



JPRS Report

East Europe

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East Europe

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INTRABLOC

Declaration of Democratic Forum of Germans in Romania

90BA0234A Bucharest NEUER WEG in German
11 Jul 90 p 1

[Unattributed article: "Political Position of Democratic Forum of Germans in Romania"]

[Text] The Democratic Forum of the Germans in Romania [DFDR] welcomed the overthrow of the communist dictatorship on 22 December 1989, in the hope that the overthrow would mean that the establishment of a democratic, pluralistic society in Romania would experience a new beginning, even for the Romanian-Germans, with regard to the resuscitation of their ethnic and cultural identity, something that was adversely affected to a great degree in the past. The DFDR saw a positive sign for reshaping interethnic relationships in Romania in the assurances from the National Salvation Front [NSF] that in future the rights and freedoms of the national minorities would be respected and their full equality with the Romanians under the law would be guaranteed.

Today, more than six months later, we are forced to note that the expectations we were cherishing at that time have been fulfilled only to a slight degree. The rights and freedoms promised to the national minorities on the evening of 22 December have thus far not been defined. The resultant insecurity in terms of our rights has not only favored outbreaks of inter-ethnic conflicts, such as those that occurred in March of this year in Tirgu-Mures, it has even contributed to the fact that our countrymen have been emigrating in masses: being mindful of the injustice that has frequently been experienced since 1945—evacuation from their own apartments, total dispossession, deportation to Russia, to Baragan, national attempts at homogenization—they prefer an uncertain new beginning in a foreign land to an even more uncertain new beginning at home. The losses to the workforce resulting from the exodus of the Saxons and Swabians, in terms of their creative power, industry, soundness, and reliability, are irreplaceable now, when every hand is needed, particularly for Romania at this time.

As far as the German minority is concerned, the DFDR, in a memorandum as long ago as January, asked for the support and protection of the state, on which each minority, regardless of its makeup, must rely for its preservation and development, and it demanded legal assurances against all forms of discrimination to such an extent that majority political decisions could not be turned to the disadvantage of minorities. In March of this year, the DFDR made its additional desires known via the Commission on Minorities of the Provisional Council [PRNE] that existed at the time. Among other things, the request was made that the PRNE publicly denounce the injustices perpetrated by the Communist regime upon the German minority. The request was

made that a commission be formed to investigate the causes that led the Romanian Germans to lose faith in the Romanian Government and to determine where the head money that the German Government paid to the Ceausescu regime from 1978 onward for German emigrants from Romania disappeared to. Furthermore, subsidies were requested to help maintain German-Romanian instructional and cultural institutions (press, theater, research projects, among others), and finally, the formation of a Ministry of Minorities was called for, at which proposals, measures, and draft legislation that would be acceptable to all sides could be explored in a constructive atmosphere, so as to preclude possible conflict situations from the outset.

All these proposals fell on deaf ears, as did the petition that those who were sent off to Russia be given equal rights with the political prisoners. In all cases, no answer was forthcoming.

In the meantime, the country has a democratically-elected parliament and a new government. But it is impossible to tell whether, and if so, when, a minorities law will come up for debate, nor was any ministry that would oversee minority affairs created, nor did the prime minister even mention the minorities issue, in his White Paper, to the positions of which, incidentally, the Forum subscribes, and which it will support with the full measure of its strength. It is not merely a question that the legal formulation of minority rights is being drawn out without any indication as to reason; it seems quite apparent to us that the NSF, as a political entity that holds a Parliamentary majority, has distanced itself from those promises that were given on 22 December 1989 to the national minorities. How else are we to explain the fact that shortly after the additional petition by our Deputy, draft legislation on the abolition of local PRNE councils and on the formation of prefectures and mayors' offices to include proportional minority representation in those instances where the case warrants doing so, so that the minority representation on these committees would be in keeping with the minority's representation within the population, the proposal was turned down by the votes of the FNR politicians?

We were, we are, and we shall be, against extremism and the use of force, regardless of the quarter from which these may come. The fact that the exercise of tolerance is possible, has been demonstrated by the example of the Germans living side-by-side with the Romanians in Transylvania, and by the banat with the Romanians, Hungarians, and other nationalities. Where a lack of tolerance, readiness to discuss issues, and involvement with the needs of others can lead has been shown by the incidents in Tirgu-Mures, and, before a different political backdrop, the unrest in Bucharest in June. They have done a great deal of damage to Romania; a repetition of such events would escalate the damage to the realm of the irreparable. Only when the minorities issue is settled by virtue of agreement on all sides, can such incidents be prevented, and only then will the minorities feel at home in the "commonly shared house" that is

Romania, and only when these conditions are met will Romania be integrated into the commonly-shared house, Europe. The foreign countries have made no bones about the issue: the touchstone of Romania's understanding of democracy is the appropriate solution of the nationalities question.

The Democratic Forum of the Germans in Romania has duly noted the declaration of the German Bundestag, by means of which the violent disagreements in Bucharest in June were condemned, and it gratefully notes that the humanitarian aid is nevertheless being continued. Other "assistance measures, particularly in conjunction with the economic buildup of Romania in cooperation with the EC," Germany—the country to which our minority is connected through a common language, through cultural traditions, and through the fact that in the meantime, many German-Romanians are living there, makes such measures contingent on the fact that the Romanian Government credibly and recognizably continue and promote the process of development of a lasting, free, and social democracy, based on the rule of law. The creation of the requisite structures and the constitutional and legal guarantees of human and civil rights, and the protection of minorities are expected of us, as has already been stressed, with all deliberate speed. But it must be considered that a democracy that is capable of functioning and an economy that is nonfunctional, cannot be united with one another. How is an understanding of democracy to flourish when the economic underpinnings, when general prosperity, when even the security of daily existence are missing in large measure? Without capital and economic assistance from outside, the agony of the economy and the state of general anarchy will be prolonged until they become unbearable, which will have as a result that people will leave this country in droves—and not just Germans—to settle where they see better prospects for living for themselves. We support the notion that the process of democratization in Romania not only be driven forward politically, but parallel to that in terms of time, that it must be shored up economically, and accordingly, economic aid from outside can be applied to help the country find its way to Europe.

The National Committee of the Democratic Forum of Germans in Romania

BULGARIA

Bulgarian Plant To Produce Syringes, Needles

90AF0776C Lusaka TIMES OF ZAMBIA in English
29 Jun 90 p 7

[Text] Prime Minister General Malimba Masheke has welcomed the establishment of a plant for the production of disposable syringes and needles which the Bulgarian government will set up in the country in conjunction with Medical Stores.

Speaking in his office this morning when a two-man Bulgarian delegation accompanied by commercial counsellor to Zambia Cde Angel Iotzov called on him, Cde Masheke said the project would go a long way towards the country's economic recovery.

The Premier told delegation leader Cde Decho Valev, chairman of the Kam Limited—Plovdiv, a medical stores company in Bulgaria and Cde Vladimir Zlatrov, chairman of the Electroimpex that setting up of the project would not only be beneficial to Zambia but to the PTA region as well.

He said immediately Zambia starts producing her own syringes and needles to meet the local demand, the production would be intensified to cater for exports to the entire Southern African region as part of the economic restructuring programme.

Cde Masheke said that with the problems of AIDS it would no longer be possible to use one syringe more than once if the country produced the items in abundance and that the problem of sharing needles would be a thing of the past.

The Prime Minister added that he was happy that some results and prospects in Zambian-Bulgarian economic and trade cooperation have started bearing fruit instead of ending up on the negotiating table.

He cited another joint venture between Bulgaria and Zambia cooperation as the establishment of an agricultural farm for coffee, soya beans and maize in Northern Province.

Cde Masheke who is also Minister of Cooperatives said he will personally supervise this project and was hopeful that it was going to succeed.

Cde Masheke who was flanked by Health Minister Cde Mavis Muyunda and permanent secretary at Cabinet Office Dr Caleb Fundanga said that Zambia greatly appreciated the supportive role in political and economic recovery Bulgaria was rendering to Zambia.

Meanwhile, Bulgarian delegation leader Cde Valev told the Prime Minister that his country would make a donation of 100,000 syringes to Zambia to help in combating cholera and other related diseases.

He also stressed that Bulgaria would continue supplying Zambia with fertilisers and that both countries were discussing the problem of direct supplies that would eliminate middlemen.—ZANA.

CZECHOSLOVAKIA

CPCZ's Election Program

90CH0095A Prague RUDE PRAVO in Czech 28 Apr 90
p 9

[Article by the Central Committee of the Communist Party of Czechoslovakia: "CPCZ's Election Program"]

[Text]

For a Life of Contentment of All Those Who Wish To Work and Create Honestly

In the democratic society now being born, we are competing for the right to share constructively in the future development of the Czech and Slovak Federal Republic in all areas.

Our aim is democratic, humanistic, materially, and spiritually productive socialism. We support fundamental reforms in all spheres of social life that will remove everything that has proved to be unsuccessful. We are opposed to mistakes and injustices, which our party perpetrated and for which we sincerely apologized at an extraordinary party congress, being replaced with new injustices. We would like to achieve a happy life in a happy, prosperous Czech and Slovak Federal Republic. That is why we will strive for true freedom and democracy for everyone who supports freedom and democracy, and not for just some.

We are proceeding on the basis that, without mutual tolerance in the spirit of national insight and constructive cooperation, which have proved successful during the past months, it will be impossible to solve any of the grave problems in our economic, social, and political life.

We shall strive for the dignified status of a free, democratic, and peaceful Czech and Slovak Federal Republic in Europe and in the world. We shall do our utmost in the fight for peace, security, and preservation of life on earth.

The Communist Party of Czechoslovakia's election program is a collection of our opinions, attitudes, suggestions, and demands. We openly state what we want and what we do not want. These attitudes FOR and AGAINST specific matters will be defended and implemented by our representatives, who will win the trust of the voters, in their daily work controlled by the public.

This program will become an integral part of the daily activity of our party and its members. We will sincerely do our utmost to fulfill it.

For Democracy and National Sovereignty

We are FOR an independent, democratic, humanistic, and socially just state, about whose present and future no one but the sovereign people and their duly elected representatives may decide. WE INSIST that the CSFR be a politically and economically unified state.

We are FOR a state in which Czechs, Slovaks, as well as citizens of Hungarian, Polish, German, Ukrainian, Ruthenian, and other nationalities, ethnic minorities, and Jewish communities will live together, in which the development of their national individuality will be ensured, and legal guarantees for their true political, economic, and cultural equality will be given.

WE ARE FOR a just solution of the Moravian and Silesian problems within the framework of the Czech Republic. WE RECOMMEND that the status of Moravia and Silesia, and their substantial share in the public, economic, and cultural life of the country, be emphasized, among other things, by transferring some of the central agencies of the republic as well as other institutions to Brno, Ostrava, Olomouc, and Opava, in particular. WE CONSIDER it to be absolutely necessary that the citizens of these territories express their opinions on these problems in a public debate.

We consider it INDISPENSABLE that an effective society-wide program be drafted, which will respect the Roman culture and will enable the Romanies to actively and effectively share in the solution of all their problems.

WE ARE FOR the supreme agency in the country being a strong, truly representative, democratically elected parliament. Even the office of president MUST NOT BE superior to such a parliament, though full honor and dignity should be returned to it. WE EXPECT both the federal and national governments to be accountable to the legislative councils. WE ARE FOR their executive jurisdiction being as broad as possible, but it must be controlled by the public.

WE ARE FOR the broad participation of the people in the management and administration of public affairs, and for the expansion of true, economically based autonomy in the communities and territories. WE ARE FOR drafting such a system as would prevent any misuse of central power in decisions on matters of local and regional autonomy and questions that directly affect people in communities, towns, and territories.

WE SUGGEST that totally fundamental questions on the life of the society be decided in the form of referendums and public debate.

WE ARE FOR all political decisions on all levels always being approved with the full knowledge of the public, and even political and economic reforms in the CSFR being subject to public control.

WE ARE FOR an independent judiciary, including a constitutional and juridical one, FOR the body of prosecutors and body of lawyers and highly qualified security units serving primarily to protect the rights, freedoms, and security of the citizens.

Free People in a Free Country

WE ARE FOR a legal state, in which the constitution and the law reign supreme, and the power of the state is implemented exclusively on their basis and within their framework.

WE ARE FOR complete adherence to international agreements on human and civil rights. WE DEMAND

they be respected in laws and in practice. Every citizen should be free to do anything he wishes within the limits of the law.

WE ARE FOR the principles of democracy and broad individual, political, socioeconomic, and cultural rights of the citizens being anchored in the constitution.

WE ARE FOR every citizen having the same rights as every other. WE DEFEND the right of every individual to freedom of thought, political conviction, and religious faith.

WE ARE FOR the free expansion and exchange of ideas and information within our country and beyond its borders. WE ARE AGAINST any kind of information monopoly.

We will support the justified demands, interests, and rights of workers, farmers, intelligentsia, and people who create material and spiritual values through their work.

WE ARE FOR the consistent equality of women in all spheres of life, FOR making full use of the abilities and qualifications of women, FOR the just assessment of their work. WE INSIST on social respect for motherhood. WE ARE FOR every woman continuing to be able to freely decide on motherhood. WE RECOMMEND an increase in maternity benefits, and an extension of maternity leave. WE ARE FOR an increase in support for single mothers, FOR the reduction of working time for women who are taking care of young children.

WE ARE FOR every young person being provided with free basic education and necessary qualifications, so they can travel as much as possible and get to know the world.

WE RECOMMEND that serious social problems concerning young people, particularly the lack of apartments, be quickly resolved with an effective contribution by society. WE SUGGEST that the difficulties young people, particularly young families, have in being able to lead independent lives, be solved in the same manner.

WE ARE AGAINST the disadvantages threatening young people when they try to choose a career or employment, which could also affect future graduates from high schools, colleges and universities.

WE ARE FOR quickly correcting the present ambiguous situation in schools for apprentices, and we consider it UNACCEPTABLE if the education and training of the next generation of workers were endangered.

WE ARE AGAINST any kind of discrimination in admitting students to high schools, colleges, and universities. The only determining criteria MUST be the applicant's talent, ability, and knowledge. The opportunity to acquire an education MUST NOT be restricted for anyone because of his social origins or the social status of his parents, or because of political convictions or religion.

WE WILL CONCENTRATE our interest and attention on the youngest generation, we will PARTICIPATE in the education of the children, so that they can develop and make full use of their interests and preferences. WE WILL CONTRIBUTE financially and materially, to enable children, above all, to spend their free time usefully and in an interesting manner.

WE WILL SUPPORT the activities of democratic organizations of women, youth, social interest organizations, organizations of specific nationalities, and ethnic minorities, with whom we will be united through progressive aims.

WE ARE FOR strong, politically independent unions that will consistently protect the rights and interests of the workers, FOR unions sharing in legislative and decisionmaking actions.

For a Modern Economy and Social Security

WE ARE FOR a considered, balanced, and efficient development of our economy, following the path of basic reforms and market economy, where the state WILL NOT directly manage, but will merely exert influence and act as guarantor of social and regional securities and relations.

WE ARE AGAINST such reforms palpably threatening the social security of anyone who wants to work honestly or has worked honestly in the past. WE ARE FOR the necessary social impacts of reforms being equally and justly distributed.

WE continue to consider as particularly important the preservation of the right to suitable work.

WE ARE AGAINST uncontrollable unemployment. We demand that every citizen, affected by structural changes in the national economy, have full opportunity to retrain at the enterprise's or state's expense. WE DEMAND that the state constantly create a sufficient number of new jobs, particularly in connection with the necessary restructuring of the national economy.

We consider AS INDISPENSABLE the maintenance of the principle of fair compensation, according to the amount, quality, and social benefit of the work, as well as according to the attained qualifications. WE ARE AGAINST undeserved and unearned income.

WE ARE FOR equality of various forms of ownership and various kinds of enterprise. WE ARE FOR competition between the enterprises and all kinds of ownership in a market economy. WE ARE FOR flexible forms of working commitments.

WE ARE FOR workers retaining their share in the management of enterprises which operate with national assets, as well as in those that will be created, involving all forms of ownership.

WE ARE ABSOLUTELY AGAINST the sale of national wealth and natural resources and the return of crucial

branches, banks and insurances into private hands at home or abroad. In the interest of preserving the economic strength of the republic, we consider the preservation and expansion of state ownership TO BE INDISPENSABLE.

WE ARE AGAINST the indebtedness of the Republic, AGAINST its excessive dependence on foreign capital.

WE ARE FOR further expansion of the cooperative movement and private enterprise involvement in services, retail trade, and artisan production.

