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POLAND

Nomenclature: Government Staffing, Party Entrenchment Viewed

26000730 Warsaw *POLITYKA* in Polish
No 35, 2 Sep 89 pp 1, 4

[Article by Marek Henzler: "Your Premier, Our Apparatus"]

[Text] The first of the new cabinet staff to pay a visit to the building of the Office of the Council of Ministers was not Premier Tadeusz Mazowiecki but his assistant editor in the *TYGODNIK SOLIDARNOSCI*, deputy Jacek Ambroziak. Already 2 days before the election of the premier by the Sejm, he was inspecting the offices and meeting rooms.

"He will probably become the head of URM [Office of the Council of Ministers]," predicted some of the employees. "At the most, the director of the premier's cabinet," others made wagers. "It will be interesting to see whether THEY will want protection," wondered the officers from the Bureau for Government Protection while cleaning women vacuumed carpets and polished the copper bottom ashtrays.

The new premier is just starting to select his closest associates, deputy premiers and ministers. The makeup of the Council of Ministers has as yet to be accepted by the Sejm. Nonetheless, it is worth taking a look already today at those whom the NEW ONES will find in the URM: in the various ministries; in voivodship, city and gmina offices; in enterprise managerial positions; in supervisory councils of banks and cooperatives; etc. With whom will the NEW ONES build the Fourth Republic in a situation where the premier is "yours" and the apparatus "ours"?

From among nearly 700 employees at the Office of the Council of Ministers, every tenth has left in recent weeks. To be sure, the majority of them have left for the Office of the President which is being formed but, undoubtedly, many of them preferred to be among the president's people than to wait for the new premier, especially since it was becoming increasingly more certain that he would be from the opposition.

The employees of the URM have already become used to frequent changes in premiers. In the last 10 years, security officers have already saluted: P. Jaroszewicz, E. Babiuch, J. Pinkowski, W. Jaruzelski, Z. Messner and M.F. Rakowski. Tadeusz Mazowiecki is the seventh premier in the last decade. This truly Italian style rotation tempo of people from the most important ministry also bears fruit in the form of changes in the posts of deputy premiers and lesser posts.

As has been observed by the senior staff members at URM, the new premier or deputy premier, if he gets the chance, as a rule replaces half of the associates he "inherits" with people familiar to him. That is why,

today half of the URM staff employees have less than a 5-year work term in this building and barely every tenth employee remembers Premier P. Jaroszewicz here.

"Currently, the changeover to a new cabinet will not go over painlessly," feel those who remain in the URM. "In the beginning, there will be much mutual distrust because our backbone has been formed in the Third Republic and all of a sudden we are to build another one. During the last cadre review, we received positive evaluations. Will not our professionalism and competence start being undermined now? What do the premier's words about the need for 'absolute loyalty' of the administrative apparatus mean in practice?"

"No one wishes the new premier ill because, after all, this is our government, too. The premier can be sure of our loyalty," assures one of the directors, "but the people who work here have to be set at ease and nothing should be done too hastily. Then, there will not be any Italian-style strikes—something of which some opposition journalists want to accuse us."

According to some, a gauge of the new premier's first intentions will be his attitude toward the party organization that operates in the URM and includes most of the staff and which besides political functions also serves as a quasi trade union (state employees are not permitted to belong to a "normal" trade union in compliance with the union law).

Thus far, the opposition premier will inherit not only a decisive majority of employees who are party members but these are workers who at the same time constitute the nucleus of PZPR Central Committee lecturers. Time will tell whether this perhaps will not be the basis for the first conflict with regard to the so-called loyalty. "Political" dilemmas will also invade those who come here with the premier. Whoever has not previously held a government function, will have to take an oath with the words that "in the entrusted function, I will contribute with all of my power to the socialist development of People's Poland..." Most assuredly, it will not be easy for the current opposition members to say this phrase and the Sejm will probably change the form of the oath.

A no less interesting issue will be what the premier and his entourage will do with their affiliation with Solidarity which officially is still a trade union to which government officials are not permitted to belong! Therefore, it will be necessary to leave (!?) Solidarity, suspend one's membership in it or the Sejm will have to make yet another change in the union law.

An enormous amount of work awaits the new government cabinet in their efforts to save the country. However, it has the chance to be a part of Polish history permanently. It will receive wordly satisfaction from the government "privileges" to which it is entitled: an official car for the deputy minister and on upwards, government sponsored hospital care for the department director on upwards, meals according to staple prices and an automatically increasing salary which is many

times over the average wages in the country. For example, the premier has a 4.9 index and currently earns 628,000 zloty, a deputy premier makes 563,000 zloty, a minister—505,000 zloty, and a deputy minister—444,000 zloty.

This somewhat idyllic picture of the changes in the URM may be misleading to some readers, and yet, this is the beginning of the funeral for the model of cadre policy to date as carried out by one party. However, for this funeral not to be the cause of a collapse in the functioning of the state, the funeral procession must travel a long, difficult and most likely slow road...

The End of Nomenclature

One of the most important conflicts carried on in official and underground press columns and later, during the deliberations of the Roundtable. Those who claimed that it no longer exists, showed party documents in which, indeed, such a word can no longer be found. Others detected its existence under the disguised term of "political acceptance" for a specific executive post which with the leading role of the PZPR written into the Constitution, was to mean the same in practice as classic nomenclature understood as the nomination of only members of the ruling party for command posts. This image of nomenclature cadre policy has not been changed even by its democratization based on nominating members of allied parties and those without party affiliation for certain positions.

The battle with nomenclature in Poland has a long tradition. The proposal of eliminating it appeared during nearly all postwar historical turning points. It was strongest after the October events at which time it [nomenclature] officially held approximately 70,000 posts but in fact only the PZPR decided about the appointment of everyone. A strong wave of protest against nomenclature also spilled after the August events when the number of such posts came to as much as 130,000. This number reached its peak during the mid-1980's when "acceptance" was required by as many as 270,000 posts. This took place at a time when new principles of cadre policy had been adopted but at the same time, we had martial law and the Central Committee cadre department was under the control of generals and, undoubtedly, the rules of military cadre policy (in this case, there was perhaps some validity) were also applied to civilian life.

For several years now, party authorities have begun to gradually eliminate certain posts from the list and an exceptionally large number of them were crossed out in the fall of 1988 (only every fifth one remained). The party withdrew from nomenclature in work establishments. Previously, larger establishments even had as many as several dozen such posts. Later, however, only directors with their assistants remained. Today, only the staffing of directors' posts in approximately 260 enterprises with so-called special significance for the economy require the acceptance of administrative echelons.

Unfortunately, as emphasized by the employees of the CC Cadre Policy Department, even though a year has passed since the new principles were introduced, in many enterprises secretaries are associating their power with deciding about cadre issues and are quietly setting up quasi nomenclature lists of positions at the same time misinterpreting the concept of recommendation with acceptance.

Who Is Who

Five years ago, the then director of the CC Cadre Department, General T. Dziekan, showed me a fair-sized book stamped "confidential" with detailed lists of who likes which committee (starting with the central committee all the way to gmina committee) and has the right to "accept" a candidate for a given post.

Today, such a list is only several pages long. Even though, it was prepared 1 year ago, it already belongs to history. The coalition, that had existed until now, has disintegrated and new political forces have come to power, which by being in power in the government will come in contact with people elected according to the old principles of cadre policy whereby next to and perhaps even over and above professional qualifications, political qualifications were what counted.

The list is divided into four parts. The first one contains posts to which one is appointed by the Sejm or the formerly existing People's Council both of which had required agreement within the framework of the PZPR, ZSL and SD Cooperation Committee as well as consultation with PRON.

These posts are as follows: marshal; deputy marshals; members of the presidium and the vice-chairmen of Sejm committees; the entire staff of the People's Council; the premier and deputy premiers; the spokesman for citizens' rights; NIK presidents and vice presidents; presidents of the State Tribunal, of the Constitutional Tribunal, of NSA and NEP; ministers; first president of the Supreme Court; president and education secretary of PAN; prosecutor general and chairman of the Cultural Council.

The second group of posts are those which are subject to the acceptance of the PZPR Central Committee. These are: CC committee heads, party candidates for Sejm deputies, head of the PZPR Deputies' Club, directors of departments in the Central Committee, the rector of ANS and editors in chief of PZPR organs: TRYBUNA LUDU, CHLOPSKIE DROGI, and NOWE DROGI.

The third group of posts are those that are subject to the acceptance of the PZPR Central Committee Politburo. These posts are: heads of central offices and secretaries of state; voivodes and mayors of the three largest cities; chairman of RSW; chairmen of the main administrations of socialist youth unions; deputy ministers and undersecretaries of state in MON, MSZ, and MSW; chief commander of MO; promotions to ranks of general and ambassadorships.

The fourth group includes those posts that are subject to the political acceptance of the PZPR CC Secretariat: chief of the Office of the Sejm and chief of the Office of the former People's Council; undersecretaries of state; deputy directors of central offices and vice presidents of NBP; presidents of the remaining banks as well as ZUS, PZU and PIHZ; commanders of military districts and types of armed forces; WOP commanders and commanders of Vistula Region Military Units of the MSW; heads of central cooperative unions; president of the Main Cooperative Council and RSW vice presidents; chairman of the Main Administration and general secretary of TPPR; chairman of the Main Council and president of the ZBoWiD Main Administration WSW chief; chief of the Second General Staff Administration of the Polish Army; general directors and directors of cadre departments and training in ministries and central cooperative unions; general directors of LOT, PKP, PKS, PPTiT, unions and other state organizational units on a nationwide scale; heads of diplomatic missions and commercial agencies abroad; managerial posts sponsored by the PRL in CEMA, the UN and the International Organization of Radio and Television; directors of foreign trade agencies; vice-chairmen of PAN; editors in chief of the main daily newspapers, national Polish magazines, press agencies, Documentary Film Productions, the Polish Film Chronicles, CAF and foreign correspondents; directors and editors in chief of book and press publishing houses; WUSW heads and voivodship prosecutors; chairmen of voivodship courts; and chiefs of services in the MSW.

Of the several hundred thousand portfolios in cadre elements of the party, approximately 4,000 remain of which there are 764 in the Central Committee. Today, there should be no more than 100 of them in voivodships: deputy voivodes, city mayors and gmina managers, directors or presidents of enterprises or cooperative unions on a voivodship level. No portfolios should remain in city, gmina and plant committees. What's more, even personnel portfolios in the Central Committee and in Voivodship Committees can already be treated as a certain historical peculiarity.

However, we must ask ourselves the question why in that case there are so many party cadres in our country? The answer is simple: this is the result of the cadre policy that had been conducted up to now and of certain unwritten rules, for nowhere is it written outright that an eventual promotion is contingent upon party membership and specifically in the PZPR. However, in a situation where other political parties were banned and also—something which should be kept in mind—the party had its triumphs, not only career climbers but, above all, more ambitious people joined its ranks and advanced as they acquired an education and experience.

In turn, the ZSL and SD's development of the membership base to include the intelligentsia was curtailed in the past. The ZSL was supposed to concern itself with peasants and, if need be, with rural intelligentsia whereas the SD was to occupy itself with skilled crafts and trade

and, should the need arise, with certain free professions. The membership recruitment base of these parties was smaller and even when its representatives were given access to higher posts, it was not always possible to find qualified people.

Outside of everything and with small chances for advancement were those without party affiliation even when they participated in seemingly totally democratic competition for directors posts since, as a rule, those on the competition committees were selected from the nomenclature and had been formed in its spirit and, therefore, gave in to their personal preferences.

Therefore, it should not come as a surprise that the new premier will be "yours" whereas the apparatus "ours." We can only hope that the premier and his people will understand this situation as a certain historical event, a kind of baggage from the past, and that an individual from the hitherto existing nomenclature will not be their adversary. On the other hand, those who are in "our" apparatus must understand that the time of narrow decisionmaking spheres has come to an end and that the only criterion for their continuing usefulness will be the results of their work for society and for the state and not services of merit to one of the parties. And they cannot count on the party to defend them if they turn out to be morally weak or professionally inferior.

In the country's current situation, heed should also not be given to slogans about the necessity of dispelling the entire state and economic administration and the appointment of a new one. There is also no sense in creating reeducation camps for the current directors and managers. A market of managerial cadres should be created as soon as possible to eliminate in this way the most inferior ones. One type of nomenclature cannot be replaced with another.

From among 38 ministers and their counterparts, 27 belong to the PZPR, 4 to the ZSL, 2 to SD, and 5 have no party affiliation. Among the 114 deputy ministers, there are 95 PZPR members, 9 ZSL members, 3 who belong to the SD and 7 without party affiliation. From among 1,319 department directors and deputy directors in 1987 (later data are lacking), 1,094 (82.9 percent) belonged to the PZPR, 24 to the ZSL, and 17 to SD with 184 not having any party affiliation.

In voivodships, 39 voivodes belong to the PZPR, 8 to the ZSL, 1 to SD and 1 does not belong to any party. Among 167 deputy voivodes (here the data are also from 1987 just as further on regarding directors from the state administration), as many as 115 (i.e., 68.9 percent) belonged to the PZPR, 37 to the ZSL, 10 to SD and only 5 had no party affiliation. The PZPR included 85.8 percent of all city mayors and deputy mayors, 85.5 percent of all district managers and assistant managers, 90.5 percent of city managers and assistant managers, and 81.6 percent of all gmina managers. Among village administrators, 29.2 percent were found to belong to the PZPR, 23.4 percent to the ZSL, and 0.9 percent to the SD.

In the economic sector, every fourth person from the engineering-technical cadre belongs to the PZPR and of 54,934 directors of economic entities, 83.0 percent belonged to the PZPR. Of 308,600 foremen, 28.3 percent belonged to the party ranks whereas of 453,600 charge-hands, 18.3 percent were PZPR members.

Nearly every third teacher has joined the PZPR and at the same time, only one out of every five school principals is not a member of the party. One out of every four college instructors carries a PZPR membership card as does nearly one out of every two rectors, assistant rectors and deans. One out of every two judges and every fourth attorney belong to the party whereas one out of every three prosecutors and every fourth director (chief of staff) of the health department, the ZOZ or hospital do not belong.

Today, we have 66 ambassadors. Sixty-four of them belong to the PZPR whereas the two remaining ones are ZSL members. Of the 491 journalists and writers occupying managerial posts, 334 belong to the PZPR, 3 to the ZSL, 9 to the SD, and 144 are without party affiliation.

Nowak Discusses Finlandization, Choice Between FRG, USSR as Partner

90EP0046a Warsaw GAZETA WYBORCZA in Polish
7 Sep 89 p 6

[Interview with Jan Nowak-Jezioranski, former director of Radio Free Europe's Polish Desk, with Jacek Zakowski: "About Poland, Russia, and Germany"; date and place not given]

[Text] [GAZETA WYBORCZA] In your opinion, what caused the events to start running at such a breakneck pace?

[Nowak-Jezioranski] The error in the expectations consisted in assuming that some elements of the reality would be dynamic but others would remain static. Barely a year ago one such static, stable element had seemed to be the Soviet Union, whose tolerance toward Poland had definite limits. A consequence of these limits was the martial law, which was after all imposed under Moscow's pressure. Thus, the Polish acceleration would not have been so dramatic had it not been for the changes occurring in the Soviet Union. For the turnabout consists not only in that Poland has a noncommunist premier and, to a large extent, also a noncommunist government, but also in the fact that this occurred with the consent of the Soviet leadership, and that is the real turning point. This of course does not mean that the Soviet Union will agree to everything, but the Polish political elite had proposed a compromise that Moscow found acceptable.

[GAZETA WYBORCZA] But 1 and 1/2 years ago Gorbachev and perestroika had already been there, too, yet at that time no one would have thought Premier Mazowiecki conceivable. Something must have happened in the meantime to change the situation so dramatically.

[Nowak-Jezioranski] In the meantime fundamental changes, consisting in the transfer of a substantial part of power from the party to the Supreme Soviet, took place in the Soviet Union.

[GAZETA WYBORCZA] So in your opinion these changes were the principal reason for the Polish acceleration?

[Nowak-Jezioranski] They were a necessary prerequisite, but for all this to happen in Poland a strong internal factor also was needed, that factor was the dramatic worsening of the economic situation, which is largely due to the 10 months of rule by the government of Premier Rakowski. In my opinion, of all the bad governments in the past of the Polish People's Republic this one was the worst. Owing to a couple of fatal decisions, he caused a speedup of inflation, disorganization of the market, galloping prices. In view of this situation the party faced the choice between a radical compromise with the opposition, inclusive of letting it govern, and wave after wave of unrest threatening incalculable consequences. The compromise turned out to be the lesser evil, as Jaruzelski realized, and as Moscow understands. After all and above all, the stabilization of the Polish situation is in the interest of Moscow. Were some major turmoil to occur here, it would probably derail the changes in the Soviet Union as well.

[GAZETA WYBORCZA] What price are the Russians ready to pay for peace in Poland? What are the limits of our freedom?

[Nowak-Jezioranski] In my opinion, the thus-far-and-no-farther line is Poland's membership in the Warsaw Pact, respect for Soviet security interests on Polish territory, retention of [Soviet military] bases and transit rights, and the retention of control by the party. The Russians may consent to a Polish opposition government but they would not accept the total loss by the party of control over what is happening in Poland.

[GAZETA WYBORCZA] You are referring to the [party's control of] two crucial ministries [of national defense and internal affairs], are not you?

[Nowak-Jezioranski] I am referring to the army, the internal affairs, and the presidency, since the president has the power to dissolve the parliament and dismiss the government. Had Jaruzelski not been elected the president, I believe that the Russians would have intervened sooner or later. So long as this minimum is met, and so long as the government keeps the social situation reined in, the Russians are not concerned about anything else. Should these conditions not be met, however, nothing would stop them from intervention, even if only in the form of an economic blockade.

[GAZETA WYBORCZA] This sounds depressing.

[Nowak-Jezioranski] But also promising, because after all we did make a giant stride forward in the direction of Finlandization, which for Poland would be an extremely

good solution. Finland pledged itself never to be a base for an attack against Russia, and it follows this pledge very scrupulously. If the present government succeeds in convincing the Russians that the Polish noncommunist groupings can guarantee their basic interests, we have a chance for achieving a Finnish status. Well now, history teaches me that Poland, being situated between Germany and Russia, cannot be neutral toward both, because sooner or later these two powers will conspire against us—and there is no greater danger to us. We can only be a junior partner of Germany or of Russia. This is an eternal truth ensuing from our geopolitical situation. The experience of World War II has shown that no alliance with the West whatsoever safeguards our national security, and any such alliance is, as Stanislaw Cat-Mackiewicz put it, an exotic alliance. Neither the West nor the United States will guarantee Polish frontiers. At most, they can provide political assistance in settling our relations with our neighbors on the principles of integral territorial sovereignty. That is why we must orient ourselves toward extremely close political cooperation—in the role of the junior, because weaker, partner—with either Germany or Russia.

[GAZETA WYBORCZA] Which option would you favor?

[Nowak-Jezioranski] I think that this is still premature. A united Germany will doubtless become the greatest power in Europe and, if it learns to act like the United States, that is, if it becomes a power that does not just try to grab away what belongs to others but also tries to help others, it can be hugely attractive. But I fear that the converse will rather come true. I have been living in the FRG for 25 years and I feel certain that once the Germans feel powerful again, they will go back to the road of their old mistakes.

On the other hand, the market potential of Russia, once it rids itself of its present system, will be huge and, to us also, tremendously attractive.

[GAZETA WYBORCZA] But our frontier does not abut Russia's.

[Nowak-Jezioranski] Not Russia's itself, but, regardless of the further fate of the Soviet Union, regardless of whether we will be dealing with several new countries or with some new federation, a vast and capacious market will arise across our eastern boundary. Thus, the attitude of our partners will be decisive to our choice of an ally. Our choice will depend on which of the partners is ready to enter into a relationship with us in a manner that is acceptable to the Polish people. But our own stance should be unequivocal enough for our future ally to get rid of any temptation to divide Poland up between himself and our other neighbor.

[GAZETA WYBORCZA] So complete independence is not possible according to you?

[Nowak-Jezioranski] At any rate I have no doubt that an emotional, nationalistic policy would result in, first,

reducing Poland to the size of the former Congress Poland, and subsequently in the loss of her independence. For there is no greater threat to Poland than an understanding between her both neighbors directed against her. That means a death sentence.

[GAZETA WYBORCZA] Aren't you hoping that, perhaps, a vision of a united Europe in which international relations will no longer be of an interstate nature would make such geopolitical thinking no longer topical?

[Nowak-Jezioranski] A united Europe would be under German hegemony. Much depends on how Germany will handle this hegemony. If it handles it in a liberal manner, the European community will survive and, perhaps, a place in it will be found for Poland. If, however, German policy will be the same as of yore, meaning if it is oriented toward domination and unilateral benefits, then there will be no place for Poland in such a united Europe. Then Poland will choose Russia. This solution seems much more likely to me.

[GAZETA WYBORCZA] Although Poland is attracted so strongly toward the West, and despite our emotional rejection of Russia?

[Nowak-Jezioranski] Emotions are an incredibly valuable thing as a stimulus and motive power, but they cannot govern policy. Poland is a highly emotional country, and we owe so much to that, but now these emotions must be subordinated to the helmsman, as otherwise we would get shipwrecked.

[GAZETA WYBORCZA] Now, after having spent several days in Poland and met Lech Walesa, Premier Mazowiecki, Archbishop Dabrowski, and dozens of other people, do you believe that we shall succeed in averting this disaster? Does everything that you succeeded in seeing and hearing look optimistic?

[Nowak-Jezioranski] I am already 75 years old and I have observed the Polish people in a broad range of situations and I am aware that once it is given an injection of hope it is capable of releasing tremendous energies, feeling enthusiasm, improvising on the quick, and performing veritable miracles. After all, one such miracle was rebuilding in 1918 the Polish State practically from scratch. Another miracle was the organization of a victorious electoral campaign by Solidarity within six weeks this year.

