who knew what they do not want could no longer be that for the same reason.

Specifically, if the principles that since time immemorial have been the bright side of the communist movement are defamed at that meeting and then, by a majority vote, rejected, then what sort of ties are there to communism? The disgrace continued after the meeting as well, at the so-called spontaneous rallies like the one in which employees of the "Radoje Dakic" plant in Titograd participated, who are otherwise regular participants in "popular events" and notorious for producing at a loss. Speaking at the rally, the president of the Central Committee of the League of Communists of Montenegro—as we saw on the television broadcasts but then did not read in the newspapers—compared those who did not agree with him at the earlier meeting with wild beasts, and then he encouraged the JNA [Yugoslav National Army] to get moving on imposing a state of emergency, offering the people before whom he was speaking as cannon fodder in the new civil war. Is there any further need to ask why communists have become extinct?

They became extinct first and foremost because the leadership of the LCY completely forgot about the actual historical goals of the workers movement, and thus of the communist parties that were (or were supposed to be) a part of it. Those goals are: to create socialist social relations in which, by extending the scope of democracy, the influence of the working people on the whole of social development (from political to economic, cultural, etc.) would be strengthened, as would their quality of life, their well-being.

From a political force for which this would have been its historical goal, the LCY over the course of time degenerated into a party ruling at any price, with all the baneful implications of that type of involution, such as: metastasis of the politocracy, for whom ensuring its privileged position is the only measure of the merits of political decisions; utter scorn for earlier historical ideals, which were sacrificed on the altar of power; and finally, the permeation of society with the regime of bureaucratized police control (so-called national defense and social self-defense) as a guarantee of the unassailability of the politocracy. Amidst this degeneration of everything, the rapid growth in the general crisis in recent years and the paralysis of the leadership confronted with it is not surprising. The LCY, which is no doubt the main culprit in the catastrophic worsening in the living conditions of the working people, has forgotten that it was born because of the struggle for the interests of those working people; by tolerating general warfare by everyone against his neighbor for the sake of politocratic privileges, the party has renounced its own historical functions. That is equivalent to an eclipse of reason, or to something even worse.

Feudal Wars

If the recent decades had witnessed concern with overcoming the economic crisis and opening up new opportunities for preserving and improving individual and social well-being, if, in other words, the LCY had concerned itself with that which is its historical mission, then it would not be possible to incite politocratic feudal wars under the guise of defending one's own nation. It would not be possible for the LCY—by invocations of national harmony, by homogenization of the nation around invented or overblown "enemy" problems, by pulling out of the historical storeroom pretexts and specters of ostensibly national proportions—to be usurped in one part of the country for nationalistic goals. Nor would it be possible that today the beneficiary of "one eye in the head" is preaching civil war, while the actual possessor of "two eyes in the head" knows exactly where all that would have to lead, even to armed battle,

which is "still not ruled out." What does this have to do with communism? Nothing. It has to do with his caricature, with national communism, but national communism has about the same relationship to communism that national socialism does to socialism. All of this is an eclipse of reason, or worse.

Besides the roar and fury of national communism, the new powers are concerned with their beloved game of changing the subject. The people of this state, alarmed by the national communist threats, are for the sake of their own legitimate defense engaging in activities that under better circumstances would perhaps not seem necessary (e.g., Slovenian insistence on consistently clinging to the right to self-determination, all the way to the right to secede, or Croatia's stubbornness in defending its own language as a fundamental basis for its national identity), for which they are declared separatists, while inflamed national communist passions manifest themselves to sole defenders of Yugoslavia and in its name even orchestrate joint armed forces.

Democratic centralism, the precondition for appropriate functioning by all political forces, aside from the sheer electoral model (as in the United States), is for the LCY the last straw of salvation in the face of ostensible confederalist and separatist threats, although democratic centralism, despite the automatic switch to the principle of "one man one vote," could scarcely be the means for gaining a majority at a time when national communist hegemony is already beginning to dominate the political sphere.

Instead of calling on the employees of "Radoje Dakic" to improve production, which could be their contribution to the common salvation of everyone, the beneficiary of "one eye in the head" offers them as gun fodder in the civil war that he is preaching. Instead of condemning the nationalistic passions in his midst, or at least distancing himself from them, the possessor of "two eyes in the head" does not demonstrate very much good taste; with self-satisfaction, he praises only his people as "great," which is why it has eternally liberated itself (as if others have not), announces sentences and imprisonment (even though he is not competent to do so), and whoever does not like it can expect armed conflict (because "even that is not ruled out"). Instead of understanding the federation as a joint institution with agreed and jointly established authorities, its body is orchestrated with the smooth-running mechanism of majority rule. Instead of bringing people together and encouraging them to live nicer and better lives, the communists sow dissension and quarrel in the eclipse of reason—indeed, in complete darkness, in which we can only expect the flash of long knives. Not posthistory, nor history—this is a story for prehistory.

And that is why they became extinct.

INTRABLOC AFFAIRS

Cooperation in Agricultural, Food-Processing Industries Detailed

90EG0039A East Berlin AUSSENWIRTSCHAFT in German No 43, 25 Oct 89 p 1

[Report issued in CEMA Press Release 55/89]

[Text] One of the most important elements of the CEMA countries' Collective Planning Program for international socialist division of labor for the years 1991 to 2005 is cooperation in the area of agricultural industry. It is oriented towards the accomplishment of strategic objectives: self-sufficiency of the CEMA community in basic foodstuffs on the basis of maximum exploitation of natural/climatic conditions and the economic and scientific potential of the CEMA countries, as well as the intensification of specialization and cooperation in the production of individual foodstuffs and mutual trade in them.

The scope of the intensification of cooperation being striven for extends from seed production, plant and animal protection, the accelerated development and application of biotechnology in agriculture and in the foodstuffs industry (one of the main thrusts of the Basic Program for Scientific and Technical Progress), and the mechanization of agriculture, to the utilization of agricultural products with minimal or no wastage by the food-processing industry and equipping the latter with modern technology.

It was noted in a press release by the CEMA Secretariat that between 1981 and 1987 some 37 varieties and hybrids that were the result of joint selective breeding efforts by agricultural installations were tested internationally in the CEMA countries. There are provisions to expand specialization of seed and plant stock production to 64 agricultural installations. The creation and utilization of gene pools in the CEMA countries is of the utmost importance for biotechnical research. The gene pool in the CEMA countries presently includes more than 700,000 different plant varieties. Intensification of cooperation in the collection, preservation, study, and utilization of plant genes is associated with the creation of an international center for plant genes. The creation of the "Agricultural Animal Gene Bank," an international information system, is also envisaged.

In the area of mechanization of agriculture, great importance accrues to improving the International Machinery System—including machinery systems for the production of grains, potatoes, sugar beets, vegetables, and livestock. In accordance with the agreement on ultilateral international specialization and cooperation in production and scientific and technical cooperation in the development of equipment and implements, mutual trade in agricultural equipment and implements amounted to 13,900 units during the period from 1981 to 1987. In addition to technology for large economic units, increasingly greater importance is being attached to technical support for small-scale producers (household agriculture/husbandry). More and more the full and efficient use of agricultural products, the preservation of their value, and the processing and distribution of them with minimal wastage, are receiving greater emphasis. The development and introduction of fundamentally new technologies involving no or minimal wastage is therefore one of the main thrusts of cooperation in the food-processing industry. More than 60 resource-saving technological processes for the processing of meat, vegetables, and fruit were developed or perfected in international cooperative efforts. Intensive work dealing with the wide use of enzymes in the canning, dairy, meat, candy, and baked goods industries is underway. The use of nutritional and flavor additives (amino acids, vitamins, antibiotics) is also seen as a promising direction.

At present, the CEMA countries fulfill 75-80 percent of their requirements for equipment for the foodstuffs industry through mutual trade. The Collective Planning Program provides for the expansion and intensification of scientific-technical and economic cooperation in the development and production of high-efficiency technology on the basis of specialization and cooperative effort. Complete lines of technology and automated rotor flow lines are involved in this, but so too are installations and systems utilizing robotics for loading, transport, and storage work, refrigeration technology, controlled-temperature motorized transport, and containers.

CZECHOSLOVAKIA

Economic Problems Similar for All CEMA Citizens

90EC0059D Prague HOSPODARSKE NOVINY in Czech 22 Sep 89 p 3

[Article by Yevgenij Gavrilov and Vitezslav Pilmaier, CEMA Secretariat, Moscow: "CEMA Economic Policies for the Citizens"]

[Text] An analysis of the citizens' living conditions carried out by the CEMA member countries led to many of them reinforcing the demand for a clearer social orientation of the economic policies. Now actions are being taken which should rapidly resolve social problems. The political will to put the primary emphasis on improving the people's living conditions and changes in the social and economic policies in a majority of the CEMA countries are creating suitable prerequisites for joining efforts and resources to resolve questions now facing all the countries of the socialist society.

In the 1980's the social development of a majority of the CEMA countries is taking place with a slowing down in the development of the population's standard of living. Where in the beginning years after a worsening of the external and domestic conditions for production (the end of the 70's to the beginning of the 80's) a number of those countries tried to preserve the earlier, relatively

high rate of increasing the standard of living, from the mid-1980's they were forced to slow the tempo down. In the second half of the 1980's economic difficulties began also to show up in the social sphere and there appeared a tangible tension with an intensification of the differences between the individual CEMA countries in carrying out their current social tasks.

Slower Social Development

Slowing down the rate of economic growth showed up in a worsening situation in the domestic markets and in services to the population. Inflationary tendances are appearing. Even more significant is the lagging behind in quality, technical level, reliability, and variety of consumer goods. Deficiencies in the organization of wholesaling and retailing and in the distribution of goods lead to great losses of free time for the population. A frequent phenomenon is also a doubling of prices for scarce types of goods, the use of freely exchangeable currencies in the national markets, and the organization of a shadow (black) market. The disproportion has deepened between the branches of the social infrastructure and the need for the development of production and the society. The lagging behind continues in the level of the material and technical base for health care, education, tourism, recreation, and sports. Communal services are at a low level. In some countries the securing or acquiring of independent housing for every family continues to be one of the most burning questions of social policies.

The situation which has arisen in slowing down the social development shows similar features in the majority of the CEMA countries. It concerns:

—Errors in the social and economic policies and in the management of the national economy.

—Incorrect choices in the directions of the future development of the economies as reflected in the plans. There is insufficient use of establishing national economic goals in connection with the intentions for the standard of living, which is expressed mainly by the degree to which the population's needs are satisfied.

—A slowing down in the growth rate and in a number of countries its stagnation or even reduction, which limits the sources for consumption funds.

—Insufficient utilization of R&D progress in continuing development of the economy which is costly in resources and an underrating of the necessity for structural restructuring and the development of the branches of the national economy connected with resolving social questions.

—Insufficient utilization of the goods to money relationship, deformations of value categories and their creation, violation of the principles of distribution in accordance with quantity and quality of work and material incentives, distortions of the ideas of social justice, and unjustified price increases in the domestic markets.

—Not utilizing the opportunities for mutual cooperation in resolving social questions and creating barriers in an attempt at achieving bilateral balances of trade.

It is obvious in this that the satisfaction of the population's needs in the countries of the socialist society is a complex problem today. In meeting these needs a number of difficulties of an objective and subjective nature appear. Choosing the most rational alternative for getting rid of these difficulties is a matter of the national social policies of each CEMA country. Of determining importance are the actual capabilities of the national economy, the economic level of development and the state of the economy, the changes expected in them in the future, and the appropriate managerial mechanism, but one should not forget about the possibility of mutual economic cooperation.

For Cooperation in the Nonmanufacturing Sphere

Proper utilization of international division of labor and coordinated cooperation are capable of ensuring better results even in the short term. It is therefore necessary to search also for a solution to the social orientation of the mutual cooperation, especially when the CEMA countries already have experience in the organization of mutual cooperation which is connected with satisfying the population's needs. Within the framework of the CEMA there was been a number of programs and agreements which have a social orientation approved. However, their actual contribution is not great. Cooperation does not create sufficient pressure for increasing production or expanding the inventory selection or the quality of the mutually supplied consumer goods. The situation is complicated by the fact that up until recently tasks of cooperation in the nonmanufacturing sphere have not been priority items for CEMA cooperation. It has therefore to date been somewhat subordinated to an effective resolution of the accumulated questions.

The main areas of cooperation by the CEMA member countries in the social sphere are laid out in the collective concept of international division of labor for the period 1991-2005. The tasks in the Comprehensive Program for R&D Progress by the CEMA Member Countries up to the Year 2000 are oriented toward achieving a forward position in this field. In connection with the task of strengthening the social orientation of cooperation of the above area requires further specification and laying out the main areas and primary measures to be taken.

The following areas whose solution must receive the unified efforts of the interested CEMA countries are among the most pressing tasks:

—Saturating the national markets with a broad spectrum of foodstuffs and consumer goods with regard to the needs of age groups and strata of the population.

—Renovation, modernization, and reconstruction of the departments which produce foodstuffs and consumer goods and the branches in the nonmanufacturing sphere,

along with providing them with technological equipment and high-quality raw materials and materiel.

—The development of health care, education, housing construction, tourism, and other branches of the social and cultural complex.

—Acceleration of information handling and the production of resources for it.

—The creation of conditions for the free movement of employees across national borders for work.

—The building of a system of continuous training and requalification of personnel, especially for the production of specialized products in one or several countries.

—A global solution to ecological questions.

One of the main reasons for the lagging development of practically all areas of cooperation by the CEMA countries in the social sphere is, however, the imperfections in the existing economic mechanism for cooperation, the limited arsenal of traditional forms and methods, and inadequate material and financial resources for many agreements and programs. The basic inadequacies of cooperation in the social field show up in the weak production and R&D cooperation on the basis of direct relationships and other modern forms of cooperation and in the dictatorship of the producer under conditions without competition. There is also a lack of economic incentives and initiative by enterprises in expanding production and exporting appropriate goods and services; pricing, foreign exchange financing and credit questions, and standardized legal documents have not been worked out; and as a practical matter there is no stimulating effect by the market.