WE ARE AGAINST the liquidation of the agricultural cooperative system and large-scale return to small-scale agricultural production. WE WILL SUPPORT small- and medium-scale agricultural enterprises if this would be beneficial to society, and it is the farmers' choice.

WE RECOMMEND that the state concentrate more on the complex economic, social, cultural, and ecological development of the border regions.

WE ARE FOR a tax system, that would support the development and prosperity of enterprises, the entrepreneurship of individuals, and would take into account the demands of social justice, particularly in regard to families with small children, people with impaired health, and pensioners.

WE SUPPORT the progressive taxation of higher incomes, unless they are invested into the further development of production, or are purposefully used to satisfy important society-wide interests, to develop science, culture, art, physical education, and sports, or to realize social and ecological projects.

WE ARE FOR the creation of an independent tax office.

WE UNDERSTAND the need for gradual rationalization of retail trade prices, HOWEVER, WE ARE AGAINST their uncontrolled growth particularly in the sphere of basic requirements. WE ARE AGAINST a decrease in overall standard of living.

WE ARE FOR citizens of retirement age having the opportunity to be fully involved in the life of society, insofar as their strength and abilities allow.

WE ARE FOR society expanding the network of retirement homes, homes with nursing services, necessary recreational and rehabilitation facilities, including spa facilities.

WE ARE FOR continually increasing the options for free or cheaper services for pensioners, as well as price rebates in cultural, recreational, and other facilities.

WE ARE FOR old-age pensions, health insurance, and other social benefits being continuously adjusted to the real increase in living expenses. WE ARE FOR establishing a new social minimum standard as the basis for providing social benefits.

For a Healthy Environment and the Health of the People

WE ARE FOR quickly stopping the devastation of the environment in our country. WE WILL SUPPORT everything that involves general, purposeful protection of water, air, soil, and other elements of the environment, and anything that fundamentally decreases any health risk. WE ARE AGAINST a growth of national income at the expense of the environment. Through our work WE SHALL CONTRIBUTE to the protection and improvement of the environment.

WE SUGGEST the creation of a complex of protected regional territories, particularly in the border areas, which can create the basis for a future ecological model for the whole republic.

WE SUPPORT the development and utilization of waste-free and health risk-free technologies, and the development of energy that will not cause ecological damage. WE ARE FOR investment in energy-saving projects and projects that utilize non-fuel-burning sources of energy.

WE ARE FOR all measures in agricultural and food production that will ensure sufficient and healthy nutrition for the citizens and will prevent the danger of accumulating contaminants in food.

WE ARE AGAINST splitting up forest areas, AGAINST selling land and forest acreage or lakes and rivers to foreign entrepreneurs, AGAINST the unjustified sale of wood from our forests. WE DO NOT AGREE with the attempts of former owners to return hunting reserves into private ownership. WE SUPPORT public game reserves that are open to every citizen of our state who has an interest in nature and in its protection.

WE WILL FULLY SUPPORT all the rights, and we will SUPPORT the socially beneficial activities of fishermen, market gardeners, animal breeders, beekeepers, all interest groups and organizations, whose members protect our nature and countryside.

WE ARE FOR substantially increasing resources for the health service and guaranteeing the right of citizens to high-quality free medical care.

WE ARE AGAINST commercializing the health service and pharmaceutical service.

WE ARE FOR expanding the network of physical education, recreation, rehabilitation, and spa facilities that are open to everyone. WE SUPPORT the further development and ensuring of recreational physical education and sports.

WE CONSIDER it to be unacceptable for citizens with impaired health to be disadvantaged in any way in their private lives and in their employment.

For an Educated, Culturally Mature Society

WE CONSIDER the education and cultural level of people, and their further development, to be the major creative potential of our country. In accordance with the development in the world. WE WILL SUPPORT the full implementation of science, technology, and human intellect in all areas of human activity.

WE ARE FOR free competition of thought in science, for academic freedom, for scientific knowledge to be put into practice more quickly.

WE REFUSE cutbacks in state and other grants for the development of science, particularly in those areas that contribute to the health of people, growth of prosperity, and maturity of the country, as well as the overall development of the citizens.

WE ARE AGAINST any kind of monopoly in culture or art. We will support maintaining and, if possible, increasing state support for the development of culture and art, and for the protection of historic monuments. WE CONSIDER the restriction of unhealthy commercialization to be necessary. WE INSIST that culture and art be accessible to everyone, that the necessary conditions for the creativity of established and new authors be guaranteed. WE ARE AGAINST shoddy objects and kitsch spreading throughout our society, and against our nation's cultural treasures being sold abroad.

WE ARE FOR safeguarding conditions for the expansion of folk art, art schools, and other institutions serving the creative cultural life of the citizens, and for the development of folk traditions and customs.

Czechoslovakia, Europe, and the World

WE WANT a world without nuclear, chemical, and other weapons of mass destruction, a peaceful home of the large human family, the would realize radical steps toward disarmament and the preservation of life on this planet.

WE ARE FOR amicable and equal relations with all countries, and for a new political, economic, information, and legal order in the world.

WE SUPPORT all suggestions that would strengthen international peace and security. However, WE CONSIDER AS UNACCEPTABLE such steps as would threaten our state's ability to defend itself.

WE ARE FOR our country opening its borders to the world, BUT NOT at the expense of our sovereignty, security, and political or economic independence.

WE ARE FOR no foreign state ever again intervening militarily or otherwise in the internal affairs of our country.

WE ARE AGAINST throwing doubt on the international agreements of 1945 on the expatriation of the Sudeten Germans from the border regions, and we refuse

open or covert attempts to revise the present national and property relations in the border regions.

WE ARE FOR resolving all problems connected with the withdrawal of the Soviet armies from our territory with full respect for our state's justified demands. However, WE ARE AGAINST this happening in an anti-Soviet atmosphere and in a manner that would disrupt future relations between our two countries.

WE ARE FOR the dissolution of the military groups of the Warsaw Pact and Nato, but NOT at the expense of disturbing the balance of power in Europe and in the world.

WE STAND, and will continue to stand, on the side of those who are fighting for peace, freedom, democracy, national and state independence, and social justice. WE ARE AGAINST the EAST-WEST confrontation being replaced by a NORTH-SOUTH confrontation.

In regard to global human problems, WE CONSIDER the most important task to be the drafting of a democratic program to make the world economy healthier, on the basis of a broad, open dialogue of all interested parties.

WE ARE OF THE OPINION that a strong Czechoslovak leftist party is an indispensable prerequisite for a strong Czechoslovakia and its status in Europe.

We are submitting this election program and we fully realize in doing so that objections will be raised: Why did the Czechoslovak Communist Party not succeed in realizing any of this in all the years that it was the leading force in our society?

We wish to emphasize that this is the election program of a reborn Czechoslovak Communist Party, of a labor and democratic-socialism party, which is searching for its new image and status in society. We want to earn trust exclusively through honest daily work, and open and constructive policies. We consider this election program to be a further step toward overcoming all the distortions, particularly the Stalinist ones, that occurred in our country's past.

POLAND**Impact of Walesa's Maneuverings Critically Viewed**

90EP0686A Warsaw *POLITYKA* in Polish No 24,
16 Jun 90 pp 1, 7

[Commentary by Jacek Syski: "A Farewell to a Myth"]

[Text] The socio-political climate is sort of getting denser. Is this temporary cloudiness with occasional showers, or rather complete cloudiness with storms in places? Could it be that a hurricane is coming, as some political meteorologists would like it to?

Let us say openly that social price which we are having to pay for a return to economic normalcy are even now hard to bear for many people. Soon, the cost will become higher still, and for many people (unemployment) incomparable to anything they have experienced so far. From this point of view, we can say right now that the coming half-year will certainly be more difficult than the past one; the coming year does not hold the promise of a greater improvement in the financial standing of the people who are affected by the transformations, and they are the majority. This is what the objective logic of the situation amounts to, which is additionally reinforced by the strategy (philosophy) of radical neo-liberalism adopted by the government.

I believe that certain endeavors and pronouncements by Lech Walesa should be looked at and analyzed in this very context; they have been troubling public opinion in Poland and in the West for several weeks now, to be sure, more so in the upper echelons of this opinion rather than in its everyday variety in which the person of the Chairman has been causing less and less emotion and interest for some time now, which is understandable in the current situation. I am not writing this in order to get involved in any manner in the speculation, or, worse yet, strife, which has been unfolding around the Chairman. This is despite the fact that I consider such strife otherwise entirely normal and legitimate, Poland and this particular case being no exceptions. Ultimately, it is the meaning, content, and peculiarity of any democracy; there is nothing shameful or reprehensible about it, as long as it does not occur to the detriment of the country.

This is the only negative norm of democratic politics. In this context, we could, after all, reproach the Chairman for his interview to an American newspaper in which he foresaw the possibility of an explosion in Poland and which was published exactly at the time of an American visit by Balcerowicz who was seeking assistance from Western governments. Likewise, other philippics and invectives, ostentatious distancing from the government, or predicting "a fight" against it, sound to Western analysts who are not necessary privy to the secrets of the discourse of the Chairman as a prediction of conflict and destabilization of the political balance in Poland, which is, after all, frail, and in which Walesa still plays an essential role.

This is an observation on the margin. I am interested in this matter from a different angle, inasmuch as it affects the arrangement and stability of the emerging political arena in Poland and its possible transformations. Lech Walesa still is, after all, a significant enough player in this arena that to make an attempt to understand his endeavors is more than an academic pursuit (despite the fact that his historical time appears to be coming to an end, and his legend is progressively eroding, and will continue to in the future; more on this later).

I believe that one of the foreign journalists has made a very apt observation regarding the speeches and pronouncements of the Chairman. Namely, he observed

that these pronouncements on many occasions resemble apparently chaotic mosaics which are hard to understand at first sight, and the meaning of which may be only discerned from further away, when we look at the entire structure and the context in which they operate rather than at individual elements or details.

Perhaps, this is the case. These pronouncements should not be read directly; rather they should be deciphered—interpreted as an ethnologist would interpret the language of myths or magic, not straightforwardly, not by what they say directly, but by their tacit structure, refrains, and oppositions, the meaning unseen at first sight. Also, they should, of course, be interpreted in the context of the actions of the Chairman and stated or camouflaged goals of his actions, for which these pronouncements frequently serve not as explanations or predictions but, on the contrary, as a kind of screen or mask.

If we look from this point of view at the declarations of Lech Walesa which disturb public opinion, their entire structure will appear more transparent and comprehensible. For example, pronouncements on fighting the government or on a war of all against all as a model of democratic transformation, which were found to be tactless or to spread panic, would appear to be fragments of a broader plan to replace the economy with politics and to compensate for the economic helplessness of the Chairman (and our society) with political or quasi-political (ideological, symbolic) activities.

To my mind, certain convictions, never altogether put into words, that the economic situation of the country (more precisely, the financial situation of society and, consequently, the social mood) is bad, that there is no prospect of rapid improvement, and that it may still deteriorate, have been the main premise for the endeavors of the Chairman—both endeavors which have gained uneasy notoriety recently (the demagogic criticism of the government and the premature "presidential campaign") and previous endeavors which for some time now have brought up "the acceleration of political changes," "stepping up a fight against the nomenklatura," and so on. The Chairman has, for a long time now, set forth slogans about a political fight and political acceleration as a slogan of substitute activities, substitute goals, and substitute campaigns, failing to see an opportunity for both himself and Solidarity to act in order to rapidly improve the situation (and being aware that for very many working people, that is, members and sympathizers of his union, the times which are coming mean a substantial and continuous drop in the standard of living). There is no rapid improvement, nor will there be, in the economic situation, but we will have elections to the self-government bodies, and will assume power in the field. Unemployment will go up but we will throw out the nomenklatura. There is no end in sight for the recession, but Walesa will become president, and therefore, yet another act of the Polish revolution will be accomplished. Western loans will not be granted, but we will throw out the Russkies or give them a hard time...

and so on, and so forth. The basic determinant of the strategy of public pronouncements by the Chairman in recent months, as well as his campaigns started with a view to the future, is found in politics (or pseudo-politics) as a substitute for economic programs and social policies which are adequate for the situation and meet the expectations of the people or at least their need for changes for the better.

In all honesty, there is nothing particularly surprising about that. Actually, the mechanism of this substitution itself (a flight to politics from economy) is all too familiar from the times of our real-socialist past, when virtually all political actions or campaigns were conducted under pressure from the deteriorating economic situation or in order to distract attention from it. Paradoxically, the man who has done more than, perhaps, anyone else in Poland to bring down the communist system, is sort of unwittingly borrowing the entire system of reflexes shaped in that era, wishing to use it for needs of the moment.

However, I personally would not expect success for either a policy based on exploiting the sources of anti-communist resentment, to which the Chairman appeals increasingly often, or for his own political goals if he wants to achieve them through such a mechanism.

Why? For various reasons which mutually reinforce themselves and all work in the same direction, the one opposite to his expectations. First of all, because, as the entire experience of the past shows, and not in our country alone, political (or quasi-political) goals may play the role of a substitute for economic and social goals only to a limited degree, and then only for a very short period of time. I am deliberately ignoring in this instance a moral-social or political evaluation of the admissibility of modern "witch hunts" and their consequences as a substitute for a proper economic policy.

At this point, some people might say that, despite everything, our society might handle more easily the burden and cost of a drastic economic restructuring program due to the "political games" to which it has been treated recently by parliament to mention just one body: the spectacular dissolution of the RSW [Workers Publishing Cooperative], controversy over the PZPR [Polish United Workers Party] assets, retirement benefits of the "luminaries," or the communal elections which have been moved up (even if these elections, which are not prepared from the legislative, organizational, or information point of view, somewhat resemble actions in the manner of the former "success propaganda" due to this).

This is exactly what the Chairman himself appears to think. It is under express pressure from him for acceleration ("the people demand that the nomenklatura be dealt with"), with him breathing down their necks, that the bicycle race of our new democracy hurriedly covers still new stages of "the acceleration" without being properly prepared for them. For example, it is known

that proper laws on self-government will only apply after 1991. It is also known from elsewhere that it is not exactly reasonable to schedule elections at a time of a pronounced decline or crisis of public sentiment; this is clearly what we are dealing with at present, after several months of sacrifices and in the absence of clear signs of an improvement in the situation.

Not surprisingly, the socio-technical effects of the rhetoric of "accelerating the changes" and "fighting the nomenklatura" are extremely modest; it could have not been any other way. Only combat veterans of the opposition (who are, perhaps, excessively clustered in the current parliament, which we should note with all due respect for them) could think that fighting the remnants of the Reds, the process of looking everywhere for these concealed vestiges and a masquerading enemy could become the everyday content of life obscuring for our society its actual and genuinely felt privation or sacrifices, or that revenge might be the fuel for democracy.

Even in cases when such slogans of hatred turn out to be temporarily catchy, they result, as a matter of fact, in more bad than good, facilitating a general increase in the brutality of public life, increased aggressiveness, neglect of the law and legal order, and an invigoration of marginal but vociferous extremist groups. All of these do not favor developing the ethics of a democratic state, and do not facilitate our return to the family of democratic countries.

This mistake associated with the slogans of "political acceleration" (interpreted mainly as enhancing and expanding the fight against the former nomenklatura) is even more apparent with regard to the political ambitions of the Chairman.

Thus, as we can easily see, the members of the former PZPR [Polish United Workers Party] together with their families at present amount to at least 8 or 9 million people. Let us say outright that a majority of them are people who joined the party in their time for utilitarian and pragmatic reasons, to further their careers, and because they did not want to be second-class citizens, rather than for ideological or political reasons (the latter have long been non-existent in the PZPR, or restricted to the supreme group of the political apparatus). By all signs, a considerable majority of these people voted last year for the Solidarity camp, and are prepared to work diligently for the cause of the democratic state. Unleashing a campaign against them under the slogan of fighting the nomenklatura, restoring the stereotype of an enemy and the myth of a menace is not only incorrect and morally suspect, as are all witch hunts which proceed from the principle of collective responsibility. It is also naïve and politically short-sighted; it may turn out to be altogether lethal for the emerging democracy and for the one who becomes a herald of this fight. After all, I think that the clear and stable difference in support and popularity between Tadeusz Mazowiecki and Lech Walesa, which is already emerging, is associated to a considerable degree with these facts. The prime minister,

who is implementing a program of a radical but tranquil and evolutionary democratic rebuilding of the country, is most clearly seen by all as the man who, having drawn a thick line under the past, sees a role for everyone in the process of democratic transformations. Of course, this does not rule out cadre replacement or enforcement of accountability, but it compels approaching them on the basis of merit rather than ideology.