[GAZETA WYBORCZA] But don't you fear that the obligations assumed by Solidarity when it undertook to direct the government and lead Poland out of her huge crisis, that is, when it practically promised to perform another miracle, may be beyond our possibilities?

[Nowak-Jezioranski] Such doubts are present but Walesa answered them best when he told me, "It may be that the coalition government is a mistake, but inaction would have been a much greater mistake." I agree with this one hundred percent. That was a heroic decision. The chances for success are certainly small, but so long as

even a small chance exists, it must be exploited instead of looking on while others are losing the struggle.

[GAZETA WYBORCZA] Thank you for the conversation.

ZSL Deputies' Club Chairman Views Coalition, Party Initiatives

90EP0033a Warsaw RZECZPOSPOLITA in Polish
6 Sep 89 pp 1, 2

[Interview with Aleksander Bentkowski, chairman, ZSL Deputies' Club, by Dorota Ciepielewska: "Being Independent Does Not Mean Being a Lone Wolf: Behind the Club Doors"; date and place not given]

[Text] [RZECZPOSPOLITA] The ZSL [United Peasant Party] Caucus of Sejm Deputies has, let's make sure, how many deputies?

[Bentkowski] Seventy six, of whom 10 women. As regards their occupational cross-section, they include 35 farmers, a dozen or so persons connected with agriculture (including scientists), and representatives of other occupations and professions who support the ideas of the peasant movement.

[RZECZPOSPOLITA] These people are responsible for most of the changes occurring within the ZSL. How did the change in the coalition partner [the ZSL's abandonment of the PZPR and switch to Solidarity] affect your caucus?

[Bentkowski] It is too early to say, but of a certainty we feel more appreciated and now believe that our caucus can be independent, influence the Sejm's policy, and initiate unorthodox solutions.

[RZECZPOSPOLITA] Independent does not mean lone wolf. If it is to be effective, it has to cooperate with the party caucuses of other Sejm deputies.

[Bentkowski] From the outset we have been opting in favor of mutual agreement on issues. We interpret this as follows: If we advocate particular legal solutions, e.g., a draft of a decree, we seek support from discrete caucuses.

In the very near future, e.g., we shall propose changes in the decree on farmers' old age pensions; we want the peasants to have the same rights as other workers in Poland. That change will certainly be difficult to push through, but we shall try to get the support of the caucuses of our coalition partners, and the PZPR caucus, too, because I don't believe that anyone would want nowadays to hurt the peasants.

[RZECZPOSPOLITA] What other initiatives does your caucus intend to launch?

[Bentkowski] At present, like all the other party caucuses of Sejm deputies, we are working on revising the Decree on the System of People's Councils and Local Self-Governments. We want to make our opinion heard on this issue too. In addition, we are preparing our own

draft decree on the Fund for the Installation of Telephones in the Countryside. We also intend to bring about changes in the land decree so as to permit free purchase and sale of land and abolish the senseless restrictions on the use of building sites in the countryside.

[RZECZPOSPOLITA] To what extent are your plans and directions of work determined by the ZSL Supreme Committee? In general, this question concerns the relationship between your caucus and the ZSL leadership.

[Bentkowski] Our caucus should, in my opinion, work in the Sejm whereas the ZSL Supreme Committee should outline the directions of political action. Recently the deputies have been exercising some initiative in this respect, and the Supreme Committee has been assisting us in pursuing these objectives.

[RZECZPOSPOLITA] Even though you have begun to create a completely new situation within the ZSL?

[Bentkowski] That is true. However, our colleagues from the Supreme Committee acknowledge that our proposals merit their support.

[RZECZPOSPOLITA] So your caucus is becoming a "breeding ground" for a new cadre.

[Bentkowski] That is very good. In general, the ZSL has an overextended political apparatus, whereas here in the Sejm we have many young deputies who are winning their spurs and, most importantly, they are very valuable human beings who learn rapidly how to move through the meanders of politics and cope with them superbly. Thus this is a very good prognosis as regards the coming ZSL Congress.

In general, our caucus is a complex one. Its tone is set by, as said, young people. About 15 or so of our members belong to the ZMW [Rural Youth Union], and they are very energetic and active. In addition, several belong to Solidarity, which also is not without significance. Lastly, our caucus includes about 15 or so older deputies of whom four are reelected incumbents. Their reactions are more calm and they tone down revolutionary moods.

[RZECZPOSPOLITA] In such a situation it is not easy to maintain voting discipline for the caucus, is it?

[Bentkowski] This concept is alien to us. We did try to apply it in our initial decisions, but it did not work, and so we abandoned it and acknowledged that voting is a matter of the personal conscience of every individual deputy.

[RZECZPOSPOLITA] But the adopted rules refer to the possibility of obligating the members of the caucus to vote in a particular way.

[Bentkowski] Sure, in the presence of two-thirds of the members the caucus may impose such an obligation if two-thirds vote for it. But I don't believe that we ever applied this rule.

[RZECZPOSPOLITA] ZSL deputies are establishing "horizontal [direct, not ZSL-mediated] contacts" with the rural deputies belonging to other political parties. Does this apply to all these parties?

[Bentkowski] From the outset we have been maintaining close contact with the private farmers-deputies belonging to the OKP [(Solidarity) Citizens' Parliamentary Committee, i.e., Solidarity deputies to the Sejm] and let me say that these contacts contributed greatly to the forming of the new coalition. As for our contacts with the farmers-deputies belonging to the PZPR, they are not as close, but in the immediate future we intend to change this, because we believe that we share a common goal, that of a prosperous countryside and hence also a prosperous society.

[RZECZPOSPOLITA] How do you conceive cooperation between two organizations in a situation in which one is attacking the leadership of the other?

[Bentkowski] We don't want to interfere with the internal affairs of the OKP. I think that they, too, should not attack the Presidium of the ZSL Supreme Committee. I understand their position, their ancient animosities toward the leadership of the ZSL, or perhaps not so much toward particular individuals as to the ZSL's policies in the past. But we keep saying that the position of our own ZSL Caucus of Sejm Deputies should not be identified with the past. We are trying to prove that we are the new generation of the ZSL, a generation desiring fundamental changes and the creation of a party based on the glorious traditions of the [former] PSL [Polish Peasant Party].

[RZECZPOSPOLITA] But the PSL had developed its program in 1946. Is it really possible to speak of a return to that program? Do the solutions it proposed fit the present situation?

[Bentkowski] They fit very well. I refer here chiefly to the economic plank, because nowadays that is the sensitive plank of all party programs and it attracts the most questions from people interested in the ideas of any political party. The economic program of the PSL has been adopted in toto by Solidarity and present-day ZSL. It provides for the development of Polish agriculture on the basis of, chiefly, strong private farms along with cooperatives, and also for the development of the processing industry. Of course, this program has to be updated, but its principal outline requires no change. This precisely confirms that, had the PSL been not suppressed in 1947, it would have created a prosperous Poland.

[RZECZPOSPOLITA] Do your voters support this new orientation of the ZSL?

[Bentkowski] ZSL deputies have by now gained credibility among voters and are being well received, as I myself feel at voter meetings. My fellow deputies tell me the same thing, especially after our decision to change our coalition partner, which confirms that we have voter support.

[RZECZPOSPOLITA] Have you already discussed with your new coalition partner [Solidarity] the staffing of the post of the minister of agriculture?

[Bentkowski] Yes, we have, and this is a controversial question. Our colleagues from the Solidarity of Private Farmers have their own ideas about it, and we have ours. I think the premier will reconcile us on this issue. We believe that Deputy Olesiak, who initiated the marketization of the economy, is responsible for it and should complete it. He is an excellent professional and we have absolute confidence in him, and that is why we stick to supporting him.

[RZECZPOSPOLITA] But he was asked to meet many conditions.

[Bentkowski] Anyone who makes risky decisions exposes himself to all sorts of attack. Only figureheads who accomplish little are not attacked. And yet, this would be a veritable revolution in the entire agriculture and food industry. Of course, failures and shortcomings may occur, but what matters most is that this revolution was finally initiated. It should come as considerable relief to the government of Premier Mazowiecki that this decision had been taken by the previous Cabinet.

Intelligentsia Issues: Morale, Finances Low; Future Bleak

90EP0047a Warsaw RZECZPOSPOLITA in Polish
12 Sep 89 p 3

[Interview with Professor Hieronim Kubiak, president, "Kuznica" Association, by Dorota Ciepielewska: "The Rusting Gray Cells Are Creaking: The Intelligentsia in the Labyrinth of the Present"; date and place not given]

[Text] [RZECZPOSPOLITA] The Kuznica [Forge] Association has issued a declaration on the intelligentsia's situation which deplores the loss of prestige by this group and the values it reflects as well as its pauperization due to the disruption of the relationship between educational background, intellectual qualifications, and artistic values of work performed, on the one hand, and its rewards, on the other. The diagnosis is alarming. What are the root causes of this situation?

[Kubiak] One root cause is the Stalinist concept of the social base of the left, identified with physical labor, and in general of physical labor as the symbol of everything good. As if the entire history of civilization consisted in the striving to utilize more sensibly human talent, reason, and potential.

In addition to this kind of philosophy there was also the politically inspired longtime effective barring of access to information, contacts, including foreign ones, and scholarly criticism. The gray cells cannot be used if the right to freedom of thought, including the right to make mistakes, is not there. This is a prerequisite.

The next problem is the relationship between the milieu of the intelligentsia, including the opinionmaking ones, and the structures of political power. Wherever social development occurs fairly normally—which does not at all mean that it is conflict-free—the intelligentsia exercises the function of not only an expert but an early warning system. It signals contradictions before they pile up and emerge on the street [in the form of street demonstrations], whereupon they may become intractable. In the circumstances in which we have been living the intelligentsia could not play this role, for apologetics was chiefly demanded of it. The lack of freedom of thought combined with the demand for apologetics affected the atmosphere within this community and promoted the processes of negative selection.

But that still is not all. The intelligentsia is an autonomous factor in the development of life of the society through the knowledge it contributes to that life along with increasingly innovative thought without which there can be only stagnation, mediocrity, and jejuneity. If it is to play this role there must exist normal mechanisms of competition—both political and economic and also of competition of human thought. Unless that is so, the demand for the intelligentsia's exercise of its role is not here. One of the greatest successes of our postwar 45-year period has turned into a drama: we educated vast numbers of people but failed to make use of them. The creaking of rusting gray cells is the greatest accusation that can be directed at any sociopolitical system.

And lastly, if the economy is insufficiently effective and the political system based on conventions rather than on a rational social development, the social system cannot afford the intelligentsia that it has trained. It thus reduces it to the status of a new proletariat, differing from its predecessors in that it is acutely aware of its position and cannot consent to it.

[RZECZPOSPOLITA] What are the perils of this situation?

[Kubiak] Above all, the impossibility of emerging from the crisis. For such an emergence is possible only if the government is accepted by the majority (since there is no lasting source of political power other than its quotidian verification and acceptance by the majority). Also indispensable are rational mechanisms of management, which require trained labor, which in its turn requires educated people.

Our civilization tends in the direction of meritocracy. Regardless of whether it is socialism or capitalism, whether private ownership was abolished by a revolution or whether, e.g., it is evolving in the direction of anonymous corporate ownership, the decisive factor is man's qualifications and human thought. Utilizing this factor is essential to multiplying the material boons for distribution, streamlining the economy, and utilizing that streamlining in order to, among other things, improve health service and education and provide greater protection for cultural institutions. Thus the conditions for

meeting these expectations will not arise so long as the distributable national income does not increase, and that income will not increase so long as human thought is not a substantive factor in economic activities. And that in its turn can be achieved only with the aid of the intelligentsia.

[RZECZPOSPOLITA] In view of this, might not the intelligentsia become the new ruling elite?

[Kubiak] By itself, certainly not, because it is not sufficiently numerous and lacks that ability to shake up the social system which inheres in, e.g., strikes by the workforces of large plants or subsectors of the economy. But it will certainly dominate all those who acknowledge the rationality of certain kinds of action. What the blue-collar worker wants is greater personal freedom, access to information, the possibility of deciding about his own fate, the possibility of working in an ethically organized economic system (i.e., in a system which does not waste his labor), and of experiencing tangible moral and material effects of his own efforts. And since that is so, a natural corollary is that the worker—not in the Stalinist sense of the workers as the social base of the left, as the people who wield shovels, but in the natural sense of modern processes of industrialization—needs the intelligentsia.

[RZECZPOSPOLITA] The list of problems to be solved would thus begin with investing in human resources.

[Kubiak] Always. Investing in human thought—but not in the utilitarian sense of manufacturing university graduates of whom yesmanship is required.

[RZECZPOSPOLITA] Do the processes occurring in this country, as reflected in the recent roundtable and in the present changes, are events which may imbue our intelligentsia with optimism?

[Kubiak] Not just that but much more: they simply afford our only chance. In practice, any recovery begins with two aspects: protest against the existing situation, including the elemental kinds of protest in the form of street demonstrations, and a vision of how to organize the world and participate in it, how to design mechanisms for accomplishing that objective. And for that precisely the intelligentsia is needed.

[RZECZPOSPOLITA] Which kind of intelligentsia is most needed? Scientists, artists, or perhaps teachers and managers?

[Kubiak] Every kind. It is impossible to say that, e.g., engineers are more needed than humanists, teachers more than physicians, or sociologists more than lawyers. That is so because, as mentioned before, there exists a common denominator for the thus construed intelligentsia and for the role it plays in the social, political, and economic system, namely, the exploration of more effective solutions, innovativeness, which applies to every profession.

This in itself is a new conception of the intelligentsia, proper to highly developed industrial societies in which this social stratum subdivides into professional categories. The discrete professions may be in mutual conflict, because they are not uniform in their political views, outlook, and the philosophical motivations of their activities. An intelligentsia which is uniform in these respects is a misfortune, for the more diversity there is within the intelligentsia, the more stimulation, the more clashes of views, the greater the opportunities for coming upon unorthodox solutions are.

[RZECZPOSPOLITA] What will be the best sign of [Poland's] recovery? When young people will cease to emigrate from this country?

[Kubiak] That too. Although, to be sure, the intelligentsias of very highly organized and developed countries also are emigrating—and this is natural rather than prompted by duress. If, however, emigration is prompted not by the desire to see the world but, precisely, by the impossibility of achieving one's career goals and making a decent living within the foreseeable future—that is a misfortune, to both the emigres and to the system which forces them to emigrate.

To me, a genuine proof that something has begun to change would be a growing social acceptance of, primarily, the structures of governance organizing community life. A situation in which people will begin to perceive that there is sense to what is happening, that the first (even if only the psychological) results are being produced, and that one cannot be indifferent to the direction of these changes [that would be, to me, genuine proof].

Party 'Retreats' as Enterprises, Workplaces Deny Space

90EP0044a Warsaw TYGODNIK SOLIDARNOSC in Polish No 17, 22 Sep 89 p 15

[Article by (ral): "Is the Party Withdrawing?"]

[Text] PZPR cells in factories feel increasingly hemmed in. It may be that soon they will have to abandon their comfortable offices at a majority of the enterprises and lose their comfortable wages paid from enterprise payrolls. On 12 September the Pojezierze TZR and the Suwalki Voivodship Democratic Party Supreme Committee adopted a joint resolution demanding, among other things, cessation of political activity in workplaces, abandonment of nomenklatura-ruled personnel policies, an abandonment of economic management by the political apparat. Quietly and without publicity, the PZPR committee at the Tychy General Construction Combine shut itself down. Following the protest action held there in mid-August, an agreement was signed with the management, specifying that, among other things, the enterprise will no longer pay the salaries of representatives of political organizations there (the PZPR, the ZSMP [Polish Socialist Youth Union], the Plant Political Training Center). The deadline was fixed at 30 August,

but the plant manager speeded it up by 3 days. Thus, the PZPR committee vacated its premises and ceased all activity within the area of the plant. The removal of the PZPR from the Belchatow Brown Coal Mine is being demanded by the mine's worker council, which claims that the party's presence complicates work and perpetuates the inequality of the political rights of citizens of the Polish People's Republic.

The "cleansing" of the Kazimierz Juliusz Black Coal Mine in Sosnowiec is following a somewhat calmer course. At a referendum, about 3,000 employees (out of 5,000) supported removing the party from the mine. The proposal was supported by 200 party members, one of the secretaries of the branch party organization, and members of the ZSMP and the OPZZ [regime-sponsored National Trade Union Alliance]. The underlying reason for the protest was the abuses committed by some of the supervisors and party activists. The workforce was particularly outraged by the revelation that the legal status of the PZPR at the mine was unsettled, resulting in a situation in which, of the four secretaries of the PZPR committee at the mine, only one had his salary paid by the PZPR city committee, while the other three were on the mine's payroll (mean basic wage, vacation pay, allowances, production bonuses, miner's ration card, miner's pass, and 300 percent overtime pay on Saturdays). On 7 September the PZPR committee at the mine organized a mass rally to explain the party's status at the mine. The leaders of the rally were booed and only the resolute attitude of Solidarity members helped preserve peace. The workforce's mood was exacerbated by notices in TRYBUNA ROBOTNICZA and DZIENNIK ZACHODNI in which the executive board of the PZPR at the mine gave false information that Solidarity was supposedly inciting the workforce, artificially keeping up antiparty actions, and demonstrating "bloodthirsty intentions" toward the comrades at the mine. "Our demands, ensuing from the demands of the workforce itself, and concerning the opposition to the activities and arrogant behavior of the party at the mine, are resolute, fully determined, and irrevocable. But we are struggling to accomplish them peacefully and in dignity, without menacing the life and health of the party comrades," we read in the protest of the mine's Solidarity committee.

TV Pluralism: Committee Changes, Practical Solutions Described

26000729b Warsaw PRASA POLSKA in Polish No 5, May 89 pp 46-47

[Article by Tadeusz Kurek: "TV Pluralism"]

[Text] Even though Poles love quarrels and squabbles, which are genetically encoded in Sarmatian blood, they seem to agree on one issue lately: that pluralism should prevail in all areas of life. However, not everyone understands the meaning of this passkey word but they fence with it willingly regardless of the circumstances. This is how it is with the issue of so-called access to the mass

media. This does not concern the press in which pluralism has been a matter of course for some time now but, above all, television which has become hardened, so to say, in its monopolistic crust.

It is worth answering at this point the question of what kind of model can we have of this TV pluralism under conditions of a country having only two TV channels? Some people are convinced that they [channels] can be diced into "windows" and placed up for tenancy to various interested parties. The outcome of such an operation would be, it would seem only broadcast chaos whereas the TV product would be something of a half-baked layer-cake filled with antinomies.

The most rational for state television—if only on the basis of the experiences of the pluralistic West—is the concept of leaving the program economy in the hands of those who form a professional team capable of formulating uniform programs while taking into account various points of view. This requires twofold corrections in the structure of the Radiocommittee. First of all, the makeup of the Program Council, which designates directions of activity, should be expanded. Secondly, as a result, several new drafts of implementing tasks which had not been taken up previously, will have to be drawn up. What I have in mind here are, for example, religious issues, the new situation in trade unions, etc.

The great number and diversity of needs of the present-day TV audience also requires activity on a considerably broader front than that of national Polish programming. After all, we have seven TV centers in the country. But what of it? As was aptly observed by KTT in ANTENA (No 13): "...we are practically completely helpless in the face of the situations that will arise—and very quickly—in connection with local radio and television stations. Until now, these local stations have simply been local PR [Polish Radio] and TV centers, which as a rule have been transmitting a national Polish program and in part producing their own programs. Therefore, they are part of the national, state network. Meanwhile, private stations or those that are funded by various social organizations, local residents' partnerships, etc., are becoming one of the realities of the modern world. They develop their own programs; talk about their own, local issues and also draw from this their own specific financial gains. In Poland, there is no compact legal system that would outline the principles of operation of such undertakings. On the other hand, it is certain that they will appear in our country. What will they be allowed and not allowed both in a financial sense as well as programwise? Will they, for example, be allowed to broadcast only an entertainment program for profit that, in addition, will be of questionable quality or will they be obligated to devote a specified amount of their time to educational or cultural programs? What percentage share of Polish national programming should they contain that would include, for example, the national news service? These issues are the subject of specific and constantly improved regulations in the world. We cannot escape this either."

The construction and operation of local TV microstudios is not a difficult nor very expensive undertaking today. Essentially, besides a low power transmitter, it is enough to use two video cameras and two TV video cassette recorders. The issue of the organization of editing-implementation teams may prove to be more difficult than the technology itself. However, it does not take a genius to put together a pot. Knowing the talent of our fellow-citizens to improvise and be creative, we can sign without hesitation under KTT's prediction.

However, before Poland of the 1990's enters the era of maximally decentralized television, it would be worthwhile to think about a more complete utilization of the existing regional TVP centers. We have only three regional programs so far. Can't we set another four in motion?

It would also not be a bad thing if someone (other than a columnist) would come up with the idea of breaking with the routine of placing regional programs only during the morning hours. It would be wise, for example, to think about giving the TV centers the right to independently produce afternoon broadcast slots, i.e., to exclude the rebroadcasting of certain national Polish slots and to introduce in their place their own local productions. The viewers would undoubtedly receive such an initiative with approval.

Of course, there is one condition: regional programs should not be worse than the central programs. The awareness of this may be a pretty good stimulus for editorial teams in a given region. And perhaps in Warsaw as well?