There Are Already Opportunities Today

There should be a contribution to resolving these questions from an effective concept of restructuring the mechanism of multilateral cooperation by the CEMA countries being worked out at the present time. Of course, one cannot expect any extraordinary effect in the immediate future. Besides this, it should also be possible to proceed now with the formation of a new type of relationship in resolving questions in the social sphere. Another opportunity is to get rid of specific obstacles which prevent a more active utilization of the new forms of cooperation.

The creation of individual markets according to groups of goods, products, or territories will obviously precede a unified market of the interest CEMA countries. In connection with the position of strengthening the social orientation, there should be attention paid mainly to those groups of goods which satisfy the most important needs of the CEMA countries' populations and those which are chronically scarce. While keeping up the system of allocation, it would be rational to effect deliveries of goods over and above the allocation under conditions which arise as a consequence of supply and demand relationships in a world socialist market.

The activation of border and maritime area trade has a great importance in this regard. It can even result in the development of a trade network of trade houses, various types of trade transactions in domestic trade, the creation of an association of economic organizations in a border area, and the creation of forms of cooperative relationships in which the territorial proximity of partners has a substantial economic or technological significance. Special attention should also be paid to the creation of special economic or duty free zones within which it would be possible even at the current stage to work out many economic and organizational legal questions of cooperation by the interested countries while satisfying the needs of the population able to pay.

Among the methods of regulation by states and between states used at the present time which are directed at increasing the effectiveness of cooperation in resolving social questions there is, for example, the creation of national and international funds in national currency, convertible rubles, and freely exchangeable currencies on the basis of the degree of participation by the countries involved. These funds can be used to provide subsidies and support to national joint enterprises and international associations which produce food products, scarce consumer goods, medical equipment and pharmaceutical products, or work in the field of the construction industry. A council formed from the participants and their delegated representatives would be responsible for the effective utilization of this fund. The holder of the fund could be the International Investment Bank or some other bank agreed upon.

First-rate cooperation in solving the foodstuffs problem is particularly to the point. The basis for cooperation in this field could be an agreed-upon agricultural industry policy for the countries in the socialist society. It would differ from today's practices mainly in that it would not be the result of coordination of national programs and plans which have already been worked out, but the starting point for their determination with regard to the needs of the socialist society as a whole. Specific foodstuffs programs could be one of the means of implementing a coordinated agricultural policy, for example, programs for producing grain, vegetables, and fruit (with regard to the climatic conditions), individual outputs of livestock production, the production of dietetic and infants foodstuffs, and others.

In practically all the CEMA member countries it is possible also to observe a chronic shortage of high-quality mass consumption goods, including long-term use goods. The shortage is greatest in the household electronics group. Here it will be necessary to carry out correction of measures resulting from closed programs and to designate as priority items the products which are becoming the symbols of the modern standard of living: video equipment, personal computers, electronics and

equipment for the home. A necessary prerequisite here is likewise to gradually mutually open up the national markets (sometimes also not only mutually) and form a unified market for consumer goods. The CEMA countries even now already have certain opportunities, especially for short-term use goods, to introduce nonallocation trade and effectively develop border trade and direct trade through national trade companies to market partners.

The creation of international enterprises at various levels of financing, including the use of consumer credit which could introduce mass production of a new generation of passenger automobiles to satisfy the needs of the populations of all the CEMA countries, has no less importance. Such joint enterprises could, of course, also produce, for example, home furnishings, machinery and equipment for gardeners, sports equipment and outfitting, etc.

The material and technical base of all the CEMA countries is likewise weak in the social and cultural area, which is a consequence of the leftovers principle in allocating resources to its needs. This relates to the technical support of health care, education, cultural facilities, information services, construction and community management, clothing services for the populace, etc. The creation of mixed enterprises and companies with proportionate shares of capital and the formation of socialist concerns, consortiums, syndicates, etc. can also contribute to a rapid resolution of these questions. Such a socialist corporation, which would be based in one of the CEMA countries and whose task would be to ensure satisfaction of the needs for equipment with the appropriate features and technical level in all countries, can also include, in addition to the main enterprises and their branches in other countries, large R&D and design organizations, marketing, supply, and service organizations; marketing services, etc.

Because the spectrum of possible areas of cooperation here is sufficiently broad, there exists the danger of further globalism occurring which would in the end again lead to the most general declarations or to the approval of broad programs of an "all-inclusive" nature without regard to the actual material and financial capabilities of the country. It would therefore be effective to concentrate our attention on the preparation of a limited quantity of proposals which could be implemented rapidly enough to have an important social impact and real significance for the majority of the CEMA countries.

Problems of Correcting Retail Prices Relations Viewed

90EC0059B Prague HOSPODARSKE NOVINY in Czech 22 Sep 89 p 5

[Article by Eng Jan Zurek, Trade Research Institute, Prague: "The Possibilities for Changes in the Relationships of Retail Prices"]

[Text] Retail prices are a sensitive economic category about which differing opinions inevitably arise as to their role. From the aspect of theory and practice it is an open field. One of the possible approaches, a consideration touching mainly on structural questions connected with retail prices, is the subject of the following article. It reflects the views of an individual who in some areas supplements and in others differs from the views recently published in HOSPODARSKE NOVINY on the subject of retail prices. Confrontation between the individual currents of opinions is an essential prerequisite for responsible formation of the concept of future price development in the CSSR.

A comparison of the internal relationships of the retail prices of goods and services in the CSSR with the relationships in the mature market economies shows significant differences. Here foodstuffs and some important types of services—housing in state-owned apartments, energy, mass transportation, etc.—are cheap in relation to the prices of industrial goods (mainly durable consumer items). In the advanced capitalist countries it is the other way around.

The specific nature of price relationships in the CSSR, just as in the other socialist countries where the situation is similar, consists of the nonconceptually developing system of turnover taxes, including other grants. Foodstuffs and the above range of services are heavily subsidized and industrial goods or durable consumer items (automobiles, consumer electronics) and clothing items (textile products, shoes) are burdened by far above average rates of turnover tax. In the advanced capitalist countries the rates of indirect taxes are (with the exception of specific consumer taxes on alcohol, cigarettes, etc.) basically neutral in that the vast majority of the goods and services have the same tax rate.

Opinions and Approaches

The differences in the price relationships in the CSSR do not result just from the irrational nature of the turnover tax system, but partially also from the level of expenses of a number of domestic manufacturers which is significantly higher per unit of production than is the case for the key producers in the rest of the world.

The differences in the principles of price formation cited above lead to a theoretically attractive idea—carrying out a radical operation and equalized the rates of the turnover tax, that is, increasing the prices of foodstuffs and services and reducing (relatively) the prices of industrial goods. This operation, even if it should be broken down into several phases, would run into the first paradox in the CSSR under the current conditions which is connected with the balance or imbalance in the partial markets of the consumer goods. For those consumer goods where the prices are supposed to be increased (because of restructuring of the turnover tax), the market is in balance in principle for the majority of the foodstuffs and energy; for some products there is even a predominance of supply showing up, as in solid fuels. And for a number of commodities whose prices are supposed to drop, for example, durable consumer goods,

there is a huge shortage as in personal automobiles, high quality consumer electronics, etc.

More detailed analyses of domestic purchasing power (how many hours an employee in a selected profession works in order to buy himself a given consumer item) likewise show that not even foodstuffs should be considered cheap here. To acquire them the Czechoslovak worker in most cases must lay out more work time than, for example, a worker in the FRG.

The problem of conceptualizing the further development of the system of retail prices is complicated not only from the aspect of economic theory, but also obviously it contains within itself a potentially explosive social aspect as well. Approaches to the concept of retail prices are therefore composed of a broad spectrum of opinions, from demands for radical reform through opinions that it would be best to take no actions at all and to preserve the existing status.

I think, in agreement with Dr Jaroslav Vostatek (the article "Flexibly and Smoothly," HN [HOSPODARSKE NOVINY] Nr 28, 1989), that it is necessary to go over to a weighted turnover tax as soon as possible, while preserving significant differentiation in the tax rates. Perhaps not to the existing current extent, but there should still be several hundred of them. The established rates of the turnover tax would, however, have to be maintained intact (for example, the category of price differences previously done away with) and the future development of retail prices thoroughly tied in with the development of wholesale prices the same as to the prices in foreign trade.

At the same time there has to be a long-term program created to unify the turnover tax rates by the year 2000 so that in that target year there should only be a few rates (two to four).

After decades of voluntaristic actions impacting on the system of retail prices, one cannot expect an early return to health for the function of the turnover tax. Too radical cuts in the current, even though ineffective, system could have dramatic consequences. Price, even though somewhat weakened by distortions, remains a market category and represents key information for the manufacturer and, particularly, for the consumer. It is necessary not to disrupt too much the criteria for stable economic decision making and to give them priority over sharp surgical cuts expressing themselves in a runaway inflationary process. In socialist states there is no economic or political force which would be able to stop the escalation of wages and social requirements in a more significant growth of a household's living expenses.

What the Past Says to Us

It does no harm to look at how the relationships of retail prices in the CSSR developed in the past. A comparison of the average price in retail sales (as the prices of actual goods including, of course, also the changes in the makeup of sales connected as well with changes in the use values) of selected groups of products which are key ones for consumption (20 to 25 groups) for the period 1965-1988 shows that the average sales prices for the majority of the foodstuffs products studied increased in a range of 30 to 45 percent, for example, products from meat, cheese, chocolate and chocolate candies, liquors, and coffee. In contrast to this average, the prices of vegetables grew more rapidly and increased by approximately 110 percent while beers increased by about 150 percent. Prices moving more slowly than the average were those of sugar, which decreased by about 10 percent, butter with a price level in 1988 practically the same as in 1965, and bread, whose average price increased only by 10 percent.

Among the non-foodstuffs goods the movement of average prices of the majority of selected groups of products shifted within a range of 30 to 60 percent for refrigerators and freezers, automobiles, cement, and brown coal. One can also include here payments for gas and electric. More rapid grow was shown, for example, in the average prices of clothing and shoes, which increased by about 120 to 170 percent, cigarettes with a growth of 100 percent, and fuel which grew by 260 percent. A view of the price development over the past 25 years shows that in the past there were changes in the price relationships, but they were of course gradually and relatively continuous.

What About an International Comparison?

An international comparison—for example, a comparison of the parity of purchasing power between European capitalist countries—shows that there exists a connection, even if a somewhat free one, between the level of the gross domestic product per capita and the internal relationships of retail prices between the partial consumer markets. In countries with a low gross domestic (Spain, Portugal, Greece) foodstuffs and housing are relatively cheaper and durable consumer goods are relatively more expensive than is the case in countries with a high gross domestic product (the FRG, the Benelux countries, France, etc.). Even though estimates of the size of the gross domestic product in the CSSR made by individual experts differ by quite a bit, it is clear that in the CSSR its size is closer to the group of countries named first than, say, the size achieved in the FRG and France, behind which it lags considerably. The relationships of retail prices in the CSSR logically correspond to this developmental study as well.

Information on the development of price relationships in countries where strong inflationary processes are taking place, for example, in Poland, is also interesting. No noticeably more favorable movement in price relationships has taken place, such as a relative "price inflation" of subsidized foodstuffs and a relative "cheapening" of excessively taxed industrial goods. Prices on the partial markets grew at roughly the same speed on the average.

Even the statistical data on the development of retail prices in Hungary, where radical actions directed at the

system of retail prices were taken as part of a program, provide no information on any great changes in the price relationships. In 1988 when a general turnover tax (a type of value added tax) was introduced the prices of the main groups of inventory grew at roughly the same rate.

Even a longer-range view of the period 1980-1988 rather reproduces the existing structure of retail prices. There was a certain positive movement only for durable consumer goods whose prices grew somewhat slower (they became relatively cheaper) as compared to the prices of the other commodities.

Index of Retail Prices in Hungary in 1988 (in percent)

	1987=100	1980=100
Foodstuffs	117.3	177.2
Delicacies (alcohol, coffee, tea, tobacco products)	113.9	179.3
Foodstuffs and delicacies	115.9	178.5
Clothing—garments and shoes	119.8	203.7
Durable consumer goods	108.9	147.5
Other industrial goods	116.1	186.6
Industrial goods, total	116.8	184.2
Aggregate goods	116.5	181.7

Source: Ministry of Trade of the Hungarian People's Republic

Data from Hungary confirm that it is easier to overcome inflationary pressures than to carry out deep structural changes in the field of retail prices. Actions need to be taken in the system of retail prices, but the room for their conceptualization is relatively narrow. In my opinion, it lies in two spheres. First of all, in the area of housing adjustments in rent in state-owned apartments and the prices of energy as a necessary prerequisite for improving the health of managing the housing inventory and for creating the embryo of a housing market necessary for greater mobility of the labor force.

The second area is public dining and dining out in restaurants. Even though the prices of food and drink in the CSSR are considered cheap or expensive in relation to the rest of the world, it is obvious that the relationship between the prices of goods sold in the store network and the same goods sold in public dining are substantially lower than is the case in the majority of the neighboring countries. The markup for public dining averages 17 percent. This also corresponds to the quality of the service in the majority of the dining halls.

Improving the quality of public dining requires a comprehensive approach consisting of an expansion of the economic charter and the introduction of free creation of prices for alcoholic beverages with the prices of the remaining products set as limiting ones. Freeing up price formation can start right in the sphere of public dining because here there really exists a market (even though distortions show up here as well) with a large number of dining halls and the relative availability of the majority of the products consumed.

We must create a sector of the economy from public dining which will be capable in the future with the expected expansion of active tourist trade of effectively fulfilling its role, in contrast to the current situation which fluctuates between loss and low profitability, and at the same time bring in considerable resources for the state budget in the form of taxes from profits.

Animal Husbandry vs. Animal Protection Discussed

90EC0059A Prague LIDOVA DEMOKRACIE in Czech 6 Oct 89 p 1

[Article by Pavel Kacer: "Respect for Life"]

[Text] Long ago a primitive hunter came up with the excellent idea of taming some wild animals. He gradually coaxed the dog, the horse, the steer to his campfire and domesticated them in order to get some use out of them for society. In return, man offered them better living conditions, particularly a roof over their heads, regular meals, and proper treatment, including protection against danger.