For his part, the Chairman most clearly retains the status of an idol, mostly to his own activists and adherents. However, their support will not be enough for him to satisfy his more significant political ambition on a national scale. The extemporaneous support of certain extreme currents or groups which offer him their hasty alliances will likewise not be enough for this purpose. From this point of view, a phenomenon detected by the recent surveys of the Center for Public Opinion Studies is very characteristic. It indicates not only a precipitous decline in the popularity of Lech Walesa, but also the appearance of a sizable group of individuals (14 percent) who have an unfavorable attitude toward him, which was not the case previously. This is also a fact which should give him food for thought.

In all of this, in many endeavors of the Chairman, we can see a kind of pronounced identity crisis, more so than in all of Solidarity which is also being torn at present between the goals and functions of a political movement (and by now, a quasi-party which currently is the most significant channel for the recruitment of the political and economic elite) and the status and traditions of a trade union and social movement supported by a solidarist concept of society. The point is that the economic (and de facto social) program implemented by the government which was set up under the auspices of Solidarity contradicts radically these ideas of social solidarity and the historically formed ethics of Solidarity. This very profound and concealed contradiction causes the paralysis and wilting of Solidarity rather than the fact itself of supporting the government or refraining from financial demands. Yet, this contradiction involves to an even greater degree the Chairman who, torn between the duties of a politician and a trade unionist and unable to expressly self-define himself in either of these roles, and most obviously wishing to exercise the prerogatives of both, does not play either role properly. This becomes the source of still new tensions and misunderstandings.

To be sure, his awkward and amateurish start (or rather false start) into the "presidential campaign" shows that he most obviously feels the need to self-define himself anew, within the structures of the democratic state to whose emergence he has made an outstanding contribution. However, it also shows how difficult it is for him, and how he is still oriented toward the past and associated (in a negative manner) with a system which no longer exists, due to his efforts to a considerable degree. This, however, appears not to get through to him completely.

Is this merely a matter of chance or a psychological peculiarity? I don't think so. It is just that I think that the political time of the Chairman, like that of Solidarity in its format to date, appears to be coming to an end. Their vitality and significance are being exhausted. New forms and structures of a democratic state will take over the functions which were once performed by Solidarity out of necessity. New people and new democratically developed authorities will take over the role once played by the Chairman. His myth has already eroded, and will continue to erode increasingly.

Let us put it bluntly: Lech Walesa resembles somewhat a nuclear bomb, the explosion of which could now destroy everything in Poland (the stability of the new political system); at the same time, it would destroy him personally. Like a nuclear bomb, he is becoming increasingly useless in a peaceful and earth-minded time, a time which is no longer that of fighting and combat strategy, but a time for all the democratic interplay of interests, bargaining, compromises, and jurisdictions with which the Chairman is most obviously impatient by now.

For the same reasons he is no longer capable of helping too much the process of changes which are, after all, the result of his actions and determination in the past to a considerable degree, and which still continue to draw on his authority ("with Walesa's consent"). However, by now others benefit by this rather than he. For his part, he benefits the least or, perhaps, even loses, both in the short-term and the long-term aspect, if we were to look at it in the context of his personal ambitions.

What is the upshot? I believe that this may sound somewhat blasphemous for some people because the complex of the Chairman is so great that even an essayist criticizing Walesa at present calls him "the father of democracy" and our father. This sentimental infantilism resembles the best paternalistic models of real socialism. However, I will say more: I see neither a majority in the Sejm, nor a majority in the general elections which could give the Chairman a place in the Belweder now or in the future. Indications are that he will have to be content merely with a place in the Panteon of History, no matter how strange, shocking, or unfair this might appear to some people...

My conclusion? Instead of a conclusion, let us wish for the most rapid possible return to normalcy, or rather its materialization. This does not mean only emancipating ourselves from remnants of the totalitarian legacy around us. This also means emancipation within ourselves, in our thinking and habits, as well as grudges, complexes, and phobias which nest inside us and haunt us like the ghosts of the past.

We will be able to secure the benefits of democracy which others have been blessed with for a long time now only when we liberate ourselves from these ghosts, when we learn to resort everyday to the entire arsenal of means which democracy places in our hands, without suspicions, ulterior motives, and defamation, because we will

have learned how freedom, criticism, and the defense of one's own reasons may serve common reason and common interest.

At present, this is still far away. Despite the most genuine desire to liberate ourselves from the past, our public life is still poisoned by the venom of the past. Very frequently, in our desire to really support the new democratic order, we are torn between the fear of destroying it, which paralyzes our ability to use freedom, and the symbolic gestures of support which neither serve to perfect the emerging democracy or advance it because they do not point the way and do not help in eliminating even the obvious weaknesses of democracy.

Democracy as an ethical system (in the absence of which all of its mechanisms wilt) is devoid of both all the concepts of ideological or axiological domination of others, and the temptation of messianism. Democracy

actually begins at the moment it is understood that literally and figuratively there is no place in society where the truth or reason already abide, that there is no single reason, and from among those existing all have a right to speak, and all should be heard and confronted with the others, and that only this process of meditation and reconciliation amounts to supreme reason and law. It is exactly this process that is crucial to the ethics of democracy and to whether constitutions supposed to serve it really live or merely serve as a cloak, covering the practice of forcing on others one's own reason and one's own interest.

Of course, there are those who will say that we should benefit by such a democracy and serve it once we have, for example, handled all enemies and when all of us are of the same opinion and on the proper side.

God save us from such "friends of democracy!"

HUNGARY

Troop Withdrawal: Soviet Foreign Ministry Pledges Compliance

25000756A Budapest NEPSZABADSAG in Hungarian
6 Jul 90 p 3

[MTI [Hungarian Telegraph Agency] report]

[Text] The removal of Soviet military units from Hungary and financial problems which arise in the course of this process may be resolved only in the framework of valid bilateral agreements now in force, according to Yuri Gremitskyi, Soviet Foreign Ministry deputy chief of information, at a Moscow press conference Thursday.

Gremitskyi stressed that the Soviet side is in strict compliance with these bilateral agreements. He made reference to the fact that, pursuant to the Soviet-Hungarian agreement concerning the withdrawal of Soviet troops temporarily stationed in Hungary ratified on 10 March, financial issues pertaining to real property remaining in Hungary must be settled by the time the withdrawal of Soviet troops is complete. At the same time he acknowledged the fact that Soviet-Hungarian negotiations to settle the financial issues are progressing with difficulty, because significant differences continue to exist in the positions taken by the two sides. At the same time the Soviet diplomat called attention to the fact that there is no cause to dramatize the situation. He expressed hope that constructive conduct manifested by representatives of the two sides will make it possible to find a solution which satisfies both Hungary and the Soviet Union.

CZECHOSLOVAKIA

Austrian Businesses Asked To Invest in CSFR

90CH0243A Vienna DIE PRESSE in German 1 Jun 90
p 10

[Article by Erich Hoorn: "CSFR Lures Austrian Investors: Fast Track to Market Economy"—first paragraph is introduction]

[Text] Austrian companies are showing enormous interest in trade with and investment in Czechoslovakia: Nearly 200 business representatives from Austria met yesterday, Thursday, at the castle in Bratislava as participants in the "Investment in Czechoslovakia" seminar. The vice chairman of the Slovak National Council, Jan Majer, emphasized in his address that after 42 years of a planned economy, the Czechoslovak economy is in a desolate state: "We hope that you will help us to overcome this heritage."

Bratislava—The deputy premier of the Slovak government, Vladimir Lexa, stressed that the economies of the CEMA states are currently stagnating. Moscow is not able to supply the amount of energy that it has agreed to. CEMA's share in world trade has fallen to 19 percent. With regard to the CSFR, the politician fixed his sights on a "favorable starting position," given the low debt level of \$7.9 billion, which would provide leeway for loan assumptions that could be used for investment purposes. The factories of the CSFR, he said, are outdated and must be modernized, which offers opportunities for foreign business partners.

The two most important steps noted in this regard were the liberalization of prices as of 1991 and the privatization of state enterprises. The government intends to pursue an anti-inflationary policy and carry out a tax reform in 1993 at the latest, which should be based on Western models. Another important task is to convert military production to civilian production and to reorient exports from East to West. With the exception of Hungary, the CSFR has a surplus in its balance of trade with every CEMA state.

The Slovak finance minister, Michael Kovac, stressed that not only is the establishment of joint ventures with Western companies possible; Western companies may also establish 100-percent subsidiaries in the CSFR. There are options for stimulating foreign investments, such as tax abatements.

However, foreigners may not yet acquire real estate in the CSFR. Still, this restriction does not apply to joint ventures, whereby the level of Czechoslovak investment plays no role. Of the privileges associated with real estate, foreigners can acquire rental interests in particular. Leasing is also permitted.

There are still problems with the transfer of earnings from those joint ventures that do not earn hard currency. From the Czechoslovak side, there is a desire for the

profits to be transferred in the form of products that can be sold in the West, Lexa emphasized.

As Austrian attorney Michael Goriany told DIE PRESSE, there is a great deal of interest in business contacts with the CSFR, since the possibilities there are deemed very good, especially because of geographical proximity. In the founding of joint ventures, he said, it is not money, but rather management and the transfer of know-how, that play the decisive role. Accordingly, Austria enjoys a tremendous advantage, due to its proximity. No wonder half of the approximately 50 joint ventures in the CSFR involve Austrian companies. And in Hungary as well, one-third of the 1,100 mixed enterprises were set up with Austrian companies.

The meeting in Bratislava was organized by Post Graduate Services Akademiker-Fortbildungs GmbH, in conjunction with the University of Bratislava.

Bavarian Businesses Express Interest in CSFR Investments

90CH0243C Munich SUEDEDEUTSCHE ZEITUNG
in German 12 Jun 90 p 25

[Article by Mattias Morgenstern: "'Cooperation Without Borders': Bohemian-Bavarian Economic Summit: Representatives of Lower Bavarian Firms Scout Out Opportunities for Expansion in CSFR"]

[Text] Passau—"Cooperation Without Borders" read the sign in Czech and German that hung in the clubhouse of the Sumava agricultural combine. However, when the approximately 150 representatives of medium-sized firms from Lower Bavaria entered the hall, they knew from their own experience that the well-intentioned greeting from their hosts was just a fervent wish, a long way from reality. The three buses with the Lower Bavarian participants in the first major economic talks for the area straddling the border since the new direction in Czechoslovakia had still had to spend more than an hour dealing with visa formalities at the border. Represented in Kajov (Cesky Krumlov district) were the food, wood processing, construction trades, mechanical engineering, and electrotechnology sectors. For the Bohemians, there were representatives of state enterprises and small private firms, as well as parties interested in potential startups.

Transition to Market Economy

Despite the existing difficulties, however, the dominant mood during these Bohemian-Bavarian economic contacts was one of optimism. Deputy executive manager Juergen Karl of the Chamber of Industry and Commerce of Lower Bavaria referred to the significance of the new direction in the CSFR: "The Lower Bavarian economy now no longer needs to be focused solely in the direction of the EC, but rather now has a new opportunity for economic activity in its immediate vicinity." Josef Kares of the host Sumava agricultural combine saw trans-border cooperation as the only possible way to raise the

level of domestic economic production and prepare the republic for the road to Europe. The transition to the market economy and stimulation of foreign trade is the goal of the new Foreign Trade Act, which went into effect on 1 May of this year, emphasized Ivan Töcek of the Czech Ministry of Foreign Trade. Pavla Henzlova of the Prague Chamber of Commerce and Industry noted that for the foreign businessman there are now a total of three possibilities for investing in the CSFR: the entrepreneur can found a joint venture together with a Czech firm, he can invest in an existing enterprise, or—and this is the most significant new feature—he can found his own firm, of which he is the sole owner. Ms Henzlova also emphasized that there is an agreement between the CSFR and 19 countries, including the FRG, preventing double taxation. However, since the Czech koruna is not convertible, there are clearly problems with the transfer of profits, she said. This transfer is ensured only if the profit is earned in a foreign currency, according to Ms. Henzlova.

Beer Exports Sought

All of these obstacles appeared to be little cause for concern for the German guests, who incidentally arrived in much greater numbers than originally assumed. Although many came “just to look around,” numerous entrepreneurs had very concrete ideas about future cooperation. One of them, for example, was looking for a Czech partner who would build boats for him made of synthetic materials; one company wanted to export beer to southern Bohemia; one businessman was looking for a partner to develop a quick-delivery service for parcels. Those with such concrete prospects generally struck it rich right away during the contact-promoting talks. In the end, the Lower Bavarian entrepreneurs seemed to be disturbed much less than politicians and official economic representatives by the fact that their partners still largely stem from structures that still bear the mark of the socialist planned economy.

What this looks like is demonstrated by the example of the host Sumava agricultural combine, a giant production complex with around 10,000 employees and a yearly turnover of 550 million korunas, which is definitely not involved only in agriculture, but is also active in the electrotechnology, instrument-making, and vehicle construction sectors

The contacts for the Bohemian-Bavarian economic meeting were mediated by the Bavarian branch of the German-Czechoslovak Association. The organizer on the Bohemian side was the newly founded organization CEBRA [Czechoslovakia-Bavaria-Austria], which is interested in promoting the development of good relations in the area encompassing southern Bohemia, Bavaria, and Austria. The organizer on the Bavarian side was the Lower Bavarian Chamber of Industry and Commerce. The industrial self-government agency has been pushing for some time for elimination of the visa

requirement between the two states, and recently even presented this request in a letter to FRG Minister of Interior Schaeuble.

Elimination of the visa requirement is not being held up by the Czech side, but rather by the FRG. The Ministry of Interior on the one hand points to security considerations, and on the other hand refers to the so-called Schengen Accord, which obligates the FRG to obtain the consent of the other EC partners when eliminating a visa requirement.

Bureaucratic Problems Keep Hampering Investments

90CH0243B Vienna *DIE PRESSE* in German
18 Jun 90 p 8

[Article by Hanna Kordik: “The ‘Arduous’ Road to the CSFR Company: Approval and Profit Transfer as Problems”]

[Text] Vienna—The new economic law of the CSFR clearly offers foreign investors numerous new possibilities, but the road to the successful conclusion of a company startup continues to be “arduous.” As Viennese attorney and CSFR expert Filip Sternberg tells *DIE PRESSE*, there are scarcely any problems with the new law pertaining to companies; the AG [joint-stock company] or GmbH [limited-liability company] largely correspond to the Austrian model. However, there is the possibility of significant delays, he says, because various ministries as well as numerous local authorities are involved in the prescribed approval process.

As previously reported, the amendments to the economic legislation in the CSFR took effect in May. The central elements are the existing economic law—which regulates, among other things, the GmbH, the limited partnership, and the ordinary partnership—and the new Stock Act.

The structure of the GmbH or AG is essentially in keeping with Austrian law. The most significant differences: Corporations in the CSFR may be set up by only one founder as well, while the AG must be a juridical person. The minimum capital investment for both legal entities is 100,000 korunas. Furthermore, in contrast to Austrian law, the CSFR Stock Act mandates a three-person management board, which is elected and recalled by the general stockholders meeting, not by the board of directors.

Admittedly, the liberalization of legislation does set limits for foreign companies, Sternberg emphasizes. Although a foreign investor—contrary to widespread opinion, a joint venture is an absolute must—may set up a 100-percent subsidiary, every foreign investment or company startup still requires approval from the federal and regional ministry of finance. All foreign trade activity is also subject to approval.

"There will also be problems with the transfer of profits," warns Sternberg, a native of Prague. The transfer of profits in korunas is still prohibited.

National Economic Analysis 89-1990 Published

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(supplement) in Czech 13 Jun 90 pp 1-15

[Article: "Analysis of the Developments in the National Economy in 1989 and the Initial Months of 1990"]

[Text] On 26 April the Federal Government discussed the Analysis of the Developments in the National Economy in 1989 and the Initial Months of 1990, jointly submitted by Deputy Premier and Chairman of the State Planning Commission Vladimir Dlouhy and Chairman of the Federal Statistical Office Ivan Sujan. One of the decisions the government made was to publish the entire analysis, so that the general public would become acquainted with the objective characteristics of the development of the Czechoslovak national economy, as worked out by a broad collective of authors.¹

The analysis is divided into two parts. Part A contains a summation of what is known about the long-term and short-term development trends and ends with an outline of the government's economic stability policy during the transitional period that would create the necessary systemic conditions for ensuring a smooth functioning of the economy. The content of Part B is a detailed analysis of the main macroeconomic relations, particularly the growth performance of the economy and developments in the domestic and external balance of the economy, including how they relate to financial, monetary, foreign exchange, and price matters, as well as the social and ecological consequences of the developments thus far.