Italian Satellite TV Hookup Established in Krakow

26000729a Warsaw RZECZPOSPOLITA in Polish
1-2 Jul 89 p 4

[Article by eg: "Rai-Uno Is Set in Motion"]

[Text] A powerful satellite antenna of the RO.VE. R-Sat Italian firm with a parabola diameter of 4.2 meters has been installed in the television center in the Krzemionki district of Krakow. In the newly created headquarters of the Krzemionki radio hookup where, according to the information given by Master engineer Waldemar Koch, the signal will be transcoded from the PAL system to SECAM and all the installations including British radio hookup and color monitors adapted to stereo sound reception (but no earlier than 2 years from now) have already been set up. Work in the transmission center at Choragwica, in the area of the Tadeusz Kosciuszko mound in Krakow, has also been completed. All the installations-systems, with the exception of the satellite antenna, are duplicated so as to enable their switch-over in case of the breakdown of any of the systems.

Rai-Uno will have its debut in Krakow on 1 July at 9 a.m. with a 14-hour-long color program on Channel 50. It will be received in a 20-km range from Choragwica.

Religious Programming Goals Described

26000729c Warsaw ANTENA in Polish
No 29, 17-23 Jul 89 p 1

[Article by (gal): "Agreement"]

[Text] On 28 June of this year, Father Adam Lepa, suffragan of the Lodz diocese and chairman of the Episcopate Committee for social mass media matters, and Minister Jerzy Urban signed an Agreement between the Committee for Radio and Television, and the Secretariat of the Conference of the Episcopate of Poland which regulates the process of preparing and broadcasting religious-moral and cultural programs of the Catholic Church on radio and television.

As a result of the Agreement, the scope of broadcast information about the life of the Catholic Church in Poland will expand. The producers of Catholic Programming will bring up important moral-social problems of family, professional and cultural life as well as social pathology problems. These programs will be financed by the Committee for Radio and Television.

Besides the Sunday Mass broadcast since 1981 on Polish Radio in Program IV, broadcasts by the Catholic Church will include a total of 1 hour per week in Programs I and IV whereas on Polish Television, there will be 1 hour per week in the main programming and 15 minutes per week in the regional programming of Katowice and Krakow.

The broadcast dates of the first programs will be given at a later time.

After signing the Agreement, Bishop Adam Lepa stated that "the new religious programs do not foretell any sort of privilege for the church. Catholic religious programs will serve not only Catholic viewers and listeners. They will become a new form of service to the nation and to Poland by the Catholic Church."

Next, Minister Jerzy Urban reminded those assembled that the present document is the fruit of a statute passed in May of this year by the Sejm regarding the relationship between the church and state. "I feel that the expansion of radio and television programs is in keeping with the expectations of the viewers. It is also an important sign of the changes in radio and television which are related to the general changes in the country."

"What can you expect after signing the Agreement?" we ask Fr Stanislaw Opiela [a Jesuit priest]. "I anticipate good cooperation with the Radio committee. I am hoping that the problems of the life of the church will be taken into account more fully than has been the case thus far and that the public mass media will, indeed, become public mass media."

[ANTENA] And should some sort of pressure be expected from the Episcopate with regard to dropping the broadcasting of films of questionable moral value or visibly violent in terms of brutal or immoral scenes?

[Opiela] This I do not know. I, myself, watch very little television. I am not very well-informed about film offerings, although, I must admit that I did not like "W kamiennym kregu" [In the Stone Ring]. In any case, 20-minute religious programs do not, after all, preclude the broadcasting of films. And this is a matter of choosing what to watch.

GERMAN DEMOCRATIC REPUBLIC

Ground Forces Commander Praises Reservists

90EG0005a East Berlin VOLKSARMEE in German
No 31, Aug 89 (Signed to press 31 Jul 89) p 3

[Article by Col Gen Horst Stechbarth, deputy minister for national defense and commander of the ground forces: "Reservist Duty—a Heavy Demand"; first paragraph is VOLKSARMEE introduction]

[Text] VOLKSARMEE has always counted those comrades among its readers who perform their military reserve duty in the forces and units. The number of reservists called annually to serve in the units of the ground forces is not small. It is, therefore, important to me to address this article especially to them.

Observing Social Obligations in a New Way

Active duty for reservists remains indispensable to assure a constantly high state of defense readiness for the National People's Army. Despite initial successes of the socialist countries' detente policy, NATO's persistent armament efforts require that the military knowledge and capabilities of reservists continue to be maintained, strengthened, and perfected. For that reason today's reservists are faced with increased political and military responsibilities: Military reserve duty is not merely a qualification method to refresh and maintain knowledge and capabilities; during his tour of duty the reservist directly supports the combat capability and readiness of his unit. He is an integral part of the program and must fulfill his role in the military collective and the armament and combat equipment of his unit.

Thus, it is obvious that the reservist upon entering military duty is not relieved of his social responsibilities which he fulfills in his job with a great personal commitment and obvious results. He must observe these social responsibilities in a new way and under changed circumstances. Reserve duty in a special way thus places a heavy demand on the civic maturity and personal dedication of each individual.

From the very first day it is necessary to identify with the social obligation of reserve duty and to make every effort to do well in meeting the planned goals of the training programs. It would, of course, be ideal if the reservist could therewith continue without gaps to build on the knowledge and experience gained either in the preceding basic military service or on a previous tour of reserve duty. However, this will not always be possible. To the contrary, we have to ask for understanding from many reservists who must be employed in different ways and in different areas of specialization and who will no longer find their familiar combat vehicle or the position in which they feel comfortable.

This is actually necessary since rapidly evolving scientific and technical military developments require changes in the structure, armament, and equipment of

the units within ever shorter periods. The unilateral steps taken by the GDR to reduce its forces, which were decided on in connection with GDR disarmament initiatives, and the consequent emphasis on the defensive character of the National People's Army also call for many changes within the forces and units.

Life and Professional Experience Are Great Assets

The manner in which a trained reservist can apply his personal commitment while on active duty differs somewhat from basic military service. More favorable conditions are created by the age of those called to active duty and, consequently, by their life and professional experience and their exposure to political and social life. Many of these comrades have worked in managerial positions for years. These are great assets which can be utilized in one's social life as well as in combat training and all aspects of military life.

The experience of many units confirms that those reservists who in their social life and in production count among the activists in plants, cooperative associations, and other areas of our economy will also not remain in the background while on reserve duty.

They apply themselves energetically and make a conscious effort to cooperate; they present thoughtful proposals and ideas to party and FDJ [Free German Youth] organizations in which they are the driving force for numerous activities. They participate actively in political indoctrination and combat and technical training, and become considerate partners of superiors and trainers. Numerous ideas relating to industrial competitiveness and the innovative movement have thus found their way into military practices.

Addressing Problems Openly and Offering Help Voluntarily

We know, of course, that this process is not without problems and frictions. Actually, the impact of some conditions is different here, too, from that on basic military service. Thus, the vast majority of superiors—particularly at the squad, platoon, and company level—is much younger and less experienced than are those they lead. This can cause tensions and frictions. In the interest of the business at hand it is important to overcome these problems without delay. Mutual accusations are of no help here; but it is helpful, above all, for the parties to face each other with tolerance and for superiors, party organizations and finally the reservists themselves to resolve problems objectively and in the spirit of the party.

The best approach is to address the problems openly and for the reservists to offer assistance to their young superiors to support them in their work. It is often difficult for reservists to perform the required physical work. After all, some of them have not engaged in sports for many a year. Here, too, mutual understanding is important to meet the qualifications required for combat training as quickly as possible through well-planned

exercises. It would be even better, of course, if each comrade in the interim would remain fit by actively availing himself of opportunities offered by sports associations of the reservists' collectives or his place of work.

Sharing in the High Esteem

One can principally assume that the vast majority of the reservists called to active duty is married. This circumstance is, of course, associated with many worries. When passing through the barrack gate one cannot simply leave behind and forget such matters as the children's school problems, illness in the family, building one's own home and many others. On the other hand, it has been shown that reserve duty is a basic prerequisite for assuring a constant, high level of defense readiness for our National People's Army. Leave, vacations and exemptions must, therefore, conform to rules and regulations and can only be granted after consideration of the tasks to be accomplished by the unit. Thus, reservists cannot expect to be shown special considerations compared to those in basic military service; after all, the majority of the latter—because of the higher induction age—also have families

and, therefore, the same problems. Consequently, difficult personal problems must be resolved in the usual way with the effective help of employers, local offices, and local military commands. Commanders have usually found a way to help in particularly difficult or urgent situations. It is, of course, essential that the reservist avails himself of all possibilities, including those that involve his family and friends; and that he presents his concerns to superiors and responsible authorities with trust.

At the eighth meeting of the SED's [Socialist Unity Party of Germany] Central Committee the accomplishments of the National People's Army in safeguarding socialism won high praise from our party and entire socialist community. The reservists' responsible work—which has contributed so much to the accomplishments of the National People's Army that it cannot be ignored—was thereby also honored. Such praise creates the obligation for reservists to perform their active duty with great dedication and personal commitment also in the future under conditions which will change somewhat while demands will remain undiminished.

GERMAN DEMOCRATIC REPUBLIC

Statistics Provided on CEMA Transportation Development

23000233 East Berlin AUSSENWIRTSCHAFT in German No 33, 16 Aug 89 p 29

["Revised" press release dated February 1989: "Transport Development Outlook to 2005"]

[Text] The permanent CEMA commission on cooperation in the transport system sector worked out a forecast on the development of transport between CEMA countries up to 2005.

By then, freight traffic between CEMA countries is supposed to show an approximately 22-percent increase. Narrowing the gap between the level of economic development of the Socialist Republic of Vietnam, the Mongolian People's Republic, and Cuba and the economically more developed countries within CEMA would make a special contribution to growth in foreign trade transport.

The USSR, which in 2005 will account for about 73 percent (75.5 percent in 1985) of the foreign trade traffic in these countries, will continue to be the leader in the next few years in traffic between CEMA countries.

Increase in Freight Traffic

The railroad and pipelines play a large role in freight traffic between the European CEMA countries. By 2005, however, the railroad's share of the total transport by CEMA countries will decline from 42.8 percent in 1985 to an estimated 40 percent. This assumes a scant 13-percent absolute growth.

The forecast indicates that by 2005 the railroad network which is used for international freight traffic will have been expanded by about 25,000 km. This development is to be accommodated primarily by double-track expansion as well as electrification and other redevelopment and modernization projects. Speeds as high as 140 km per hour should then be possible on about 6,000 km of the system. At the same time the share of trains weighing more than 2,000 tons will presumably increase. The allowable average load per axle is 22.5 tons (as much as 21 tons in the GDR, and 25 tons in the USSR).

The share of pipeline transport will continue at approximately the current level (28.7 percent in 1985; 28.1 percent in 2005). However, in terms of quantity it is estimated that petroleum and natural gas transport will increase by 18.6 percent.

Ocean and river shipping are gaining in importance. In 1985 they accounted for 24 and 3 percent, respectively, of all transport by CEMA countries. In 2005 this should be 24.9 and 3.9 percent, respectively. The corresponding absolute rates of increase will be 25.3 and 54 percent, respectively.

According to the forecast, the share of ferry traffic will increase from 1 (1985) to 2.5 percent (2005).

In addition, it is anticipated that road transport will increase in absolute terms by 54 percent compared to 1985; however, it will still account for only about 0.5 percent of CEMA foreign trade transport.

In terms of individual groups of goods an above-average increase is forecast for natural gas transport (its share in 1985 was 8.6 percent; in 2005 12.2 percent). Transport of finished products will also increase at a fast rate. The share of machines and equipment will increase, for example, from 2.3 to 4.0 percent, chemical products from 2.3 to 3.3 percent. In 2005 perishable goods will account for about 2.4 of all foreign trade transport between the CEMA countries. In 1985 it was 2.1 percent.

In connection with the improved utilization of raw materials the trend toward a slight decrease in the transport share of raw materials and fuels will continue with an absolute growth in their transport volume (+10 percent). In 2005 petroleum and petroleum products are estimated to account for 28.7 percent (in 1985 it was 32.1 percent) of all freight transport.

In 2005 the share of coal and coke will decline from 12.3 percent in 1985 to 10.2 percent, ores from 15.9 to 14.2 percent, mineral and chemical fertilizers from 4.2 to 3.5 percent, metals from 6.5 to 6.3 percent, and wood-processing industry products from 2.5 to 2.2 percent. The share of grain transport will continue unchanged (1.7 percent).

Passenger Traffic Primarily Accommodated by Road Traffic

According to the forecast, by 2005 passenger traffic between CEMA countries will show a 150-percent increase over 1985. In this connection passenger traffic between the USSR, Hungary, Cuba, Poland, and the CSSR should show above-average increases.

The individual countries have the following (percentage) shares in CEMA passenger traffic (excluding Romania): CSSR 30, GDR 22.3, Hungary 21.6, Poland 15.7, USSR 8.2, Bulgaria 1.4, Cuba 0.7, and Mongolia 0.1.

Overall, two-thirds of passenger transport between CEMA countries will be accommodated by road traffic, of this 50 percent by individual traffic.

The importance of the railroad for passenger transport will continue to decline. In spite of an absolute increase its share will shrink in 2005 to 22.2 percent (23.3 percent in 1985). However, for some countries the railroad will play a larger role for international passenger traffic. Thus, calculations show that for passenger transport Mongolia, the USSR, Poland, and Bulgaria will use the railroad for 69.7, 61.8, 50.7, and 49.8 percent, respectively.

There will be a comparably small change in the share of passenger transport by air. It will rise from 11 to 11.4 percent.

Ocean and river transport will account for 0.3 and 0.1 percent, respectively, of passenger transport.

Increasing Demands

The tasks to improve the transport system in CEMA countries for the next few years involve both the transport processes and the individual carriers. The broad introduction of the most modern transport technologies, comprehensive automation of transport processes, increasing the handling capacity of the transport routes, optimizing energy consumption with all carriers, growth in capacity and traffic speed and minimizing environmental pollution play a significant role. Beyond that, the demand for special transport means is increasing. Thus, among other things, container transport is growing.

It is anticipated that transport using two or several carriers will also gain in importance. Even from this perspective transport using, for example, containers and pallets is increasing.

Moreover, changes in existing transport enterprises in respect to shaping transport relationships are planned as is the creation of new bi- or multilateral transport associations in the CEMA countries.

Given the increasing transport requirements, smooth reloading, among other things, is essential for continuous transport operations. In this connection, for example, railroad loading stations must develop greater handling capacity. In the passenger traffic sector special importance is attached to improved services, convenience, safety and reliability. A special express train network ("Interexpress") is to be developed between interested CEMA countries.

In the port sector, increased importance is accorded to expeditious processing of perishable goods. Moreover, improvements in container transport and expansion of transport connections with the interior are key points in future development. There is to be further growth in the capacity of existing ferry connections between Varna and Ilyichovsk and/or Mukran and Klaipeda. In many river ports technical retrofitting and, for example expansion or creation of container terminals is planned in order to improve international traffic between CEMA countries.

At present the highway network of CEMA countries enjoys international usage. Planned modernization projects are concentrated on the most important automobile links: Berlin-Moscow, Rostock-Constanza, Gdansk-Sofia, Moscow-Sofia, and Rostow on the Don-Dresden.

Modernization of airports and improvements in pipeline transport will be continued.

CZECHOSLOVAKIA

Profits, Risks of New Economic Mechanism Viewed

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Slovak 8 Sep 89 p 1, 7

[Article by Eng Jaromir Algayer, CSSR Minister of Agriculture and Food: "Profits and Risks of Pioneering: Initial Experiences With the New Economic Mechanism"]

[Text] The new economic mechanism has been in full effect in agriculture since 1 January 1989. We were the first economic sector to operate under these new, stricter conditions. The purpose of the new mechanism is to generate pressure for purposeful and efficient allocation of enterprise resources and the achievement of high labor productivity.

The fact that agriculture had created extensive and modern production assets made it easier for us to implement restructuring comprehensively.

In recent decades some 90-95 percent of expenditures for agriculture have been for new construction, and the agricultural work force is highly qualified. In addition to high school graduates each enterprise has at least 15 college graduates, the highest number of any CEMA country. This is both a condition for and guarantee of positive results.

In agriculture we are already operating on a cost accounting basis. Self-finance and enterprise responsibility for performance are already basic principles of our cooperative sector. Implementing and making use of these principles has always been an important aspect of the agricultural policy of the CPCZ since the period of socialization of the Czech and Slovak countryside, the fortieth anniversary of which is this year.

This 40th anniversary of what has clearly been a successful policy has not arrived without problems, errors, and shortcomings. At different times evaluations have been made and the forms and pace of the policy have been adjusted. The economic system of agriculture has continually evolved, and for the most part has reacted well to the level of development achieved by the forces of production. Otherwise there has been a weakening of internal enterprise cost accounting and some alienation of workers from their role as socialist owners of the means of production. This in turn has resulted in a lower level of entrepreneurial initiative.

We are focusing on a resolution of these shortcomings. Through qualitative changes in production relations we are attempting to achieve full utilization both of our production resources, and of our immense existing potential. At the same time within the CEMA we are a country with a well developed and sophisticated socialist industrial sector. In the current environment of economic restructuring enterprise cost accounting founded

on merit based compensation, traditional cooperative self-administration, and internal cooperative democracy are not only still valid, but are being implemented more thoroughly than ever.

Smooth Transition

The early introduction of this new mechanism in the agro-food complex has been a positive thing for us in the sense that we have been able to obtain more experience in preparation for drafting our Ninth 5-Year Plan. We will therefore be able to avoid certain errors. The negative side has been the risk involved with being a pioneer. Some complications arise because we are not isolated within the national economy, and the new regulations do not yet fully apply to most of the economy.

Imbalances in a number of important economic sectors had an impact on our introductory phase this year. Industry, which plays an important role in the development of the agro-food complex, for various reasons has not been able yet to fully satisfy our requirements in terms of volume, quality, structure and, last but not least, price. We have noticed that many manufacturers and suppliers of equipment and machinery are still behaving in the old ways. We therefore expect the nationwide implementation of economic restructuring to improve above all the utilization of our own potential as well as effective international cooperation with CEMA member countries and other developed countries.

We do not even oppose the production of equipment within the diversified production program of agricultural enterprises. In addition to improved utilization of capital assets we also stress increasing the responsibility of our enterprises for obtaining new machinery and making new investments. The appropriate industrial branch must bear primary responsibility for providing the necessary level and scope of supplier inputs to support primary agricultural production and a modernized food industry.

Agricultural enterprises are expanding the volume of market adjustments and are finalizing their production mainly of fruit and vegetables, but also of milk and meat. There is an economic motivation for this. These firms are attempting to improve the assortment of available foods to include regional specialties. They also need to invest in capital assets and equipment for the food industry, which needs to place more stress on innovation and equipment modernization.

All organizations of the agro-food complex are undoubtedly incorporating the regulations of the economic mechanism into their behavior. For some enterprises this means difficult changes, while others, which had accustomed themselves already to more independent decision making and entrepreneurship, are adapting more readily to the new conditions.

Above all, agricultural enterprises were prepared for the adoption of the new economic mechanisms. beginning in the middle of last year they began to acquaint themselves

with the new regulations. All regions conducted training of the senior management of the enterprise sphere. This enabled those responsible for enterprise operations to think ahead of time about measures to deal with more severe conditions and to compensate for the potential impact of economic mechanisms on the operations of specific enterprises.

An evaluation of the results of contract negotiations between agricultural enterprises and customers for their output has shown that the new regulations have resulted in more precise supplier-customer relationships.

The first half of this year witnessed good results for crops harvested during that time, with the upcoming harvests of grains and oil plants looking promising. Livestock production evolved well, and average daily milk yield per cow, including a high percentage of quality category I procured milk, increased. The procurement plan over time was exceeded on a consistent basis, especially for slaughter hogs. Growth in the procurement of the major livestock and plant products was evident in a high rate of growth of food industry production.

Deliveries to the domestic retail trade system increased by 2.4 percent, measured in retail prices. This means that changes realized in the area of further strengthening organizational responsibility and authority, to increase pressure for efficiency have not weakened the attention paid by agricultural and food industry organizations to issues of production. Food supplies were not disrupted at all during the introduction of the new economic mechanism, and supplies also during extended vacation days were delivered without problems. This is the most fundamental result of the brief period of existence of the new economic system in the agro-food complex.

It would not be fully objective, however, to make sweeping conclusions based on the results and effectiveness of the new economic mechanism over the past six months. Half a year, especially for plant production, is too short a time to make a serious evaluation. It is clear, however, that changes in the economic mechanisms, especially in procurement prices, were utilized to further strengthen enterprise incentives for increasing product quality and to produce products, including meat products, that the processing industry had not been receiving in sufficient quantities.

The second half of the year, when agricultural enterprises will bring their plant products to market and there will be more pressure to make profits, will indicate the extent to which we have fulfilled objectives in this area. At this time we certainly can evaluate certain results and analyze enterprise behavior.

Efficiency

In addition to overall satisfactory results there have been some shortcomings. Here are two examples. The most recent survey of the growth of sowed areas showed that along with a desirable expansion in the area sown in sugar beets and oil plants there has been an undesired reduction

in area planted in potatoes, perennial fodder crops, and grain (almost 20,000 hectares). This surprising result has come about despite the fact that we have provided price subsidies for grain production, that firms above all in the CSR entered 1989 with a significant shortfall in grain stocks, and that market demand for livestock continues to increase. This development is not in line with national objectives and cannot be allowed to continue. We are therefore taking steps to improve grain supply management regulations, including a significant shift in the responsibility for the proportional development of agriculture directly on enterprises.

An interesting situation has also arisen concerning food-stuff rye. Because procurement organizations complained constantly up through 1988 that there was an inadequate supply of rye the procurement prices were increased. Agricultural enterprises responded by sowing increased areas with this grain. The procurement organizations, however, surprisingly then expressed no interest in increased purchases of rye. As a result the areas sown in rye will certainly now decline.

The implementation of the new economic mechanism has resulted in fundamental changes in economic instruments. In addition to setting new procurement prices, changing their structure, and their percentage of total compensation, there have also been basic changes in tax responsibilities and the ordering system for enterprises in terms of the impact of differential rents in agriculture. This has a significant impact on the economics of individual organizations, although it is expected that for agriculture as a whole existing resources can cover the outlay.