One can say that this contract worked out to the satisfaction of both participating parties for many years. But the keeper began to increase the demands on his four-legged friends as civilization advanced. They have increased right up to the present time and we wonder whether we have not built our own happiness up at the expense of the animals. Are we keeping up the original agreement under the new conditions of the advanced industrialized society?

Today when we look into some of our large-scale livestock operations, an uneasy feeling obviously comes over us that we are imprisoning animals here. What else can we call, for example, the poultry farms of layers in which "birds" are fed under artificial lighting in cages where they cannot move around much for their entire lives. We have built "concrete palaces," as they are now called, for milk cows where we have elevated these animals to milk-producing machines. The conditions in some calf-feeding pens and weaning pens are literally inhumane since there are too many animals kept in too little space and the basic hygienic requirements cannot be met and the weaker ones cannot get to the troughs.

Some technologies which are used here have proven themselves to be simply unsuitable. In some countries, such as Switzerland, the USA, and Sweden, there are laws in effect which forbid caged chicken raising, tethered livestock in barns, and excessive concentration of animals and elsewhere similar regulations are already being prepared. It is proving to be true that whatever is not good for the animal organism is also not suitable from the economic standpoint. For example, for many years now we have been working here in the CSSR on the problem of the short lifespan of cows. While earlier the animals routinely lived more than 10 years in small barns, currently as a rule they are sent for slaughter after the second calf. Most of the milk cows are taken out of

breeding before the outstanding inherited features can come into play, but their digestive tracts are usually destroyed by poor nutrition or they have extremities gone lame from standing on grates and being penned up for long periods, the udders are inflamed from irritation, leucosis, or some other disease. It is clear to everyone that each agricultural enterprise comes up with a top milk producer and thus gets millions of korunas each year. This makes it even more difficult to improve the situation.

We have already mentioned the unsuitable feeding of the animals. The majority of the stored bulk fodder has such poor value that it contributes only a small amount to the production of milk and meat, but at the same time it gradually creates long-term and practically untreatable problems with digestion, for example, acidosis and ketosis in cattle. Silage, often mixed with dirt, is usually the only source of nutrition in the winter and spring months for many animals in our economic breeding barns. Even though the sharp smell and unpleasant appearance put off the person doing the feeding, the animals eat it after all because they have no choice, which we take as gratitude.

Large-capacity veal barns offer the casual observer perhaps the saddest view. The newly born calves are concentrated in them from far around, often from the territory of the entire okres. After birth they are forcibly separated from their mothers and in the collective group they have to get used to their tough conditions. Not only farmer's good sense, but also tests by the Animal Husbandry Production Research Institute in Prague-Uhrineves say that the young animals need contact with their mothers and the mothers need it with their young. Etiologists declare that we are raising generations of animals which are losing their maternal instincts and thus in their own way are frigid. And this too has its economic consequences which today are starting to show up not only in raising cattle, but also in other types of animals.

It was the machine technology in livestock production that itself created a greater and greater gulf between the person as breeder on the one hand and the animal on the other. We began to see them almost as live robots toward which we could behave as if they were machines, without feelings or love, with a shred of consideration. In some feedlots they have left bulls up to their bellies in manure even in the hardest frosts. When the water pipes burst, the animals did not get anything to drink for several days until their was a danger that the animals would die of rage. No one paid any attention to the fact that there were regular shortages in bringing in the silage or that the livestock handlers stole part of the feed mix for their own use.

You often run into horrible happenings at the slaughterhouses. The farmers even bring animals there that cannot stand on their own or even died a week before in the barn. Some employees of the meat industry do not take any notice whatsoever. Before killing the animals, they deal with them as if they were a piece of rag, as if to cause the most possible pain and suffering. Obviously they have not gotten used to being compassionate...

We do not mean to state that the phenomena described are the rule in our breeding pens and slaughterhouses or that everywhere there is cruelty, neglect, and disinterest prevailing, but there are more and more cases of tyranny toward animals showing up and we want to draw attention to them. They are also a reflection of the level of our culture.

People whose consciences will not let them stay silent are speaking out about cases were animal rights are being violated. Humanitarians are among them. Recently we published an appeal in our newsletter of the Liberec city organization of the Czechoslovak Humanitarian Party. It demands in the spirit of Christian morality that the poor behavior toward all life forms be changed and is striving for an accelerated approval of a new law for the protection of animals. In our behavior toward them we express our relationship to life, to society, and to each other. Why not make a better start right now.

GERMAN DEMOCRATIC REPUBLIC

Future Trade With FRG Examined

90EG0029A East Berlin IPW BERICHTE in German Vol 18 No 10 Oct 89 pp 8-14

[Article by Juergen Nitz: "Problems and Prospects for GDR-FRG Economic Relations"]

[Text] Since the founding of the two German states there have been economic relations between them, preceded by trade between the various zones of occupation begun directly after the end of World War II. In 1952—that is, the beginning of the statistical rendering of accounts of the so-called 1951 Berlin agreement which provided a first basis in international law for economic trade between the GDR and the FRG (and with West Berlin, respectively)—the value of sales amounted to less than 400 million VE [units of account] (1 VE is equal to 1 DM = 1 Mark and can thus be expressed in DM of the FRG as well as in Mark of the GDR). It grew to its highest level so far of 15.5 billion VE in 1985. After a 3-year decline, trade in 1988 amounted to approximately 14 billion VE and rose again in 1989. In the 39 years statistically accounted for so far, there were 32 years in which the volume rose, and only 7 in which it stagnated or declined (see table).

The declines in 1961 and 1962 must clearly be blamed on the aggressive policy of the FRG Government which, through a restrictive economic policy and declining deliveries to the GDR, wanted to punish—without sense or result—the other German state for securing its national border, while the changes since 1986 to a large extent are due to world economy influences (for example, price changes on international markets, particularly for crude oil and chemical products), but also due

to structural weaknesses. Furthermore, the real goods traffic—as confirmed by international analyses and statistics—by no means declined as much it seems in terms of value, and one must also take into consideration the fact that significant transactions (in the amount of several million VE on the annual average) with the FRG in freely convertible currencies were effected through offsetting via third countries.

Although meanwhile one can note a trend toward renewed growth, there is no reason for being satisfied with the situation. All sides are in almost complete agreement that the possibilities have not been fully exhausted by any means. Nevertheless: After the USSR, the GDR is the second-largest trading partner of the FRG among CEMA members; in GDR trade with developed capitalist countries, the FRG is in first place. Hence the reciprocal foreign trade relations are of great importance for both German states.

From Intrazone Trade to Foreign Trade

Between the zones of the remaining territory of the "German Reich," defunct on 8 May 1945, at first there developed compensation and barter deals—legitimized by the economic principles of the Potsdam Agreement—which were carried out by individual firms. These were soon subject to license obligations on the part of the respective occupation powers. They were followed by global agreements, the so-called Laender council transactions. In 1946 the goods trade of the three Western zones with the Soviet occupation zone amounted to RM150 million; after conclusion of a respective agreement in Munich in 1947, this rose to RM200 million. In 1949 followed a "Frankfurt agreement" whose provisions, however, were evaded by the FRG steel embargo against the GDR.

Even at that time two directions of FRG economic policy toward the other German state became clear: on the one hand, activities to promote reciprocal economic relations, and on the other hand attempts, through a policy of economic warfare or elements thereof, to enforce an aggressive position, to interfere in the internal affairs of the GDR, to reduce its sovereign rights, and also to use trade for discrimination [against the GDR]. But due to strong interest, particularly of economic circles of the FRG, trade and services continued to develop.

With the policy of the division of Germany on the part of the FRG and the Western powers, the FRG's joining NATO and the EC, [and] the economic war against the GDR, the chances of preserving economic unity of Germany became ever smaller. The endeavors for a democratic and peaceful reunification of Germany had finally failed. Relations developed between two sovereign states, independent of each other and with different societal orders, which also belong to opposing alliance systems and integration groupings. With that, economic relations between them also assumed the final character of foreign trade and foreign trade relations; hence there exists no inner-German trade.[1]

Development of FRG-GDR Trade

	Exports	Imports	Total Turnover	Change From Previous Year
	in million DM	in million DM	in million DM	in percent
1952	178.5	220.3	398.8	—
1953	271.3	306.9	578.2	+45.0
1954	454.5	449.7	904.3	+56.4
1955	562.6	587.9	1,150.5	+27.2
1956	699.2	653.5	1,352.7	+17.6
1957	845.9	817.3	1,663.2	+23.0
1958	800.4	858.2	1,658.6	-0.3
1959	1,078.6	891.7	1,970.3	+18.8
1960	959.5	1,122.5	2,082.0	+5.7
1961	872.9	940.9	1,813.8	-12.9
1962	852.7	914.4	1,767.1	-2.6
1963	859.6	1,022.3	1,881.9	+6.5
1964	1,151.0	1,027.4	2,178.4	+15.6
1965	1,206.1	1,260.4	2,466.5	+13.2
1966	1,625.3	1,345.4	2,970.7	+20.4
1967	1,483.0	1,263.9	2,746.9	-7.5
1968	1,422.2	1,439.5	2,861.7	+4.2
1969	2,271.8	1,656.3	3,928.1	+37.3
1970	2,415.5	1,996.0	4,411.5	+12.3

Development of FRG-GDR Trade (Continued)

	Exports	Imports	Total Turnover	Change From Previous Year
	in million DM	in million DM	in million DM	in percent
1952	178.5	220.3	398.8	—
1953	271.3	306.9	578.2	+45.0
1971	2,498.6	2,318.7	4,817.3	+9.2
1972	2,927.4	2,380.9	5,308.3	+10.2
1973	2,998.5	2,659.6	5,658.1	+6.6
1974	3,670.8	3,252.5	6,923.3	+22.4
1975	3,921.6	3,342.3	7,263.9	+4.9
1976	4,268.7	3,876.7	8,145.4	+12.1
1977	4,409.4	3,961.0	8,370.4	+2.8
1978	4,574.9	3,899.9	8,474.8	+1.3
1979	4,719.6	4,588.9	9,308.5	+9.8
1980	5,293.2	5,579.6	10,872.8	+16.8
1981	5,575.1	6,050.6	11,625.7	+6.9
1982	6,382.3	6,639.3	13,021.6	+12.0
1983	6,947.1	6,878.2	13,825.3	+6.2
1984	6,408.1	7,744.2	14,152.3	+2.4
1985	7,901.0	7,635.8	15,536.8	+9.8
1986	7,454.2	6,843.6	14,297.8	-8.0
1987	7,406.2	6,650.0	14,056.2	-1.7
1988	7,234.5	6,788.8	14,023.3	-0.2
1988 (first 6 months)	3,141.0	3,610.4	6,751.4	—
1989 (first 6 months)	3,410.5	3,813.0	7,223.5	+7.0

Sources: Fachserie 6: Handel, Gastgewerbe, Reiseverkehr, Reihe 6: Warenverkehr mit der DDR und Berlin (Ost) [Special series 6: Trade, hotels and restaurants, travel and tourism, series 6: goods traffic with the GDR and East Berlin] (publisher—Federal Office of Statistics Wiesbaden), Stuttgart and Mainz, current; BUNDESANZEIGER, Cologne, 24 Aug 1989, p 4012.

Important Determining Factors

From the viewpoint of the GDR, economic developments between the two states are taking place within the framework of an extensive interlinkage of relations. Incidentally, the determining factors are the same as those characterizing economic relations with other developed capitalist industrial countries. The following must be listed among them:

First, it concerns objectively determined economic relations. The GDR takes into account economic precepts such as internationalization of productive forces and the entire economic life, which goes beyond the processes within the individual economic systems. Such enormous driving forces as mastery of the scientific-technical revolution and solving global problems of mankind's development, necessary in the interest of survival, demand imperatively the cooperation of states of different social orders—hence also of the GDR and the FRG. These reciprocal economic relations are ultimately included in a growing international economic interlinkage of states and regions of an increasingly interdependent nature. This is not changed by the fact that there exist, in the two socially divergent world systems and their corresponding political, economic, and military state groupings, mutually exclusive production conditions and power structures as well as different economic driving forces and societal orientations.

Second, the GDR proceeds from its national interests which are codetermined by political factors in the world and particularly in Europe, as well as by global economic developments. The GDR, as stated by chairman of the State Council Erich Honecker, considers "trade a material basis for peaceful relations, for peaceful cooperation...At the same time, trade relations with capitalist countries are a part of our overall dynamic economic development."[2] Thus they are a pillar of the policy of peaceful coexistence and cooperation between socialist and capitalist countries. The economic profit from exports and imports is part of the economic strategy of our country with a view to the year 2000 in order to go on attaining a continuous and dynamic performance increase. Trade and cooperation with the economy of the FRG under this aspect have become indispensable for

our own reproduction process in order to secure scientific-technical progress as well as its production and financing conditions.

Third, the economic relations of our country with the FRG ultimately are a part of a long-term, comprehensive basic economic strategy of all CEMA countries whose firm intention it is to develop fruitful trade, economic, and scientific-technical relations with all those capitalist countries showing a respective willingness.[3] For this reason they are willing "to search for ways to further develop mutually advantageous economic and scientific-technical cooperation with all countries. They support the removal of impediments to trade and economic exchange and the deepening of economic relations between the member states of CSCE...."[4]

From all this results the long-term constructive position of the GDR on economic relations with the other German state which in the course of years was confirmed by clear determinations of position and actual practice. And, naturally, the economic interests of the FRG vis-a-vis the GDR cannot be separated from the general situation of interests—also of other capitalist countries—in their economic relations with socialist countries.[5]

Specific Conditions and Interests

In addition to the aforementioned general factors, there are also a number of specific factors which have an advantageous effect for both partners in their economic cooperation. For this reason, they jointly aim at using them to mutual advantage in their respective economic policies and relations. Time and again, six aspects are stressed almost in unison by experts of both sides:[6]

1. Both neighboring states are highly-developed industrial countries which by their economic and industrial structure offer good preconditions for a close, mutually beneficial division of labor. This is particularly true under today's conditions of the extremely rapid scientific-technical progress, although mutual opportunities in this very field are not sufficiently utilized by far.