PART A. Summary of conclusions from the Analysis of the Development of the Czechoslovak National Economy in 1989 and the Initial Months of 1990

Economic developments during 1989 and the initial months of this year have continued to be dominated by the strong influences of persistent long-term trends, which manifested themselves in the continuing slowdown of economic growth, increasing the state of imbalance (particularly in the domestic market) and persistent low efficiency.

At the same time, the economy began to adjust itself to new influences, which often have contradictory impact on the rate of growth, structure of investments, use of resources, and the balance and efficiency of production.

In question are especially these influences:

- decline in starts of capital construction including the impact of mandatory assignments;
- decline in the rate of growth of energy-intensive production;
- limits on arms production;
- disruptions in the supply of deliveries from CEMA countries;
- problems with sales (particularly of machine tools) in foreign markets;
- application of the predominantly across-the-board credit and subsidies restrictions;
- wait-and-see attitude and uncertainty of the enterprises as a result of the expected further changes in economic conditions;
- further decline of discipline in work and management at both the enterprise and founders' level;
- strong preference for short-term interests by enterprises, which is manifested particularly by making use of every opportunity to increase wages;
- disintegration of the former system of economic management and the decline of its regulatory effectiveness.

These influences have a positive effect partly because they reduce the existing volume of economically inefficient production. At the same time, their replacement by the development of profitable and marketable products is being slowed down. Structural adaptation is lagging, which increases the imbalances in the economy. Wage and fixed costs in some industries are growing even while production is declining.

At the same time, even those enterprises which are ready for change and wants to proceed with it, faces a barrier of either a shortage of new production factors or transformation of the existing factors. The macroeconomic system and material conditions in the economy make it difficult to carry out the necessary reallocation of resources to efficient productions. The conceptual selective economic policy of the center has not been defined thus far in its content and provided for within the system.

This development has not reached the phase of an open economic crisis thanks to favorable external influences: improved realistic exchange rates, marketing possibilities in Western markets, and the unusual weather conditions of the past several years. This "manna from heaven" was estimated during the past two to three years as a rule at several tens of billions Kcs, that being the amount by which the production costs were lower and output higher (higher imports together with the given exports and rate of indebtedness, lower inputs of energy during winter months or higher yields of agricultural products). These several tens of billions of the national income produces an optical illusion of a better initial economic situation, because none of the mentioned factors had their origin in the inner strength of the economy, in its better performance.

Although during the past several years some external factors worked (and are still working) to our advantage, there are reasons to expect that the character of their impact will change radically in the foreseeable future:

- with the already perceptible fading of the boom in the world economy the demand for Czechoslovak raw materials and semi-finished products will decline;
- our exchange rates will again deteriorate;

- the uncertainty of the supplies of energy and raw materials from the USSR will increase and conditions for obtaining them will become harder;
- the marketing and payment conditions in the European CEMA countries will grow radically worse;
- the possibilities of the traditional imports from those countries, particularly from the GDR, will also narrow down.

All these influences and trends create a situation which is not manageable by the current methods of administrative economic management.

That leads to the necessity to:

- a) speed up the implementation of a fundamental, market-oriented economic reform;
- b) bridge the intervening period of the transition to a normally functioning market by a stabilizing economic policy, corresponding to the basic logic of the approved steps toward reform.

1. Economic Development During 1989 Against the Background of Long-Term Developmental Trends

The entire postwar period in Czechoslovakia was dominated by a trend toward a slower rate of economic growth which can be attributed to two main causes.

First, there has been a decline in the rate of increase of the number of work hours, inputs of fixed capital, materials, and energy. The decline in the rate of growth of production cannot be explained only by the gradual exhausting of domestic resources; inputs of materials and energy are closely linked to the position of the Czechoslovak economy within the framework of the global economy and particularly by its relationship to the USSR economy.

The recent decline in the rate of inputs flowing into the national economy can be interpreted as a limiting factor to an already slower extensive-type industrial growth. The second cause of the long-term slower rate of economic growth rests in the smaller contribution of the non-traditional sources of economic growth and the way they are reflected in the development of the total economy. In question is particularly the impact of technological progress and systemic factors, especially the manner of planning and management.

Data on the rate of growth of the national income, although converted to constant prices and other comparable terms, should still be reduced by the rate of demographic growth, that is, by 0.5 percent on the average. Moreover, the long-term timetables are obviously overvalued as a result of hidden inflation. This is true not only of the reported rate of produced national income, but also of the development of all the components of its use, particularly investments, personal consumption, as well as other areas. This hidden inflation, which over the long term can be estimated at about 2 to 2.5 percent a year, has had considerable economic consequences.

Officially, the growth of the Czechoslovak economy during the period 1960-1980 was reported as five percent a year on the average; that would mean a strengthening of Czechoslovakia's position over a long time in comparison with the advanced countries. But comparative studies that were made point not to an improvement in that same period, but, on the contrary, to a worsening of the position of the Czechoslovak economic standing in the world economy. It is therefore obvious that the published growth rate of Czechoslovak aggregate production was exaggerated and that in comparison with the dynamics of economic growth in other countries it was in reality lower. The inadequate and gradually worsening world convertibility and quality of the Czechoslovak aggregate product warns against a one-sided evaluation of its growth rate expressed in domestic prices. The mentioned result—that is, the worsening of our international position—is therefore more of a warning than the declining rate of economic growth itself.

From the point of view of separating economic growth into stages, the economic level of Czechoslovakia after the Second World War was improving rapidly until the beginning of the sixties. Data for the following three decades (except for brief exceptions in 1966-1969 or the period of the Fifth Five-Year Plan) already show a significant retreat from that position. Whereas in 1960 the economic level of Czechoslovakia was about a tenth lower than the level of a per capita gross national product in Finland or Austria (and about 40 percent higher than in Italy), in 1980 it fell to half the level of Finland, 70 percent of Austria, and was about comparable to that of Italy. There is every indication that in the eighties (following another slow-down in the growth of the national income and its prolonged stagnation during the entire decade) this decline accelerated and the disparities in the economic level became more pronounced. Therefore at the present time we can estimate our economic level to be roughly somewhere at 55-65 percent of that of Austria.

One of the main reasons for the lag in economic and social development was the slow-down in the growth of the total economy.²

Table No. 1

Rate of growth of the national income, total national product, and total economy during 1961-89 (yearly average in percent)

Period	National Income	Total National Product	Total Economy	Share in Percent (3):(2)
	(1)	(2)	(3)	(4)
1961-75	4.8	5.4	1.2	22.1
1976-89	2.6	2.6	0.3	11.5

If we take into consideration hidden inflation, then the growth rate of the total economy—which has a downward trend anyway—goes into negative values.

But even without correction for hidden inflation, the Czechoslovak economy shows a lower growth rate of the total economy in the past period than a number of advanced countries. And that can be considered to be the basic cause of our other economic problems—beginning with the upsetting of the economic and ecological balance and ending with the stagnation of economic growth.

Table No. 2

Rate of overall efficiency³ in Czechoslovakia and selected countries during 1976-86 (in percent)

Finland	1.6	Italy	0.7
Norway	1.5	Austria	0.7
Belgium	1.3	Holland	0.4
Great Britain	1.0	Czechoslovakia	0.2
Denmark	0.8	Sweden	0.1

There were two exceptions to the longlasting trend of decline when a temporary acceleration of the growth rate of the total economy occurred. They were the years of attempts at an economic reform of the centralized system of planning and management in 1958-1960 and 1966-1968. There is no evidence, however, that during

these two periods, which in any case were of a too short duration, there was a fundamental improvement of Czechoslovakia's international economic position.

The longlasting decline of efficiency manifested itself toward the end of the eighties in a marked tangle of problems in the state budget, credit system, financial situation of the enterprises, foreign indebtedness, and a catastrophic increase of postponed investments in the modernization of the production factors, infrastructure, and particularly in ecology.

The mentioned negative features of the long-term development amplify the intensity of the influence of some unfavorable short-term trends in the economy this year, and limit manoeuvring room in economic, and in particular, financial policy.

2. Short-term Developmental Trends

Economic development in the second half of the eighties—if we also calculate into it hidden inflation—appears to be the continuation of the long-term trends leading to stagnation and consequently to a decline of the national income. The developments of the last 15 months can be illustrated by the comparable dynamics of the average daily industrial production (see Table No. 3).

Table No. 3

Growth of Average Daily Industrial Production (in percent)

1989				1990			
Jan-Sept	Oct	Nov	Dec	Jan	Feb	Mar	Jan-Mar
1.6	0.2	0.0	0.9	- 2.1	- 2.2	- 2 to - 3	- 2 to - 2 ½

The slowdown in growth and transition to negative values also affected—besides industries where the declined stopped and stabilized at the level of approximately 98 percent of last years volume of production—the output of the construction industry. However, in construction the decline has been substantially more pronounced: The estimate speaks about a decline of almost one-tenth of the volume in comparison with the first quarter of 1990.

The information which is available from the enterprises, as well as the extent of the decline of industrial and especially construction output, leads to the conclusion that the long-term trend toward declining rates of economic growth is being cumulatively strengthened by some short-term factors which for the time being cannot be unequivocally identified and precisely quantified.

In question is not only the cutback in arms production and the delay in the start-up of compensatory civilian production in the given facilities, but also the consequences of a temporary cut-back of the supplies of crude oil and its subsequent processing (that is, for example, why the chemical industry in Slovakia reported a decline of 11.6 percent for the first quarter), as well as the

departure from the work places in question of roughly 20 thousand people who were given amnesty.

Reductions in coal mining and especially restrictions of start-ups of capital constructions will also act as a brake on the dynamics of growth. We cannot forget, either, the disrupting impact of changes in the management structures of the enterprises, uncertainty in marketing, and consequences of the objectively necessary changes in production programs. Increasing shortages of some raw materials, semi-finished products and intermediate deliveries will become really evident only during the course of this year. Positive processes, which could in the future compensate for these unfavorable influences, that is, stabilization of management personnel, development of small enterprises, joint ventures with foreign participation, and development of the private sector will not yet be—as a result of delays in implementation—sufficiently significant this year. It is only with difficulty that we can today estimate future changes in the climate of the work places, consequences of the pressures on wages, etc.

We can therefore expect that the short-term trend toward a decline in the volume of output and national income, which is now asserting itself, will predominate and

continue. Taking into consideration the mentioned factors, we can expect a further intensification of inflationary pressures and imbalances during this year:

- particularly disturbing is the rapid growth of average wages (for the first two months of 1990 by 5.9 percent in industry) while labor productivity declined by two percent during the first quarter, persistent buying fever in retail, where sales grew by 6.7 percent by the end of March, and further decline in the rate of savings by the public;
- there is a growing discordance between the increased demand on the domestic market on the part of the population and foreign tourists and the possibility of increasing the supply not only of foodstuffs by also a number of industrial products (including fuels) as well as services;
- increase in inventories as a result of the marketing crisis in the machine-tool industry and disruptions in supply and demand in a number of economic sectors, already becoming evident in 1989;
- increase of gross indebtedness in convertible currencies, which will be necessitated by the need to cover certain stoppages of imports from CEMA and the accelerated opening up of the economy to the world;
- impact of contradictory trends on the capital investment market, where in addition to the considerable amount of construction projects ready to begin we can also expect the impact of the adopted measures for regulating the capital investment activities (in connection with the necessity to cover the investments primarily out of own resources and make a mandatory deposit).

These pressures will clash with the anti-inflationary impact of the restrictive credit and budget policy. It is likely, however, that at the same time there will also be influences leading to the strengthening of the hidden inflation (particularly in respect to new products), to the increase of the shortages of supplies in a number of areas, and to delays in effective adaptive processes.

The success of the budgetary policy will depend on to what extent the planned budget revenues will be successfully achieved and to what extent the social programs financed out of the state budget will effectively contribute to the fulfillment of the priority social and economic goals. Developments during December 1989 and the first quarter of this year signal declines in production and profit making. It can therefore be assumed that risks arise primarily on the part of the revenues to the state budget, above all as regards tax on profits.

The external economic balance will be influenced mainly by exchange rates, subsidies, and the political and economic opening up to the world. The revaluation of the Czechoslovak currency against the ruble together with a certain reduction of export subsidies will lead to a decline in the value of Czechoslovak export and thus also to a decline of our large claims in this area. But the positive interest in the cutback of our assets will be at

some variance with the mid-term goal to equalize our export-import relations. The implementation of this goal will be carried out under substantially harder conditions beginning 1 January 1991, because of the gradual transition to world prices which will cause an increase of our import and a reduction of our export prices.

The devaluation of the Czechoslovak currency has a stimulative impact on exports, and thus also on the creation of a positive balance of trade. With the growing interest of Czechoslovak producers in foreign exchange and the liberalization of foreign trade, the current trends, which in the past have caused tension between suppliers and buyers in the area of production consumption, will intensify further. Therefore it is important to apply even now a mechanism to prevent excessive export of raw materials and poorly valorized semi-products and products which are in short supply on the domestic market.

The higher prices of imports (caused by devaluation) creates difficulties in industries which import a fairly large amount of raw materials from countries with convertible currencies, and which cannot take care of the growing need for foreign currencies by exporting more of its production. Nevertheless, such imports will have to be realized. In this connection there is the need to resist the pressure to put the economy on a dollar basis. With regard to the developments in the economic situation in the USSR and other CEMA countries it can be expected that it will become necessary to substitute imports for hard currencies. That will have negative consequences on supply and demand as well as on the trade and payment balance. Changes in these areas will have an impact also on how the situation develops on the labor market.

Economic trends in 1989 and the initial months of this year are leading to a further increase of tensions between demand and supply on the domestic market.

On the demand side:

- in accord with the current trends, pressure to increase wages can be expected (while volume of production is decreasing);
- the expectation of adjustments of retail prices will probably lead to increased purchases and a further decline in the people's savings rate;
- the increasing purchases by foreign visitors will be concentrated on foodstuffs and some attractive industrial goods; it can be assumed that during the summer season the short-time trips of foreign tourists will extend also to the central and northern parts of the republic.

On the supply side:

- difficulties connected with the payments for buying raw materials can temporarily manifest themselves in lower volumes of production which is dependent on them to a considerable extent;

- on the other hand, private entrepreneurship should show positive results; but its more significant contributions can be expected only in the second half of this year and especially in the years to follow;
- there will be a temporary reduction of the supply of goods when inefficient productions are discontinued, which can further increase the already considerable number of hard-to-find goods, particularly durable goods;
- the cutback in arms production will not be compensated for by such a volume of substitute production that would be equal to the volume of paid wages in this area.

More factors will share in the expected changes in the extent and structure of the job market, particularly the restrictions in the budget outlays, privatization of the economy, or the acceleration of structural changes.

The mentioned evaluation of developments during last year and the initial months of 1990 reflects today's extent of knowledge about real economic processes and the behavior of economic subjects. Future developments are conditional on the changes in this behavior that is dependent on the progress of the economic reform and the extent of its effectiveness.

3. Starting Points for the Direction of the Stabilizing Policy

The main problems, which will have to be dealt with by the stabilizing policy, stem from the previous analysis and are concentrated mainly in the area of economic equilibrium. One of the risks faced by the stabilizing policy is above all the possibility of a vacuum in the regulatory mechanisms if the abandoned system of management is not quickly and efficiently replaced by the regulatory influence of the market. In such a vacuum the imbalance could become so profound that the economy would become difficult to manage.

The problem of equilibrium cannot be seen merely as a problem of demand that the economy cannot meet, but also as a problem of supply that does not respond to it adequately. Precisely for this reason the across-the-board restriction of the aggregate demand must be supplemented by a selective support of the growth of economically desirable supply.

As for the intensive response to all the social measures in the attitude of various groups of the population, the success of the stabilizing economic policy presupposes that the public will be kept fully informed and an effective consensus achieved among the public, government, trade unions and the enterprise sphere.

The analysis of the Czechoslovak economy and the planned strategy of a radical economic reform require the implementation of a stabilizing economic policy in the transition period, following these principles in particular:

1. Base the stabilizing policy on common approaches and mutually interlinked decisions of the founders, the

Czechoslovak State Bank, the Federal Ministry of Finance, and the State Planning Commission.

2. Maintain during the entire period of transition to a market economy constant communications between the economic center and the main enterprises, their associations, and commercial banks.