We are aware that the current system of economic instruments is not perfect and that it will not work equally as well under all circumstances. The efficiency of individual instruments and of the system as a whole will therefore be analyzed on an ongoing basis in the interest of making any necessary changes. We cannot allow, however, just anyone to intervene subjectively during this necessary corrective process. We will also exclude explicitly modifications that might disrupt balanced economic environments, the unjustified strengthening of revenue perspectives, or that might lead to levelling, mediocrity, or a weakening of the principle of merit in enterprise management.

The proposed system for setting the amount of grain to be procured for state stocks has met with some criticism from agricultural practitioners. The plan probably has weaknesses, but it has basically established a more objective procedure than the current technique of management by administration and directive. We are currently thinking of changing this system before we even give it a chance in practice. We will probably rethink the importance of the two currently established indicators for the production and procurement of grains and for total slaughter animals.

A number of indicators suggest that we will have to revise certain procurement prices. When we set them it

looks like we overestimated the procurement price of slaughter hogs from the position of specific joint enterprises engaged in fattening them. As a result the joint enterprises realize excessive profits while their member organizations often do not even reach taxable minimum levels. This in turn causes member organizations to consider limiting joint activities, or even terminating the joint enterprise. Even though we understand their motivation it is our view that to retreat from specialization, not only in this instance, would lead to reduced efficiency in hog production, and therefore to losses at the national level. For this reason we will have to take a longer look at this problem, and if it seems warranted propose a change in the procurement price.

A more serious problem will be to maintain production levels in those organizations that are not well equipped, so that most of their production is done by hand. These sectors include the production of certain types of vegetables, such as pickling cucumbers. Introducing a tax equal to 50 percent of gross wages and bonuses places an excessive cost burden on these firms. This will force them to look for less labor intensive products in their search for increased profitability. Many farmers have voiced their fears concerning future developments in this area. This is unfortunate because this is an area in which we should try to achieve a faster growth rate because we consider, for instance, vegetable consumption to be below average in our country.

Depending on circumstances we may have to look for a solution through economic incentives. The fundamental criterion, however, has to be the optimal use of scientific and technical progress, the introduction of modern, world class technologies that are not labor intensive. Our researchers are behind in this activity, as is the international association Agromas, which specializes in the development and production of equipment for fruit, vegetable and wine making operations.

Strict Operating Constraints

The imposition of a 50 percent tax on total wages and bonuses in agriculture, as well as in industry and construction has meant a significant increase in the cost of agricultural output, above all in comparison with developed countries. This new tax has been imposed in an attempt to force the more rational use of the work force.

The new law concerning agricultural taxes is one of the instruments that are having a significant impact on enterprise economics. Property taxes have doubled on the average, an amount that comes to several million korunas for some agricultural enterprises. Enterprises with high property taxes will have to optimize the structure of their production so that land parcels with the highest taxes bring in the highest revenues and profits.

A wide ranging discussion that accompanied the formulation of this law related to taxes on profits, and particularly whether they should maintain the current progressive curve, or whether tax rates should rise linearly. After considering all eventualities it was voted to accept a

linear tax on profits. Even though beginning next year the initial phases of the new economic mechanism will include a progressive tax on profits, we do not regard the linear form that will apply to the agro-food complex as a disadvantage for this sector. In agriculture, where there is a wide range of payment instruments (procurement prices and supplementary payments, differential payments), it is possible to use these to compensate for differences in the conditions facing individual enterprises. For this reason a linear tax rate will not be as unjust as it would be if applied to the differentiated operating conditions of industrial enterprises with one predominant payment mechanism—the wholesale price. We will only be obtaining our initial experiences with this mode of payment, however.

Overall the implementation of new economic instruments means increasingly strict operating constraints for all enterprises. The new regulations create pressures on firms to make their production more efficient, to produce higher quality products, and last but not least, to make better use of their most important production resource, their land.

Even the new grouping of agricultural enterprises into production economic groups [PES] as a way to resolve differential rents, was not a clear cut decision. This new system is based on research on the quality of the soil stock, definitions of the natural yield parameters based on regional climates, and valuation parameters. The standards also take into account other factors affecting harvest yields (rainfall, emissions, mining, water resource hygienic protection zones). They should therefore be far more objective than current standard classification of parcels based on natural characteristics, which has already been outdated by development.

Despite this difference, and often because of it as well agricultural enterprises have not always accepted the new classifications without question. For many it means upward movement to higher property taxes, for others a lower rate of supplementary payments. The reverse is also true. It is possible that mistakes have been made, for instance if those making the qualitative analysis of soils did not maintain full objectivity for all parcels. We therefore cannot rule out that this new research that is allowed to take place might lead to the inclusion of an enterprise in a production economic group.

The unsupported opinion of an organization, its economic situation, or comparison with its neighbors can under no circumstances be a reason for inclusion in a PES. The methodology itself will be developed further so that it can reflect as objectively as possible factors critical to the evaluation of the production efficiency of soil, and so that objective yield and cost standards can be used to apply pressure to increase efficiency and production effectiveness.

Responsibility

The implementation of the new economic mechanism and its economic instruments has created a new, and

generally more strict, economic environment for our firms. We were aware, however, all during the formulation of these regulations, and especially during discussions of procurement and wholesale prices, that uniform principles (a uniform profit level, uniform tax obligations) would result in significantly different base conditions given the very differentiated starting points of our enterprises.

Preparations for the 1989 plan under the new price conditions and methodologies confirmed the foregoing assumption. The performance of profit formation in the first months of this year further confirmed our awareness. These problems are the touchiest in certain food production firms for which the profit levels included in the new wholesale prices do not generate enough resources to cover their obligatory fund contributions, let alone enough resources to complete the financing of uncompleted construction projects.

The reallocation of depreciation under Regulations For Adjusting Initial Conditions also does little to deal with the problem because those organizations that should transfer a portion of their depreciation also lack financing resources under the Eighth 5-Year Plan. The complexity of this situation is emphasized by the fact that while in the food industry it is necessary to modernize production facilities as soon as possible, we also do not want to further expand the existing difference between raw materials availability and production capacity. We are also therefore moving forward with the accelerated modernization of food production facilities for the implementation of which we will have to free up some time from centralized resources.

Otherwise we are taking a principled position even with relation to those firms with inadequate profit formation. We are giving them some time to consolidate and become capable of self finance. To accomplish this the work collectives of these enterprises have to expend a significant effort. Our initial findings indicate that many enterprises are still operating according to outdated methodologies. This is especially true of those that either fulfill or significantly overfulfill their plan targets consistently. Today, however, such enterprises will not fool anyone with plans set at artificially low levels.

After all, no one tells an enterprise how much profit it must generate. Instead what are set are binding standards of obligatory allocations to funds. In addition, rules for granting subsidies penalize those funds that are linked most directly to material incentives in cases where too low a level of usable profits has been reached. Enterprise management as well as work collectives need to be aware of this. The increased responsibility and authority granted to enterprises by the law on the state enterprise and the law on agricultural cooperatives must be implemented with its full consequences. This is the intent of the entire new economic mechanism.

In conclusion I would like to note that in recent months we have sought to clarify the meaning of the new

economic mechanism in the production sectors of the agro-food complex using meetings, conferences, and the like. We found more than a few concerns and doubts from various points of view.

We also made a number of inspections at firms that had called consistent attention to their worsened profitability position as a result of the new economic mechanisms. We found various shortcomings in their understanding of the methodology, undervaluation of plans, and other problems. Gradually a number of issues became clarified as well.

On the whole one can state today that, despite some differentiation of reactions, restructuring has brought forth in most firms activity and initiatives directed at increasing entrepreneurship, and at implementing cost cutting measures and programs to improve resource utilization. Above all we have noticed the more careful allocation of wages payable resources and better work force utilization within organizations. After reducing the work force at the center, including new territorial agencies, we still need to reduce the size of the managerial, technical and administrative bureaucracy at the enterprise level.

Czech Currency Convertibility Questioned

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[Article by Eng Milena Horcicova, candidate for doctor of science, and Eng Michal Voracek, candidate for doctor of science: "Opening The Doors To Competition"]

[Text] What is convertibility? What does it mean to say that a currency is convertible? Convertibility means that the state guarantees that the state, banks, enterprises, and citizens will be able to exchange their national currency for a foreign currency without significant constraints. Czechoslovak theory and practice currently distinguishes between so-called full and partial convertibility (limited territorially, to tourism, and to certain economic ventures involving foreigners, etc.). Another aspect of convertibility relates to its impact both "internally" and "externally" in certain economic processes. This is evident in the distinction between the so-called internal and external convertibility of the koruna. Internal convertibility means the responsibility of the central bank, or a bank with foreign currency authority, to provide to or accept from economic entities (cost accounting entities) designated as foreign currency domestic operations foreign national or collective currencies and to convert them to the currency of a target country. This basically authorizes designated economic and other organizations to export and import goods or other instruments, subject to established regulations, for a foreign currency with direct links, through a valid exchange rate, to foreign retail prices. External convertibility, in contrast, allows authorized banks or other agencies to exchange directly among themselves, or through other organizations, the national currencies of partner countries, directly and without recourse to a collective

currency. This in effect authorizes foreign business entities to buy and sell a specific currency for another foreign currency outside of the actual sphere of influence of the issuing centers for each of those currencies.

A significant increase in the role of market-price relationships is an important part of the restructuring of the CSSR economic mechanism. This increases in turn the urgency of achieving convertibility of the Czechoslovak koruna for currencies of socialist and nonsocialist countries. This issue has still not been satisfactorily resolved. Both theory and practice agree that currency convertibility should gradually become a part of the restructured economic mechanism. The differences crop up in the strategies of how and over what time frame we should implement this full convertibility. This question is very timely.

It should be pointed out that the transition to convertibility is not a purely administrative action. On the contrary, it is the culmination of a long term process, during which the Czechoslovak economy will have to change significantly.

Convertibility in the true sense of the term cannot be introduced (even though it can be adopted as a specific legal act), but declared. This can happen when appropriate conditions have begun to exist in domestic and foreign economic relations. Convertibility does not depend, in other words, on whether a particular country would like to introduce it or not, but rather on whether or not that country can afford it.

A currency and its degree of convertibility are characteristics of state sovereignty. In this sense the introduction of koruna convertibility against the freely convertible currencies of nonsocialist countries is, paradoxically, easier because it already exists in one area. Obstacles in the path of this type of convertibility of the Czechoslovak koruna are, then, mainly internal problems to the CSSR. The question of koruna convertibility against the currencies of socialist countries concerns not only our domestic measures but also decisions by our partner socialist countries. In effect they require a more or less coordinated approach with countries that want to take the same step. Specific initial steps towards a uniform and realistic exchange rate and the convertibility of the Czechoslovak koruna (which are two sides of the same coin) have already been taken (a single component exchange rate, invoicing in national currencies, introduction of foreign currency financing).

Management, Economics, and Convertibility

Why can't enterprises and citizens convert the koruna freely for foreign currencies, as is the case for instance in the countries of Western Europe?

The lack of convertibility of Czechoslovak currency at the present time stems from the persistent "nonconvertibility" of money for goods that is characteristic of an administrative system of central planning. This system for practical purposes limits the role of money in the economy to a minimum (mainly the so-called enterprise

money), which is a mirror image of the suppressed market for intermediate products, investment goods, etc. Convertibility for goods cannot be allowed, because it amounts to the unplanned procurement of goods and their export. This would result in a disruption of centrally or otherwise planned goods flows. The existing system not only does not allow currency convertibility, it truly does not need it.

Administrative planning also creates an irrational price system resulting from the extensive use of various taxes and subsidies. The existence of this autonomous price system (which differs substantially from the price systems in other socialist countries, pricing in convertible rubles, and price systems on world markets) rules out currency convertibility, because currency exchange rates do not mean anything, since they are not capable of establishing a rational connection between irrational price groupings.

Also, the current managerial mechanism of the Czechoslovak economy is, basically, responsible for the currently unsatisfactory relationship between the Czechoslovak economy and the world economy, which is the framework for koruna convertibility against foreign currencies. The current status of our economy in terms of its balance, efficiency, and growth rate on the whole does not create the requisite conditions for convertibility. The sophistication and quality of our economy is inadequate in this regard.

Low Competitiveness

The CSSR has been experiencing problems since the mid-1970's with the equilibrium of our foreign economic relations. This is mostly true of our relationships with nonsocialist countries, but also holds true, in a slightly different sense, in relation to our partners within the CEMA. A period of balanced foreign currency positions in the 1960s gave way in the 1970s to a growing predominance of imports over exports. This had serious consequences for the foreign currency position of our country, making it necessary to deal with the situation temporarily by taking foreign loans. This in turn forced us to create foreign trade surpluses to pay off the loans. To maintain external equilibrium, to switch from the passivity of the 1970s to an assertive position in the 1980s, it was necessary to shift resources while simultaneously disrupting the internal equilibrium. Our relatively low levels of debt to nonsocialist countries (although recently there have been pressures to increase our debt, and we have significant collection problems with third world countries), and the shift to a positive balance of payments with socialist countries are not the only things to consider regarding the current external equilibrium of the Czechoslovak economy.

Another important aspect of the problem is the position of Czechoslovakia in the international division of labor. Our economy is highly integrated, as shown by the increasing percentage of foreign trade in total national income. However, in current prices imports

have been growing more rapidly than exports, while the opposite is the case for the physical volumes of imports and exports. This increased openness has also been affected by the low growth rate of national income in the 1980s.

The inadequate growth of our participation in the international division of labor is indicated by the stagnation of exports as a percentage of total industrial sales. This has come about mainly from a decline in the competitiveness of Czechoslovak products on the world market, a persistently high percentage of raw materials exports, and indirect and low levels of integration of our industry into international specialization and cooperation. On the other side, the value of imported fuels and raw materials has increased. Over the long term the percentage of world trade and of internal CEMA trade accounted for by Czechoslovakia has been declining.

Difficulties in maintaining external equilibrium has caused deformations, in particular excessive volumes of ineffective exports. There have also been significant changes in this area in the integration of the Czechoslovak economy into the international socialist division of labor. The 1960s and 1970s saw for practical purposes the exhaustion of traditional possibilities based on the efficient processing of raw materials into finished products. The Czechoslovak economy has not been able to replace these traditional products with a sufficiently attractive product line.

The decisive element in this situation has been the fact that external economic equilibrium under Czechoslovak conditions is determined to a decisive extent by direct central regulation, not by the workings of an economic mechanism that would bring forth the necessary pro-export behavior by producers. The latter course would lead to a natural trend towards balance of payments equilibrium, and even to surpluses that would help create adequate foreign currency reserves. In foreign trade the creation of a certain volume of foreign currency resources to cover necessary imports is a priority. Sometimes price, payment and other conditions, and subsidy policies take precedence over this priority. All are serious barriers to koruna convertibility.

Domestic Economic Imbalance

The Czechoslovak economy is characterized by an indisputable imbalance in past domestic economic development. This imbalance is having a negative impact on the current external equilibrium (or imbalance) of the economy. This is true for the economy as a whole as well as for its individual sectors.

The relationship between the material and the valuational aspects of the capital replacement process, i.e. the issue of market-price equilibrium, is important here. The current priority given to the so-called material area, meaning the basic physical proportions in the growth, formation, and use of national income, has resulted in a

disruption of its relationship with valuations considerations. Valuation issues, though, are the basic parameters of currency development. To complicate matters there has been a slowdown in the growth rate of national income, from levels of five to six percent annually in the mid-1970's to 2.9 percent in 1980, and even to 0.2 percent in 1981. Growth rates then revived to the three percent range, but now are declining again, with the results that targets for the Eighth 5-Year Plan are not being met.

Lack of domestic economic equilibrium is evident in a number of areas, from negative trends in capital construction to serious disruptions in supplier-consumer relations and the situation on the market for consumer goods. In capital construction the main problem is that it is not developing as required by the needs of economic intensification. This is preserving our undesirable economic structure. In addition, large numbers of uncompleted projects tie up a significant portion of the national income, and increasing costs set up inflationary pressures. In supplier-consumer relations there have been deformations in the behavior of certain economic entities, and irrational pressures to solve problems by raising prices, at the same time that inventories are bulging. The consumer goods market is plagued by shortages of quality goods and goods in high demand on the one hand, and by the growth of inventories of unwanted, obsolete goods on the other. This is reflected both in pressures on obvious and hidden price increases and also in the growth of unspendable savings by the general public.

Attempts made to affect domestic equilibrium in the Czechoslovak economy have again been made using only administrative measures. This type of action cannot in and of itself bring the material and valuation processes into line. While increases in price and income levels have not yet reached extreme levels, the credit, price, wage and financial policies now in place have not succeeded in strengthening the purchasing power of the koruna.

Both an End and a Means

An evaluation of the existing conditions for a shift to convertibility leads one to the conclusion that a revival of the internal and external dynamic equilibrium of the Czechoslovak economy that would lead to convertibility will require the purposeful development of an economic mechanism that will facilitate the intensification of the national economy and allow adequate economic flexibility. On the other hand any economic reform in Czechoslovakia (as in other socialist countries) will not be successful without a single, realistic koruna exchange rate and its gradual convertibility. In other words, one should not view this process as restructuring leading to convertibility, but rather as a process where both restructuring and convertibility interact and reinforce each other.

This process must be initiated under the right conditions and with enough intensity so that the "profits" are at

least as obvious as the "costs" and so that most of the population will perceive more positive than negative outcomes. Only if this is the case will the general public support the opening of the economy to the world and our objective of convertibility.

Koruna convertibility, therefore, is not only a specific objective and the culmination of restructuring, but also one of the means for implementing restructuring. It involves the full monetarization of our economy, meaning that money will fulfill a full range of domestic and foreign monetary functions. Money must become the framework for decision making by all economic entities (both at the center and the microsphere), without any prior constraints. At the same time, convertibility will combine with the functional openness of the economy to allow us to take advantage of selected foreign economic relationships, set up direct contact with world valuation measurements and the integration of these valuation mechanisms into our entire domestic economy. This will allow world standards to become a strong stimulus for our national development.

Positive Points and Conflicts

Convertibility of the Czechoslovak koruna is a fundamental objective of our economic policy. The transition program to koruna convertibility is sufficiently broad and strict regarding specific systemic and politico-economic measures that it will unify efforts to balance economic development in both macroeconomic and microeconomic—enterprise terms.

Convertibility based on a single, realistic exchange rate is important for five reasons:

- It creates an objective, monetary measure for the capital replacement process and national economic restructuring.
- It allows firms to calculate and make decisions based on world market influences, at the same time that it forces them to bring their products and services up to world standards of technical and economic sophistication.
- It removes barriers limiting international exchange; a realistic exchange rate makes it easier to achieve equilibrium in our balance of payments; other advantages include profit potential from monetary services, the utilization of interest free loans, etc.
- It leads, based on the foregoing, to the full and effective integration of the Czechoslovak economy into the worldwide division of labor.
- It has a positive impact on people's attitudes and their relationships abroad.

Just as currency convertibility will not automatically resolve all the problems associated with national economic development and equilibrium, so will its introduction not involve only negative consequences and risks. Opening our economy to the world brings with it openness to the impact of stiff competition. Leaving behind inefficient autarkic economic policies and expanding participation in the worldwide division of

labor does not mean that it is also necessary to expose our entire economy to the economic pressure of world markets. Convertibility and a realistic koruna exchange rate must be supplemented by a rational and flexible customs and tax policy that will sensibly protect certain products. Policies should also be put in place to support the development of export products with high potential, and to assure the development of a broad network of high quality banking and commercial services.

Despite all its advantages, the transition to currency convertibility will also require significant expenditures to adapt the CSSR economic structure and to increase the sensitivity of the economy to various external pressures (the danger of imported inflation, loss of the possibility of setting independently certain economic development objectives, etc.). The transition to convertibility has to involve, therefore, a reevaluation of existing socioeconomic priorities, a removal of the taboo on discussions of prices and incomes, and finally a rejection of the singleminded pursuit of economic growth at the expense of needed qualitative changes.

Conflicts will arise, especially related to the shifting and retraining of workers necessitated by eliminating inefficient production, the full application of restrictive financial and credit policies (strict budgetary limits and their impact on enterprise revenues), necessary interventions to adjust the price system, etc. The entire area of commercial payments in freely convertible currencies will be a problem, because we will have to pay for imports needed to modernize progressive sectors, meet the needs of the domestic market, and increase resources available for travel abroad, while at the same time reducing our foreign debt.

We should not hide the fact that the most serious problems related to the transition to convertibility will appear in the first years of the transition (especially when we finally get around to "throwing the switch"). We must not allow an emphasis on the conflicts, however, dissuade us from going to convertibility, because convertibility is basically the culmination of the restructuring of the economic mechanism and the entire CSSR economy. We cannot run away from this fact. Backing off from the policy of convertibility, or changing the program, are not viable solutions. Instead we must implement a gradual approach that includes the constant analysis of economic processes and their comparison with socioeconomic objectives to assure that the economy can bear the weight of the necessary steps.

Long Term Does Not Mean Being Defensive

The transition program to koruna convertibility involves coordinating two aspects of the specific measures that make up the program: their systemic-material characteristics and their scheduling. The first aspect includes the definition and specification of the individual measures essential to implement koruna convertibility, and the second involves setting a time schedule for this implementation. Because of the interrelationships among the

preconditions for convertibility, establishing a hierarchy of steps leading to full implementation is extremely important. It is essential to formulate interrelationships and feedback links and to define what must be done in specific areas so that we end up with an action program, not a vicious circle.