2. The geographic factor is favorable, i.e., the geographic nearness of the market of two highly industrialized states. This is true for products, for example, of the chemical and construction material industries, whose effective exchange (because of large volume or immense transport costs) is objectively limited by "location." This not only influences the structure of goods exchange, but also offers opportunities for larger deliveries of mass goods or bulk material to border areas of the partner.

3. Under this aspect—but not exclusively—one must also consider the factor of West Berlin which plays a specific role in the German-German economic traffic. Ever more frequently, factors stimulating reciprocal economic relations are the result; among other things, through the construction or reconstruction of channels of communication of the most varied types, particularly the transport system, supply and disposal for the city in vital areas, in which all partners participate in many ways for mutual benefit.

4. To a certain extent, the historical factor also plays a promoting role. The fact that for almost 70 years a national economy existed on the territory of the two German states results in certain traditional economic relations to the present day (for example, exports and imports of textile products or agricultural goods). What formerly existed as a division of labor within the framework of a national economic area can today be relevant as an element of international division of labor between sovereign states of opposite societal orders, given the stage reached today in the development of productive forces under altered political conditions in the world. A similar situation also exists in the relations between Austria and Hungary. Finally there is also a positive effect from partially still extant, historically evolved agreements in some norms and standards, traditions in approaching economic solutions, etc.

5. One cannot overemphasize the stimulating effects from specific elements of the regime on the commercial goods traffic between the two German states for mutual advantage with regard to regulations contractually agreed upon as well as those practiced for many years, which are a part of conducting business. Both must be understood as a relatively uniform system which includes, among other things:

—Economic relations (trade and services) for the most part are carried out on an offsetting basis, mutually setting off and balancing the results. Although this makes trade not particularly flexible since surpluses, as is usual in foreign trade, cannot be used freely vis-a-vis third countries, the system contains a high degree of calculability and useful interdependences.

—No duty is levied on commercial goods traffic between the two German states.

—A so-called swing arrangement permits the partners to make reciprocal use of interest-free overdrafts (at present up to 850 million VE), which gives greater leeway to their relations.

—Trade is implemented at FRG wholesale prices which, in principle, are below world market prices; imports from the GDR are stimulated by FRG authorities refunding the value-added tax. This status in the GDR-FRG trade system and the concrete conditions of economic traffic are certainly good reasons for the relatively large extent of relations between two socio-economically opposite states and their stability and dynamism. However, since this holds true only for economic relations between the two German states and not for economic relations of the FRG or GDR with third countries, one can in no way say that the FRG is a "secret member of CEMA," or vice versa that the GDR "has one foot in the EC," which others would view with envy. Rather, in view of the fact that this stimulating trade system has proven itself over 4

decades as particularly favorable for trade between states with different societal orders, the question practically begs to be answered whether a kind of "model character" for East-West economic relations could be derived therefrom in which, naturally, the aforementioned specific points must be taken into consideration. In any case, the general economic policy regulations between the GDR and FRG correspond both in spirit and letter much better to the CSCE Final Act and the principles of most-favored-nation status than high tariff barriers and discriminating and protectionist regulations. In contractual agreements between EC and CEMA countries with a view to implementing a concept of economic security in Europe, this should certainly be taken into account.

6. But all this, as a favoring factor, also demands the political will to develop trade on both sides, which has always been emphasized by the GDR leadership, and which has also been expressed in the words of leading industrialists—such as Berthold Beitz, the present chairman of the board of Fried. Krupp AG, Otto Wolf von Amerongen, honorary president of the FRG Association of Chambers of Commerce and Industry, DIHT president Peter Stihl—and also by a great number of politicians in Bonn and the FRG Laender who, in view of the international situation, see reciprocal economic relations as a stabilizing element for overall relations and demand continuity in relations between the two German states.

Important Political Function

It is of particular significance that economic relations between the GDR amd FRG go far beyond the purely economic for both sides and possess an immense political dimension. Through it, in the reciprocal relation between economy and politics, political effects can be realized for securing the peaceful coexistence and cooperation of the two opposing systems, although they will always remain part of the system confrontation between socialism and capitalism. However, it must be stressed that economic cooperation, if it is to live up to its positively oriented political functions, is subject to the special obligation not to interfere in the affairs of the other through economic actions or, respectively, to refrain from any attempts which can contribute to destabilizing the other side, or making it vulnerable. This also includes giving up all attempts to manifest unrealistic "German policy positions" or bringing into play the West Berlin factor with ideas directed against the GDR.

Since both German states carry a particular responsibility for peace, they are both obligated to do everything so that war never again can be started from German soil. This particular political responsibility demands an effective material base stimulating overall relations. This must also be seen as a very important reason for the fact that German-German trade is of relatively larger volume and correspondingly greater importance than East-West trade in general. It is extremely varied in forms and methods, it exhibits strong linkage between trade, cooperation and services in various areas, but at the same time it is very sensitive politically which, incidentally, ever since these economic relations have existed the FRG Government has tried to test and utilize time and again in situations of political tension.

Contractual Foundations

The contractual agreements under international law entered into by both sides are an expression of the constructive political activity of both [states]. Early on (1951), representatives of both German states concluded the "Berlin agreement" which provided a contractual foundation for further expansion of trade between the GDR and the FRG and which has proven its worth in storm-tossed times. However, this agreement in force today in its version of 16 August 1960 (as favorable as it was and still is for the concrete development of economic relations between the two German states, not least of all because it made the inclusion of West Berlin possible, and that only because of the pragmatic definition of economic relations as those between East and West currency areas) corresponded less and less to the evolving realities of two sovereign German states. Their economic relations also demanded a contractual political bonding.

In 1972 a further development of foundations under international law was created for the shaping of mutual economic relations through the Basic Treaty on the principles of relations between the GDR and the FRG. In particular, important obligations for the governments of the two German states are provided therein, for instance in Article 7: "The GDR and the FRG will conclude agreements in order to develop and promote, on the basis of this treaty and for mutual advantage, cooperation in the fields of industry, science and technology, the transport system, legal relations, the postal and telecommunications system, public health, culture, sports, environmental protection and other areas. Details are regulated in the supplementary protocol."[7]

And the supplementary protocol to the Basic Treaty states verbatim with regard to Article 7: "1. Trade between the GDR and the FRG will be developed on the basis of existing agreements. The GDR and the FRG will conclude long-term accords with the goal of promoting a continuous development of economic relations, adapting outdated regulations and improving the trade structure. 2. The GDR and the FRG affirm their will to develop cooperation in the fields of science and technology for mutual benefit and to conclude the necessary agreements."[8]

These legal provisions and political intents have contributed significantly to the development of economic relations between the two states. The domestic national legislation in the GDR is also oriented towards that. By contrast, there remain some doubts about the legal principles in force in the FRG (and also in West Berlin) since there the exchange control laws decreed by Western military governments continue in force. As long as this legal regulation exists, Allied law will be introduced into

German-German economic relations, particularly if very intensive cooperation relations are developed, which in the last analysis limits the sovereignty of the FRG, or could even restrict it in a possible concrete case; the Western Allies retained a right to exception with possibilities of control and countermanding.[9]

A new or more intensive phase, respectively, of economic relations between the two German states was initiated with Erich Honecker's official visit to the FRG in 1987, particularly with the provisions issued in the "Joint Communique." They form the starting point for imbuing a new quality to the relations.

Prospects of Economic Relations With a View to the 1990's

In future, also, economic relations between the GDR and the FRG will be determined to a large extent by the prerequisites and conditions in the two German states as well as their interests, but also by politics and economic policy of both sides. They remain a part and factor of their overall relations in reciprocity between politics and economics. At the same time they are codetermined by developments in the respective political alliance systems and integration groupings.

They are dictated by the requisites and necessities of scientific-technical progress, but also by other global problems. They are influenced by the conditions of a socialist production method, and they are influenced in particular by the GDR's economic policy. But at the same time they are also characterized by the precepts of the capitalist production system and especially by the conditions on which the Western global economy is based. Hence in the 1990's, also, numerous processes of the Western global economy will influence the mutual exchange of goods. From the viewpoint of the GDR one must take into account favorable business cycles as well as a temporary tightening of the market with a leveling business cycle, or even an economic downswing. Large price changes, currency fluctuations, new structural demands, etc., will surely affect economic relations in the future, also. Lastly, industrially growing developing countries will appear ever more frequently as a competitive factor on the FRG market.

The United EC Market and GDR Economic Relations With the FRG

In future the processes, originating in developments of the West European integration grouping and in the completion of the united EC market, respectively, will also exert great influence on the GDR's economic relations with EC countries, among them the FRG. The GDR economy considers this a considerable challenge, but also as a great opportunity to be utilized. This concerns in particular the new stage of fiercer competitiveness to be expected, which GDR combines will be facing on the FRG market, but also a corresponding full utilization of the possibilities for further developing relations.

However, care must be taken that economic cooperation between the two German states will not be impaired by new developments in the 1990's. Meanwhile representatives of the FRG Government have stated repeatedly that the legal foundations of the reciprocal economic traffic will remain unchanged in principle in connection with the conclusion of an EC-GDR treaty as well as after 1992 (EC united market). Taking into account the well-known principle, "Pacta sunt servanda," this would need to be embodied in an exclusionary clause in the EC-GDR treaty. It is further stated that it can be assumed that the governments of the other EC countries in the last analysis will politically support the positions of the FRG Government in this matter.

As early as the founding of the EEC, Bonn had made a stipulation in a special protocol to the so-called Treaties of Rome—the founding document of the West European integration community—to the effect that application of the treaty establishing the EEC does not require any change whatsoever in the existing system of trade between the FRG and the GDR. Thus the "Berlin agreement" remained in force despite EEC membership.

The government in Bonn will now primarily have to see to it that—for instance, with the abolition of customs controls within the EC—it has to be taken into account according to paragraph 2 of the aforementioned protocol that every member state (of the EEC) must ensure that execution of its trade (with the GDR) is not contradictory to the precepts of the Common Market and that appropriate measures must be taken in order to avoid impairment within the economies of the other member states. Surely discussion about ensuring full application of the protocol will become even livelier.[10]

Contrary to rumors and defamations surfacing time and again in West Europe, it must be stated unequivocally that the regulations of the "Berlin agreement" have been strictly observed by the GDR, and still are. The GDR will make its contribution to a smooth functioning of GDR-FRG trade within the framework of a united EC market. The EC Commission incidentally has also stressed repeatedly that GDR-FRG trade, with regard to Bonn's special status in its trade with the GDR, "has not led to irregular trade diversions."[11]

Higher Quality of Future Economic Relations

All in all, in the 1990's higher quality will be required for trade between states with different societal systems, also, and this according to the objective development tendencies of scientific-technical progress, the new demands stemming from global policy and the global economy, but also taking into account one's own interests.[12] An important role in this is played by the realization that the so-called basic transaction, i.e., the traditional areas of trade and services, is of great significance but probably cannot significantly be increased any further.

Hence general orientations aim, first of all, at reducing economic uncertainties and, secondly, at implementing principles and projects already stipulated in the protocol of the meeting of Erich Honecker with Helmut Kohl as

well as, thirdly, their development within the framework of a program for the creation of projects of all-European economic cooperation.

In order to reduce economic uncertainties, removal of trade barriers is needed. Although some tariff or nontariff impediments have lost their relevance, the anomaly in trade is clearly [seen] in the refusal of most-favored-nation status, protectionism (the FRG tender and approval procedure), and other trade-impeding restrictions of a nontariff type such as volume and value restrictions for GDR deliveries. The final document of the Vienna CSCE meeting is also oriented toward working for a reduction of trade impediments.[13]

In this respect the Bonn government still shows some backlog for reaching normalcy, and hence the need for decisions to reduce existing trade barriers. In view of the low market shares of GDR products in the FRG market, there exists no economic reason for maintaining trade restrictions. From this aspect one must welcome the opinion of FRG parliamentarians who demand supplementation of GDR activities, appreciated by them, to offer products for the FRG market at a fair market price and conforming to market trends "through the reduction of trade impediments."[14] Furthermore, it would be quite possible to discuss with mutual trust, between representatives of the two governments, situations that are felt to be disturbing the market, which might well be only an ad hoc occurrence.

Ultimately it is in the interest of all to remove factors of economic uncertainty. Because: FRG exporters would have greater opportunities for exports to the GDR if, on their part, they offered even better conditions to our combines and enterprises for selling their products on the FRG market. And under these conditions, the GDR would certainly be willing to take more imports from the FRG.

But as a requisite for flourishing international economic relations, it is also a matter of creating the conditions for access, equal and as free as possible, of the two German states to the new achievements of science and technology. The goal to be pursued with such a necessary step is to replace a destructive disengagement strategy by COCOM [Coordinating Committee on Export Controls] and the U.S. Export Administration Act with a technology transfer without artificial barriers. In view of the progressing political detente process and continuing arms reduction, the FRG in particular should support the abolition of COCOM, which would also enhance the GDR-FRG economic exchange.

The real heart of the problem consists in achieving in the 1990's an economic cooperation in new areas and through modern cooperative forms which corresponds more clearly to the requirements of scientific-technical progress. On the occasion of the GDR visit of Baden-Wuerttemberg's prime minister, Lothar Spaeth, there was talk about a new quality in economic relations with the FRG, since both sides first of all are increasingly adding new, modern fields of their national economies to the cooperation, such as machine construction, sectors of electronics and the electrical industry, laser technology, the welding and robot industries, the production of tools, means of mechanization and automation, polygraphic industry, energy and environmental technology, etc. In addition, it also includes the service sector with a broad range of engineering performances, consulting, information and communications software, and tourism.