3. Quickly work out programs to convert the production of enterprises, branches or entire areas, in which the center, enterprises, and local institutions will all participate.

4. Carry out a consistent regulation of wages and other incomes of the population, as well as:
 - a) apply a special regulatory taxation on wage increases which exceed agreed upon limits,

- b) do not give in to any demands for a "wage" rehabilitation of sectors and professions or to make room for an untaxed increase of wages,

- c) prepare—on the basis of an evaluation of the development of wages during the first quarter of this year—a possible tightening up of regulatory rules by a modification of the regulatory taxes on wage increases (mainly by increasing the rates and their differentiation according to the ratio of wages and the invested capital), possibly by a change in the wage norms (by decreasing their level, and abolishing the directive dependence of wages on the volume indicators influenced by the inflationary price increases),

- d) carry out a differentiated restriction of wage outlays of the budget organizations,

- e) carry out a well-thought out regulation of other forms of incomes.

5. Stimulate an increase in the savings rate on the part of the people by a savings policy, for example, by increasing the interest rate and offering other forms of savings (bonds, shares, and other securities).

6. Carry out the first stage of price adjustments and consequent compensatory measures in accord with the program of speeding up the economic reform.

7. Increase the supply of goods on the domestic market by selected imports, particularly of electronic goods (which also would have a favorable impact on the exchange rate of the Czechoslovak koruna). During the transitional period limit exports of consumer goods that are in short supply by using export licences and tariffs. If necessary, also make use of specific tasks of the state plan to ensure supplies for the domestic market.

8. On the basis of results of a review of capital investments, put a stop to more capital construction, or possibly limit it. At the same time, give greater attention to cutting back on Czechoslovak capital investment abroad.

9. Increase the interest rate on credits, while observing the principle of selectivity.

10. Create a reserve in korunas and foreign currencies for taking care of unusual situations and bring up the state material reserves to the 1989 level.

11. Consider the so-called minimum plan, presented at this time by the State Planning Commission to the CSFR Government, to be the first stage of the stabilizing economic policy and an essential precondition for maintaining a normal course of the economy in the following months of this year.

PART B. Analysis of Main Macroeconomic Relations

I. Total Macroeconomic Relations

I. 1. Dynamics of Economic Growth

The slow-down of the growth rate of asset formation, which reached its peak last year, was visibly projected into the total macroeconomic proportions. If (measured in current prices) in 1988 the increase of the produced national income still exceeded by Kcs8.7 billion the increase of its total consumption (because approximately to the same extent the increase of exports was higher than the increase of imports), then last year the situation reversed itself. The increase of consumed national income was Kcs5 billion higher than the increase of the produced national income. This development was made possible mainly by lowering the level of the surplus of

export over import compared to its level in the previous year. At the same time, there was also a marked improvement in the exchange rates, which can be quantified at the rate of Kcs8 billion.

As for the conceptual incompatibilities in the given macroeconomic data with respect to the comparable aggregate values in the national budget, it can be stated only conditionally that the average growth rate of the gross national product last year reached in the advanced countries about 3.5 percent (and, for example, in the FRG four percent), the growth of domestic consumption in the OECD countries was 3.6 percent, of private consumption 2.9 percent, the creation of gross fixed capital 8.9 percent, while the growth of public consumption and inventories was relatively low.

The rate of increase of the production of national income in selected CEMA countries contrasts markedly with the developments in capitalist countries: USSR 2.4 percent, Hungary one to two percent, Bulgaria -0.4 percent, while in Poland there was stagnation last year.

I. 2. Economic Efficiency

The developments last year (in contrast to the concept of economic policy) pointed out a considerable inertia of past trends. Although the number of workers in selected production branches remained the same, there was a further decline in the efficiency of basic production factors, and the contemplated savings in production consumption were not achieved.

Table No. 4

Summary of Gross National Income and Allocation of Its Consumption by Sectors (in Kcs billions at current and constant prices)										
Year	Gross National Income Produced	Total Gross National Income Consumed	of which:						Reimbursements for Material Losses	Trade Balance (at trade parity prices)
			Service Sector of the Net National Product			Gross Investments				
			Total	of which:		Total	of which:			
				Personal	Public Services		Investments	Inventories, etc.		
Constant Prices on 1 January 1984										
1987	644.5	633.0	419.8	300.8	119.0	213.2	189.3	23.9	5.1	6.4
1988	662.7	648.5	439.0	315.7	123.3	209.5	199.2	10.3	5.5	8.7
1989	674.0	671.2	450.5	320.8	129.7	220.7	206.0	14.7	6.4	- 3.6
Increases of National Income in absolute figures (in Kcs billions)										
1988	18.2	15.5	19.2	14.9	4.3	- 3.7	9.9	- 13.6	0.4	2.3
1989	11.3	22.7	11.5	5.1	6.4	11.2	6.8	4.4	0.9	- 12.3

Summary of Gross National Income and Allocation of Its Consumption by Sectors
(in Kcs billions at current and constant prices) (Continued)

Year	Gross National Income Produced	Total Gross National Income Consumed	of which:						Reimbursements for Material Losses	Trade Balance (at trade parity prices)
			Service Sector of the Net National Product			Gross Investments				
			Total	of which:		Total	of which:			
				Personal	Public Services		Investments	Inventories, etc.		
Growth Rates in percentages										
1988	102.8	102.5	104.6	105.0	103.6	98.3	105.2	43.2	105.8	136.0
1989	101.7	103.5	102.6	101.6	105.2	105.3	103.4	142.8	116.9	—
Current Prices in Respective Years										
1987	656.6	640.3	432.1	312.4	119.7	208.2	184.5	23.7	6.3	10.0
1988	684.8	659.8	451.9	327.5	124.4	207.9	197.3	10.6	6.7	18.3
1989	700.3	680.4	469.3	340.1	129.2	211.1	195.7	15.4	9.3	10.6
Increases of National Income in absolute figures (in Kcs Billions)										
1988	28.2	19.5	19.8	15.0	4.7	- 0.3	12.8	- 13.1	0.4	8.3
1989	15.5	20.6	17.4	12.6	4.8	3.2	- 1.6	4.8	2.6	- 7.7
Growth Rate in percentages										
1988	104.3	103.0	104.6	104.8	103.9	99.9	106.9	45.3	106.3	183.0
1989	102.3	103.1	103.9	103.8	103.9	101.5	99.2	145.3	138.8	57.9

Note: Data for 1989 are estimates.

Table No. 5

Average Yearly Changes in the Sources of Economic Growth and Their Efficiency in the Producing Sphere (in percentages)			
	1981-1985	1986-1988	1989 Estimate
Sources:			
number of workers	0.6	0.6	- 0.0
capital assets	5.4	4.4	4.0
material consumption	1.4	2.1	1.8
Rate of Gross National Income	2.2	2.7	1.7
Efficiency:			
labor productivity	1.6	2.1	1.7
efficiency of capital assets	- 3.4	- 2.1	- 1.7
efficiency of material consumption	0.8	0.6	- 0.1

An increase (about 30,000) of workers in the national economy was directed mainly into the service sector, while the number of employed in manufacturing increased only by 6,000 persons. At the same time, roughly 20,000 people left the primary sector and approximately 20,000 workers transferred from the state and cooperative sector to the private sector. There was a moderate increase in the number of employed foreign

nationals, whose number represents about 35,000 persons, that is, about 0.5 percent of the total number of employed people. There was a partial decrease in the number of workers of retirement age, but they continue to represent about 10 percent of all employed people. A high rate of economic activity by women continues, with all the accompanying phenomena. The number of recorded individually active people increased last year

by about 35,000, nevertheless it did not reach even 100,000 people by the end of the year; of those, 87,000 people have the permit of the national committees.

The measures which were designed to cut back overemployment in a number of areas of economic activity did not basically have any great effect. The possibility of using part of the wages from reducing the size of the work force, and the amended work code, are only partial provisions which did not evoke enough interest and consequent economic pressure to lower excessive employment. Although the growth of the number of workers in industry was halted (the entire increase in the national income was achieved only as a result of the increase in labor productivity by 1.7 percent), the long-term tendency toward an increasing distance between labor productivity between CSFR and economically advanced countries was not halted in 1989.

Transfers of the work force increased in intensity, with most workers continually changing jobs. There was a minimal use of the mediation services of the national committees, where toward the end of 1989 only several hundred unemployed seeking work were registered.

The total extent of investments⁴ expressed by the investment rate, which fluctuates around 30 percent of the consumed national income, is in international comparison excessive. A condition where the rate of the increase of capital assets has been for a long time roughly double the rate of the increase of the national income, is not tolerable.

The high rate of capital investments, combined with a trend toward a long-term decline in the efficiency of capital assets, is not, however, merely the result of excessive across-the-board and extensively carried out capital investment, high prices (including hidden inflation), and a low technological quality of the capital investments, but also of an inadequate liquidation of the obsolete and worn out capital assets, which in the case of machinery amounts to only two percent a year. Thus four-times as much machinery and equipment is put into operation than is taken out. The length of time of machinery turn-over in manufacturing (or, the average service life) is roughly 25 years. The degree of wear of the machinery capital assets is 58 percent and around 23 percent of machinery is fully depreciated.

The contribution of capital investments, which fluctuates around one-third of the total volume, persists because there is a lag in including technological advances in them.

The situation in replacing capital assets is further complicated by the fact that every year there is a delay in putting equipment into operation with the consequent stoppages in production in question and the subsequent halt in deliveries to consumers and in estimated profits. The existing method of using production factors has existed for a long time, with all the attendant distortions arising from the inadequate increase in consumer goods and the extreme demands for metals and energy—a

situation which is ecologically deficient as well. The resulting method of supplying goods does not respond to actual demand.

However, all the relations and conclusions drawn from these methods continue to be modified, if we take into consideration not only the quality of the capital investment process itself, but in particular the already mentioned hidden inflationary movement, which in the period of the eighties is estimated at 3.5 to 4.5 percent a year for machinery and equipment prices and for construction work at 1.5 percent. The existing method of investments leads to an overall decrease in the data by about 2.5 to 3.5 a year on the average. It can be deduced therefore, that despite the relatively high rate of investments the real extent of investments in the Czechoslovak economy is basically stagnating.

Further, it is necessary to take into consideration the information from international comparisons in this area, which constantly signal a growing distancing of the Czechoslovak production factors (as well as the non-producing infrastructure including the housing stock) from the level in advanced countries.

The growth of material consumption by 1.8 percent is approximately the same as the rate of increase of the gross national income, which means that the total material intensiveness of production did not decline last year. The indicator of material consumption was at the same time probably influenced by the ongoing concentration and centralization of production accompanied by the reduction of the number of enterprises in connection with their reorganization, and further by the increase of the export of products with a low degree of processing.

A generally stable moderate growth of primary raw materials and energy sources, reestablished after 1984, did not result in stable economic growth. This shows, among other things, the failure to manage the intensification processes in this area. The fact that last year there was a historically large production of steel and other classic industrial products, means that not only was the objective to make the economy less demanding of metals not achieved, but nor was the continuation and strengthening of the structural deformations. Currently the production of these industries represented exports most profitable in foreign currencies. To the increase in consumption of non-energy raw materials, which markedly exceeded the average of the past five years, the most significant contribution was made by inputs from animal products.

The total consumption of raw fuel and energy materials actually declined in absolute terms; but with a per capita consumption of 203.3 GJ [as published] we remain significantly above the comparable consumption of advanced countries. At the same time, during the past two years the fuel-energy balance was influenced by favorable weather conditions. The policy in this affected

area actually gave preference even last year to the creation of resources before conserving them, which in the system are still not valued enough as the most economical source of energy.

Interruptions in the intensification of the reproduction process were covered not only by the use of a considerable amount of planned reserves, but generally by an extraordinary convergence of several favorable circumstances: continued unusually-favorable marketing conditions in foreign trade; the already-mentioned weather conditions with unexpected benefits for the power industry, agriculture, transportation, as well as other economic activities; and finally, a return to the high rate of inputs of primary raw material.

Developments this year do not deviate from the long-term trend; in the first two months, the share of material costs in production declined by one percent.

II. Main Financial Relations

The long-term emphasis on naturally business-like management [as published], combined with an underestimation of the tools of financial, monetary, and foreign currency policy, played until now a predominantly secondary role in the national economy, which was actually exhausted by state subsidies without economic accountability and which led to confused and unbalanced financial relations.

Deep distortions, which marked the entire cost and price structure of national production, had to be subsequently corrected by a thick network of redistributive processes. But not even they prevented a considerable tangle of economic problems, when the thus far hidden and suppressed inflation began to show features of an open inflation ever more often.

II. 1. State Budget

The budget policy, which for a long time considered its priority to be the achievement of a balanced budget, was unable to do so during this five-year plan.

In 1986-1988 the budget formally still ended as balanced, but in reality there was a slight deficit, because state financial assets created in previous years were used to achieve a balanced budget.

The tendency toward a deficit in the state budget grew markedly stronger during the last year, so that it can be expected that the difference between current revenues and outlays will come closer to Kcs10 billion.

These development intensifies the inflationary pressures in the Czechoslovak economy. One of the main reason for it are state revenues lower by almost five percent than the budget anticipated. The actual outlays were also lower than planned, but not as much. There was a rapid increase in the outlays for education (three percent), health care (9.3 percent), and social security (5.7 percent).

The cessation of economic growth limits the possibility of increases of state revenues. The focus of a solution must therefore be looked for in decreasing outlays. Last year, after a long uninterrupted growth, outlays for state administration declined by 2.8 percent, and investment subsidies to economic organization by as much as one-fifth.

However, non-investment subsidies to economic organization were not successfully decreased. As a consequence of the restructuring and strengthening of the so-called crucial levies their volume even increased by 20.4 percent, and within that framework by 39.8 percent to agricultural organizations. Besides this influence on prices, the increase of non-investment subsidies is also affected by the increases in inefficient and unprofitable activities, the solution of which did not proceed at the desired rate. In question are mainly subsidies to the housing industry (Kcs3 billion), supplies of heat to the public (Kcs2.5 billion), and municipal mass transport (Kcs3.9 billion) which cannot be stopped without the rationalization of prices. Moreover, last year economic organizations were given subsidies for mining raw materials (Kcs1.3 billion) and subsidies for removing the effects of pollution (Kcs0.7 billion), and others.

The restructuring of prices markedly changed also the structure of state revenues. The combined effect of prices and materials caused a decline in revenues from economic management by Kcs26 billion in comparison with 1988, from turnover tax Kcs3.8 billion, and levies from FENZO [expansion not given] by Kcs8.3 billion. In contrast, levies from wages increased (contribution to social security) by Kcs42 billion. By increasing this levy from 20 to 50 percent, the purchase and wholesale prices of many products increased and thus exceeded retail prices which were not changed. These transfers among items of the state revenues were the main reason last year for the increase of the negative sales tax from Kcs29.8 billion to Kcs49.1 billion.

The high degree of price disproportions not only complicates the budget relationships, but also makes difficult an objective economic calculation and application of a consistent restrictive budget policy, particularly against the inefficient components of the national economy.

A marked change occurred last year when the state took over from the banking system state credits which it granted in previous years abroad (Kcs60.9 billion) and at the same time accepted a credit from the Czechoslovak State Bank for covering this property. Among the credits that were taken over are also high risk of default credits. This operation changed the budgetary relationship with the State Bank, and up to now the change has been a liability. Toward the end of the year the financial assets of the budgets deposited in accounts at the Czechoslovak State Bank amounted to Kcs61.9 billion, and on the other hand after the above mentioned credit was granted and after adding in the expected budget deficit for 1989 and the impact of other items, the volume of credits which the bank grants to the budget (gross indebtedness),

amounts to Kcs68.4 billion. According to these preliminary data (and before settling accounts) the state for the first time found itself in the position of a net debtor to the Czechoslovak State Bank. At present, appropriate forms of financing this state debt are being worked out.

Overcoming these trends toward a deficit state budget belong among the important conditions for renewal of a balance development of the economy. Within the framework of the provisional budget for the first quarter of this year, the overall balance of revenues and outlays of the central budget were improved.

The achievement of the planned year-long surplus will require a consistent implementation of a number of anti-inflationary measures, on which the revised budget depends. The risks lie mainly in the current decline in production, in unfavorable cost developments, and in the decline of state revenues due to lower tax receipts on profits. In case of delays and shortfalls in state revenues during the course of the year, it would be necessary to undertake not only a further revision of the estimated expenditures, but also to stimulate the growth of a desirable supply of consumer goods by use of selective economic incentives. Attention will also have to be given to the planning (sometimes only to finishing the planning) of programs to convert the original production if maintaining it no longer appears efficient or serves a purpose.