One can imagine two types of transition to koruna convertibility. In both cases the task is to manage the interaction among changes in the economic mechanism, changes in the objectives of economic policy, and changes in the economic structure. The first type of transition is based on radical, sharp changes. The second alternative involves smaller scale, gradual changes implemented over a longer time frame. While a strictly economic perspective finds a variant along the lines of the first option most rational, social, political, and other constraints lead one to favor the second option. The second type of transition, however, involves the risk of insufficient effectiveness, and the danger of backsliding.

In terms of time, given the current status of the Czechoslovak economy and its current management system, koruna convertibility as defined here is achievable, optimistically, in about 15 years, and pessimistically by the year 2010. The long term nature of this final objective should not be viewed defensively. During the upcoming five to ten years we should be able to achieve some level of koruna convertibility in some areas. This program should actually become part of the framework of economic policy that can provide enterprises and employees with information concerning the types of opportunities and conditions that will be provided for efficient entrepreneurship and quality work (as well as the pressures society will exert in opposite instances), as well as information concerning the possible consequences of this development path for the national economy and individual standards of living. At the same time, a convertibility program should "obligate" the center to adopt criteria, regulations, and measures aimed at facilitating necessary changes in the macroeconomic structure, on the basis of which enterprises could develop their own strategies for changing microeconomic structures, so that they can contribute to implementing the transition to koruna convertibility and the resultant strengthening of the Czechoslovak economy.

Systemic preconditions for convertibility will be in place in the near future. They will be derived by gradually implementing Guidelines for Restructuring. This includes a complete set of measures that form a basis for updating current legal standards and for creating new ones. They serve as a directive for the work of central agencies and organizations on restructuring. This work involves primarily the development of conditions that will strengthen the role of the valuational (monetary) aspects of the capital replacement process and how this process is managed. It also involves fundamental changes in relationships between the center and economic organizations, specifically changes in the role of the plan and economic mechanisms in managing the economy. The ultimate impact of these changes will be to

free up space for the functioning of full cost accounting and to make possible the "systemic" opening of the national economy to foreign influences.

Fuel And Energy Minister Views 9th 5-Year Plan

24000196d Prague HOSPODARSKE NOVINY in Czech
1 Sep 89 p 1

[Article by Ladislav Blazek, CSSR Deputy minister of Fuel and Power: "How Much and For What"]

[Text] Comparison with countries that resemble the CSSR in population, industrial structure, and maturity indicates that our national income has grown more slowly over the past ten years so that it is now significantly below that of these other countries. However, the energy intensiveness of our economy is greater than in these countries by a factor of almost two. Changing the structure of the national economy which depends on this high consumption of fuel and energy while at the same time not slowing the growth rate of national income will be a very complicated task. Undoubtedly the development of sectors that would facilitate these structural changes would be helpful. One such sector is nuclear power.

Transition to a New Structure

Between 1971 and 1985 we invested Kcs 43.8 billion in nuclear power (in addition to Kcs 12.3 billion invested in a capital base for producing their components). For the Eighth 5-Year Plan we anticipate an additional Kcs 38 billion in investment. Standard investment expenditures per installed kilowatt have increased from Kcs 5,632 for the V-1 power plant at Jaslovské Bohunice to Kcs 13,530 for the Temelin nuclear plant.

This in spite of the fact that we succeeded in reducing the originally budgeted costs of Kcs 62 billion for the Temelin plant to Kcs 51.5 billion based on very strict inspections. We did this in an attempt to hold production costs to Kcs 235/megawatt hour, which was their level for the Dukovany power plant with VVER 440 reactors.

A comparison of the evolution of construction costs for nuclear plants, construction costs for coal plants and fuel costs in the CSSR and industrially advanced countries (such as the FRG) indicates that we should allocate more resources to nuclear power plant construction. This is especially true since we stopped building thermal plants in 1981.

The entire world experienced difficulties with energy in the 1970s mainly because of crude oil price increases. All countries turned to mobilizing domestic energy resources. The significant increase in the price of Middle East crude oil made deposits that had previously been too costly to exploit profitable, and extraction rates and utilization of solid fuels also increased.

The Czechoslovak fuel and power base was also faced with the necessity to bring new electric power plants on line rapidly because the capacities of the existing power

plants and their low reliability caused frequent crises related to everything from regulation to network disrepair. Between 1970 and 1987 the installed capacity of Czechoslovak electric plants increased by 12,000 megawatts, reaching 21,688 megawatts in 1988. Concurrently the transmission capacity of the connected Mir system increased. Recently both its reliability and level of use have increased as well.

Czechoslovakia has taken two steps to help the situation. We have speeded up the modernization and construction programs in the Krusne mountains foothill region to an annual brown coal extraction capacity of 100 million tons, allowing us to balance our fuel and power needs with our resources. We have also taken steps to increase gradually imports of natural gas from the USSR. From an initial level of 2.7 billion cubic meters of natural gas delivered from the USSR to the CSSR in 1970, deliveries have increased to a 1988 level of roughly 12 billion cubic meters. Almost 5 billion cubic meters of this total represented payment by the USSR for transit rights through the CSSR to countries of Western and Southern Europe. Czechoslovak expended Kcs 37.7 billion on pipeline construction. In addition to nuclear power this represented an important structural change in the Czechoslovak fuel and power complex.

Inadequate Valuation

Economic efficiency is not best measured by per capita consumption levels but by the valuation level of power resources. The level of this value added has sharply declined recently, placing Czechoslovakia below the average for industrially advanced countries.

The main problem is not higher standard consumption in critical technologies. For many of these, in fact, Czechoslovak consumption does not differ significantly from that in other industrial countries (obsolete technologies are an exception). The difference lies in the structure of these technologies (the percentage of new and state of the art technologies), and especially in the value added to products of energy intensive production processes. This in turn depends on their quality, use values and the reputation of our products on foreign markets.

Fuel and power consumption has not been declining as much as projected in the Eighth 5-Year Plan. The target was a 2.9 percent decline per unit of national income. The actual decline in 1986 and 1987 was only 0.6 percent. The year 1988 saw a turnaround (a 3.4 percent decline in consumption), and we expect equally positive results this year. We must keep in mind however that the mild winters of the past two years have had a very positive impact on this performance.

In terms of per capita electricity production, Czechoslovakia has reached a level of 5.64 megawatt hours per capita, a figure which ranks us far from the leaders. Electricity availability to the nonproduction sphere is completely unsatisfactory at 5.2 gigajoules per capita. In contrast, the figure for Austria is 12.3 gigajoules per capita.

Because of the limited potential of our own fuel and power base we are now importing more than 40 percent of our primary power resources. The excess of imports over exports of energy contributes Kcs 32 billion to our balance of payments deficit, a figure that will grow in the future.

Nuclear Power a Priority

Investment volume in nuclear power generation for the Ninth 5-Year Plan is projected at Kcs 35 billion, and at Kcs 14 billion for capital construction in the gas industry. Even though we have severely limited investments in capital construction for mines and coal extraction it is unrealistic to project investments of less than about Kcs 28 billion in this area (including coke production, machinery manufacturing facilities, social investments, etc.).

By the beginning of the Ninth 5-Year Plan the open pit mine at Most will be exhausted. This represents a loss of 5 million tons that will not be replaced. Other open pit mines are reducing their output as well.

Some mines operated by the Kladno Black Coal Mines and the Slovak Coal Mines will certainly be reducing their output because they are inefficient.

If, however, we do not succeed during the Ninth 5-Year Plan in significantly reducing energy intensiveness, and therefore coal consumption, by the 10th 5-Year Plan the coal mining regions will not be able to satisfy demand. It will be critical, therefore to implement conservation programs in all branches and in all enterprises. We need to stop immediately the practice of reporting relative savings of energy the actual impact of which cannot be measured.

Future development of the fuel and power base must continue to support structural changes in the direction of gasification and nuclear power. Conditions to support conversion to these power sources must be created by users. This means significantly strengthening the distribution system to make electricity available in adequate amounts to all consumers as the basic form of energy, and in some areas as the main form of heat.

Increasing electrification, along with the exploitation of waste heat from electric power plants is an effective way to solve many problems related to the environment and the mechanization and automation of production. It will also allow us to improve the standard of living. Our current paradox is that we have one of the highest per capita consumption rates in the world for primary power generation resources, but we are in 17th place worldwide in electricity consumption.

We can also assume that demands for housing construction will not decline after 1990. This means that we will have to develop a system of centralized heating plants. Completing this network will consume some Kcs 12 billion in investment resources in the Ninth 5-Year Plan.

We will also have to allocate about Kcs 8.5 billion to solve the ecological problems caused by the fuel and

power complex. This does not involve merely reducing sulfur oxide emissions in the exhaust gases of thermal electric power plants. It involves the liquidation of the sources most responsible for the toxic emissions, namely the boilers of urban apartment buildings and factories. These boilers create ten to twenty times the pollution in urban areas and industrial agglomerations than electric power plants with high smokestacks.

In Prague alone more than 4,000 of the estimated 7,000 boilers will be converted to natural gas by the year 2000. In the historical sections of Prague heat will be generated by electricity. Plans also call for bringing heat from the Melnik electric power plant and extending a gas pipeline from Veseli to Prague. Along with the construction of new connection stations—the 400/110V transformer station at Chodov and the Prague-Smichov transformer station—these steps will set the groundwork for a modern, efficient and ecologically clean power management system for our capital city.

In conclusion I would like to return to nuclear power. Recently opinions have been expressed that we should go slower with its development. Future nuclear power plant construction depends mainly on our success in developing a new, more efficient nuclear power plant design that takes into account recent findings by the world nuclear power generation industry. This design will be available in 1993-1994 at the earliest. Only then can we begin to construct new nuclear plants.

The technical sophistication of the third and fourth units of the Temelin nuclear power plant will be finalized this year. This decision and the technical capabilities of the contractors will determine a realistic deadline for the completion of this power plant. A critical part of the Ninth 5-Year Plan will be our success in bringing the Mochovce nuclear plant on line. This plant is already two years behind schedule.

Turn-Key Plant Export Problems Analyzed

24000196c Prague HOSPODARSKE NOVINY in Czech
8 Sep 89 p 6

[Article by Eng Rostislav Petras, general director, Czechoslovak Bank of Commerce: "Bank of Commerce on Turn-Key Plant Exports; What About Us, What About Production"]

[Text] In HOSPODARSKE NOVINY No 21/1989 an article, "Why are We Behind?" was published. It was written by Eng Jiri Kubicek, candidate for doctor of science (CSc.), enterprise director of the Plzen Skoda concern. The article concerns the interesting, economically important topic of the export of turn-key plants. The author presented several suggestions for improving the competitiveness of Czechoslovak manufacturers of turn-key plants, especially those for export to the Third World. One finds much to agree with in his presentation. It was a stimulating discussion that to some extent can be considered representative of the views of numerous manufacturers and exporters of turn-key plants. In my

opinion, however, the article places too much emphasis on the role of the credit and interest rate conditions related to exports, as if this is the main factor in the competitiveness of our exporters. One could even agree with this proposition, on the single condition that the Czechoslovak product was technically state of the art and that our manufacturers are capable of responding flexibly to customer requests and delivering products to their specifications.

For the customer (the investor) delivery of a turn-key plant is an important mechanism for structural economic changes and economic development. For the supplier they are an opportunity to add full value to his embodied labor. It is therefore natural that producers of turn-key plants are from developed countries and that most of the customers for them are from the less developed countries. Turn-key plant construction in Third World countries plays just as large a role. It differs in the fact that the investing country can participate directly in a large share of the construction.

Competition Offers More

The export of turn-key plants has been a component of Czechoslovakia's export program since the 1930s. It has become significantly more important, however, since the end of the Second World War. The political situation at that time and economic policy combined to give a high priority to the development of our heavy engineering sector.

The political climate, economic assumptions, and the developmental needs of socialist countries caused our industry to develop a wide ranging product line. Most of these products were much more materials and energy intensive than those of the competition. Their production had quite negative ecological consequences as well. These negative aspects are now retarding to an ever greater extent the future development of our economy. Therefore at the same time that we are trying to set the stage for additional turn-key plant exports we are also exploring ways to force exporting firms to improve the competitiveness of these plants by improving their operational efficiency after they come on line and by providing maintenance services to operating plants. To accomplish this we need to be able to offer appropriate financing terms for buyers of our turn-key plants. In this I agree with J. Kubicek.

At the present time, however, the competition from developed capitalist countries and, in recent years, from some socialist and Third World countries, has generally been able to adapt better than our exporters to market requirements. In addition, the innovation cycle for our manufacturers is several times as long as that of the competition. One reason for this is the condition of Czechoslovak capital equipment. The capital equipment available to the basic sectors of the Czechoslovak economy is far less sophisticated than what is available to most developed capitalist countries.

The efficient development of the CSSR economy clearly requires technically more sophisticated equipment for industrial operations. We can achieve this either through increased imports of state of the art machinery, equipment and licenses for such items, or through joint ventures and cooperation with firms from developed countries. Several Third World countries are successfully penetrating the world machine tool market at the present time. This provides us a good opportunity to obtain payments for our exports, including turn-key plants, in foreign currencies. To accomplish this, however, the economic center must clearly articulate development and cutback programs as part of a concrete restructuring program for Czechoslovak industry that will allow us to take a step forward in improving the overall effectiveness of our economy.

It is my opinion that optimizing our production structure by intelligently utilizing our R&D capabilities will allow the export of turn-key plants to continue to be a significant part of the Czechoslovak export program. The CSSR has a good reputation in many countries as a supplier of turn-key plants, but it is becoming more and more clear that we cannot rely solely on tradition.

In many instances we are the suppliers only of the basic, and most materials and energy intensive, parts of a turn-key project (such as the boilers). The electronic controls, instruments, etc. are typically delivered by manufacturers from capitalist countries. We are engaged, for practical purposes, in exporting raw materials with minimal value added.

The territorial focus of our exports of machinery and turn-key projects has been having a negative impact on our ability to receive foreign currency payments. Machinery exports account for more than 70 percent of Czechoslovak exports to Third World countries, but for only 15 percent of total exports to developed capitalist countries. We export our turn-key projects almost exclusively to Third World countries most of which are heavily in debt, with significant imbalances in their external foreign currency relations.

On the surface it should seem that this focus has been erroneous and that our concentration on Third World markets has led to our current difficulties in receiving payments from Third World countries. Such a conclusion would be both oversimplified and even incorrect. We need to recall the basic reality that the structure of the Czechoslovak industrial base has given significant preferences to heavy industry, and that these capabilities met the investment needs of many Third World countries, but did not meet the needs of most developed capitalist countries. Our export structure has been based on this reality, and has forced us to obtain the foreign currency resources for imports from these areas by exporting for currencies of nonsocialist countries.

It is essential to recognize, in other words, that there has been a significant economic motivation to the development of economic relationships between the CSSR and countries of the so-called Third World that is more

significant than the considerable political considerations involved. Exports to Third World countries throughout the 1970s were an important source of foreign currency to pay for, and sometimes paid for directly, our imports of raw materials, energy, materials, semi-finished goods and, increasingly, consumer goods.

How Much Should We Deliver to Whom

Another question altogether is the scope of these exports to specific Third World countries and the adaptability of our exporters to changing situations. Even after clear warnings from the bank concerning the worsening foreign currency situations of specific Third World countries that threatened their ability to pay in hard currency, certain Czechoslovak exporters were still not prepared for a change in the territorial structure of exports. This is true of Plzen Skoda. We know precisely the fundamental causes of this from our analysis of the reasons for the slowdown in our economic growth rate and its worsening internal and external equilibrium. The best alternative at this point is to restructure the CSSR economic mechanism and the relationships among the socialist countries. Our producers, however, had the chance to react to changing market requirements for the functional capabilities of their products much earlier, because they had been well aware of the R&D progress being made by their competitors.

Nor should we overlook the fact that the lack of flexibility of our exporters has its basis in the monopoly position that many of them enjoy, and the general support that they receive, as mentioned above, including the separation of domestic economic relationships from foreign. The difficulties the CSSR is experiencing in getting paid for exports to many Third World countries does not affect these producers. This has increased the lack of competitiveness of many of our machinery products, including turn-key plants, without any serious financial consequences for the producing enterprises.

The efficient and rapid resolution of these problems is the key to achieving better territorial balance to our exports of machinery and equipment, increasing their percentage of total exports, and for improving the flexibility of our manufacturers. This is why I feel that the views of J. Kubicek are one-sided, in that he concerns himself only with the issue of the financing of exports. He asserted that this alone would improve the competitive position of Plzen Skoda, ignoring the manufacturing and technological aspects of the issue of export prospects. I consider these manufacturing and technological issues to be the key to dealing with the whole problem.

Of course one should not ignore other aspects of improving the competitiveness of our exporters. These include a readiness to resolve other financial requirements related to deliveries of turn-key projects, i.e. right through the time when the facility begins operations.

Third World countries have immense foreign debt, but they also have natural resources and significant economic potential for significant foreign currency revenues. In the eight years that the debt crisis of Third

World countries has been deepening, a process on which both world trade and their creditors have played a negative role, some progress has been made towards a solution. Finding an acceptable solution to this problem will still take some time, but we must leave some space in our objectives for Third World countries, because of their large investment requirements. I share J. Kubicek's views on these issues. In other words I do not dispute that loans and other terms of financing play and important role in assuring that customers assume their repayment responsibilities at a time when they can use a new project to generate the resources to do so.

Existing Loans

What are the possibilities and practices in our country? How do suppliers of turn-key projects handle this? Historically and currently we have been using two types of financing for the export of turn-key projects to Third World countries; enterprise loans, and government loans.

In terms of financial technicalities, the basic difference between these two types of loans is in the timing of the payment of the foreign price to our organization. For government loans payment is made immediately after delivery for export, while for enterprise loans our exporters receive payment from abroad in installments over time (6-15 years), as loan payments from the customer. The Czechoslovak Bank of Commerce provides loans to cover temporary shortfalls in the financial resources of the exporting organization needed to cover production costs in korunas until payment of the contract price is received from abroad.

Because the issuing of government loans take into account political considerations, and because foreign currency payment is highly uncertain, our exporters have expressed strong preferences in the past for government loans as financing for exports. Currently our producers are demanding (see J. Kubicek's article) significant participation by both government and bank foreign currency loans to finance the foreign currency expenditures involved in building a plant abroad and bringing it on line. In making these requests they cite the availability of credit and interest rate conditions from competing foreign firms from developed capitalist countries. These conditions are based, however, on the capability of these firms to construct sophisticated, high quality state of the art facilities relatively quickly. The system of subsidies, subventions, credits and insurance play an important, but essentially a supplementary role. What should be our position in this complicated issue?

Clearly it would not be sensible to make light of the views of the production enterprises on this. The production and export of turn-key projects are complicated activities with a long payback period. The situation requires, though, that we invest mainly in sectors and industries with relatively rapid foreign currency payback potential. Nor is it possible however to stop exporting

turn-key capital projects and think that after the economic situation improves we can return to certain sectors. The production sectors must have a clear perception of their competitive position. Moreover they must be able to improve their competitive position rapidly by improving the technical and operational sophistication of their turn-key facilities. One way to accomplish this is to use their production facilities cooperatively with highly sophisticated foreign firms.

To complement this fundamental orientation we need to formulate principles for financing the production and export of turn-key projects that combine participation by the center and the banking sphere (policies covering subsidies, credit, interest rates, and insurance). It is now clear that the use of government loans must be based on greater responsibility of the producing and exporting organizations for the overall economic impact from the export of turn-key facilities.

For this reason a classification of government credits has been developed that allows for loans from our government to selected countries that guarantee full payment in korunas to the Czechoslovak supplier of a turn-key project. These loans will be available only to a small number of countries that are in very difficult situations. As a rule the loans will be granted under so-called softer conditions (lower interest rates and longer repayment periods).

Other government loans will be motivated mainly by the economic interests of the CSSR. Under these loans the foreign payment conditions negotiated between the governments of the CSSR and of the customer countries will be assumed by the Czechoslovak exporting organization. This classification will recognize a subgroup of countries. When koruna denominated loans to the producers of the turn-key project carry higher interest rates than government loans to foreign firms, central resources can be used to compensate for the difference. Loans to another subgroup of countries will be subject to interest rates that approximate current commercial conditions. These conditions will be assumed by the Czechoslovak producer using this type of loan to finance exports.

Who Guarantees Payment

Preconceptions about the use of a foreign currency loan from a bank to finance the foreign currency expenditures associated with the export and construction of a turn-key project in the customer's country can cause significant problems and conflict situations. This type of loan will be made only to a limited extent, with priority given to exporters whose transactions show sufficient promise, both in terms of foreign relations and domestic capabilities, that the loan will be repaid and that the foreign currency payback period for the export will be rapid.

Current realities do not allow us to be generous, because both exporting enterprises and the CSSR Bank of Commerce will be operating on self financing principles as of 1990, and will therefore have to create the underlying foreign currency resources gradually. It is appropriate in

this regard to state that I consider it proper that producers have requested the development of a territorial strategy for cooperation with Third World countries, and that they are requesting from the bank recommendations concerning specific export orientations as to their potential for foreign currency repayment for exports.

This is a legitimate request and the bank will work to meet it. However, even the most heavily researched projections should not be set in concrete (for instance the projections of the certainty of payment for exports to the so-called petroleum countries and the sharp change in their foreign currency situation after the rollback in prices after the price shock). In every case, therefore, exporters should expect the bank to demand responsibility for repaying foreign currency loans made by the bank. In addition, exporters should remember that commercial bank loans have very strict rules, especially regarding repayment and the price of the loan. We need to remain aware of actual possibilities as well as the experiences of other socialist countries in the seriousness and results of high foreign indebtedness. We will have to give priority to the use of foreign loans in hard currencies to supporting restructuring objectives for industry, as a basis for achieving a more rapid economic growth rate.