Furthermore, an important structural element is the further inclusion of small and medium-size industry in trade and cooperation. Approximately 6,000 to 7,000 enterprises of this type, which provide about 40 percent of revenues, are active in addition to 150 large-scale enterprises and corporations.

It is the goal of cooperation to further develop goods structures, which have already improved in recent years, in the direction of products of scientific-technical progress. Because a considerable part of the goods traded today still consist of raw materials or fuels, or semifinished products. The percentage of GDR deliveries of finished products, particularly in the sector of the metal-working industry and electrical industry and electronics, is too low. Similar to the structure of overall East-West trade, the structure of foreign trade between the GDR and FRG obviously does not yet correspond to the economic and scientific-technical potential of both sides and hence contains good possibilities for further development.

Better goods structures on the basis of a better, more competitive offer of GDR products would also contribute to better balance. Trade between the two German states in principle stipulates a basic balance between sales and purchases. There were phases when deliveries from the GDR surpassed reciprocal deliveries, for example in 1984 (by 1.34 billion marks); in more recent times, a negative balance developed on the part of the GDR; in 1988 the trend changed again. The heart of the problem is evidently the following: A longer term balance of accounts demands even greater GDR efforts to increase its export power and, simultaneously, a greater opening of the FRG market for GDR products. The statement by FRG members of parliament Eduard Lintner and Michael von Schmude is correct that "in addition to further expansion of overall trade, purchases from the GDR in particular must be increased."[15]

Second, those forms of cooperation are gaining in importance which in recent years had become more varied. Further development of cooperation relations is a declared long-term economic policy goal of the GDR. Major interest focuses on industrial cooperation of the type of enterprise cooperation. The basic direction is the development of cooperation in research, development, production and sales. The main partners are highly specialized modern enterprises of small and medium-sized industry; lately, however, also corporations producing high-technology (Siemens, for instance). This also includes production of Alpha motors in division of labor with the VW plant, cooperative manufacture of mechanical parts and components for microscopy with High

Tech Saarbruecken, and the production of Helidont dental X-ray machines in the VEB [state enterprise] TuR Dresden for Siemens AG. Practically of model character for East-West cooperation are cooperation projects in environmental protection such as the pilot projects in the GDR which are financed by both sides for the benefit of both. For cooperation in third markets one must mention as an example the cooperation in modernizing the transportation system in Greece, with deliveries by AEG and the GDR.

The development of the so-called licensed production has increased, i.e., the production of trademark goods of FRG industry by GDR enterprises. They include, for axample, such well-known products as Salamander shoes, Triumph clothing, Trinkfix, Underberg, Varta batteries, Schwarzkopf and Margaret Astor cosmetics, Nivea, Blaupunkt Autosuper [car radio], and products by Adidas and Schiesser.

Important equipment within the framework of cooperation with GDR combines comes from FRG industry, for example, electronic installations from Siemens for rolling assembly lines in Nachterstedt as well as machine-tool machinery and medical equipment; in addition, CAD/CAM equipment for GDR production of heavy machinery and machine tools, or reactor control systems from the Siemens subsidiary KWU.

Another important level of cooperation is direct cooperation of scientific institutions such as universities, institutes, etc. This comes under the implementation of the GDR-FRG agreement in the areas of science and technology. An activation of the work of the Academy of Sciences is intended. It concerns, for instance, projects of automation in machine construction, biotechnology, reactor safety, medicine, cancer research.

An outstanding criterion, also from the scientific aspect, is always the economic benefit which can be achieved through a certain form. To this is added the observance of equal participation and the sovereignty of the partners. Hence cooperation with enterprises of Western countries must not contradict the economic and social policy goals pursued by the GDR.

Our experiences also teach us that successful cooperation, particularly in more highly developed forms, requires a mutual getting-acquainted period of the partners, demands complementary scientific-technical potential on both sides, needs trust and willingness to take risks, necessitates stable rules of cooperation and correct reciprocal information as well as step-by-step procedures, and often it necessitates linking various forms of cooperation. In the development of cooperation relations, which include these various forms for which a common interest can be found, lies a chance for the coming decade. This also includes scientific-technical cooperation and the reciprocal supply of know-how, patents, and licenses.

Cooperation experiences with the GDR are rated particularly highly by FRG industry, confirmed by polls among entrepreneurial circles. But one must take into account that by international standards, we are only at the beginning.[16]

Third, it is a matter of a more effective institutionalization of reciprocal economic and trade relations. This holds true bilaterally for the longer term treatment of the basic questions of prospective cooperation, which must be considered further, but also for making more effective existing mechanisms or joint work on concrete projects, respectively, such as assigning bilateral cooperation groups so that projects can be tackled immediately, and which are linked to the respective competent political leadership.

An interesting development can be noted due to increasing regionalization of economic relations and contacts on the FRG side which, however, is not meant to put into question the authority of the government in Bonn. But the involvement of FRG Laender is growing, for example in the form of joint stands or exhibits at the Leipzig Fair, [or] accords with FRG prime ministers during visits in the GDR. One can sense great interest in the GDR market, in direct relations with GDR combines and scientific institutions as capable partners, in ever more varied cooperation relations, which lately also include agreements on reciprocal management training.

Fourth, one must point to the development of large-scale projects of the GDR with the FRG in which West Berlin is included to a great extent. They are mostly in the implementation or preparation stage, respectively. They comprise the project on purchases and sales in the energy sector, projects of the postal and telecommunication systems, and improvement of the transport system (electrification of a rapid-transit line Berlin-Hannover, reconstruction of the Hof-Plauen autobahn), large-scale projects in the tourism sector (for example, construction of the Dom Hotel in Berlin), and environmental protection regulations. These bilateral activities—and they have a meaning going far beyond German-German benefit—not least of all are a part of large overall continental projects such as an all-European electricity grid, traffic infrastructure projects for Europe, or environmental protection programs transcending national borders. In this, both German states are already taking steps toward the formation of economic foundations for the common European home.

The GDR Remains Dependable and Predictable

In economic relations with the FRG, also, the GDR is a dependable and predictable partner. Performance capability, effectiveness, flexibility, and the export capacity of production geared to the challenges of the world market, particularly with regard to the requirements needed by a market as sophisticated and demanding as that of the FRG. In this the GDR proceeds from the principle not to permit one-sided dependences which the other side could use for pressure and blackmail.

A secure foundation for our trade and economic relations with capitalist industrial countries—among them the FRG—is [our] cooperation with the USSR and the other CEMA countries, which ensures a politically independent development of the GDR as a socialist state. Through further deepening of socialist economic integration and successful implementation of the complex program of scientific-technical progress, as was stressed by the 11th SED [Socialist Unity Party of Germany] Party Congress, in future also the "advantages of international socialist division of labor...must be effectively utilized for the GDR economy to further increase the performance capability, strengthen the economic potential, rapidly increase labor productivity, and effectively use and economize all types of resources."[17]

This policy joins in the great task of our time, implementation of a concept of international economic security within the framework of a system of general security and peace.

Footnotes

1. Compare U. Nitsche/E. Freund/H.G. Traeger, Die Entwicklung des Handels der BRD mit der DDR—politische, oekonomische, und juristische Bestimmungsfaktoren [The Development of the FRG's Trade with the GDR—Political, Economic, and Legal Determining Factors], in: THEORIE UND PRAXIS DES AUSSENHANDELS, Berlin, 3/1988

2. E. Honecker, Vertragswerk—bewaehrt in allen Stuermen der Zeit [System of Treaties—Proven in the Storms of Time], in: NEUES DEUTSCHLAND, Berlin, 10 Sep 1987, p 3.

3. Compare, Wirtschaftsberatung des RWG auf hoechster Ebene vom 12. bis 14.6. 1984 in Moskau [Economic CEMA Consultation at the Highest Level from June 12-14, 1984, in Moscow], Documents, Berlin 1984.

4. Kommunique der Tagung des Politischen Beratenden Ausschusses der Teilnehmerstaaten des Warschauer Vertrages [Communique of the Meeting of the Political Advisory Committee of the Warsaw Treaty Member States], in: NEUES DEUTSCHLAND, 30/31 May 1987, p 2.

5. See P. Freiberg/H.-U. Zapf, Wirtschaftsbeziehungen der BRD mit den sozialistischen Laendern [FRG Economic Relations with Socialist Countries], in: IPW-BERICHTE, 6/1989, p 7 ff.

6. From the viewpoint of the FRG, see C.-D. Ehlermann/S. Kupper/H. Lambrecht/G. Ollig, Handelspartner DDR—innerdeutsche Wirtschaftsbeziehungen, Baden-Baden 1975 [Trade Partner GDR—Inner—German Economic Relations], as well as numerous publications by H. Lambrecht in the WOCHENBERICHTE DES DEUTSCHEN INSTITUTS FUER WIRTSCHAFTSFORSCHUNG, West Berlin.

7. Vertrag ueber Grundlagen der Beziehungen zwischen der DDR und BRD vom 21. 12. 1972 [Basic Treaty on Relations between the GDR and the FRG of 21 Dec 1972], in: Vertraege im Dienste der europaeischen Sicherheit [Treaties in the Service of European Security], Berlin 1979, p 103 ff.

8. Ibid.

9. Zum MRG [expansion unknown] Nr. 53 (Text und Kommentare aus BRD-Sicht) [On MRG No 53 (text and commentaries from the FRG view)], C.D. Ehlermann and others, op. cit.; also see U. Nitsche and others, op. cit., p 23 ff.

10. Compare H. Lambrecht, Kuenstliche Aufgeregtheiten vermeiden [Artificial Nervousness To Be Avoided], in: INDUSTRIE- UND HANDELSREVUE, Cologne-Frechen, 1/1989, p 26 ff; F. Homann, Innerdeutscher Handel und EG-Binnenmarkt [Inner-German Trade and United EC Market], in: DEUTSCHLAND-ARCHIV, Cologne, 3/1989, p 301 ff.

11. HANDELSBLATT, Duesseldorf, 15 Apr 1980.

12. See M. Schmidt, Fuer eine weitere Normalisierung der deutsch-deutschen Beziehungen in ganz neuer Qualitaet [For Further Normalization of German-German Relations in a Totally New Quality], Interview in: INDUSTRIE-UND HANDELSREVUE, 1/1988, p 24 ff.

13. See Dokumente des KSZE-Prozesses [Documents of the CSCE Process], Berlin, June 1989.

14. On this, E. Lintner/M.v. Schmude, in: CDU/CSU-PRESSEDIENST [Christian Democratic Union/Christian Social Union], Bonn, 19 Apr 1988.

15. Ibid.

16. On the problem of new forms and methods, among others, E. Honecker in an interview with the SAARBRUECKER ZEITUNG: "We are for expansion of cooperation relations. There is no factual reason not to do it. Cooperation between enterprises of the GDR and the FRG is also in the mutual interest." In: NEUES DEUTSCHLAND, 13 Nov 1985; Trade and Cooperation in the Service of World Peace, statements by G. Beil, minister for GDR foreign trade, before the general assembly of the 7th session of the UN Conference for Trade and Development (UNCTAD), in: AUSSENPOLITISCHE KORRESPONDENZ, Berlin, No 29, 24 Jul 1987, p 225; L. Maier, Die Ost-West-Kooperation und die oekonomische Sicherheit [East-West Cooperation and Economic Security], in: INDUSTRIE- UND HANDELSREVUE, 4/1988, p 13 ff.; also the article by H. Lambrecht, Die deutsch-deutschen Wirtschaftsbeziehungen zu Ende der 80er Jahre [German-German Economic Relations at the End of the 1980's], in: Aus Politik und Zeitgeschichte, supplement to the weekly newspaper DAS PARLAMENT, Bonn, 3 Mar 1989, p 15 ff.

17. Direktive des XI. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1986 bis 1990 [Directive of the 11th

SED Party Congress on the 5-year Plan for the Development of the National Economy of the GDR in the Years 1986 to 1990], Berlin 1986, p 113.

HUNGARY

Negotiations With EC Transportation Authorities Discussed

25000520 Budapest FIGYELO in Hungarian 12 Oct 89 p 6

[Interview with Pal Banhalmi, chief of International Division, Ministry of Transportation, by Maria Demcsak; date and place not given]

[Text] Last month Hungary hosted the traditional meeting of the Conference of European Ministers of Transportation [CEMT]. Of the socialist countries only Hungary was granted observer status in this extremely influential organization. This status may become of particular value considering the great challenge of the next decade, the entry into the unified European market. We asked Pal Banhalmi, chief of the International Division, Ministry of Transportation, whether we have come closer to Europe in terms of transportation.

[FIGYELO] What was the ministry's purpose in hosting this event?

[Banhalmi] This is not in the order of importance, but it was to familiarize the members with Hungary. Hungary became fashionable in vain; until the recent past our country was not present in the most important European transportation organizations, except for the domestic transportation subcommittee of the UN European Economic Committee.

CEMT has a decisive voice in formulating European transportation policies. The conference includes 19 European member countries, and Japan, the United States, Canada, and Australia also joined in. Accordingly, all Common Market countries are members, as well as the European Free Trade Association [EFTA] countries, but not the Eastern European countries.

[FIGYELO] What kinds of disadvantages does the absence of Eastern European countries produce?

[Banhalmi] We cannot even assess that disadvantage today. Joint thinking produced some common results, mostly in the area of development. Regarding the interests of Europe outside the bloc, we find that the CEMT, as a clashing point plays a decisive role. Within the CEMT, countries belonging to various economic groupings may state their respective positions. Thus far we have been left out of this kind of joint thinking.

Hungary may express its views with regard to European transportation issues, it may be present when important routing decisions are made, and it may attend meetings where loan applications and significant loan recommendations are made. Hungary will be present when decisions concerning the liberalization and deregulation of transportation are made, and we may also participate in the activities of creative workshops. We have a forum before which we may call attention to the favorable aspects of our geographic location from the standpoint of international transit.

[FIGYELO] According to Andras Derzsi, the development of the public roads network was the main topic of the special, bilateral negotiations.