II. 2. Bank Credits and Inventories

The at first glance favorable development of bank credits, the absolute reduction of operational credits by Kcs15.2 billion, and only a moderate increase of investment credits by Kcs2.2 billion would indicate a significantly restrictive functioning of the credit policy. But this initial conclusion needs to be corrected, because this "reduction" of operational credits was caused in the first place by a methodical change as a consequence of providing trade organizations (and State Film) with income from state assets in the total amount of Kcs15.5 billion. Further, there was a reduction of credits for selected integration actions (VIA) by Kcs8.9 billion as a result of transferring the installment payments as a debit to government credits out of the state budget, this being done when at the same time the course of capital construction in the USSR had slowed down.

A de facto restriction of credits did not occur last year. Enterprises made use of the investments and operation resources which no longer were earmarked for special purpose, which manifested itself in their faster circulation involving no cash transfer and in a lesser dependence of the organization on credit. New investment credits—particularly in the form of foreign currency development credits—were given on a priority basis to modernize machinery and equipment.

During the first two months of this year, a decline in the volume of credits compared to the end of 1989 by Kcs9.4 billion has been reported. At Kcs521.4 billion, it is the lowest since 1987.

Although the insolvency of organizations in 1989 declined by 72.5 percent, that is, by Kcs19 billion, this decline was caused mainly by a change of method, that is, by crediting mutual claims and obligations of organization, which was done by the Czechoslovak State Bank, and by using credits for consolidating the financial situation in the department of the Federal Ministry of Metallurgy and Heavy Machinery.

Toward the end of last year, the inventories in the centrally managed economic organizations reached the amount of Kcs415.2 billion⁵. In comparison to the beginning of the year, total inventories grew (especially as a result of the increase of sales inventories) by 3.6 percent, whereas outputs grew by 1.6 percent. A faster growth of inventories than of output occurred in all industrial branches. The turnover of inventories in industry and construction slowed down by 2.8 days, so that the thus far inadequate use of inventories grew even worse.

The actual development of inventories differs greatly from the ideas of the central authorities—ideas based on financial plans—and have aggravated the economic imbalance. The reason was, besides the shortcomings in enterprise operations, also the unrealistic and subjective nature of the plan itself: Specifically the planned increases for the current year were magnified by the increase in the size of inventories over the previous year. The restriction on operational credits linked to tasks for reducing inventories, which the bank was implementing in the previous years, only succeeded in passing the imbalance into the insolvency of the enterprise sphere. Unsuccessful was even last year's measure, which changed the system of financing and directing inventories (CSSR Government resolution No. 139/1989 and No. 149/1989). Improving the situation in inventories depends on a fuller use of the market mechanism, improvement in the supply and demand relations, and with a greater flexibility of the economy.

It will be important for the development during this year in the inventory situation, but generally also for the credit and foreign currency situation, how the cutbacks and restrictions of production in industries with poor prospects, reductions in the production of the armament industry, and limits on some orders in CEMA countries will make themselves felt. A more significant increase of money in circulation can be expected in credit resources as a result of more cash in the hands of the public. If the situation on the domestic market does not improve, the savings rate will continue to decline. The pressure for increasing foreign indebtedness will grow. The key problem of monetary development will become the central regulation of the growth of the population's incomes.

The risks of this year's monetary situation require a flexible, restrictive banking policy, consistent with the budget policy. It will be necessary with the help of the banking policy to continue restricting the influx of money into the economy, particularly by stricter regulation of wages and other incomes of the population, but

also by measures to stimulate an increase of the savings rate, which will be a part of the newly conceived regulation of this sector of the money market. The bank also has an essential role to play in stimulating production of the desired supply of goods.

II. 3. Financial Management of Enterprises

Developments last year were marked by an inertia in enterprise finances. The reductions of costs almost came to a halt and the growth of output slowed down, which resulted in an extraordinarily low rate of the growth of profits; in comparable conditions it grew only by two percent. The total results were also affected to a considerable extent by the work stoppages in December, with an atypical swing in the development of costs and profits estimated at Kcs3.5 billion. It was already obvious by the end of November to the overwhelming majority of enterprises that they will greatly exceed their conservative enterprise plans (in all by Kcs11.5 billion less than the state plan) for profits for the year (on the average by 10 percent, that is, by Kcs10.9 billion overall). But a role in the weakening of economic growth was also played by the smaller number of work days and undoubtedly also by the increased attention of workers given to changes in personnel and to political events in general.

Industrial results last year were mostly extensive. If the state plan expected that Kcs12.4 billion of increased profits will be reached by a mid-year reduction of production costs, then in reality it was only Kcs3.5 billion. Instead of a reduction of total costs by 1.05 percent, the real reduction is estimated at only 0.29 percent, mainly because savings of material costs went largely unfulfilled (state plan was 1.33 percent, but actually only 0.6 percent). This result is markedly worse than in 1981-1988, when the rate of growth of profits reached 8.6 percent on the average with costs declining by 0.56 percent on the average, mainly because of the reduction of material costs by 1.02 percent. The lack of intensification (due to considerable structural distortions not only of production and sales, but also of the resulting profits) was therefore substituted by a higher output and high overruns in profits from foreign trade.

The economic situation of enterprises was very differentiated last year. Of the total number of 1,406 centrally-directed economic organizations, 148 organizations ended their economic performance last year with a total loss of Kcs10.3 billion. In the initial months of this year already 373 organizations are showing losses (including organizations where performance is seasonal, particularly agricultural organizations). Besides that, stagnation of performance and profits has been continuing since the beginning of this year.

III. Development in Individual Sectors of the Czechoslovak Economy

III. 1. Investments

Capital investment has been the focal point of the imbalances and inflationary trends in the Czechoslovak

economy for a long time. The volume of capital investment projects and deliveries last year grew by 1.6 percent. With the relatively high rate of investments, the realized volume of investments and their inefficient structure is one of the main reasons for the imbalance in the national economy.

No changes of any great significance could be observed in the structure of investments, particularly in industry

Table No. 6

Share of Total Industrial Branch Investments in Industry (in percentages)				
	1986	1987	1988	1989
Fuels and Energy	28.1	27.2	26.2	26.9
Metallurgy	6.8	6.4	7.2	7.0
Chemical Industry	9.4	10.0	10.7	10.0

The prevalence of demand over supply was one of the basic reasons of the inefficiency of investments (besides the structure of investments) and represented the source of a significant hidden inflation not only in the deliveries of construction work but also in deliveries of machinery and equipment.

Together with the inflationary movement, with the structural distortion of industry investments, and with the prevalence of product innovations over technological innovations, this persistently higher demand over supply had even last year a negative influence on the duration of construction, which remains roughly double that of advanced countries.

The number of unfinished construction projects—as a symptom of imbalance within the investment sector—relatively decreased following a marked increase in the years 1986-1987. The efforts of the central authorities to limit the inefficiency of capital construction resulted in the prohibition of construction starts beginning 15 May 1989 (except ecological constructions, comprehensive housing construction, Action Z, and some government approved exceptions).

The moratorium brought only partial results.⁶ New orders (as the volume of budgeted costs for started construction projects can also be described), fell to Kcs69 billion, that is, by Kcs14 billion in comparison to 1988 and to half of the extremely high level of 1987. The remainder of budgeted costs of construction in progress declined by Kcs23 billion, while the volume in the form of unfinished construction rose markedly, that is, by Kcs16.4 billion.

This development was accompanied by a decline by two percent in the number of workers, the shortages of some raw materials and material inputs increased (the construction materials industry registered a growth in production of only 0.9 percent), and last but not least, the difficulties in organizational arrangements of some large

construction projects continued. However, to some extent there was also a lower than usual utilization of the capacities as a result of fewer construction starts.

The increase of expenditures for the purchase of machinery and equipment not included in the construction budget increased by five percent, and was caused by greater marketing problems of the Czechoslovak machine tool industry in foreign trade. Machinery originally earmarked for export was partly diverted to domestic investments.

Although the supply of agricultural and some other, less important, investments adapted more flexibly to demand, partially this was a transfer at the cost of large construction projects, particularly by the change-over of construction workers and transfer of materials in short supply to various forms of small construction works. In agriculture, against expectations, the extent of building starts was exceeded by Kcs7.5 billion, and in special purpose construction of the national committees by Kcs3.0 billion. The situation cannot, of course, be evaluated exclusively by the goals of the plan, because it called for an absolute and sharp reduction of agricultural investments, which was unrealistic and at variance with the good economic situation of the agricultural enterprises.

Our participation in selected investment projects in the USSR has a much more negative impact. They siphon off not only the materials in short supply and professionals from domestic industry, but also the deliveries of machinery and equipment for convertible currencies, and thus intensify the prevalence of domestic demand over supply. The balance of budgeted costs of these actions were about Kcs21.3 billion by 31 December 1989. The valuation of costs for selected investment actions in transferrable rubles as export will be much below the valuation by domestic prices, so that such transfer will mean billions in losses for the Czechoslovak economy: the projected CSSR costs of Kcs43.9 billion would be converted in the USSR to the amount of 2.5 billion transferrable rubles.

The development in investments last year did not indicate any important changes in the transition to market relations. Although the investment subsidies to economic organizations from the state budget were reduced, at the same time they were increased for the budget and contributory organizations. The total dynamic of investment subsidies fell by 1.9 percent.

To sum up, although during the past two years some changes have been achieved by putting restrictions on the investment sector, they roughly only balanced out the extraordinary increase of constructions in progress from the year 1986-1987, which was to a considerable extent the result of starting the construction of a nuclear power plant in the amount of Kcs40 billion. But the determining feature remains the state of long-term inflationary imbalance, the changes in which can be evaluated only on the basis of quarterly data which at this time are not available.

In 1990, capital construction will be influenced by a number of contradictory pressures of an administrative and economic nature. In the matter of limiting the prevalence of the current demand over supply, influence could be exerted by the so-called mandatory deposit of financial resources measure for investments as well as the shortage of convertible currencies for buying technology in advanced countries. We can add to that also the signals from the investment bank, which speak about carefully considered granting of credit, as well as about limiting investment subsidies from the state budget to the level of 1989, which will result in difficulties in financing also some socially important construction projects (nuclear power plants, polygraphic industry, etc.).

On the contrary, the increase in demand for investments will be influenced by the effort of enterprises to modernize and finish the extensive amount of construction in progress and construction ready to start but postponed last year due to the moratorium. On the part of supply of investment projects, the methods of domestic production of machinery and equipment will obviously continue to be unsatisfactory. The extent of capital investment demand by private firms and newly-formed cooperatives will obviously not be significant yet.

III. 2. Consumption of Materials and Energy

Shortages are a chronic in supply and demand relations. The rate of ensuring production and sales by business contracts has always been relatively low, and the past several years has been declining further. According to studies of the centrally planned industries, economic contracts ensured year-long intermediate supplies to the extent of 91-100 percent only for 23 percent of enterprise last year (in 1988 it was 49 percent) and this year only 18 percent.

The guarantee of deliveries was made even more difficult mainly by, besides the financial and structural imbalance, the weakening of the position of the buyer as a result of the measure which established his formal equal standing with the supplier (by cancelling the general contractual duty, and cancelling a substantial part of the accounting system and authority of the departments). These systemic changes (while the monopoly of the supplier was retained) led to a deepening of the de facto inequality particularly of small customers, non-producing sphere, and customers with a high share of deliveries for final assembly.

During the second half of the eighties, there was an increase in the consumption of raw materials, although its rate moderated. Last year's marked increase in the consumption of raw materials, after the economy worked with a zero increase of these resources in 1988, was basically the result of an increase in consumption of natural gas and raw materials from animal production. In monetary terms this involves—besides crude oil—inputs most important as to volume. In the case of metallurgical raw materials, it can be assumed that their

consumption last year was, as a result of lower imports of some raw materials such as copper and nickel, lower than planned.

Table No. 7

Consumption of Raw Materials (rate of growth in percent, constant prices as of 1 January 1984)

	Absolute Consumption of Material Inputs		NI Demand for Material Inputs	
	1984-89	1989 Estimate	1984-89	1989 Estimate
Total raw materials	1.1	2.1	- 1.6	0.4
of that:				
energy inputs	1.2	2.5	- 1.5	0.8
non-energy inputs	1.0	1.7	- 1.7	0.0
Balance of material consumption	1.9	1.8	- 0.8	0.1

If we take data about the rate of increase of the national income as trustworthy, then its demand for raw materials has been falling for a long time, including recent developments. But the estimate for 1989 shows a moderate increase. Despite this trend, however, the demand for raw materials remains high, which is demonstrated also by international comparisons with advanced capitalist countries.

In the use of energy the tendency to inertia persists, which could become a further element of risk for economic growth. In addition, there is stagnation in the development of the production structure. Although a slower rate of growth of the consumption of energy resources together with the continuing large imports of fossil fuels temporarily eased the tension in the energy situation, it also—in conjunction with adapting to the gradual increases of prices of energy sources—created conditions for a new increase in demand by industry.

The bottleneck is in providing sources of electricity. The rate of growth of the use of electricity during the eighties has not fallen under two percent and the coefficient of flexibility fluctuates around one. A delay in the construction of nuclear power plants Mochovce and Temelin would have to be made up, given the anticipated two percent increase in the consumption of electricity, and if no alternative solution is found, by producing electricity in steam power plants, which would represent an increase in the mining of brown coal of roughly 1.5 million tons.

In addition, beginning this year, problems arose with a continuous import of crude oil from the USSR. Contrary to our requirements, the Soviet side cut deliveries in the first quarter by 589,000 tons, and at the same time the USSR expects to make up this short delivery by fulfilling

the yearly contract of 16.6 million tons. If this short delivery is not made up, it would fundamentally influence our export of motor and heating oil to nonsocialist countries or on the consumption of crude oil derivatives for energy purposes. This shortfall (particularly in the case of heating oil where there is no possibility of a quick substitution, for example, by gas) could cause difficulties in the production of heat. Moreover, the construction of the Hydrocrack plant in Slovnafta is behind schedule.

It can be expected that the energy situation in 1990 will continue to stagnate, representing a threat to the economy because of the continued extensive-type methods for providing energy resources associated with unfavorable economic and ecological consequences.

III. 3. The Labor Market

The changes in the labor market last year were closely connected with demographic developments and institutional changes. As a result of an increased number of women temporarily released from their jobs for maternity leave and child care, higher retirement rate of workers in older age groups, etc., the rate of increase in the number of employed people slowed down considerably. Toward the end of the year, there were 6.4 million permanent workers employed in the state and cooperative sectors.

As for institutional changes, 5.5 thousand workers were released from the federal and republic agencies' administrations and another 38 thousand workers were released from middle management levels. The problem of relocating them was partially solved by placing them in lower management levels and the retirement of a small number of them.

A sure sign of an acceleration of structural changes (or at least an increased mobility of the work force) is a higher turnover of workers. Whereas for a long time around 7.5 percent (480,000 workers a year) changed jobs, last year already about 580,000 did so. However, it is difficult to judge whether the high mobility was the result also of other factors that a greater freedom of movement provided by amended labor laws.

During this year the changes in the employment situation will become more marked in connection with the institutional, or possibly political, changes, which will lead to a release of approximately 60-70 thousand workers from the administration of existing social and political organizations, and also of workers of the administrative and management apparatus. Another problem is also where to place former members of the State Security.

The situation on the labor market will be influenced also by economic factors, stemming from the transition to a market mechanism. These factors will obviously lead to a release of workers as a result of limiting or stopping inefficient enterprises and productions.

It can be assumed, however, that new jobs will be created in connection with the development of private entrepreneurial activities and various services connected with a broad application of the market mechanism in all segments of societal life. In addition, a certain number of jobs can be expected to become available in the administrations of the newly created political parties and social organizations, as well as in the new structure of the central agencies.

We can expect that gradually there will develop a worldwide situation of far more available work force than demand for it. This situation will be made more acute by the arrival of young people from the population boom of the first half of the seventies, which together with the shorter length of basic military service will represent in the next four years approximately 14,000 people. This rapid increase of job seekers can be at the appropriate time mitigated to a certain extent by a gradual departure of foreign workers, etc.

It is expected that during this year roughly 100,000 to 200,000 people will be seeking employment.

We can basically consider three possibilities for new employment for released workers:

- in very efficient industries, where with increasing sales new employees will be needed;
- in the service sector, including trade, which today is understaffed;
- in the private sector

The greatest opportunities for creating employment for released workers are in the service sector.