Regarding the position of the CSSR as an exporter of turn-key projects we will have to formulate rapidly, in the context of the systemic provisions of the new economic mechanism, institutions for insuring all types of export risks. We must be realistic in our expectations here as well, and realize that the price of certainty for a Czechoslovak exporter that his foreign investment will be insured will be very high insurance premiums in view of the fact that we will need to create as soon as possible the necessary pool of insurance resources.

The potential for utilizing the financial resources of prestigious international organizations such as the World bank, the International Monetary Fund, regional development funds and banks to support our exports of turn-key projects to the Third World will become more pertinent once the CSSR changes its attitudes and objectives regarding relationships with these institutions.

Strategy Urged to Regain World Market Position in Machine Tools

24000196b Prague SVET HOSPODARSTVI in Czech
24 Aug 89 p 2

[Unattributed article: "Czechoslovak Machine Tools: Regaining Lost Positions on International Markets"]

[Text] Machine building is one of the economic sectors most responsible for R&D progress in all developed economies and in world markets. This sector influences significantly socioeconomic processes, the restructuring of individual economies, and the entire international division of labor. Sophisticated world markets are the scenes of constant stiff competition among machine tool builders for the interest of independent consumers. Any machine tool manufacturer who wants to be successful in

foreign markets must constantly and flexibly reallocate its resources, change the structure of its product line to correspond to developing world demand, combine factors of production in new ways, and continually search for new ways to cooperate with and join forces with other domestic and foreign manufacturers.

This means that a key problem facing the Czechoslovak economy is a choice of a long term strategy that will assure that a majority of Czechoslovak machine tool producers manufacture competitive items. The goal of the development of this sector must be the gradual regaining of positions previously occupied by Czechoslovak machine tools on the world market.

Given the reality that the Czechoslovak economy is small, it is essential that we develop, produce and market machine tools that cover so-called niches on world markets. For this reason we must again learn how to bring together very flexibly research, development, and production capacities in reaction to changes in demand on individual markets. At the same time it is necessary to make corrections systematically in both the product line and territorial structure of Czechoslovak machine tool exports.

Presently for instance approximately half of all Czechoslovak machine tool exports go to the Soviet market. In the near future we need to anticipate a decline in the volume of these exports. This is more than a consequence of limited Soviet resources for imports. The contraction in marketing opportunities on the Soviet market for our products is mainly due to a change in demand and in the orientation of the Soviet economy towards intensification. This has resulted in a change in the behavior of customers and in increased competition from world manufacturers on this market.

Despite all these trends the Soviet Union is, and will remain, the largest customer for Czechoslovak machine tool production, even though the degree of specialization of Czechoslovak machine tool producers for the Soviet market is declining. We must also expect that current changes in Soviet economic practices will be of a permanent rather than a temporary nature. In the near future it is not the pace of our cooperation that will be important, but the internal quality of development. In the machine tool field this will mean offering goods that will represent for the USSR a full equivalent of imports from developed capitalist countries. Only goods of this quality will be acceptable equivalents for deliveries of fuels and raw materials, which themselves will be at world market prices. The only way we will be able to export goods that do not meet the high quality standards of our Soviet customers will be to offer them at a deep discount. We may not even be able to sell them at all.

The situation is very similar on the markets of all socialist countries. In all these countries the structure of machine tool demand is changing, in many cases more rapidly than in the USSR.

Necessary to Restrict Product Line

The Czechoslovak machine tool industry faces the immediate task of restricting its product line. Given the range of machinery and equipment that we currently manufacture and sell it is not possible to keep up with state of the art technology. In cases of products that are materials intensive or that consume excessive power, products manufactured only for the Soviet market or for socialist countries, we need to consider transferring their production to these countries either by selling licenses or by setting up joint ventures. The purpose would be to free up some Czechoslovak machine building facilities to develop new products and to reduce the currently high levels of materials and energy intensiveness.

A predominance of heavy engineering firms in the Czechoslovak machinery sector has for some time put us in the position of supplier of turnkey industrial plants to industrializing socialist third world countries. Our efforts to retain the structure of our heavy engineering sector with no modification, combined with their need to sell products abroad, is a major reason that Czechoslovakia has had to take on third world customers with questionable credit ratings. Our economy has not participated either in intensification processes or in any radical differentiation in the third world. As a result our balance of payments is so strongly positive with these countries that it represents more than two years of machine tool exports to all third world countries.

To extricate ourselves from this situation we need to change the territorial focus of Czechoslovak exports to include countries with a strong ability to pay and reduced credit risk. We also need to change the structure of the products that we offer. At present we lack entire, modern industrial, segments with application in third world countries. Nor have we set up many cooperative ventures in these countries. By the same token a condition for increasing Czechoslovak exports to these countries must also be a significant increase in counter imports of products from processing industries, including machinery.

Cooperation for Better Export Performance

A philosophy is deeply rooted amongst us that a machine tool manufacturer can make the greatest profits by producing and exporting only final products. This is shown by the fact that in the past 15 years there has been no change in cooperative deliveries as a percentage of Czechoslovak foreign trade. The engine of world trade however is the internationalization of production, the international exchange of components among cooperating manufacturers, while the exchange of finished products remains flat. This means that we should not look to Czechoslovak manufacturers of complete machinery for a significant increase in the export performance of the Czechoslovak machine tool industry.

The level of participation of the current Czechoslovak machine tool industry in cooperative relationships is very low. Imports of parts and components account for only 10 percent of total imports, and their percentage of machinery

exports is even less. Smaller developed capitalist countries base their success on a high percentage of component exports. Austria is an important example, in that it does not manufacture passenger cars, but pays for all its imports of passenger cars by exporting parts and subassemblies for makers of passenger cars in other countries.

The Czechoslovak machine tool industry will be facing tough decisions about changing its product mix. The structure of Czechoslovak production must be influenced by external conditions. A fundamental criterion of success must be the ability to export effectively to the most demanding world markets. We cannot make decisions about what to develop and what to terminate based solely on our own preference. And clearly we cannot allow any support to be given to development and investment in products that will not result in a convertible product, one that is marketable profitably on multiple critical world markets. Production sphere activity under the new economic mechanism should go in this direction.

In the first stage it will be necessary immediately to react to potential for increasing production and exports of Czechoslovak goods already being produced in which the world has an interest. These are items for which we have not been able to meet demand due to facilities limitations. These items include, for instance, printing machines, small tractors, trucks, and certain machining, textile, construction, and roadbuilding machinery. We need to resolve this problem immediately. We can use facilities freed up by the reduction in specialty products and the cutting back on goods with no future to increase the production of items more in demand. Every day that we are late in increasing supplies of products that are in demand on foreign markets represents a direct loss for us.

Over the long term we need to look for future growth in Czechoslovak machine tool exports in new product lines and in modern forms of cooperation with foreign firms. Foreign trade experts and actual trends in demand indicate that we should develop production facilities for subassemblies and components. We should also develop a capability in machinery and equipment that improve quality, precision, intensification, or that automate production processes and services. Long term marketing opportunities that we have identified include machinery for the food processing industry, biotechnology, environmental protection, and selected groups of appliances. Worldwide demand for materials handling and warehouse management equipment has been growing very rapidly.

Foundations Exist

Under the conditions of the Czechoslovak economy we can develop the capability to produce these items based on cooperation and joint ventures with manufacturers from both socialist and nonsocialist countries. We have recently set down a basic legal framework for implementing these types of cooperative ventures. This mainly involves an updated version of the Law On Economic Contacts With Foreigners. The new version of this law

simplifies the process of establishing cooperative relationships with firms in socialist and nonsocialist countries and supports an expansion of direct relationships in both R&D and in manufacturing. The new Law Concerning Firms With Foreign Ownership Participation has great importance for the establishment and operation of joint ventures.

Unfortunately, partners from developed capitalist countries are being slow to take advantage of these possibilities. They have little interest in cooperation especially in machine tool production. This wait and see attitude stems mainly from recent experiences that many of them have had with Czechoslovak machine tool firms. Our offers for developing cooperation must be serious and based on an assertive and flexible attitude. We must convince potential partners that our manufacturers are capable and reliable. After all, other socialist and some third world countries are approaching these same firms with similar requests.

Worldwide experiences have confirmed the importance and indispensable economic role of small and medium sized enterprises. The establishment of these relatively small manufacturers and providers of services often has strong state support. These firms are the main engines of rapid innovation, and are able to react flexibly and quickly to changes in demand. Discussions of the restructuring of the Czechoslovak machine tool industry have been dominated so far by the production plans of our largest firms. We have not yet clarified the role and ways of supporting the founding of small and medium sized firms. The importance of their position in the Czechoslovak economy is based both on their ability to penetrate foreign markets and on the fact that they will inject an element of competition into the economy.

Cutting Back Production Programs

Every restructuring program must begin with the reallocation of existing resources. There is no need to develop anything new or to cut back on an existing program beforehand. We must state in all seriousness that in foreign trade customer needs on world markets have changed and the demand for certain goods will be declining continually. Cuts will be necessary in what to date have been large, important product groups, in the production programs of large Czechoslovak machine tool manufacturers. The existence of some machine tool products will be threatened.

Foreign trade will force cutbacks in selected capital machinery and equipment, such as equipment to extract and process raw materials, turnkey plants for heavy chemicals, petrochemicals, construction materials production, large power plants, and some materials intensive products related to transportation, such as freight cars. Nor will some equipment for heavy and light industry and agriculture get by without cutbacks. This equipment includes metallurgical equipment, tractors, part of the product lines of traditional textile, shoemaking and leatherworking machines, etc. We need to take a close look at

products from mechanical engineering and at products that we will have difficulty exporting to all countries, and products that do not add enough value to their raw materials and power inputs. Such products include locomotives, ships and other technical vessels, refrigerated trailers, turbocompressors, certain types of trucks, motorcycles, and other groups of products.

Produce for the Customer...

Czechoslovak machine tool producers must adopt the common motto that whatever they produce they will produce for sale, for their customer. The first step is to win a customer, the next step is to keep him. We have to ask him what he wants, as well as conscientiously seeking to formulate these wishes.

The goal we want to achieve is a more efficient integration of Czechoslovak machine tool manufacturers in the international division of labor, a shift to the intensification and dynamic growth of this sector. It is therefore necessary that Czechoslovak machine tool output be fully competitive as soon as possible. High quality means a high price and high demand on all world markets. In the past our machine tool manufacturers have proved this many times.

The intensification of the Czechoslovak national economy should be seen as nothing other than the dynamic, but economically healthy growth of the machine tool sector. We have already embarked on that path. For us to be successful, and it is vitally necessary for our economy that we be successful, the machine tool sector needs to react constantly to both its real successes and its failures on world markets.

Cattle Tuberculosis Cases Reported

24000167b Prague LIDOVA DEMOKRACIE in Czech
10 Jun 89 p 1

[Text] Tuberculosis has been discovered in 222 head of cattle in JZD [unified agricultural cooperative] Poltar in Lucenec. The infected animals had to be slaughtered. Persons who had come into contact with the infected animals were tested for the TBC disease and seven of the 200 persons tested positive. After sale of the meat from the compulsory slaughter, the amount of loss was reduced to 2 million korunas.

GERMAN DEMOCRATIC REPUBLIC

Measures Described for Increased Sugar Beet Yield

90EG0003a East Berlin FELDWIRTSCHAFT in
German Sep 89 No 9 pp 387-388

[Article by Prof Dr J. Oehme, Beet Research Institute Klein Wanzleben of the GDR Academy of Agronomy;

Dr K. Kopmann, H. Glahn Graduate Agronomist, Economist, Ministry of Agriculture, Forestry, and Food: "Increased Beet Yield and Quality—A Significant Contribution by Sugar Beet Growers on the 40th Anniversary of the GDR and in Preparation of the XIIth SED [Socialist Unity Party of Germany] Party Congress"]

[Text] In the 40th year of our republic's existence the cooperative farmers workers of the LPG [agricultural producer cooperative] and VEG [state farm] as well as of the sugar factories are making an definitive effort to surpass their demanding tasks in the area of sugar beet production and processing.

The plan provides for achieving a sugar beet yield of at least 358 decitons [dt]/hectare on a cultivated area of 215,800 hectares. This represents an increase over the previous year of 124 dt or to 152 percent. No other culture is planning such a high increase—one and one-half times, and it demonstrates the task's magnitude. The state yield amounts to 6,000 kilotons [kt] and scheduled additional purchases of 700 kt. The additional purchase this year was necessary to compensate for some of the 1988 losses.

Therefore, a total of 6.7 million tons of sugar beets has to be sold to the factories. This means the factory's beet acreage yields an average of about 87 percent. To meet the sugar program of more than 800 kt with 6.7 million tons, the beets must have a sugar content further south than 16.5 degrees south. To date, 1985 and 1986 were the only years in which this sugar content was achieved.

The resolution of the presiding committee of the Council of Ministers dated 22 Dec 1988 on assessing the results of sugar beet production and processing in 1988 stipulates the determinations required to achieve and surpass these high objectives as well as the conclusions arrived at for continued intensification.

For example, in preparation for 1989 sugar beet production, conferences were held in February and March in all bezirks and attended by leadership cadres and specialists on ways to intensify sugar beet production. We estimate that during these conferences and on the basis of thorough analysis the necessary measures, such as the broad application of scientific and technological advances and the general dissemination of the experience of the very best experts, were worked out with a high degree of effectiveness for the purpose of a noticeable increase of hectare yield, of eliminating the unjustified differentiation in the yield level, and for the purpose of processing. The bezirk intensification concepts include major focal points to increase and stabilize the productivity, such as:

- further qualification of specialists and machinery active in sugar beet production;
- improvement of soil fertility;
- adherence to yield-determining general rules and standards of production processes;
- lowering crop and storage losses, and others.

The LPG's or VEG's annual general meetings and annual statements of account as well as training programs in sugar beet growing kreises were also used for intensive preparation.

These measures as well as noticeable improvements in the material-technical safeguarding of the sugar beet production resulted in further advances compared to 1988 in the consistent adoption of the production process, without ignoring the still existing reserves.

What is our level of achievement and which problems remain to be solved?

1) The advances achieved during the past years and the field-related determination of actual values of fertility as well as routine crop and pest control have proven to be successful under this year's vegetation conditions.

Supplying more than 88 percent of the beet acreage with stable manure had a positive effect, particularly this year, on the water retention property of the soil. The result is high germination levels in excess of 70 percent in these fields.

Progress is also achieved in proper fall ploughing at an agronomically advantageous time, which is a decisive factor for high germination values as well. We made equal advances over previous years in the measures taken toward plant protection, maintenance, and nitrogen fertilization.

In summary it may be said that through application of the factor analysis, for which the Institute for Beet Research created the scientific bases, the LPG's and VEG's have at their disposal, for each cultivated field, a good means of recognizing deficiencies and of targeting and controlling the establishment and development of crops and ultimately the growth of productivity.

Now it is important to continue on schedule and successfully implement the introduction of the computer-assisted program of soil and crop management (COBB). The conditions for this, such as qualification of leadership cadres, establishment of computer work stations, accurate preparation and maintenance of field charts 1 and 2.2, must be created in all LPG's.

2) The methods of structure-saving soil preparation and sowing, such as the standard-furrow method, the dam formation and the seed row draining method, which in 1989 were performed on more than 130,000 hectares are to be significantly expanded during the next years, according to conditions and circumstances. As a result of the separation of growing and driving space as well as a decrease of operating steps in the spring, many LPG's show an increase in productivity of up to 10 percent while, at the same time, cost was reduced. These represent concrete effects of intensification, which must be exploited to the maximum.

For all these variants, efforts are underway in close consultation with the industry and agriculture's own

rationalization equipment manufacturers to create further capacities for providing the necessary mechanization equipment.

3) Increasing success has been achieved with an analysis of the nitrogen content in the soil (N_{an}) to precisely determine optimum nitrogen amounts and time of nitrogen fertilization. This contributes significantly to a higher sugar beet quality and improvement in the beet-to-leaf ratio.

However, even this year there are a number of LPG's and VEG's who do not sufficiently consider the soil nitrogen and organic fertilization and continue to use excessive nitrogen fertilization. Some 12 percent of all operations still apply the latter N-dose after 31 May, and the differentiation is too great. While Rostock, Neubrandenburg, Magdeburg, Halle and Dresden bezirks had by 31 May supplied more than 90 percent of the acreage with nitrogen for a second time, this was the case for less than 70 percent in Schwerin, Erfurt, and Gera.

4) The availability of new high-performance varieties and pilled seeds increasingly proves to be a significant intensification factor. Using pilled sugar beet seeds for precise crop development makes it possible to harvest 10-20 dt/hectare more sugar beets and to reduce by 10 to 15 percent the man hour expenditure for maintenance, as demonstrated by the experience of LPG's such as Bottmersdorf, Striegnitz, Dobitschen, Rade, and others.

On 56 percent of the cultivated acreage, grain deposits of 15 cm and more were applied this year, thus decisively reducing manual work. In 1988 and 1987, such grain spacing was only used to 46 or 34 percent, respectively. The crop densities of 70,000 to 80,000 plants per hectare obtained in 1989 plus better plant distribution show the correctness of this approach as to uniformity of soil productivity and agronomic control.

The availability of the new varieties "Triamo," "Ponesa," "Depolde," and "Akzenta" remains unsatisfactory. It was not possible to meet the demand for their proportion of the overall assortment this year.

A number of determinations have been made as to how the portion of these varieties can be increased within the next few years by means of seed production intensification, particularly through the use of the triploid varieties. That this is necessary for the purpose of a continued increase in the sugar beet and white sugar yield, is demonstrated by the main and control tests conducted by the Center for Varieties from 1986 to 1988. Here it becomes evident that the performance potential of our new varieties surpasses that of the old "Ponemo" and "Depomo" varieties and reaches the level of top international grades, even surpassing them at times.

According to the resolution to intensify sugar beet production, it is the goal to approve another variety next year having a white sugar yield that is higher than

"Ponemo" by 7 percent. Promising varieties are available from 2-year main and control tests as candidates for this program.

As a contribution to the increase of field germination, the proportion of seeds in quality level IQ with a more than 93-percent germination capacity will be further increased during the coming years, and the total seed material having a germination capacity of over 90 percent made available.

5) The advantages of sowing sugar beets early during the final days of March and the first days of April for maximum exploitation of the vegetation period are becoming particularly evident this year. Acreage cultivated in March was finished as early as mid-June. Essentially, all bezirks started sowing around 20 March this year. At the end of March over 60 percent of the sugar beets were in the ground and on 7 April a level of over 90 percent had been reached. Erfurt bezirk had finished sowing as early as 2 April. Compared to previous years, vegetation was ahead by 10 to 14 days overall, in some instances even more.

It was also possible to considerably shorten the sowing period compared to previous years, aided by optimum sowing conditions. By making full use of daylight hours, many LPG's and VEG's succeeded in planting their sugar beets in 4 to 5 days.

The use of additional single-grain sowing machines (EKS) and the availability of a new generation of sowing technology make it possible to continue the increase in quality of grain deposits and field performance. Retrofitting the older EKS A 697 with additional assemblies B 01 and B 02 has proven to be successful. This, too, contributed to an increase in field germination this year.

6) There are noticeable advances this year compared to previous years in the implementation of scientific crop management. Mechanical and manual maintenance was performed properly according to vegetation development. The first mechanical hoeing and separation of sugar beets was essentially concluded around 20 May. The second mechanical hoeing was ahead by about 14 days as well. Cultivation measures in sugar beet production were considerably aided by the availability of effective herbicides which in addition to Betanil 70, Elbacim, Elbatan, and Betanal were supplemented by special herbicides such as Falidazon, Nortron, Goltix, and Fusilade Super. Training programs in kreises and bezirks with plant protection officials and beet specialists proved to be successful for the effective and efficient application of these agents.

All of the LPG's and ACZ's [agro-chemical center] received from the Institute of Plant Protection Research an information sheet "The Use of Herbicides in Sugar Beets in 1989." Although conditions were not favorable in May for the use of herbicides because of high temperatures it is estimated that the high-quality agents were applied sparingly and with a high degree of effectiveness. We take the position that additional experience and

know-how must be gathered in this field, so that these agents might be used even more effectively with the help of controlled tank mixtures and spray schedules, depending on existing weeds. Ten tank mixtures were approved for weed control after germination of the sugar beets. Therefore, it is necessary to continue the production experiments started this year with all the different variants.

All operations should carefully evaluate their experiences with weed control to further increase effectiveness and to save substances and expenses.

Great efforts were made to effectively limit viral beet yellowing. In the main infestation area, the first aphid control measures were started as early as mid-May. The warm, dry, sunny weather promoted aphid development, creating the need for follow-up treatments within short intervals and using different insecticides. In spite of these extensive measures it was not possible to completely control the viral blight. This leads to the conclusion that in future years greater attention must be focused on the eradication of this disease. In addition to aphid control, this should also include continued improvement of field hygiene.

Summary

Overall it is estimated that by enforcing the sugar beet resolution with the application of targeted measures designed for soil and crop management it was generally possible to cultivate fields with good sugar beet stock. Now it is important to prepare the harvest so that these crops will be harvested with minimum losses and low manpower. Here it is important to employ primarily those mechanical means that are most successful for this job. Prompt formation of harvest collectives and proper field-specific adjustment of topper-lifters. Leadership must be focused especially on the complete application of any harvesting technology starting with the first 10 days in October to achieve maximum supply in October and to conclude the beet harvest everywhere by the beginning of November.

Satisfying contracts for sugar beet deliveries is of high economic priority in September. This is necessary in order to limit beet and sugar losses from a campaign extended by 7 to 8 days for processing the additional beet quantities to be purchased. The campaign is set to start on 25 September according to the harvest resolution. As in other years, this is to be preceded by a 3-day trial run with sugar beets. It is assumed that some of the LPG's and VEG's with contracts for September shipments already have to start digging operations around 20 September.

Another crucial point must be an all-out effort for contributing a maximum amount of sugar beets to the fodder reserve. This particularly concerns reducing the leaf losses in the field and decreasing nutrient losses during ensilage. Another possibility for reducing the loss of nutrients is the binding of percolating juice by means of mixed ensilage of beet leaves and straw.