[Banhalmi] We regard the liquidation of infrastructural disadvantages as a primary task, and we do not contemplate accomplishing this by using traditional methods and budgetary resources. If we want foreign firms to take our international tender invitations seriously, it is indispensable for members of European governments responsible for transportation policies to become convinced of our serious intentions, and to report those intentions in their respective countries. Incidentally, more ministers were present at the Budapest conference than at any previous conference.

[FIGYELO] What was the topic of discussion at the separate negotiations conducted with the Brussels committee member responsible for transportation?

[Banhalmi] Prior to this negotiation we had already negotiated with transportation experts of the European Economic Community [EC]. We told them that it was in Hungary's existential interest to prepare for the 1992 liberalization, and that we would like to conduct ourselves as partners. The Common Market chief director responsible for transportation visited Hungary during the summer, and an agreement was reached to the effect that professional level negotiations would take place in November concerning a transit agreement between Hungary and the Common Market. Our experts will examine the infrastructure and we will review opportunities for cooperation that present themselves after 1992. Hungary would be guaranteed in the framework of a transit agreement that part of the traffic from West Europe toward the South East and the Near East is routed through Hungary, provided that we establish the needed infrastructure. We have understood our tasks for a long time. We have issued an invitation of tender for the purpose of speeding up the pace by which the highway is constructed. We are negotiating with several countries, including England, to improve the conditions of air transportation, to renew the equipment. Great interest is shown in investments related to the Budapest-Vienna world fair. We want to take advantage of this by all means. According to our plans, we would like to develop the infrastructure with as little budgetary resources as possible, by using capital that belongs to the winner of the tender award, as well as by using credits, granting concessions, and establishing mixed nationality firms.

We applied for credit at the European Bank [as published] quite some time ago. Thus far they have outright rejected our approach, but now they are willing to discuss things with us.

[FIGYELO] Will our transportation firms that operate on public roads be able to preserve their positions in Western Europe after liberalization?

[Banhalmi] An undeveloped Eastern Europe that becomes separated cannot be in the interest of Western Europe either. In order for us to participate in the Western market, we must first of all liberalize transportation within Hungary. Uniform legal and economic conditions must be established among the sectors. The legal framework exists already. There is a lot to be done in order to retain the position we have achieved in international transportation. Accordingly, broadening our sphere is a goal, but not at the price of disintegrating existing values. We would not like to see Hungary being discredited as a result of a side effect exerted by equal opportunity. For the time being, only the number of complaints has increased as a result of private and communal movers starting out on the road with shoddy equipment.

[FIGYELO] Have you decided whether you should negotiate with individual countries or with all of the member countries regarding the size of cargo contingents?

[Banhalmi] No decision has been reached by the EC on this issue. We will begin negotiating in Brussels in November concerning the relationship to be established with the committee. We would consider it a success if after 1992 our situation does not become worse than it is today. Perhaps it is an advantage that the volume of our transportation is negligible compared to that of the member countries. On the other hand, unilateral Hungarian interest expressed by increasing the number of common carrier licenses is visible.

But this problem is not based on transportation issues. It flows from the Hungarian economy's one-sided dependence, its one-sided export orientation. We intend to change our intergovernmental agreements so that they do not contain provisions which hinder our endeavors.

Attempts To Expand Work Force Contingent in FRG

25000521 Budapest FIGYELO in Hungarian 12 Oct 89 p 9

[Article by Imre Juhasz: "Labor Force Export to the FRG: Limited Hospitality"]

[Text] Trade relations between Hungary and West Germany developed at a fast pace in 1989. Based on the first 8 months of data it may be expected that this year the value of bilateral trade will significantly exceed the DM5.3 billion record achieved in 1985. Part of the Hungarian export increment flows from expanded entrepreneurial activities in the FRG.

Legal conditions for Hungarian labor force export to the Federal Republic of Germany are contained in an intergovernmental agreement signed on 3 January 1989. The agreement went into effect on 3 April 1989 (FIGYELO, No 2, 1989). As a reminder, the agreement represents significant progress as compared to earlier conditions, in two respects. First, the authorized number of Hungarian citizens performing work in the FRG at any given time was increased from 1,700 to 2,500. This alone produces several tens of millions of marks worth of added export income for the Hungarian economy. Second, the acquisition of work permits became significantly simplified, and more predictable at the same time.

The figure 2,500 was divided on the basis of a recommendation made by the Hungarian trade delegation in Cologne and on the basis of principles that were reconciled among enterprises interested in exporting labor. The four most significant labor exporting enterprises (Tesco, Nikex, Intercooperation, Inc., and Vegyepszer), i.e. those which historically have employed the largest number of workers, possess great experience and have a developed market structure and were allotted three-fourths of the potential contingent of 2,500, while one-fourth of the contingent was to be competed for by firms and cooperatives that contract for the provision of a smaller number of workers, and on occasion by firms which are appearing for the first time on the West German labor market. As a result of these provisions and based on their authority to be engaged in foreign trading in their own right, some 30 Hungarian firms performed entrepreneurial activities during the summer of 1989. This, in itself, constitutes a rejection of the charge that the opportunity for the exportation of labor to the FRG is a privilege reserved for a few monopolistic organizations which enjoy an unprincipled advantage.

Even though in the course of mediation conducted by the Hungarian Economic Chamber several dozens of participating enterprises agreed to the basic principles by which the contingent is to be divided, a number of firms have turned to the Ministry of Commerce during the past months trying to acquire a fixed part of the contingent and to make use of some exceptional opportunities. Despite the fact that the contingent was increased by 50 percent, several enterprise leaders felt that as a result of the new agreement their respective enterprise's chances for export became restricted because the needs of West German clients and the Hungarian enterprises' endeavors to take jobs in West Germany have exceeded the opportunities that can be responded to by a contingent of 2,500 workers.

The arguments by which certain enterprises support their need for a supplemental contingent are typical, and on occasion comical. They make references to many things, ranging from the enterprise's confused financial situation all the way to the role the enterprise manager played in the workers movement. When one entrepreneur was denied the opportunity to export labor because of a series of irregularities and in order to protect the rest of the enterprises that export labor, documents proving

the irregularities were forwarded to the MSZMP [Hungarian Socialist Workers Party] headquarters, obviously for an examination of whether the determination to deny participation was professionally well founded.

With one exception, it was possible to reject all requests for special handling, which continued to flow in even after the 2,500 contingent was exhausted. Authorities involved in the administration of labor export have recommended to interested enterprises during the autumn of 1988—prior to signing the agreement—that they establish a self-coordinating organization to judge in advance the various enterprises' employment contracts. Based on experience gained during the first 6 months—in response to efforts by enterprises in need of protection and by interest protection organs—the Ministry of Commerce officially requested the Hungarian Economic Chamber during the summer of 1989 to establish a self-coordinating organization. In response, the Construction Industry Entrepeneur's National Federation was established. Its main function is to make allocations within the 500-person subcontingent established in the framework of the Labor Affairs Agreement. Another professional association coordinating the employment of assemblers is also being organized. As expected, beginning on 1 January 1990 the Cologne trade delegation which thus far has managed the contingent will countersign only those contracts which have been approved in advance by professional associations.

Developing the internal operating procedures for professional associations is, of course, the internal affair of each association. Nevertheless in order to maximize foreign exchange income, it may be necessary to establish certain rules of the game in advance. This would also enhance the various organizations' ability to function and would eliminate unnecessary disputes and conflicts. A uniform system for expense accounting must be developed so that the profitability of individual ventures may be compared. Further, the trends established in terms of foreign exchange income flow must be monitored, comparing labor costs specified in various contracts—i.e., the promises made by the enterprises—with the actual amounts of money received, establishing appropriate sanctions in case the promised foreign exchange amount does not materialize, or if some enterprise conducts itself in the West German market so as to violate the position of another labor exporting firm.

Meanwhile, the authorities involved, the State Wage and Labor Affairs Office [ABMH], the Ministry of Commerce, and the Cologne trade delegation, continue their efforts to improve opportunities for reaching the market, in the final analysis, in the interest of increasing the size of labor force contingent available to Hungarian enterprises. Expanding the opportunity to work in the FRG could be part of the assistance the West German government intends to provide in support of the successful completion of Hungarian reform processes.

Alternative Economic Strategies Described

25000518 Budapest FIGYELO in Hungarian 12 Oct 89 p 3

[Article by Peter Kazar and Karoly Lorant: "Alternative Strategies and Scenarios"]

[Text] Parallelling the development of the government's medium-term program and next year's economic policy concept, the National Planning Office is also establishing plans for the period beyond the year 2000. Even in the course of long-range planning one must confront today's problems, because economic management is bound to make decisions which determine developmental opportunities for decades to come.

Thinking in terms of alternatives has always been an organic part of long-range planning, nevertheless the contents of such alternatives has significantly changed with the passage of time. In the beginning, various alternatives differed mainly in terms of the growth rate. It soon turned out that economic growth rates cannot be realistically chosen; after all, why should one select a slower developmental path when it is possible to opt for a faster course? Since political leadership envisioned the basis of its own legitimacy in terms of a rapidly improving standard of living, it became the planners' task to find a path on which this rapid improvement can be accomplished. Political interests played a rather large role primarily in short- and medium-term planning.

Beginning in the late 1970's planning scenarios based on global economic developmental trends constituted real alternatives, nevertheless the role of economic management within these alternatives remained passive. Developmental paths depended primarily on the way external economic processes took shape, and not on domestic economic policy decisions. Dynamic development manifested by newly industrialized nations and the loss of ground in world markets by CEMA countries called attention to the fact that domestic economic policy decisions—and mainly the economic management decisions—may play a significant role in the success or failure of the way we respond to global economic changes. It was in part on the basis of this experience that the detailing of possible alternative responses to the global economic challenge began.

Economic strategies represented two pronounced trends. One endeavored mainly to accelerate the opening toward the global economy, or to establish a developmental path guided by exports, while advocates of the other trend believed that an import reserve policy that concentrates primarily on infrastructural development is more appropriate.

Long-term economic development concepts, and within those the individual alternatives, were subjects of regular debates by various social organizations, such as the Patriotic People's Front [PPF] or the National Council of Trade Unions [SZOT].

Values and Interests

Possible solutions to individual economic policy problems always have value and interest implications. Strategic alternatives are influenced to a significant degree by the economic, social, and political sphere of movement. Today's sphere of movement has three "coordinates" along the path of which we must count mainly on limitations.

The first limitation pertains to the external economy. It can be measured by the total volume of our indebtedness payable in convertible currency, and by our related low level capacity to produce a surplus. Another limitation presents itself in the backward, obsolete, and rigid structure of the economy. It can be measured by the low ratio of added value as compared to committed resources. And finally, the third limitation pertains to the human sphere laden with tensions. In this regard productivity which ranks low on an international scale may be traced to the deteriorated physical condition of the population, to self-exploiting, inefficient work performance, to deteriorating living conditions, and to the impact of these factors upon individual lifestyles.

The critical points of socioeconomic development command less attention in today's evolving party programs than would be necessary, even though the relaxation of these limitations would obviously play a primary role in the development of short-term economic policies. This is true, even though the economic strategies that should be developed are of a kind that lead to the desired target model even along with societally acceptable tensions. A relative agreement with regard to the goals is of no value unless an agreement exists with regard to the chosen strategy.

Several Situation Analyses

The long-term goals of various political movements are essentially similar. Most movements regard as their main goal the evolution of a pluralist society which accepts the idea that various competing values, interests, and movements are equal, and that power should be exercised on the basis of rules and democratic principles, and under societal control.

This requirement is satisfied by an economic model based on a market economy and on mixed ownership. Mainly the first segment of the path leading to this development course is critical, because in the course of the first segment one must find the path that leads from the present situation to the target model. Accordingly, it comes as no surprise that the various alternatives differ above all in terms of situation analyses, and of economic policy measures and scenarios during the transition period, although some small and large differences in emphasis may also be discovered with regard to the target model.

Three typical concepts characterize the situation analyses.

The first concept holds that the crisis is primarily a crisis of the system, and that therefore a change in the system is needed in order to recover from the crisis. In the political sphere a changed system would mean a pluralist political structure, while in economic terms the establishment of conditions amenable to a market economy would be needed.

According to the second concept, Hungary's large-scale indebtedness, and its economic structure that fails to adapt to global economic requirements is the fundamental cause of the Hungarian economic crisis. Therefore the crisis may be overcome by concentrating the country's resources on halting the indebtedness process, and on developing an economic structure consistent with global economic requirements.

The third concept holds that the generally restrictive policies of the past decade have catalyzed a restrictive spiral which casts our economy into an increasingly deeper crisis. The country is suffering increasing losses due to forced exports. The solution may be found in strengthening internal integrating relationships within the economy, in moderating our need for imports, and in starting anew on a growth course on these bases.

As can be seen, the three analyses and target designations do not necessarily contradict each other. They appear rather like emphasis on different elements of a single, complex situation. Nevertheless, these differences in emphasis determine the methods of solution, and these methods involve contradictory economic policy conduct and conflicting measures to be taken by the government.

Alternatives and Their Means of Implementation

The alternative based on the first situation analysis envisions the key to adaptation and to an efficiently functioning market economy in the earliest possible establishment of a market economy, and subordinates its economic policy to the existence of a market economy. It determines the most important tasks of the transition period from this vantage point: the liberalization and deregulation of the economy; continuation and expansion of the price, wage, and import liberalization policies initiated in 1989; a forceful opening toward world markets, and primarily toward developed capitalist countries; the development of favorable, internationally competitive conditions to attract foreign capital; and a selective, forceful development of the infrastructure which places primary emphasis on modernization. Within this alternative the market constitutes the fundamental means by which the structure should be formed; the state's role of guiding the economy would involve primarily the molding of the economic environment and the regulation of market conditions and competition.