The potential transfer of workers into the service sector will obviously meet with obstacles such as territorial inequality in locating existing production facilities, differentiations in efficient enterprises intensified by a generally low level of regional infrastructure, and the present professional expertise of the workers. These limitations can slow down the migration process, and thus make social problems connected with unemployment even more acute.

Another limitation is also the housing shortages in some regions and commuting to work, which considerably restrict the mobility of the work force, as well as the availability of facilities for development of, and higher prices in, the service sector and possibly even a temporary drop in the purchasing power of some population groups.

The greatest opportunities for employment will be created (particularly in the near future) obviously in the private sector, particularly in services. According to estimates, roughly 250,000 will engage in private entrepreneurship, and thus up to half-a-million job opportunities can be created. But it must be kept in mind that a

relatively high percentage of private enterprises will again disappear after a short time.

The probability of dramatic changes in the labor market, and thus also of a break in the current trends in employment, is due to a diverse rate, diverse timing, and spacing of reform changes. With a forceful and rapid course of the transition to a market economy it can be expected that this year will already become the turning point in the long-term trends in the labor market.

III. 4. Foreign Trade and the Foreign Exchange Position of the State

The growth of Czechoslovak foreign trade has been lagging for a long time behind the development of world trade, particularly behind the growth of world imports. Our share in world exports declined further and reached the level of 0.84 percent (compared to 0.97 percent in 1986). Although the share of socialist countries in the income derived from Czechoslovak foreign trade declined, it remains high (61.7 percent, the USSR share is more than 30 percent).

The changes in long-term development trends concern mainly changes of real foreign exchange ratios, which beginning with the second half of the seventies started to worsen. As a result of increased import prices (relative to the prices of Czechoslovak exports) every year, a significant part of the national income irrevocably went abroad (total annual increases).

A break in this highly unfavorable trend occurred in 1987. Since that time, Czechoslovakia's foreign exchange ratios have been increasing even vis-a-vis the advanced countries. Changes in the development of prices, although they are not the result of a greater productivity of the Czechoslovak economy but stem from price movements in world trade, have a favorable influence on the redistribution processes.

Last year also prices of imports from socialist countries dropped and the prices of Czechoslovak exports to nonsocialist countries perceptibly increased. Lower contract prices of raw materials, concurrent stabilizing of the price level of exported final goods, and improvement in real foreign exchange ratios was manifested in an overall positive impact on the trade balance with socialist countries in the amount of Kcs5.8 billion. Of that, Kcs4.7 billion was the result of the drop in the contract prices of crude oil (by 14.5 percent) and gas (by 13.1 percent).

The overall increase of export prices in trade with nonsocialist countries was five percent. The development in trade with rolled steel (prices rose by 18.5 percent), petrochemical products (prices rose by 22.2 percent), and lumber (prices rose by 11 percent) developed favorably. Prices of exported machinery products and equipment increased only negligibly. The resulting foreign exchange ratio contributed Kcs2.6 billion at free [free of charge] prices to the trade balance with nonsocialist countries.

Table No. 9

Developments in Foreign Trade (billions Kcs foc, in terms of foreign currency)						
	Total	Socialist Countries	USSR	NSZ [non-Socialist countries]	VKS [developed Capitalist countries]	RZ [developing countries]
Import	221.1	133.8	63.3	87.3	68.1	16.1
Import Index in percent	101.8	100.4	97.4	103.9	101.1	120.2
Development including VIA [expansion not given]	218.1	130.0	66.4	88.1	67.8	17.4
Import Index in percent	101.4	94.8	92.3	112.9	116.1	104.9

The trade balance with the socialist countries ended with a debit in the amount of Kcs3.7 billion of trade parity (exclusive of selected investment actions), and it proved impossible to reduce significantly the credit accumulated in previous years. Credit in the trade balance with nonsocialist countries was Kcs12.3 billion of trade parity and had a significant share in the overall improvement of the foreign exchange position of the state by Kcs2.5 billion in relation to convertible currencies.

Developments in foreign trade in relation to socialist countries was influenced by measures directed toward of renewal of balance in Czechoslovak external relations. In relation to the USSR in particular, the drop in the prices of crude oil and natural gas led to significant shortfalls in the export of Czechoslovak machinery products and the limiting of marketing possibilities in the USSR.

In the structure of imports of socialist countries, in the forefront are fuels, materials, and raw materials (roughly 45 percent, from the USSR approximately 68 percent), and in export, two thirds consists of machinery and equipment.

In trade with nonsocialist countries, or, advanced capitalist countries, a visible increase in the value of exports could be observed. The main cause is again the movement of prices and possibly even a greater incentive on the part of manufacturers to export to areas with convertible currencies as a result of the introduction of foreign currency norms.

In the entire structure of Czechoslovak export, the weakening of the position of machinery products as means of payment continued. This task is being transferred directly to basic industries—overall export of fuels, energy, metallurgy products, building materials, and foods reached a greatly above average increase of 26 percent in total export and of 27 percent in export to nonsocialist countries. A serious problem of the Czechoslovak exports is the large increase of total foodstuffs export, which reached 33 percent and was 90 percent directed to markets in advanced capitalist countries. The increase in the export of fuels was also above average, at 12 percent.

As for the CSSR's position in foreign currencies of the socialist countries, the growth of the CSSR credit in

socialist countries continued and toward the end of the year reached Kcs45.5 billion, that is, 35 percent of imports from those countries. The change in the CSSR's foreign exchange position in relation to socialist countries reached Kcs9.3 billion in 1989, especially as a result of an active tourist trade and transit charges. The credit in the foreign exchange position increased particularly in relation to the Soviet Union and Poland. At present there is underway an intensive round of talks about changing goods, payments, bank, and credit relations to convertible currencies from the beginning of next year. The resulting situation will have an impact on the trade balance and foreign exchange position of Czechoslovakia in relation to the Soviet Union. The increase by Kcs11.3 billion of state foreign currency holding was influenced by transferring the credit from MBHS [International Bank of Economic Cooperation] to the account of state credits. The standing of Czechoslovak Government credits in socialist countries at the end of 1989 was Kcs25.8 billion, of that Kcs17.3 billion in the USSR.

The credit in the balance of trade with nonsocialist countries was reflected in the balance of payments, which led to the final foreign currency position of Kcs3.2 billion (that is, US\$224 million) at the end of 1989.

Although the foreign currency liquidity in convertible currencies improved, overall the amount of overdue debts by the Foreign Trade Agency and government credits at the end of 1989 reached Kcs25.5 billion and during the course of the year grew by Kcs4.1 billion.

Gross indebtedness increased substantially during last year and reached a level of roughly US\$8 billion. The average cost of credit in the main convertible currencies today fluctuates around 10 percent.

The position of the state in convertible currencies must be judged also with respect to the good standing of Czechoslovak foreign credits, which subsequently is reflected in the claims past due which means losses of foreign currency resources. According to export estimates approximately 30 to 40 percent of claims are not in good standing, which in absolute numbers represents Kcs25.0 to 46.6 billion.

Table No. 10

Development and Structure of the Foreign Exchange Position in Currencies of Nonsocialist Countries (in Kcs billions and US\$ millions)						
		Change			Standing as of 31 Dec 1989	
	Standing as of 1 Jan 1989	Plan 1989	Reality 1989	Reality 1988	Billions Kcs	Millions \$
Government	33.8	0.4	1.9	4.2	35.7	2498
Foreign Trade Agency	- 8.8	0.5	- 0.8	- 6.5	- 9.6	- 672
of that:						
export claims	41.0	0.5	1.5	1.1	42.5	1974
import obligations	- 49.8	0.0	- 2.3	- 7.6	- 52.1	- 3646
joint enterprises	- 0.7	—	- 3.9	—	- 4.6	- 32
banks	- 23.6	2.3	5.3	0.4	- 18.3	- 1280
of them:						
Czechoslovak State Bank	17.0	0.7	1.1	0.7	18.1	1267
Czechoslovak Commercial Bank	- 40.6	1.6	4.2	- 0.3	36.4	- 2547
Standing in Foreign Currency	0.7	3.2	2.5	- 1.9	3.2	224

Table No. 11

Development of Gross Indebtedness in Currencies of Nonsocialist Countries (in Kcs billion and US\$ million)						
		Change			Standing as of 31 Dec 1989	
	Standing as of 1 Jan 1989	Plan 1989	Reality 1989	Reality 1988	Billions Kcs	Millions \$
Foreign Trade Agency obligations	- 49.8	0.0	- 23.	- 7.6	- 52.1	- 3646
short-term	- 30.1	1.0	- 1.3	- 7.6	- 52.1	- 3646
long-term	- 19.7	- 1.0	- 1.0	- 3.3	- 20.7	- 1449
Obligations of:						
Joint enterprises	0.7	—	- 3.9	—	- 4.6	- 332
Bank debits	- 54.7	1.1	- 2.3	- 3.3	- 57.0	- 3989
short-term	- 18.9	2.4	- 1.3	- 1.5	- 20.2	- 1414
long-term	- 35.8	- 1.3	- 1.0	1.8	- 36.8	- 2575
Total gross indebtedness	- 105.2	1.1	- 8.5	- 10.9	- 113.7	- 7957
short-term	- 49.0	3.4	- 2.6	- 5.8	- 51.6	- 3611
long-term	- 58.2	- 2.3	- 5.9	5.1	62.1	4346

Note: the indebtedness of the Foreign Trade Agency and joint enterprises—preliminary data.

The foreign exchange liquidity of the banks in convertible currencies could also be threatened considerably by a possible drawdown of the remaining balance on foreign currency accounts of enterprises and individuals (Kcs16.6 billion). The soft foreign currency norms,

increases of costs for transportation, other foreign currency expenditures, and foreign currency payments by Czechoslovak citizens visiting nonsocialist countries could have the same effect.

In relation to the largest Czechoslovak trading partner, the USSR, the question is the problem of ensuring the import of fuels and raw materials, and thus also Czechoslovak export of machinery and equipment from the point of view of making use of Czechoslovak facilities.

Finally, we can expect certain problems as a result of an across-the-board modification of foreign exchange rates for trade, where the revaluation of the koruna against the ruble affected exporters in different ways; the devaluation of the Czechoslovak koruna against convertible currencies made Czechoslovak import more expensive and included the risk that the differences will be reflected in wholesale prices. In exports, the devaluation meant an advantage even for uncompetitive goods. At the same time some producers who do not have goods for export are totally unable to react to the devaluation and their position is growing worse as a result. During the first months of this year there has been a significant decline in the activity in foreign trade with socialist countries (decline in export 20.8 percent, import 11.2 percent) as well as with nonsocialist countries (decline in export 3.4 percent, increase of imports 8.2 percent). The reason is mainly the uncertainty of enterprises about the planned economic reform, provisional budget, as well modifications of the financial-economic instruments of foreign trade and foreign exchange rates.

In payment relations with socialist countries the foreign exchange credit of the CSFR declined to Kcs38.1 billion as a result of deficit balance of trade (-Kcs2.7 billion of trade parity) and the revaluation against the transferable ruble by roughly 10 percent. A very marked change occurred in relations with the GDR, where toward the end of March there was a worsening of the Czechoslovak position in MBHS [expansion not given] by 68 million rubles, so that the final position in MBHS during this period was 11.4 million rubles.

A continuing shift of exports to nonsocialist countries is expected, which in conjunction with the declining exports to socialist countries could put in jeopardy supplies of raw materials for the processing industries as well as imports for the domestic market.

III. 5. Consumer Market

Developments on the market with industrial consumer goods and food—as well as the behavior of consumers—did not veer away from the trends of previous years. For the development of equilibrium the growth of total incomes of the population remained central. Although it fell in comparison with 1988 from 4.3 percent to 3.3 percent, the growth of deliveries for the domestic market from within the country also declined, and supplies from imports even declined absolutely.

The demand, which was increased by that part of income which previously people deposited in the State Savings Bank, was oriented primarily towards goods. The most

marked change was therefore the decline in the increase of savings, which was significantly influenced toward the end of the year by the sale of foreign currencies to Czechoslovak citizens. The increase in savings last year reached Kcs12.1 billion (compared to Kcs13.8 billion in 1988), the increase of money in circulation in the hands of the public Kcs5.0 billion (whereas it was only Kcs3.5 billion in 1988). The total amount of money reserves (deposits and cash) reached Kcs340.5 billion toward the end of last year. The public, by still giving more preference to cash which makes possible immediate purchases of goods or services in short supply, demonstrated clear symptoms of a reaction to the lack of stability of the market and change in its expectations.

Although loans to young married couples were markedly increased, at the same time there was a substantial restriction of loans to the public for the purchase of goods. As a total that represents a reduction in the overall purchase power by roughly Kcs2 billion. The slowdown in the growth of retail sales, which occurred in the second half of the year, was mainly the result of the shifts in expenditures in connection with the increased travel by Czechoslovak citizens abroad.

Retail prices registered a rather substantial growth last year, having increased by 1.4 percent over the previous year, when a price index of 100.2 percent was reported. That had an impact on the decline of the increase in real wages from 4.0 percent in 1988 to 1.8 percent. The slowdown of the growth of real wages will be obviously even greater, because we must also consider a hidden price increase. In the officially reported increase of retail prices as a whole a greater rise of average prices of some groups of goods was shown.

As far as meeting the consumer demand is concerned, last year there was basically no change. The increased demand was concentrated on a relatively narrow circle of products (real property and apartments, cars, jewelry, building materials, types of textiles and footwear which have been in short supply for a long time), and with regard to a considerable lack of change in the volume and quality of goods supplied by producers, it was not satisfied either in quality or in quantity.

Whereas the market in foodstuffs is considered to be relatively stable, in goods other than food the ability to meet demand particularly toward the end of last year was considered to be worse.

The assortment of goods that have been in short supply for a long time was partially changed. The situation in sales of building materials, fuel, and sanitary needs improved, but on the other hand the shortages of almost all items of household equipment, bicycles, motor fuel, and cultural needs became worse. At the end of the year, there was considerable speculative pressure on shops with gold articles and valuables.

Table No. 12

Development of Basic Features of the Standard of Living (rate of growth in percent)				
	1986	1987	1988	1989
Monetary expenditures	2.5	3.2	5.0	3.5
Social income	2.5	1.5	2.8	5.9
Average monthly wage	1.6	2.0	2.5	2.4
Price increases of:				
goods and services	0.5	0.2	0.2	1.4
Average prices	1.6	1.1	1.5	—
Personal consumption (a)	2.9	3.0	4.8	3.8
Savings rate (b)	4.2	4.4	3.7	3.6

Notes: (a) current prices, (b) saving rate is calculated as the share of increases in deposits and cash in circulation as the disposable income of the public.

Despite a considerable rise in prices the demand for private cars, ceramic tiles, windows, masonry materials, automatic washers, and sewing machines remains unmet. As far as food products are concerned the demand for ocean fish and fish products, variety meats, southern fruit, natural mineral water, diet foods, and a wider selection of meat substitutes is considered to be totally unmet. The worsened situation on the domestic consumer market was also influenced by the increased purchases of foreign visitors.

The tension stemming from fears about increased retail prices and financial reform did not significantly affect the behavior of the public last year. On the contrary, public opinion about the economy even improved somewhat as a result of political changes; but negative attitudes still prevail over positive ones.

Changes in the organizational arrangement of the Czechoslovak production base and trade organizations were not reflected in the quality of supplies to any great extent. The degree of monopolization of suppliers remained unchanged.

In the first quarter of this year the growth of retail sales (according to data for the so-called main trade systems, including roughly 83 percent of income) accelerated in comparison with the same period in 1989 by 6.7 percent, while prices rose by 3.4 percent. The high sales figures are still present in Klenoty (it declared an increase in the value of sales of 21.2 percent), Cedok by 18.7 percent, PRIOR by 17.3 percent, and furniture stores by 18.5 percent.

The interests of Austrian tourists in purchasing goods and services, previously focused mostly in the southern parts of the Republic, is now visible also in the Central Bohemia kraj.

In the near future we can expect the continuation of somewhat unsteady and contradictory developments on the domestic market. Trends toward moderating purchases (not taking into consideration the seasonal nature of Easter—last year in March, this year in April, which makes comparisons difficult, is caused on one hand by the higher tourism and purchases of Czechoslovak citizens abroad (when liberalization of travel could according to estimates draw off up to Kcs10 billion from sales a year), and by the practically unchanged condition of the available goods on the market. Making up for this trend, however, will be the purchases of foreign tourists, as well as a certain uncertainty of our public stemming from the anticipated price rises, which could lead to a rapid increase in buying, even at the cost of drawing on savings.