This year's experiences represent a solid foundation for the preparation of sugar beet production in 1990, the year of the XIIIth Party Congress.

The 1989 harvest and autumn activities significantly shape our decisions regarding expenditure and result of the sugar beet production. To compensate for losses in coarse fodder from the main fodder acreage the growing volume of summer catch crops has been considerably expanded. Prior to sugar beets, the cultivation of catch crops should generally be considered as positive due to soil enrichment with organic material. But care must be taken that in the fall these acreages are being promptly and properly plowed to ensure that harvest residues will rot thoroughly.

Statistics Provided on Inland Waterway System

90EG0002a East Berlin PRESSE-INFORMATIONEN
in German 7 Sep 89 No 104 p 6

[Article published by Press Office, GDR Council of Ministers: "Inland Navigation—Economy's Solid Partner"]

[Text] GDR inland shippers transported 9.9 million tons of goods during the first half of 1989—representing 6.6 percent more than during the first 6 months of 1988. Because of a mild winter the waterways were navigable without interruption, allowing goods to be reloaded in the ports, so that the highest result to date was recorded for the workforce of the most cost-effective carrier of our republic. A desire to strive for high performance was demonstrated by the collective of the VEB [state enterprise] combine Inland Navigation and Waterways and by their partners from the economic sector, particularly when considering the present situation [which is] so unfavorable to their work. From as early as the end of May low water levels have prevailed on sections of navigable rivers. Therefore, to best meet the transportation requirements, ships are lightened at the junctures between the Elbe and Oder rivers as well as the channels, which essentially have a constant depth. Around the clock using mobile and stationary technology a portion of the goods is reloaded onto other ships at these locations.

The VE collective Inland Navigation and Waterways was organized in 1979. Roughly 9,000 individuals work in its present 10 operations. These are, in addition to the parent facility VEB Inland Shipping headquartered in Berlin, the VEB inland ports Oberelbe (upper Elbe), Mittelbe (mid-Elbe), Oder and Berlin; the VEB shipyards with 15 operating units; the two VEB Waterway Operation and Maintenance [facilities] in Eberswalde and Magdeburg; the VEB Waterway Construction as well as the VEB Research Institute for Navigation, Water, and Foundation Construction/Science and Technology Center.

The private inland shippers make an important contribution to solving the transport problems; with approximately 50 ships, they transport to their destination

almost 1 million tons of goods annually on behalf of the VEB Inland Shipping Company. Because of their dimensions, these ships with a capacity of 150-450 tons play an important role in the exploitation of secondary waterways between the Elbe and Oder. The private inland ships, which primarily transport bulk goods like building materials and coal, are usually operating even when water levels are low. The ship owners and their helpers are assured a solid basis of existence in our state.

In 1949, the year our republic was established, the inland shippers transported 8.2 million tons, 1.7 tons less than in the first 1989 semester. With the organization of the German Navigation and Transshipment Operation Center (DSU) on 1 Oct 1949, the first state-owned inland navigation operation with exclusive chartering rights was created. Until then, an Inland Navigation syndicate existed via which ships of any form of ownership were regularly included in the fulfillment of transportation assignments. In 1957, the DSU was reorganized into the VEB German Inland Shipping Company.

Initially, the inland shippers had mostly nothing but low-powered, 30- to 50-year-old towed boats and steam barges at their disposal. In the mid-fifties, the motorization of lighters with outboard motors and the building of motor barges started the first phase of fleet reconstruction. More than 100 motor barges newly built between 1960 and 1965 represented a second phase, with motorization being fully effective. At the same time, shippers began to test and develop the pushed tow system, which, starting in 1971, quickly became the definitive technology and today reaches a performance share of more than 80 percent.

At present, the transport fleet of the VE collective combine Inland Navigation and Waterways has over 1,300 ships, in round figures, with a total tonnage in excess of 500,000 tons. This includes approximately 110 motor barges having a capacity of between 650 and 1,000 tons; 20 motorized towed boats, capable of carrying up to 400 tons of goods, as well as 17 canal and river push boats. The major share according to numbers is represented by the roughly 1,000 lighters and push boats, whose capacity is in a range between 400 and 1,000 tons.

A large variety of goods is being transported on the GDR's 2,319-km-long network of inland waterways, which is divided into 1,675 km of main waterways and 644 km of secondary waterways. Since the start of the seventies, building materials account for over 50 percent of the transport volume. The inland shippers thus support the realization of the residential construction program and of many capital investment projects by means of economical transportation. Coal and coke also have a significant share with 16.7 percent, and ores and metals with 8.3 percent.

When transporting bulk goods, the employment of chains of pushed barges is especially efficient for a low specific energy consumption. For example, between

Koenigs Wusterhausen and Berlin such chains are traveling having a length of 150 m, which take approximately 1,700 tons of goods—roughly one and one-half times the cargo of a freight train—to their port of destination. Equally effective is the use of units with one motor barge and an additional pushing boat. They are capable of transporting 1,300 tons of goods. The ship crews are supported in their efforts toward an energy-efficient mode of propulsion by using diesel fuel gauges. Based on these instruments, on board computers are currently being developed. The main objective is to develop effectiveness reserves when employing larger chains.

The performance growth of inland navigation is a result especially of the exploitation of scientific-technological findings and the introduction of new technologies. This includes primarily the implementation of continuous ship operation. In addition to achieving a high degree of utilization of capital equipment, this approach also made it possible to establish a precise shift system. The advantage for the crew: time-off that can be planned.

Since 1983, 24-hour operation was gradually adopted between Koenigs Wusterhausen and Berlin, Niegrupp and Nedlitz, Hennigsdorf and Niederfinow, as well as Anklam and Hohensaaten. Today, approximately 30 percent of all goods are being transported on the waterways according to a precise schedule.

Environment Minister Cites Measures to Protect Ecology

23000227 East Berlin *BERLINER ZEITUNG* in German 21 Aug 89 p 3

[Article by Dr Hans Reichelt, minister for environmental protection and water management: "Economic Growth and Environmental Protection"; first paragraph is *BERLINER ZEITUNG* introduction]

[Text] In the following article Dr Hans Reichelt, deputy chairman of the Council of Ministers and minister for environmental protection and water management provides information about results and experiences in maintaining and protecting nature, particularly in Berlin.

At the beginning of the 1970's we were confronted with the question of how the SED's [Socialist Unity Party of Germany] resolutions and directions and the constitutional obligations to maintain and protect nature were to be realized in the development of our society, material production, productive resources, and socialist production conditions.

In our country, and especially in our capital, important facts attest to the success of our course of action, which involved increasingly more efficient use of natural resources based on scientific laws and with increasingly improved consideration of the ecological requirements: Economic growth which continues to rise each year by 4 to 5 percent is achieved in an increasingly better way with lower demands on natural resources, declining production consumption and better environmental protection.

New Solutions and Methods

For example, in December 1988 the Berlin waste products fair showed appropriate new methods and production technologies. Among other things, ideas for the economic utilization of phosphate-rich sediments from Rewatex to increase soil fertility and for reclaiming and reusing heavy metals, solvents, waste oils, household plastics, wood, and paper remnants were introduced there.

This was the route taken, for example, in the VEB [state enterprise] Electrocoal in the past few years. Every year 5,800 tons of coal and graphite dust, 400 tons of coal tar asphalt aerosol and other substances are reclaimed with the development and installation of 3 flue gas detarring plants, 50 filtering and dust removal plants, and the largest part is fed back into the production cycle instead of importing very expensive raw materials.

Nonetheless, the priority dictate of economic reason and responsible environmental protection continues to be a further reduction in production consumption and a further increase in the share of usable industrial waste products, of secondary raw materials and feeds from households. In all enterprises there are still reserves for this.

More Drinking Water—Modern Sewage Plants

The development of new areas of construction in Marzahn, Hellersdorf, Hohenschoenhausen, and Altglienicke and the modernization of old residential areas in the northern section of the city since the mid-1970's have resulted in a threefold increase in the capacity of the drinking water works. Basic expansion and modernization took place at the three largest waterworks: Johannisthal, Friedrichshagen, and Stolpe near Hennigsdorf. Today 37 newly-built pressure-increase stations and tanks for 400,000 cubic meters of drinking water—the capital's water requirements for about 20 hours—guarantee a stable drinking water supply in all those places where in 1976-76 with the summer temperatures a lack of pressure or even cutoffs by the hour in the drinking water system became a familiar occurrence for some 550,000 inhabitants in the Prenzlauer Berg, Mitte, Friedrichshagen, and other city districts.

Sewage treatment capacity experienced more than an eightfold increase. This happened in the first place because of the new construction of 3 large new biological sewage plants in Falkenberg, Muenchehofe, and Schoenerlinde with a 600,000-cubic meter capacity per day and a third chemical purification stage to eliminate phosphates and the inclusion of a biological purification stage. In the second place expansion of the capacities of the two sewage plants in Stahnsdorf by 1988 and in Wassmannsdorf by the 40th anniversary of the GDR to a total capacity of 270,000 cubic meters per day also contributed to this.

In the GDR brown coal, our most important national raw material, will continue to be our primary energy source for the foreseeable future. At the same time, savings of an energy potential of at least 80 million tons

of raw brown coal equivalent is targeted for the next 5-year plan. In 1986 and 1987 at the Georg Klingenberg heat and electric power plant in Berlin the more efficient method of generating steam resulted in a 28,000-ton reduction in the consumption of raw brown coal. Starting operation of a steam conduit from there to the Friedrichshain district resulted in a further savings of 10,000 tons of coal and 3 million cubic meters of natural gas. It was possible to shut down the old Friedrichshain heating plant which resulted in a reduction of environmental pollution in the center of the city.

Green Wave Should Work Better

Since the beginning of the 1980's the GDR has been making an important contribution to reducing nitrogen oxide pollution. Although in this area we produce only a relatively small amount as compared to other developed industrial countries, the GDR is among the few countries which achieved a reduction in nitrogen oxide output by 1988, including even a 15-percent decrease in the transport system. During the same period the output in the FRG rose by eight percent.

Even measures which help organize traffic, such as speed limits, exhaust gas checking by adjusting the carburetor, produced a decrease in the output of nitrogen oxide. Still larger reserves are available from improved functioning of the green wave without stopping at every traffic light.

Commitment to nature and the environment on the part of members of society is substantial; this is also true of honorary nature conservation officials as well as many other citizens aware of their responsibility to be actively involved in maintaining the life support conditions of rare and protected plants and animals, control of orderly maintenance of natural watercourses, care and guarantee of order and health conditions in forests and fields near the cities as well as designing and developing trails, footpaths with plant identification markers and facilities to discuss soil improvement.

Landscape days in Pankow and Treptow showed what large-scale activities could be developed here. They proved to be democratic forums for broadly-based participation by many citizens in developing and conserving nature and in the efficient use of natural resources, waste products, and secondary raw materials from households.

POLAND

Shipbuilding: Prospects for Restructuring Important Industry

26000702 *Krakow TYGODNIK POWSZECHNY* in
Polish No 35, 27 Aug 89 pp 1, 5

[Article by Teresa Remiszewska: "Bordering on the Absurd"]

[Text] During the 1918-39 period we possessed only a small piece of sandy seacoast, but we also had people with vision who understood the significance of access to

the sea. After 1945 our window to the world expanded significantly, but there is no doubt that subsequent government groups did not appreciate that opportunity. We still are not a maritime country in the full meaning of that word because we were unable to benefit economically from that fact.

As Long as Man and Seas Exist, Ships Will Be Built To Sail on These Seas

The shipbuilding industry is an integral as well as exceptionally important part of the national economy which, in turn, should be the driving force for the entire national economy.

Our shipbuilding industry is experiencing a deep crisis. The controversial decision to close the Gdansk Shipyard is harsh proof of this. Although a single facility was impacted, the branch as a whole is seriously threatened. Currently, the Warski Shipyard in Szczecin and the Ustka and Wisla Shipyards are on the edge of bankruptcy. The Paris Commune Shipyard and even the Naval Shipyard in Gdynia are grappling with serious difficulties. Only the Polnocny Shipyard in Gdansk is holding its own, but only because—to state it euphemistically—of its specialized production that entitles it to the privilege of taking advantage of currency conversions that are different than those used universally within the CEMA framework. The repair shipyards also are somewhat still alive, although far from being fully healthy. But their operations also depend on different financial principles.

This state of affairs somehow escaped the attention of government as well as nongovernment economists. The public also pays little attention. To the authorities, the shipbuilding industry is a hard nut to crack and to many it is an irksome problem: it constantly demands "something," and in no way does it fit in with subsequent "stages of the reform." To the public, it is a "symbol" and nothing more, even though over one million people are involved with it directly or indirectly. One and all forget that it should be only and exclusively a source of revenue and a motive force driving the national economy.

Let us begin with the most important things. The Polish shipbuilding industry is the only branch of highly processed production that entered the world free market on a partnership basis. It has a very good reputation and arouses much interest. In this area, we do not have to acquire a market. The only thing we have to be concerned about is not losing our market position and gradually improving it. This fact should convince us of the importance of the problem and the need to resolve it. In light of this fact, the decision to close down the main producer is simply unbelievable, especially when we are seeking ways out of the crisis.

Opportunity

A ship is a final, unusually complicated and highly specialized product, and its quality is subject to severe

criteria. First of all there is the sea itself, which ruthlessly exposes every production or design error. During the construction cycle, starting with the melting of steel or the drawing of wires into conductors, a ship is subject to the strict inspection rules of international classification institutions concerning crew safety and to the inspections by the management of the shipping line (the future owner or operator of the ship). We have satisfied these requirements in such a way that we are among the leaders: we have built and are building good ships, ships that are prized on the world market. That is why our customers, in the East as well as in the West, are so patient. They prefer to wait out our various perturbations and upheavals than seek other contractors. Thus our opportunity to remain competitive is very good. However, this opportunity will diminish rapidly if we default on our signed contracts. The huge penalties that we will have to pay will be but a small portion of the losses we will bear as a result of losing our market. Thus far our customers are waiting, and there is no anxiety about halting the flow of orders. Signed contracts remain in force despite the uncertainty of tomorrow. But we should remember new contractors will not be available for over one-half of the 44 ships contracted to 1993 to the Gdansk Shipyard if the decision to close the shipyard is implemented.

At the same time, the world's shipbuilding industry is entering a phase of great opportunity. The backlog of orders is increasing, and ship prices are increasing. According to the analysis of Japanese experts, this trend will continue to the year 2010. The assertion that the industry is regressing is a fairy tale. It is true that a number of shipyards in Western Europe have been closed as a result of the large differences in labor costs between Western Europe and the countries of Southeast Asia, Central America and South America. In the highly developed countries, labor costs average 35 percent of the total cost of a ship. But for highly specialized ships (icebreakers, research ships), labor costs can be as high as 65 percent (for example, in Finland). In South Korea, these costs are many times lower; and this is why many shipyards in Holland, the FRG, Sweden and England were closed down. However, direct wages in Polish shipyards amount to 2 to 2.8 percent of total ship costs while additional margins and payments, which are easy to change and are individual aberrations, amount to 3.9 to 5.9 percent.¹ This is not a problem in Poland. On the contrary, we are in a good starting position to submit bids, especially since we have qualified workers and a better developed support industry. Korea builds cheaply and on a large scale, but it cannot satisfy special requirements; it can mass-produce ships but it cannot satisfy individual requirements of ship operators.

Our main customer, the Soviet Union, will prefer to negotiate new payment terms with us rather than place orders with these cheap shipyards. The Soviet Union requires various types of ships for various sailing conditions. Above all it needs large fishing bases, that is, highly automated floating processing factories. Korea

and Taiwan cannot build such units, at least not now. But in a couple of years even they will catch up.

Opinion Nr 4/88 of the Gdansk Voivodship People's Council contains the following table of hourly wages of production workers (in United States dollars):

FRG	19.35
Finland	15.67
United States	14.26
Japan	13.00
Taiwan	3.53
South Korea	2.92
Poland	less than 1.00 (at the official exchange rate!)

The conclusions are obvious.

Of course our shipyards must be kept in good condition, our market must be maintained, and our production must increase instead of diminish. We can also increase wages gradually without hurting our competitiveness.

There is yet a domestic reason: our own fleet is aging at an alarming rate. To purchase all needed ships abroad is not wise. It appears that our "healers of the economy" intend to eliminate sea transportation and all the benefits flowing therefrom.

It should be added that the PZM (the Szczecin ship operator) purchase order rescued the English shipbuilding industry, and lately the initial price was renegotiated upward by \$1 million and included a contract for the Paris Commune Shipyard. These facts say something.

Why Is It So Bad While It Is So Good? Cooperation

Our shipbuilding industry arose and developed when the command-distribution system was in operation. At that time the central authorities required all cooperating industries to execute shipbuilder orders.

One should be aware that a shipyard is a huge assembly facility where thousands of highly technically advanced equipment of very high quality are "packaged" into a steel hull. The engines are built by Cegielski, the screws by Zamech and so forth. The steel is provided by steelworks. Right off it should be stated that only 1.2 percent of all the rolled products of the steel industry is used by the shipbuilding industry. However, the profitability of the exported steel used in the entire ship "package" is higher than the steel sold in the form of machine tools, mining machinery and especially raw steel.²

This "assembly facility" depends on the quality, price and terms of supplies offered by cooperators, who, in turn, depend on their subcontractors. This complex network of interdependence disintegrated when the command system weakened. The command system was not

replaced by the usual free market that would regulate most efficiently such delicate, reciprocal systems. It did not replace it because a free market does not exist! The so-so regulating system was eliminated but was not replaced by another system. The concern here is not that anyone was sorry to see the command system eliminated, but one should not saw off one leg of a table, even a crooked leg, and expect the table to remain upright.

Producers are now "independent," and how! Thus they are more comfortable producing simpler products not requiring high quality, not being concerned about certification by classification institutes, and mass producing products rather than trying to please the shipyard "complainers" who demand individualized production for a specific type of ship.

This is linked with delivery times.

Our shipbuilding industry has always been harried by the necessity of placing orders very far in advance: from several months (for mill products) to 3 years (for automation equipment, electronic devices and so forth). This prolonged the ship building cycle and was one of the main reasons for lower profits. The price of a ship is established the moment the contract is signed. After a period of several years (3 to 6 years) when the ship is delivered to the ship operator and the money is received for the ship, usually the price of the ship on the world market is much higher. Thus, in Japan, where the ship building cycle is 2 years, good economic results are achieved.

Currently this problem remains almost unsolvable. Cooperative enterprises are "independent" and decide on their own when and for whom they will produce. The lack of normal free competition places them in the position of monopolists dictating conditions. They dictate contract prices, demand financing for their imported purchases, require shipyards to participate in their investments and so forth. Naturally, they choose the most advantageous delivery terms.

All these difficulties, especially punctual payments, force the shipyards to exert themselves. They also force them to accumulate supplies. Supplies were always accumulated to assure a rhythmical pace of production, but today all kinds of excess accumulations are especially necessary. However, the regulations designed to limit waste and "frozen" capital are very strict; the amount and quality of supplies in stores should depend how quickly they are consumed relative to the next delivery of supplies. However, the problem is that the difficulties associated with adhering to delivery terms and even placing the next order are not considered. The shipyards pay high interest (18 to 25 percent) to the bank to finance these supplies, the value of which are calculated on a continuous basis because everything is getting more expensive.³ On the one hand, the long delays in filling orders and the uncertainty of obtaining suitable quality and, on the other hand, the increasing unwillingness to

cooperate or the refusal to cooperate force Polish shipyards to deal with foreign cooperators more frequently, especially capitalist cooperators. As a result, the so-called foreign exchange funds that are invested in a ship while it is being built are increasing constantly.

Dollars, Rubles, Zlotys

A popular saying is that "we sell ships for rubles but buy everything that goes into them for dollars." This is a simplification although, in some way, it goes to the heart of the matter. Even if it is so and in the final calculation it does not pay, it is not the shipyards who are at fault. After all, the shipyards are paid in zlotys, and that is where the problem lies.

How in reality does the financial system of the shipbuilding industry operate?

Let us assume that a ship costs \$10 million. If we sell it to a ship operator from the second payments area (capitalist), then the shipyard receives 5 billion zlotys using the exchange rate of 500 zlotys per dollar (I am simplifying to clarify the arithmetic). If the customer is a CEMA country then the conversion factor is "somewhat" different. For example, in the USSR the exchange rate is 60 kopecks per dollar, and those \$10 million amount to 6 million rubles (transferable). But 1 ruble at a Polish bank costs 225 zlotys (once again I am simplifying) and thus, in fact, equals 45 kopecks. Therefore, the shipyard will receive 1 billion 350 million zlotys for the ship. It receives $\frac{1}{3}$ of the previous value! The difference, thought not in its entirety, is covered by a foreign trade office (Centromor) in the form of so-called compensatory payments, which in no case is a "subsidy" or "grant" of a bighearted government. It is a partial return of the money earned by the shipyard. Lately, foreign trade also has become "self-financing" and increasingly unable to pay. It is strange that it is said that everyone loses, but who is making out?

To digress a little here, I am not trying to determine if in the final calculation or on the scale of the entire economy the lower ruble value is or is not worthwhile. Recently, Gorbachev said that it is not worthwhile for the USSR. It is obvious to me that if, for example, the bank paid more for rubles then there would have to be a multifold increase in the price of gasoline. I absolutely do not want that. Somehow, however, this argument is difficult for me to imagine; after all, how does one calculate the profitability of trade with neighbors? However, there is no doubt that a lower dollar value has a very negative effect on exports; it is a collar squeezing the neck of a debtor who should seek ways of obtaining dollars at least to service his debt and restrain the growth of debt.

A Credit Victim?