The alternative based on the second situation analysis characteristically differs from the first insofar as it regards the halting of the indebtedness process at the earliest possible date as its fundamental goal, and advocates forceful central intervention in the interest of accomplishing this. Similarly, it advocates firm governmental policies for the achievement of structural transformation in an accelerated fashion. This is based on the

previous experience of rapidly industrializing countries, such as South Korea. Under this concept a significant regrouping of income in favor of the exporting sectors, and the application of offensive central structural policies would be needed in the short term. It endeavors to develop activities and services which are, and are expected to be competitive on an international scale, and to quickly develop an export-oriented infrastructure. And further, advocates of this concept plan to establish relations with developed capitalist countries in the interest of accelerating technical development. The intent behind such relationships would be the acceleration of technical development and the improved efficiency of technology transfer. Such relationships would also involve capital movements.

Under both the first and the second alternative the income situation of significant social strata would temporarily continue to deteriorate, and therefore one should count on further increasing social tensions. This causes concern.

The alternative based on the third situation analysis regards as its most important near-term goal the increase of internal economic integrity and the relaxation of social tensions. In order to accomplish transitional economic and social policy goals it would reduce the import demand of the economy. This would provide the opportunity to start the economy on a growth course. Under this concept the import demand by the economy would be moderated by closing vertical integration processes in production. In the framework of structural transformation this concept places great emphasis on infrastructural development. It endeavors to achieve closer, more efficient cooperation with smaller CEMA countries. Under this concept the declining standard of living would be halted by harnessing inflation, by a more moderate income differentiation, and by improving the housing situation. According to this concept a market economy could be established only gradually, in the framework of long-term processes. The transfer of individual functions of state direction to the market would take place in response to the development of a market economy. In the present situation, this alternative pays less than the needed amount of attention to indebtedness, and does not hold out much promise regarding the modernization process. Accordingly, this would increase the threat of backwardness, of being pushed to the periphery.

Political Trends

The various trends that emerge in present day political life are also reflected in these alternatives. In terms of its spirit, the first alternative is close to the program advocated by the Alliance of Free Democrats [SZDSZ], but in its essence it is also close to present governmental endeavors. Within the Hungarian Socialist Party [MSZP] this alternative may count primarily on the reform circles' support. The third alternative is close to the principles proclaimed on various occasions by the PPF and by SZOT. The second alternative enjoys the support of expert groups familiar with the results and failures of international modernization policies, and regards the experiences gained by rapidly industrialized nations (NIC) as relevant.

Inside the Planning Office the choice between various alternatives is the subject of heated debate. Some believe that the most appropriate alternative may be selected on the basis of professional evaluation. On the other hand, others stress that a choice between the various alternatives essentially represents a value choice, one that cannot be made on a professional basis. It will evolve as a result of the way the political institutional system functions.

Government Projections on Labor Economics Questioned

25000516 Budapest FIGYELO in Hungarian 19 Oct 89 p 5

[Article by Dr Iren Szabo and Maria Vanicsek: "Long-Term Unemployment: A View From the Street"]

[Text] Our ability to recover from deep economic crisis is no longer just an economic policy issue. It is becoming one of our national survival issues. Changing our economic structure is of primary concern if we want to foster hopes for recovery. Any economic change deeply impacts upon the labor market situation, however, and therefore upon employment.

The release of internal work force reserves in enterprises, the mass bankruptcy of enterprises operating with a loss, suddenly increases the size of the available work force that appears on the labor market. Due to its composition, this work force will be confronted with reemployment problems even if an appropriate number of societally useful and efficient workplaces are established. It is possible that this process will be completed rapidly. If this is the case, we must count on a sudden increase in the size of the available work force, and as a result of this, on a high rate of unemployment, due to the large number of bankrupt or discontinued enterprises. This is understandable, because by virtue of its training and trade structure, the released work force is difficult to place even if there are job openings. Nevertheless, one must count on a protracted crisis along the Polish or Yugoslav patterns. In this case the labor supply will not appear suddenly, but slowly and gradually, in a deteriorating economy.

In our view, unemployment may be influenced by very many factors, nevertheless these factors may be traced to three causes that stand out: unprofitable, uneconomical production; demographic changes; and little ability on the part of the work force to adapt itself.

Enterprises in Danger

Let us examine these factors more closely. In our judgment, the net result of stagnation, or of minimum economic growth, is accompanied by a reduction in the effective demand for labor. We estimated the rate of this

reduced demand at approximately 10 to 12 percent, or about 500,000 persons by 1995. By liquidating surplus labor within enterprises, the number of unemployed persons may be as high as 700,000 or 750,000. This labor supply may appear all at once or gradually. Its release from current employment largely depends on the implementation of measures presently planned by the government. One common feature that characterizes our economic management is that the state supports uneconomical activities. By the end of 1992 they want to reduce significantly, by about half, the subsidies that amount to about 200 billion forints at present.

Discontinuation of subsidies will be reflected in significant consumer price increases. For example, the price support of milk and dairy products amounts to 5.2 billion forints. In terms of retail prices the level of support exceeds 20 percent. This fact will influence employment not only directly, but also by way of reduced demand.

According to Ministry of Industry assessments, based on the enterprises' 1988 financial reports, the situation of 6 foundry, 19 machine industry, 7 chemical industry, and 14 light industry units may be regarded as critical, in addition to the enterprises that have operated with losses thus far. The reliability of these calculations is supported by the fact that a significant part of the enterprises regarded as problematic on the basis of their financial and economic situation in the earlier period turned into loss operations within one or two quarters. For example, of the enterprises deemed to be critical on the basis of their 31 December 1987 financial reports, 18 turned into loss operations during the first half of 1988. Based on trade union membership, the number of employees in these industrial enterprises are broken down as follows:

Number of persons employed in industrial enterprises producing zero or negative balances: 12,015 individuals at the Miners Trade Union, 56,138 individuals at the Steel Workers Union, 28,904 persons at the Textile Workers Union, and 5,803 persons at the Tannery Workers Union.

At the same time it is necessary to note that these figures do not include the number of persons at the Ozd Foundry Works and the Lenin Foundry Works. Momentarily, these two enterprises are not operating at a loss, nevertheless in the upcoming years they intend to reduce their workforce by more than 5,000. Similarly, Pet Nitrogen Works, now subject to bankruptcy reorganization, which employs more than 3,000 persons is not included either.

Effects of Structural Transformation

It is very difficult to appreciate the work force aspects of structural transformation. A characteristic example of these aspects maybe found in the Hungarian communications technology industry. It is generally recognized as a lead industry. Nevertheless, according to World Bank estimates actual need calls for only a certain percentage, less than half of this industry's present number of employees, and transformation of this industry's structure is also unavoidable. In BHG's [abbreviation unknown] case, manufacturing based on electronic technology would require only between 1,500 and 2,000 employees, as compared to the present level of 10,000 workers.

In examining the expected demand for labor on a global scale, and by taking into consideration demographic and some other factors (higher retirement age, changes in the term of military duty, lower levels in the number of conscripted soldiers, an increased labor supply resulting from immigration) we determined that between 1989 and 1995 the labor supply could increase by a minimum of 200,000 persons. Viewed realistically, this figure could be as high as 300,000 or 350,000 persons.

The third source for the expected unemployment is the inappropriate qualitative composition of the labor supply. We stressed the fact that during the period examined the number of job seekers whose educational background, job related training, and severe health impairments will render them simply unacceptable to the economy will supposedly increase. This stratum may reach the level of between 150,000 and 200,000 persons during the period ending in 1995, and thus constitute unemployment which is most difficult to manage.

If we accept the previous estimates as valid, it becomes apparent that the number of unemployed persons may increase to between 800,000 or 1 million by 1995. Using the present rate of employment as a basis, this would represent an estimated 10-to-20-percent unemployment rate. That rate is regarded as rather high by developed capitalist countries. It is difficult to prognosticate the expected rate and composition of unemployment, because due to the number of uncertain factors affecting a forecast, we endeavored to show the main trends of anticipated processes, and our numerical approximations are of an informational and orientating character only. Uncertainty is increased by the fact that defining even the main trends of these processes presents difficulties because the main trends of economic development experienced thus far may break down drastically, and some yet unknown correlations may emerge in the new situation. Finally, from the standpoint of preparing such a forecast, the fact that the term "unemployed," and the nature of unemployment have not been defined thus far appears to be an important circumstance.

Who Is Unemployed?

The following is our view. On the people's economy and societal level an unemployed person is a working age person capable of working, provided that such person endeavors to find long-term and regular work but is unable to find an appropriate job opportunity. To demonstrate just how significant the meaning of this terminology is, we would like to mention that the official number of job seeking unemployed in Hungary in 1988 amounted to 15,000, and the estimated number of those receiving unemployment compensation was only

between 1,000 and 1,500 persons. At the same time, the actual number of unemployed is estimated by some as falling between 30,000 and 40,000 persons, and at 100,000 persons by others.

The difference appears to be rather large if we compare our estimates regarding the extent of unemployment with the 80,000 to 100,000 unemployed shown in the evolutionary program prepared by the Hungarian Socialist Workers Party [MSZMP] and the government. Why this great difference? It is hard to provide an answer to this question, because we are unaware of the essential considerations upon which the estimates contained in the government program were based. Nevertheless, in order to permit a better understanding of this matter, we will make reference to some important aspects of the government program.

It is known that governmental organs do not have a well founded short-term or medium-term forecast regarding the work force. For this reason they have had to rely on estimates even in the course of preparing the evolutionary program. Governmental estimates concerning the medium-range demand for labor and the labor supply are overly optimistic. They are inclined to exaggerate the evolution of demand for labor, while at the same time they present the anticipated problems on the supply side as more moderate than they actually are. Incidentally, these expectations conflict with the expectations contained in Alternative "A," which pertains to a radical increase in efficiency and structural change, and to restrictions on investments.

On the basis of various estimates contained in the government's work program one cannot tell what those estimates apply to, i.e. what criteria for unemployment they considered in estimating the number of unemployed at between 80,000 and 100,000 persons. (Whether they considered persons who lost their jobs and have not yet found work, or some more narrowly defined criteria.) We harbor great suspicion that the between 80,000 and 100,000 figure pertains almost exclusively to those who lost their jobs, i.e. to a very narrow interpretation of the concept of "being unemployed." This may account for the larger part of the huge gap between the two estimates. Furthermore, it is conceivable that the following factors also contributed to the apparently more optimistic estimate. It is likely that governmental organs expect that planned measures to temporarily remove mothers with little children from the labor market will accomplish a lot. In our view, these measures will create only a very moderate impact in the medium term. Government estimates for the demand for labor were probably based on the idea that year after year a large number of workplaces would be established.

In contrast, we feel that, particularly during the consolidation period, conditions for the creation of the needed number of new workplaces will not exist. One may clearly see by now that means to accomplish a mass regrouping of released labor in case of a more intensive structural transformation are not available.

Growth Progression

We do not have a retraining or continued education network that could respond to sudden increases in the magnitude of tasks that present themselves. The apartment situation does not encourage workforce mobility between various geographical areas. Accordingly, there exists a realistic threat that we will not be able to redirect a part of the released labor force to potentially existing vacant jobs. This circumstance may serve only to increase our existing and reproducing concerns about employment.

The makeshift estimates contained in the government's work program may also be criticized for not providing any bearing at all concerning a time distribution of unemployment in the upcoming period. From the standpoint of managing this problem, it is not at all indifferent as to whether the projected unemployment figures materialize suddenly, like an explosion, or if they appear evenly distributed in time. It is likely that the actual 1988 unemployment figure of between 30,000 and 40,000 persons will continue to increase prior to 1995 by between 50,000 and 100,000 persons each year. This would mean that if things go well, the number of unemployed in 1995 would be between 350,000 and 400,000 persons. If things went bad, that figure could be between 450,000 and 550,000. During the initial 2 or 3 years of consolidation, the primary incremental impact would be exerted mostly in the field of cyclical unemployment, while during the second part of the period increases in so-called structural unemployment appear to be more likely.

Quite naturally, our estimated figures for unemployment also raise issues concerning the "mass character" and the "long-term character" of unemployment. In this regard the already mentioned government documents take the position that unemployment may be regarded as having assumed a "mass character" if it occurs at an annual rate of about 2 to 3 percent of those employed, i.e. between 80,000 and 120,000 persons. Based on this concept, unemployment may be regarded as "long term" with regard to those who could not work for more than 6 months. Accordingly, based on documents prepared by governmental organs, a picture emerges according to which it will be possible to find new workplaces within a relatively short period of time, say within half a year for the between 80,000 and 120,000 persons who become unemployed each year.

Our forecast assumes rather different conditions, as compared to this almost idyllic picture. We believe that the extent of unemployment may be greater than what state organs have "dared" to consider thus far, that the mass of unemployment may increase year after year, and that this would present continuously increasing social and economic concerns, even if economic and employment policies are successful. This then would mean that each year only some of the job seekers could find new jobs within a shorter period of time, and that therefore a smaller proportion of the constantly changing and renewing number of unemployed persons would remain unemployed in the longer term. Indeed, the increasing number within this stratum constitutes the threat we

should be concerned about. If it were possible to limit unemployment to a figure of a few ten thousand persons, "hard core unemployment" would amount to only a few thousand persons nationwide. In the event that there are a few hundred thousand unemployed, the number of long-term unemployed may be as high as between 100,000 and 200,000 persons. The societal dangers inherent in that situation are incalculable.

Accordingly, the question may be raised in this form: Could the emergence of unemployment to an extent forecasted by us be avoided in the medium term? Two things would be required to accomplish this. First, government endeavors to remove a significant part of the available workforce from the labor market must constitute a resounding success, and second, appropriate jobs must be created for the work force, released continuously, year after year, as well as for the expected surplus supply of labor. One could probably assume that even along with stagnation and a modest rate of engineering development this economy will be able to spare annually between 2 and 3 percent of the employed during the upcoming years, which corresponds to between 100,000 and 150,000 persons.

The surplus supply amounts to between 30,000 and 40,000 persons annually. This means that in order to maintain the employment rate at an unchanged level, between 150,000 and 200,000 new jobs would have to be created each year. It can be easily seen that this is a virtual impossibility in an economy in which some 20,000 to 30,000 jobs were eliminated annually during the past 5 or 6 years, in many respects under improved investment conditions.