A capitalist customer pays partial payments to a shipyard during the entire shipbuilding process, usually when important events occur (for example, when the contract is signed, the keel is laid and the ship is launched). These "event partial payments" are deposited at the Bank

Handlowy, but a shipyard cannot draw on these funds at will. It has the "right" to draw only up to 40 percent of the total sum and can use the money only to purchase imported products and to payoff various debts in the West. Even more absurd is that a shipyard must redeem "its" money, the so-called entitled foreign-exchange allowance, at the Polish National Bank at the exchange rate of 500 zlotys per 1 dollar. In addition, a shipyard receives no interest on the dollars deposited at the Bank Handlowy by the shipyard customer. It is in a worse position than a private owner of greenbacks, who is paid considerable interest by the General Savings Bank. Thus a shipyard loses 60 percent of its earned capital and interest on the entire amount. In addition, it can draw upon these funds for limited purposes and in zlotys at that. "Self-financing" applies to a shipyard only within the sphere of zlotys.

In the case where a customer is a firm from the first payments area (CEMA), payment for a ship occurs only after the ship is delivered for operation. There are no partial payments, and the shipyard finances the entire building cycle from its own funds. It builds a ship on credit, bearing tremendous costs over a period of several years, such as costs of material supplies, cooperation, imports, energy, equipment amortization, taxes, wages and so forth.

Everything would be all right if the shipyard could access its own turnover funds. However, it has rights to only 15 percent of these funds. These are its "own turnover funds (on which it pays taxes). Where does it get the rest? Well, it borrows the rest. It obtains credit from a bank at a usurious (late) rate, payable from the top the moment credit is given.

Thus, ship construction costs include interests on credit that are progressive. On an annual scale, bank payments increase the cost of production on an average of 11 percent, and if a ship is not delivered on time (which is not always the fault of the shipyard), then the increase can be up to 30 percent. The contract price of a ship remains unchanged, but the foreign exchange conversion factor, even the "corrected" one, lags. In other words, costs keep increasing but the shipyard's income remains the same. How do we know this?

A similar mechanism, although not as painful, is obligatory throughout the entire industry. It is especially troublesome for a shipyard because of its long production cycle. It is generally accepted that the shipbuilding industry is a primary credit victim because the sums involved are huge.

The shipyards are now losing their borrowing power which, in turn, causes insolvency, inability to cooperate and disinclination to collaborate. It is a tragic spiral: they all borrow, pay interest, increase costs and get deeper and deeper into trouble. The bank director is unable to sleep nights because, as a good patriot, he wants to help.

But he lacks money and raises the interest. Costs are still increasing and more money is printed. And who is making out?

The Other Side of the Coin

Everyone pays taxes. The shipyards are no exception. We have a large assortment of various taxes; the entire system involves profits, costs, expansion, wages and amortization. One would have to be naive to believe that one pays taxes only on earnings.

The system is extremely restrictive, and the scale of taxes is without parallel compared to the rest of the world. In addition, the system is changing constantly, and new regulations often are retroactive. Nonpayment of taxes caused loss of credit.

Cooperators and their subcontractors also pay taxes. Thus, ship costs include taxes paid several times over, a complete chain of taxes. If such a genius could be found who could figure all of this out, it could easily be shown that the total sum paid into the budget exceeds the real value of a produced ship. Right now we only know how much the shipyards pay. For example, for the 3 quarters of 1988 the Gdansk Shipyards paid a total of 4,859 million zlotys in income, remuneration, property and development taxes. However, only 2,870 million zlotys were received via foreign trade compensatory payments and "grants" for domestic ships. Thus the balance in favor of the budget was about 2,000 million zlotys. This does not include the costs of debt service, lost interest on "event payments" in dollars (dollars that do not belong to the shipyards?) and so forth.⁴ Should we eliminate such a productive cow?

Modernity or Backwardness?

Throughout the entire 10 years of schooling we are taught to be proud of the rapid development of our shipbuilding industry. Of course! The immense cooperative supporting industries as well as the ship assembly yards rose to the occasion. Beautiful ships slid down the slipways. The assertion that Polish industry will be unable to assure qualitatively acceptable supplies for the shipyards means one is resigned to maintaining this industry in the state of backwardness to which it fell during the past several years. There is surrender, a step backward.

Remedial Measures

The shipbuilding industry can and should earn income for the entire national economy. To this end, its distinct character should be acknowledged. The concept of enterprise independence should be interpreted properly. It should be emphasized that in the Western countries, where liberal economic principles reign and the state does not interfere in the economy, the shipbuilding industry is an exception. This "interference" takes into consideration the long production cycle and is based on the use of numerous tax abatements, easier credit and providing guarantees.

It is difficult to understand why in Polish shipyards the costs of cooperation, material supplies and energy amount to 50 percent of the price of a ship and labor amounts to 3 percent, while the rest is due to various types of taxes and charges. This means that the economic system is completely inefficient and borders on the absurd. To rectify the situation, all changes must be implemented simultaneously without shying away from difficult situations. Temporary measures are not reform. All they do is make a deranged mechanism worse.

Specifically, the following should be done:

- exempt shipyards from central commercial control and allow them to operate independently. Mrs Thatcher's offer to train future merchants and directors should also be accepted;
- make the dollar and ruble conversions more realistic, raising them to at least 50 percent of the Pewex value;
- stop using transaction prices and surcharges; simultaneously require buyers to cover their foreign exchange share with dollars, and strive to sell ships for dollars;
- revise contracts with CEMA customers and require event partial payments;
- revise the tax system and limit the frequency of its changes;
- increase significantly a shipyard's own funds and reduce credit rate by one-half;
- allow a shipyard to use freely its bank foreign exchange;
- divide the profits from a ship sale equitably among all cooperators, also taking into account foreign exchange profit;
- reorganize the cooperative supporting activities to shorten the building cycle;
- assure workforce stability by paying appropriately attractive wages.

This is a task to implement. I submit it to the new Parliament for their consideration.

Footnotes

1. Prof J. Doerffer: "Shutting Down The Gdansk Shipyard," BUDOWNICTWO OKRETOWE, Nr 11, 1988
2. Opinion Nr 4/88 of the Gdansk Voivodship People's Council Maritime Commission
3. Prof J. Doerffer, as above
4. Prof J. Doerffer, as above

Maintenance of Steel, Heavy Industry Advocated

90EP0017a Warsaw POLITYKA in Polish
No 37, 16 Sep 89 p 5

[Article by Florian Dabrowski: "What Shall We Do About Metalworkers?" under the rubric "Polemics: 'Iron Logic'"]

[Text] Last July POLITYKA (No 28) had published the article by Professor W. Dobrucki, "Iron Logic," from which it ensues that we are wasting about 40 percent of steel.

Since "a" is said, namely, that our output and consumption of steel are excessive, which is both true and not true, let "b" also be mentioned, namely, that a shortage of steel, of metallurgical products, may paralyze our economy just as effectively as a power shortage. That is, if indeed our economy is to develop or rather not to slide to the level of Third World countries.

It seems that this discussion is also inevitable for another reason as well: the further fate of the iron and steel industry will affect the fate of not only the thousands of workers employed at the Lenin or Katowice steelworks, for example, but also those employed at shipyards, at the Pafawag Railroad Rolling Stock Plant, in the machine-building industry, etc. And the fate of these workforces is the most crucial problem to both the OPZZ [regime-sponsored trade unions] and Solidarity—to all the parties in the grand coalition as well. Clearly, Solidarity has a moral obligation toward the workforces of not only shipyards but also other plants of the heavy industry (of which the iron and steel industry is a major pillar), while to the OPZZ the workforces of heavy industry (including the iron and steel industry) are a bastion for which, as it has already declared, it will struggle stubbornly and "to the last breath."

Regardless of whether the iron and steel industry is "the steel pillar of our industry," as a few view it, or "the pebble in the shoe" of our economy as many view it, it seems that this subject should be discussed and written about coolly and honestly.

Thus, it is true that our iron and steel industry is not modern and, to put it honestly, it simply is backward, highly energy-intensive, highly materials-intensive, etc. But it also is true that, as already pointed out by Mr. J. Piaskowski (POLITYKA, No 32), the replacement of open-hearth furnaces with oxygen converters or electrical furnaces will require huge investment outlays, just as the replacement of primary rolling mills (crushers) with continuous casting of steel requires additional billions of zlotys and millions of dollars.

Prof Dobrucki stated, "Compared with 1937, steel output in Poland has increased by a factor of more than 11, much more than in the Western countries."

This statement is true if we consider such "Western" countries as, say, France (a more than threefold increase) or the FRG or Great Britain (a less than twofold increase). But its significance is altered if we consider Austria, where steel output increased more than sixfold between 1938 (data for 1937 not available) and 1987, or Italy, where it increased nearly tenfold, or Canada (an undoubtedly "Western" country) where it increased by a factor of 12. It also is worth noting that during the same period steel output in Finland increased by a factor of more than 33 and, e.g., in Switzerland by a factor of

more than 50, not to mention such countries as Argentina, Brazil, Mexico, etc., in which steel output increased by a factor of 100 and even 200.

Prof Dobrucki's figures would indicate that we are surpassed only by the FRG and Japan in per capita steel output. Is that really so? Well, in 1987 this index was higher in the following countries, among others, than in ours: Sweden (548 kg), Finland (543 kg), Austria (568 kg), Canada (575 kg), and Belgium (992 kg), let alone Luxembourg, which is in a class of itself and produces 8,000-10,000 kg of steel per capita, whereas for Poland this index is about 450 kg, or not much more than, say, for Italy (about 400 kg).

Another comment: Prof W. Dobrucki characterizes the Katowice Steelworks as "producing steel in just as uneconomical a manner as do the steel plants built in the previous decades." Prof Dobrucki probably had in mind the fact that that steelworks lacks a continuous casting department. Of a certainty, that is a major shortcoming, but let us point out that nearly to this day about 35 percent of steel in Great Britain and even as much as about 40 percent in the United States continues to be cast by the traditional method.

But let us consider perhaps the most important issue considered by Prof Dobrucki, namely, the assumption that we are wasting more than 40 percent of our steel output. The validity of this assumption, too, has to be granted, in principle. But two of its aspects are debatable.

For one thing, he assumes that the modernization and restructuring of the iron and steel industry takes time and (big) money. This also applies to construction, the machine-building industry, etc.

But suppose that the technological level of our iron and steel industry becomes close to that of the highly developed countries, and so does the structure of industry as a whole, the economy, and the GNP. Will then a steel output of 12.8 million metric tons postulated by Prof Dobrucki, that is, about 4.3 million metric tons less than at present, be sufficient for us?

Unfortunately, here serious doubts arise. For in reality what this country consumes is not steel but rolled products. Thus while we are a major power as regards steel output, in which we rank ninth in the world (data for 1986) and fourth in Europe (where we are surpassed only by the FRG, Italy, and, to a slight extent, France), the situation is different so far as the output of rolled products and pipe is concerned. In this respect the per capita index for Poland is about 333 kg, causing it to rank 11th among the European countries, and thus in this respect we are surpassed not only by the FRG (568 kg) but also, among others, Sweden (478 kg), Austria (458 kg), and Finland (440 kg), let alone Belgium (853 kg) or the "record-holder" Luxembourg (about 10,000 kg). More even, Poland, which in 1986 manufactured about 333 kg of rolled products (metallurgical products) per capita, imported only about 36 kg of these products

per capita, whereas France, with its per capita output of only about 290 kg, imported about 104 kg per capita, while the corresponding figures for Italy were 300 and 122 kg, and so on, so that Poland, with its overall index of metallurgical products per capita amounting to 369 kg (domestic output plus imports) ranks 24th in the world and 19th in Europe.

As ensues from the above, few developed countries in the world, and especially in Europe, would be content with the per capita amount of metallurgical products available in Poland, and if their own output of these products is low, they have to import them. However, as can be seen, only the richest of the rich countries (Switzerland, Norway, the Netherlands, etc.), whose economic structure is the stuff we can only dream of, can afford such imports.

Consider also an even more crucial fact. Prof Dobrucki estimates that conservation measures, the installation of continuous steel casting facilities, etc., can reduce steel output in Poland by about 4.3 million metric tons, that is, to about 12.8 million metric tons. It appears that, regardless of whether we do or do not introduce these conservation measures, steel output in Poland will decline anyway in the next few years, and not by 4.3 million metric tons but by about 6 million metric tons (i.e., to a level of about 11 or even 10 million metric tons).

Why? Because the existing open-hearth steel plants, which should long ago have been shut down, are simply going to disintegrate (consider the case of the steel-making department of the Pokoj Iron and Steel Plant), while the surviving ones will have to cease operating, either owing to pressures from ecologists (consider the Lenin Steelworks) or in order to put an end to the waste of energy, or simply because the workforces will trickle away.

We shall thus be able to manufacture not more than about 8 million metric tons of metallurgical products, or about 200 kg per capita. What does this mean? It means that this index in Poland would be about 27 percent lower than in Spain, about 43 percent lower than in Italy, about 50 percent lower than in Switzerland, etc.

Prof Dobrucki's proposals for conservation measures as regards metallurgical products are wholly justified. But much indicates that, even if these measures are translated into reality, and even if our steel industry, industry in general, and the economy become modernized and raised to the level of the highly developed countries, even then—and precisely then—we shall have a shortage rather than a surplus of metallurgical products.

Thus there is plenty to discuss, because any mistake made as regards the steel industry will produce extremely serious sociopolitical repercussions, because, unless there is an at least "medium-scale" steel industry, there cannot be even a "medium-scale" industry in general. And indeed, is not it true, as W. Herer and W. Sadowski put it in their article "And What is Decisive?" in *ZYCIE*

GOSPODARCZE (No 1, 1988), that "resorting to petty industry and petty retail trade is not a solution for 38 million Poles"?

If Poland ceases to be the major producer of metallurgical products (shipping, railroad rolling stock, etc.) which it still is, will it by the same token become "the tiger of Europe" as a manufacturer of computers, audio-visual equipment, etc? For the time being nothing points to this.

Rumors of Filled Food Warehouses Denied

90EP0007c Warsaw TRYBUNA LUDU in Polish
7 Sep 89 p 3

[Text] (PAP) [Polish Press Agency] The rumors and insinuations which have been appearing for some time to the effect that warehouses are full and that the commodities they contain are being held in order to "heat up" the moods of the people or to undercut prices have prompted a PAP journalist to obtain the opinions of representatives of the enterprises involved.

"The gossip on this subject is completely incredible to me," said assistant director Jozef Mlynarczyk, who represents the cold storage industry. I don't know where the statements come from that there is no place in the coolers for the products which we are supposed to receive under the EC food assistance program. The cold storage warehouses are ready to immediately receive those commodities from abroad. The first lots of meat are coming from the FRG. For example, the cold storage warehouses in Warsaw are accepting deliveries daily which are being brought in by two TIR's [expansion unknown]. And these deliveries are covered by West German television. [no quotation marks as published]

The matter of sugar is also arousing emotion. Director Tadeusz Dabrowski from "CUKROPOL" assures us that "officially, there is no sugar at all in the warehouses." Small amounts remain from last year's harvests, he continues, but they have already been fully

allocated for the needs of the market and industry. In doing this, we used the distribution lists which were in effect until recently. The low stocks forced us to speed up this year's sugar campaign by 2 weeks. We are also processing sugar cane from Cuba. In September, 90,000 tons of sugar will reach the market, including 25,000 tons from the state reserves.

Flour, groats, cereal flakes, and noodles are sent on a daily basis from government warehouses to wholesale purchasers and large cooperative bakeries. Bogdan Judzinski, director at State Grain Elevators, assures us. Nor is there any problem with receiving 800,000 tons of consumption and feed grain, which is supposed to come to Poland from EC, because thus far, 930,000 tons less grain has been procured from domestic production than after last year's harvests.

"We are immediately processing and shipping everything we can to the shops, because the demand for vegetable fats has risen greatly," says director Tadeusz Gora of the fat production industry. It is true that rape crops this year were satisfactory, but unfortunately the fats industry cannot process the raw material fast enough. It is possible that it will be necessary to import margarine. This year we will deliver 240,000 tons of it to the market, which is 20,000 tons more than last year, but this will not fill the requirements of the extremely absorptive market.

The rumors about the alleged stocks of fertilizers and pesticides are especially disturbing to the farmers. The vice president of the Agricultural Produce Goods Center "Peasant Self-Help," Wiktor Majewski, reacted to these opinions with wonder: We have enormous problems and in general there are definitely not enough means of production. This applies first to fertilizers. The situation with pesticides is somewhat better. Are we holding anything back? After all, even if we had any kind of reserves it would be unprofitable to keep them because of the high taxes.

POLAND

Health Care: Statistics, Program for Future Viewed

90EP0032a Warsaw RZECZPOSPOLITA in Polish
20 Sep 89 p 3

[Article by Zaneta Semprich: "A Program for Health"]

[Text] "Nothing is better or dearer than good health." Pupils echo this saying by rote at Polish-language courses, but adults soon forget the teachings of the Master of Czarnolas [the poet Jan Kochanowski]. For we squander our health as it were given to us forever and irreversibly. We live in a manner for which physicians have coined the pithy phrase, "Arrogance toward health."

Horsemen of the Apocalypse

Thus nowadays the state of the health of the Polish people is very poor, particularly in comparison with other European nations. Among the 29 countries of the European region we sadly rank 4th in the mortality rate of males 25-34 years old and only Hungary tops us in the mortality rate of males 35-54 years old. Women's chances for survival are not much better: we rank 4th in the mortality rate of women 25-44 years old, and 5th as regards women 45-54 years old (of course, starting at the worse end of this list). Since the mid-1960's the lifespan of males in this country has not been rising, while the lifespan of females has actually shortened in comparison with the years 1980-81. Our infant mortality rate is thrice as high as in many countries of West Europe, while the rate of premature births is double. We also record the highest indicators of the death rate of children and youth 1 to 19 years old in Europe. To top it all, the forecasts of the evolution of these factors in the near future do not warrant optimism.

For these forecasts predict a 36-percent increase in cancer cases by the year 2000 compared with 1980 (unless radical preventive and therapeutic measures are taken immediately). A similarly pessimistic tone pervades the forecast of the death rates due to circulatory diseases, prepared by the Institute of Cardiology. In their turn, militia analyses indicate that in the year 2000 or even 2010 the number of severe road accidents will remain at its present-day extremely high level (circulatory diseases, cancer, and road accidents are the most frequent causes of deaths in our country). Consider also the consequences of environmental pollution and the entire complex range of problems of infectious diseases (AIDS, growing resistance to antibiotics, the so-called anthroozoonoses [animal-transmitted diseases]), and the only conclusion can be that the values of highest importance to national existence—health, life, and ability to work—are gravely imperiled.

At the same time, one more fact should be realized: many diseases which we uncritically consider to be an inevitable price of civilizational progress can be eliminated. Of course, on condition of a proper and consistent counteracting of their social, economic, and all other

causes. This is demonstrated beyond any doubt by the experience of other countries.

For Everyone in the Year 2000

The complex whole of preventive and organizational measures intended to improve public health and reverse the unfavorable trends in the occurrence of the principal social diseases is presented in the program "ZDW 2000" [Polish Strategy—Health for All in the Year 2000], prepared by a government commission in consonance with a corresponding program launched by the World Health Organization several years ago that has been adapted to Polish conditions. The authors of this strategy do not leave, however, even a shadow of doubt that its feasibility hinges basically on social acceptance [and] many elements of the machinery of state, the economy, and people's councils. This strategy emphasizes the shaping of pro-health attitudes and behavior, and it also touches upon solutions for implementing the postulated policies.

Despite its merits, modernity, and breadth of view, this strategy could not be translated into reality. It turned out to be certainly too general; it paid too little attention to implementation, and it assumed too optimistically that it would suffice to make the society aware of the scale of the danger and of ways of eliminating it in order for self-preservative instinct to operate and health be acknowledged as a priority value.

Here and Now

The draft National Health Program, representing a de facto operating program for implementing the "ZDW 2000" strategy, which has been intensively developed in the last dozen or so months, is free of these errors. Thus it specifies not only final objectives but also to operational (intermediate) ones, ways of achieving them, and, lastly, the entities responsible for implementing particular targets.

For example, the struggle to alter the national diet—if we adhere to military terminology and consider just one of 16 objectives—is to be waged by four ministries and one union of cooperatives. It presupposes, among other things, tax exemptions for the production of preferred foods, expansion of plantations of "00" rape, expansion and modernization of fats-processing plants (the cost of these investments, estimated in 1986 prices, was to reach 40 billion zlotys), and centrally financed expansion of refrigerated warehouses in Warsaw, Tychy, and Zielona Gora (60 billion zlotys in 1989 prices), serving to augment the supply of frozen foods, fruits, and vegetables.

New fishery centers will be built and existing ones modernized. Two new plants producing dietary supplements for children will be built. Lastly, the proper level of the technology for the production and processing of milk will be assured and its contamination (like that of crops) by lead compounds will be curtailed. This last is to occur, according to the assumptions of the National Program for Environmental Protection, by means of the widespread introduction of lead-free gasolines before the

year 2000 and the adaptation of domestically produced automotive engines to these gasolines.

All this, taken together, is to change the supply but also the demand for particular food products and eliminate contaminated foods, fatty meats, animal fats, and sugar. Lower prices are to be used as a way of encouraging the demand for low-fat dairy products, bakery goods based on ground flour, poultry, fish, and beef.

The work on this program was completed in the first half of this year. Now that the illusions about the condition of our economy are being conclusively dispelled, now that

we are forced to reappraise truths and intentions, many people are wondering whether the National Health Program is realistic at all or represents a wish list drawn up by persons divorced from the reality.

However, such apprehensions are not warranted by obvious facts and common sense. For nowadays a new economic and social policy is being formed. The point is that it should be above all guided by considerations of public health. Any other approach may work only in the short run, for in the long run it will prove completely irrational.

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