In summary, we feel that, considering the given factors of medium-term development, it would be much closer to reality to consider a minimum of 500,000, and a much higher maximum figure for projected unemployment by 1995, than the between 80,000- and 100,000-person official alternative estimate that is being circulated. Nevertheless, the likelihood of the actual outcome of the projections may be significantly changed through the conscious application of economic and employment policy measures. A realistic assessment of the anticipated problems, rather than presenting a strongly beautified version of these problems is indispensable insofar as the development of a successful employment policy is concerned.

ROMANIA

Kuwaiti Trade With Romania Increases; Further Growth Expected

90OL0047Z Dubayy AL-BAYAN in Arabic 29 Aug 89 p 2

[Article by Sa'id al-Sayyid: "Marked Rise in Volume of Trade With Romania: 36 Million Dirhams in Romanian Exports to Dubayy in First 6 Months"]

[Text] Trade between Romania and the UAE [United Arab Emirates] has recently risen markedly. The volume of trade between the two countries rose from 1.7 million dirhams in 1986 to 27.5 million dirhams in 1987, then jumped last year to 46 million dirhams, according to Ion Pancio, Romanian commercial counselor in Dubayy.

He predicted that the figure would double this year, since the volume of trade between the two countries from January through the end of this past July has already reached 36 million dirhams.

Ian Pancho said Romania exports to the UAE several products including chemicals, fertilizer, transport equipment, tires, steel products, household goods, and textiles.

The Roman commercial counselor added that the establishment of full diplomatic relations between the two countries would help bolster all aspects of relations between them, especially in the commercial and economic fields.

He said that several agreements on cooperation and joint ventures have been concluded between the Romanian Chamber of Commerce and the chambers of commerce and industry in Dubayy and Abu Dhabi.

Romanian know-how also contributes to several projects in the country, especially in oil refining. The first oil refinery in the world was built in Romania in 1857, [he explained].

He added that the Romanian economy has, since the early 1950's, enjoyed steady growth in the field of cooperation with all countries of the world. Romanian trade with the rest of the world has grown 45 times over during this period.

The Romanian commercial counselor pointed out that since 1945, his country's industrial output has increased 135-fold, its agricultural output has increased tenfold, and its national income has increased by more than 36-fold.

Ion Pancio said that trade with the socialist countries represents 50 percent of Romania's foreign trade and that his country maintains diplomatic and commercial relations with 155 countries.

The Romanian commercial counselor said in conclusion, that the 45th anniversary of Romanian independence has been celebrated this 23 August after the restoration of full diplomatic relations with the UAE. He also said that relations between the two countries, especially in the economic and commercial fields, will develop steadily in coming years, as high officials of both countries visit each other, as more commercial and economic accords are concluded, and as the feasibility of joint projects is studied.

Export of Chemical Equipment, Services

90EB0051A Bucharest REVISTA ECONOMICA in Romanian No 40, 6 Oct 89 pp 12-13

[Article by Mariana Baicu: "Promoting Complex Exports"]

[Text] In our economy, the process of industrial modernization is based on accentuating intensive development and achieving new, better products that can

increasingly better meet the requirements of all economic sectors of the national economy. At the same time, another fundamental objective is to maintain and consolidate our country's place in world economy by increasing competitiveness and exports of manufactured products.

Referring to this issue, RCP [Romanian Communist Party] Secretary General Comrade Nicolae Ceausescu stated that "In the 1986-90 5-year plan industry will develop especially through modernization of labor and production structure, raising their technical and qualitative level, and continuously adopting and implementing advanced technologies. We will have to resolutely implement programs concerning the mechanization, automation, and robotization of all economic sectors. By 1990 we will generally conclude the intensive reorganization of all sectors. Romanian industrial production, and activities and technologies in that branch will become comparable to those in economically developed countries."

In order to attain those objectives, scientific research must substantially increase its contribution to promoting scientific-technical progress in all economic and social areas.

In view of the specific position occupied by our economy in relation to its raw materials and energy resources, we must better utilize the latter, placing special emphasis on Romanian research and creativity, which must be focused on enhancing the competitiveness of Romanian products by reducing production costs, and rechanneling energy-intensive industries toward highly technical products leading to increased level of processing and greater foreign trade efficiency.

Along this line, promoting complex exports of turn-key installations and projects for the chemical industry is one way of intensively increasing exports through the quantity of potential labor they incorporate: highly technical equipment, customized installation design, licences, engineering know-how and consulting, technical assistance, services, and so on.

The Romanian chemical equipment industry relies on its own strong basis of technological and production innovation thanks to the existence of the Institute of Technological Engineering and Design for the Chemical Industry [IITPIC]. It features an important portfolio of technological licences and 35 years of experience in designing chemical installations, which materialized in large chemical complexes built in Romania and abroad. In principle, IITPIC's objective is to produce documentation for preliminary and final design of technological installations that fall under its specialty, comparative technological studies, feasibility studies, development studies, and so on.

The vast experience amassed by Romanian chemical institutes and the research and technical capability existing in our chemical industry are concretely reflected in the range and large number of chemical installations produced for: sulphuric acid (from pirites, metallurgical gas, and sulphur), potash and nitrogenous fertilizer, ammonium nitrate, phosphoric acid, synthesis ammonia, nitric acid, urea, caustic and electrolitic soda, methanol, carbide, fluorine and dichromate salts, tripolyphosphates, phosphates, hexametaphosphates, sulphates, sulphites, hydrosulphites, anorganic pigments, acrylic, polyamidic, and polyesther fibers, antibiotics, synthesis installations for chloramphenicol, sulphamides, installations for synthesis drugs, and installations for plastics and synthetic resins. Aside from research capability, we also have specialized enterprises that deliver equipment for complaex chemical installations in Bucharest, Cluj, Fagaras, Ploiesti, Rimnicu Vilcea, Buzau, Bacau, Moreni, and so forth.

The rapid development of the Romanian chemical industry and the industry of chemical equipment during the socialist era was made possible by the fact that a sound technical-material basis was insured and heavy industry—especially machine-building industry—was developed. Cooperation was also developed with renowned international firms and modern marketing techniques were used (cooperation, tenders, barter); within the framework of complex objectives, technical assistance and services were delivered to customers together with the installations, technical and consulting agencies were established, and so forth.

Along this line, exporters, as well as the Industrialexportimport Foreign Trade Enterprise have made and continue to make efforts to: a) continuously improve export offers by incorporating on the list of exports all complete installations in the design, manufacture, and use of which our country is sufficiently experienced and that are on a par with international technical requirements; b) study the possibility of mastering and manufacturing new installations at the global technical level by promoting the automation and robotization of technological process; c) implement new processes involving greatly reduced specific metal consumption, with a view to obtaining the same economic-technical performance as international achievements.

The experience gathered in this area by Romanian design institutes and plants manufacturing chemical installations is clearly proven by prestigious commercial testimonies and the contracts signed and carried out with various foreign firms.

Below we present some of the approximately 100 installations, equipment, and turn-key projects delivered to foreign partners.

Note that turn-key exports provide opportunities for long-term cooperation with foreign partners. Along this line we note the new contracts concerning the development of utilities sections at the Homs TSP complex: Syria—for the delivery of spare parts and technical assistance; the new contracts signed with the

Banias refinery for the delivery of reservoirs, isomere installations, LPG recovery, spare parts, and technical assistance.

Along with exporting chemical installations, the Industrialexportimport Foreign Trade Enterprise also delivers complementary items such as:

—licences, know-how, and the right to utilize manufacture processes;

—technical documentation, preliminary and execution plans, technical parameters and data, operation instructions, and so on;

—spare parts for the installations delivered;

—technical assistance during the periods of construction-assembly, mechanical tests, and beginning operation;

—training for the customer's personnel at similar installations in the Socialist Republic of Romania.

By participating in building economic projects in developing countries, Romanian firms contribute to the industrial development of those countries and to consolidating their economic independence.

Complex deliveries also constitute a superior form of trade for the exporter—economic cooperation—that involves a large number of suppliers and efforts by several branches of the national economy.

Aside from the units that manufacture the installations, domestic suppliers include construction-assembly units, units that deliver documentation, design, materials, or work, and units in charge of services included in complex exports. For example, not only the chemical industry, but the machine-building industry, too, pays special attention to exporting complete chemical installations because this allows it to efficiently utilize research, design, and manufacture potential and is in keeping with consistent international demand.

These deliveries permit efficient export of Romanian intelligence and design (engineering services make up a considerable percentage of the price of installations). Thus, engineering exports in the form of blueprints are normally more profitable than exports of relevant equipment, and contribute to increasing the overall profitablity of deliveries abroad.

Proceeding from the increasingly more active role played by states and governments in achieving complete industrial projects—a concern generated by the particularly high cost of building them and by the considerable influence this has on the development of certain economic sectors and areas—one of the forms of securing complex delivery contracts is through tenders.

Industrialexportimport has bid in tenders abroad for the delivery of turn-key chemical installations and has managed to win some of them due to its competitiveness. One of the characteristics of this form of marketing is that before the contract is signed, certain preliminary stages and specific documentations are covered, such as: feasibility studies, work schedule, prequalification documentation for tenders, and preliminary offers, which demand special organization and promptness.

Proceeding from these characteristics, practice has revealed a number of factors that can contribute to increasing the efficiency of our participation in tenders, such as:

—working out or participating in working out work schedules by hiring out as consultants (independent Romanian supplier firm); improving the system of gathering information concerning projects, the performance of competitor or partner firms, technological level, price, payment conditions, delivery terms, and so on; obtaining in market references and recommendations by firms and banks concerning the solvency and profesional experience of cooperating firms; hiring or working together with local agents connected with the organizers of the tenders or consultants; cooperating or working together with other firms, preferably local ones, or organizing consortiums to complete the specifications required under work schedules or to attract local manpower; compiling offers in keeping with the conditions required under work schedules and observing the dates set for filing them and for depositing guarantees; having the materials supplier at the place and on the date of opening the envelopes for the purpose of his participation in negotiations; observing regulations and laws concerning organization of and participation in international tenders.

In order to stimulate the prompt completion and filing of offers for complex installations, one should keep [the following] in mind: working out standard blueprints and technical offers according to groups of installations or certain parts thereof, which can be offered; utilizing modern computation techniques and means for preparing offers; enhancing efficiency in the process of advising and approving offers; organizing special teams to prepare and negotiate offers, and ensuring stable team members; improving the training and specialization of foreign trade employees in charge of complex exports; improving the information system in this area, and efficiently organizing general domestic contractors; improving the current system of turnover and account-keeping for complex installations exports.

Recently, one of the important characteristics of these exports has been the award of long-term credits, for 8-10 years, in advantageous conditions (lower interest rates, 2-to-3-year guarantee terms) and the increasing frequency of turn-key export contracts—characterized by the fact that the general contractor is responsible for every aspect of the work until the project is completed, while the foreign customer has no direct contact with subcontractors.

Analysis of the opportuneness of granting credits is complex, because a sound balance must be maintained between offering installations at competitive prices so as

to be able to win the contract (or tender), and being able to rapidly recover expenditures.

Consequently, in order to expand and diversify the export of chemical installations, an important resource is technical and commercial cooperation, this permits the mastering and manufacture of new, technically superior equipment and installations for export, through cooperation with firms in possession of licences and advanced technologies. At the same time, cooperation can ensure more favorable financing conditions and make it possible to cut back complementary imports.

[Box, p 13]

Commercial Testimonies Concerning Exports of Complex Chemical Installations

—Soda plant delivered under contract with the General Organization for Industrialization, Cairo, using the Solvay process, with an overall capacity of 100,000 tons/year of raw sodium carbonate, dense soda, caustic soda, and pharmaceutical and refined bicarbonate of soda.

—Soda and sodium bicarbonate plant delivered under contract with Shiraz Iran, based on the ammonia process, with an overall capacity of 60,000 tons/year, which produces dense soda and refined sodium bicarbonate.

—Installation for simple granulated superphosphate—ELAZIG—delivered under contract with the firm Tokar, Istanbul, with a capacity of 220,000 tons/year.

—Installation for sulphuric acid, delivered under contract with Tokar, Istanbul, with a yearly capacity of 215,000 tons.

—Installation for chlorsulphonic acid, delivered to Abu-Zabbal, Egypt, with a yearly capacity of 1,500 tons.

—Tanin extraction installation, Vietnam.

—Sulphuric acid installation, Abu-Zabbal, Egypt.

—SO_2 solvation installation, Barauni, India.

—Installation for the atmospheric distillation of coal tar, Bochum, FRG.

—Petroleum products storage, Kuwait.

—On the basis of existing agreements with the DPRK, an installation was delivered for the manufacture of 10,000 tons/year of polynitrilacrylic fibers, and an installation for producing 100,000 tons/year vitamin C.

Another category of exports carried out through Industrialexportimport was made up of deliveries of turn-key complex chemical installations.

A contract for expanding refinery No. 2 of Karachi, Pakistan, with a capacity of 1.5 million tons/year, including eight process plants, signed by Industrialexportimport and National Refinery Ltd.

A contract for the Banias refinery, with a capacity of 6 million tons/year, signed by Industrialexportimport and the Ministry of Petroleum and Mineral Resources of Syria.

A contract on building a phosphate fertilizer complex at Homs, Syria, with a capacity of 450,000 tons/year, signed with General Fertilizers Company.

A contract signed with the firm Jordan Petroleum Refinery Co. for expanding the Zarqa refinery, Jordan, with a capacity of 2,450,000 tons/year.

A contract for building a refinery in Central Anatolia, Turkey, with a capacity of 5 million tons/year.

A contract for the Karachi refinery, Pakistan, with a capacity of 100,000 tons/year.

A contract for a lubricating oil refinery in Albania, with a capacity of 30,000 tons/year.

A contract with China National Chemical Construction Corporation for jointly building a chemical fertilizer complex that includes a phosphate diammonia plant and a phosphoric acid installation.

Other cooperation contracts were signed on projects such as: Gauhati refinery, India; Haldia lubricating oil refinery, India; Pacevo refinery, Yugoslavia; and lubricating oil refinery, China.