Resolving the imbalance on the domestic market (particularly the structural one) cannot therefore be done without changes in prices. In the first stage under consideration will be especially the cancellation of the food subsidies. Doing away with this tax must be understood as a first step on the road toward achieving realistic relationships among the prices of food, industrial goods, services, etc., and therefore a change in the usual behavior of Czechoslovak consumers. Even if the state compensates the consumer for the entire cost from this operation, this change will have a positive effect on the state budget in the long run: Changes in the structure of demand for foodstuffs will lead to a change in the method of their production which—if there are no other changes in conditions—will lead to a reduction in subsidies to agriculture and the food industry.

The cancellation of food subsidies must be understood—and implemented—as a part of the measures which will change price relations, and form a new tax policy introducing value added taxes and a new system of income taxes, all of which will open the domestic market to the influence of all types of domestic economic factors as well as foreign competition.

IV. Social and Ecological Policy

IV. 1. Social Development

The overall economic development during the last decade, accompanied by a general stagnation of growth and efficiency at the macronomic level, has also been affected by restricted growth in cash and total incomes of the population, particularly in real terms.

Continued disproportionate ratios between the growth of tangible personal and material consumption (for example, last year the ratio was 1.6 percent to 5.2 percent) had serious consequences, when the slow increase of real wages ceased to stimulate growth of labor productivity. If the share of personal consumption in Czechoslovakia is 49 percent, then in the economically advanced countries it fluctuates around 55-57 percent, and at the same time, the average rate of growth of personal consumption in the OECD countries in 1989

reached 2.9 percent, public services consumption increased to between 2.0 to 2.5 percent.

Partial positive changes in development occurred within the framework of financing public services consumption. After decades of continuing growth the growth rate of expenditures for defense and security moderated to two percent. Expenditures for state administration (central agencies, courts, prosecutor offices, arbitration) decreased by roughly Kcs0.1 billion as a result of savings in wages payable; their amount (roughly Kcs8 billion) is however still high and together with the level of expenditures for defense and security (in the amount of about Kcs50 billion) proves how unbearably excessive they are.

Financial expenses for public services increased the fastest as a result of the growth of expenses for health care (by 9.4 percent because of rising prices of medications), then for social security by 5.7 percent, culture and education around three percent.

Given the efficiency of the economy and the permanent state of penury in which most industries find themselves, there is considerable tension in the financing of the plans for social development from the state budget. The escalation of subsidies within the framework of public consumption has already grown high enough to be at odds with the need for further qualitative development of public needs. These excessive expenses are already more than the current level of economic efficiency can handle, and their exaggerated social accent in reality blocks the realization of the necessary qualitative changes.

Several influences were reflected in the 5.9 percent growth of expenses for social security. In addition to the demographic development it was the influence of legal measures from 1987 and 1988, when, for example, there was an increase in maternity benefits, adjustment of pensions and social security benefits, broadening of the opportunity for early retirement, as well as increased administrative pressure for early retirement. Despite the rapid 7.2 percent pension growth (while a quarter million people draw the minimal pension which is the sole source of their income) the share of old age pensions for workers was 47 percent of a gross average wage, or 58 percent of net wage. That is less than in economically advanced countries, where moreover there is an alternative insurance system with yearly revaluation.

Reduction in income (and therefore also spending) possibilities of an average household is accompanied by a relatively low rate of supplying durable goods. Postponed purchases show up in the increasing age of the objects. The saturation is particularly low in the case of consumer electronics (microwave ovens, freezers, satellite antennas, etc.). Only 6.3 percent of households are equipped with frying pans, 3.4 percent own a VCR, 2.9 percent high fidelity receivers, 0.3 percent a video camera, 2.7 percent a home computer, and 0.4 percent an electric dishwasher. International comparison shows that the difference between Czechoslovakia and advanced countries in the equipment of the population

with color television is two and three times as high, and in new consumer electronics, we are talking even higher numbers.

The present state of housing is marked by a long lasting shortage of available apartments, but particularly by a lag in the qualitative parameters of the existing housing stock as well as new housing construction. Last year (with a loss of 20,000 apartments) 88,000 apartments were built, which is one-third less than housing construction in the seventies. The cut in expenditures for housing construction is manifested in an unsatisfactory architectural and technical execution as well as in the failure to properly furnish the housing units. More than 70 percent of the apartments are in six-story and higher buildings which in the eighties cannot be found anywhere else in the world. Panel construction predominates, whereas elsewhere construction from classic materials is on the rise. The already small square footage of rooms has grown smaller yet, which in Czechoslovakia in newly built apartments is 35 percent smaller than in West European countries, that is 30 square meters smaller. And the costs and prices of an average housing unit have increased sharply. The plans to modernize apartments were fulfilled last year only to 62.7 percent. The time, which tens of thousands of citizens must wait for an apartment, is remains unbearably long.

The maintenance of the existing housing stock is also in a bad state. The long lasting insufficient availability of necessary maintenance work and small repairs of the housing stock (including the discontinuation of the institution of janitors) and a lack of interest of the building organizations in providing such services, all that led to neglect and an almost catastrophic state of some buildings. Because proper maintenance was not done and because small, inexpensive faults were not taken care of in time (which is the case to this day), because the quality of repairs was reduced (as well as the quality of new construction), the buildings deteriorated and it became much more expensive to repair them. The costs for maintenance and repair of state-owned apartments are now more than double of the portion paid by the renters. The users of communal apartments share in the costs for furnishing and maintaining them by about 34 percent, and users of cooperative apartments by 75 percent. Therefore the housing problems are not merely the poor equipment of the household, and the small average living area and comfort of the apartments. It also reflect the administrative mechanism of distribution and management of the apartments and the chronic insufficient care for the housing stock.

Despite the continuing negative state of health of the population, last year brought a certain intimation of a turn in the conditions for providing health care. The number of employees in this industry increased by 8,000 people, and total expenditures rose by 10 percent. In comparison with the increases of expenditures for other unpaid services as well as in the context of the trends of the past, it represents an unusual dynamic. This partial improvement, however, can in no way compensate for

the technical backwardness of the capital assets in health care, where 44 percent of buildings needs reconstruction and modernization, for the insufficient amount of diagnostic and therapeutic technology, persistent shortages of materials (interruptions in supplies of medications and other health materials), deformation of the structure of qualified personnel which is manifested most visibly in the shortage of mid-level health care personnel while there is a relatively sufficient number of physicians. Similarly as in other areas, here, too, we can see the negative consequences of faulty organization and poor management.

In the important demographic indicator "average life span", where Czechoslovakia used to be among the first countries in Europe, it fell in the course of the past 20 years to one of the last ones, when the average life span of a citizen stays at about 67-68 years. The decline in infant mortality (given its high level) is slower than in other advanced countries. Besides the poor personal health care and its organizational structure, in the type of diet, longlasting stresses and other negative influences, a deterioration of the individual factors of the environment are showing in the demographic data.

Environmental Development

Even though data about the ecological damage to the people and natural resources are incomplete, its long-term increase and the level reached are more than a warning.

The volume of emissions of particulate and sulphur oxide has been moderately decreasing during the last several years, the trend toward increased pollution by oxide nitrate has continued; pollution by carbon monoxide and hydrocarbons remains constant. Protection of the environment is concentrated as a result of signing the international agreement predominantly on reducing emissions of sulphur oxide.

A fundamental change in the current unfavorably developing situation did not occur because there have been no basic changes at the main sources of pollution. Although the mining of brown coal and its burning was reduced moderately (by 5.7 million tons), volumes reached in production of pig iron and steel, cement, aluminum and other industrial products with significant ecological implications, as well as in the volume of car transportation, production and use of industrial fertilizers and pesticides, and other production activities, are unbearable.

The extremely high annual air pollution by sulphurous oxides remains almost unchanged during the past 20 years; if we add to it the cumulative pollution and further air pollution by oxide nitrates, dust, and other emissions it is obvious where to look for the main sources of the damaged ecological balance of the atmosphere.

Pollution of surface waters, which is reaching catastrophic levels particularly in the middle and lower parts

of the overwhelming majority of Czechoslovak rivers and streams, remained practically unchanged in the eighties. The quality of underground water is constantly getting worse. That is also why at present already more than half of the sources of drinking water do not meet in certain indicators government standards, which are moreover obsolete.

Ground pollution by agricultural production is increasing. Soil erosion affects more than half of the agricultural land (in Bohemia 46 percent, in Slovakia 75 percent). More than half of the forests are damaged, in the Czech lands about 58 percent, in Slovakia 49 percent. That is also why extensive forest disasters, whether of biological or atmospheric origin, have become commonplace in recent years. More than 75 percent of protected areas are damaged, and of that almost one-fourth beyond recall.

Ecological considerations have entered into the central economic regulations only very slowly and not comprehensively. The absence of legislative, economic, and organizational instruments is particularly sharply felt in the storage and disposal of waste (particularly solid waste) where there is a growing threat of toxic effects, particularly by leakage of pollutants into ground water. The laws on protection of the air, soil, and agricultural land have not been brought up to date; in addition, there are masses of exceptions to them. And lastly, the number of prosecutions based on ecological concerns is in no way in accord with the estimates of direct or caused economic losses. A certain positive feature of the past several years is a heightened attention of the media given to ecological problems, which of course is only one of the conditions for an increase of social control in the given area, which of course is not by itself the action which will lead to a real rectification.

The reasons for the unfavorable state of the environment must be looked for not only in economic progress, characterized by escalating competition for available material, nor in financial resources and growing needs (where economic criteria usually are given priority), but also in the distorted decisionmaking of management. This can be demonstrated by a long-time preference for heavy industrial production and other ecologically damaging activities and operations, and also in a general way by the hiding of information about real conditions by former political leaders. Although in comparison with advanced countries we have substantially more devastation in individual ecosystems, the cancellation of old metallurgical productions both ferrous and non-ferrous (and generally of all ecologically damaging operations in other industries), modernization of the railway system, substitution of local heating by coal, comprehensive processing of waste including recycling, and stricter standards for car emissions are still proceeding slowly. Corrective steps to overcome current conditions have been until now totally insufficient.

That can be seen in the declining share of programmed selected ecologically oriented investments in total investments from 1.5 percent in the Fifth Five-Year Plan to 1.2 percent in the Sixth Five-Year Plan and to a mere 1.0 percent in the Seventh. A turnaround was to have occurred in the second half of the eighties, when the quota was increased to 2.3 percent; but estimates thus tell us that in fact only 2.1 percent of the total volume of investment scheduled for the Eighth Five-Year Plan will be invested, whether the reasons for delays are of an objective or subjective nature.

The poor state of the environment has already had visibly bad consequences. They manifest themselves in the damage to the natural function of individual ecosystems, but also in the high incidence of illnesses and mortality of people living in the most affected areas; people therefore prefer to move to less damaged environments, or, it requires expenditures on the national level to keep them in affected areas.

Air pollution in municipal industrial centers and a number of suburban developments often exceed the acceptable concentration by as much as three or four times. In addition, the pollutants contained in food is beginning to reach critical amounts. In the context of international comparison, Czechoslovakia has one of the worst positions in the world in its extent of pollution calculated per capita or per area.

GERMAN DEMOCRATIC REPUBLIC

Vehicular Traffic Problems Detailed

90GE0174A Hamburg DER SPIEGEL in German
18 Jun 90 pp 84-95

[Unattributed article: "The Same Crap..."]

[Text] The GDR is on the verge of becoming a vehicular society. Traffic jams and accidents will increase dramatically this summer. Highways are due to be improved in favor of rail links. The East Berlin government is firmly resolved to repeat the mistakes of the FRG transportation system.

Even in socialist days, Alexanderplatz, the heart of East Berlin, looked just like the kind of center of a metropolis readymade for automobiles that traffic planners in East and West dream of. The square itself is a desert boasting a TV tower, a world clock and a department store. It is framed by six- and eight-lane asphalt highways. A tunnel provides for free passage under Karl-Marx-Allee.

According to the Baedeker guide the square has been laid out in "exemplary fashion from the traffic point of view." The only thing that was still missing were cars.

In the old days only a handful of forlorn Trabis and Wartburgs were seen chugging along the wide boulevards. Alexanderplatz would only fill up when the old guard of the SED [Socialist Unity Party of Germany] had the faithful hold parades on socialist holidays.

Following the upheaval, traffic patterns underwent a radical change as well. Every afternoon the Daimlers and Golfs from the West join with the Trabis to produce all-German traffic jams all the way from the Brandenburg Gate to the Marx-Engels-Forum.

Bluish clouds of GDR exhaust fumes envelop the statues of the socialist pantheon. Traffic eastward is at a standstill—even along the old cobblestone side roads.

The daily traffic jam on Alexanderplatz is just an indication of the numbers that will be crowding the GDR roads this coming summer. "Mobility and the desire to travel have increased dramatically," says Horst Gibtnier, the GDR minister of transportation.

Once the two currencies are merged on 2 July, millions of GDR citizens will realize their fondest dream as rapidly as possible, i.e., to buy a car, preferably a Western model. GDR polls have shown that 80 percent of all men would like most of all to do just that. The West German automobile industry association estimates that there is a "potential demand" for 3 million cars.

At the same time, an estimated 19 million FRG citizens would like to visit the new Eastern provinces this summer, preferably in their own cars. In addition to the passenger cars, an avalanche of trucks is also beginning to roll in. Road transport of goods, the Bonn ministry of transportation estimates, will "increase markedly both in absolute and relative terms."

The Eastern traffic experts view this chaos with the customary socialist brand of fatalism. "Our assumption is that traffic jams will occur on a regular basis," says Dresden traffic expert Ulrich Hofmann; "even more so than in the FRG."

"Traffic density on our inadequate and poorly maintained roads will increase sharply," Gibtnier says. "That is a problem we will have to live with." Gibtnier, a member of the East CDU [Christian Democratic Union], seems to accept the problem as one ordained by God. "The rise in traffic is inescapable—just like 'amen' at the end of a prayer."

Germany—a unified land of car owners.

That is what the unified people seems to want and that is the way the politicians are about to carry out the popular will. All at once, the state of the nation's highways has become issue number one for the fatherland once again.

More ecologically responsible traffic planning was just beginning to take hold; the auto lobby was just beginning to switch to more green-oriented terminology—but already the "German road builders" can see a new day dawning in the East. "Traffic throughout Germany will increase," an advertisement of their association says. "That is a big challenge for us road builders. A lot needs to be done."

Only a very few people in East and West are speaking out against this trend. Dietmar Hunger, a Dresden traffic

expert, says: "I do hope the wave of motorization will cause us to make the same mistakes as the FRG, i.e., to rebuild our cities to accommodate vehicular traffic." Reiner Gohlke, the director of the FRG's Bundesbahn, is worried that the GDR will "repeat the mistakes of the FRG by giving priority to more highway construction."

But these would appear to be fond hopes and not much more. It is a foregone conclusion that economic, currency, and social union will be accompanied by union in the transportation sector. It is so self-evident in fact that the state treaty neither mentions it, nor any special regulations applying to the GDR. "It stands to reason that a separate transportation plan for the GDR will no longer exist," Gibtner says.

Bonn Ministry of Transportation officials already sent a six-page summary of the principal regulations to their counterparts in East Berlin in February. In time for unification on 2 July the GDR ministry intends to bring the rules and regulations in line with those of the FRG. A Bonn transportation ministry finding which stipulates that "passenger cars will dominate the transportation picture" has already anticipated the outcome.

Automobiles and trucks are off and running; the railroads have been sidetracked. The unification politicians in East and West are on the verge of letting an unique opportunity go by inasmuch as the GDR transportation system today corresponds to the fondest dreams of FRG railroad aficionados.

In goods traffic the GDR's German Reichsbahn is dominant, handling almost two-thirds of the traffic. A mere 20 percent of the freight is transported on the highways. In the FRG, the ratio is reversed. The railroads carry just about 20 percent whereas trucks transport far more 50 percent of the goods. Just under 20 percent of the freight is carried by inland shipping—as compared to three percent in the GDR.

GDR public transport also does well in handling passenger traffic. Passenger cars, motorcycles, and mopeds account for 60 percent of individually owned vehicles in the GDR as against more than 80 percent in the FRG.

Conditions in the GDR roughly correspond to those in the FRG in the sixties before massive Autobahn construction redirected traffic to the highways. At that time, it would still have been possible to reach a decision against automobile insanity and in favor of the railroad. But the majority of the FRG population wanted their own cars and that gave the green light to the auto lobby.

For a brief and historical moment in the GDR, "a great opportunity existed for the creation of a humane and environmentally friendly traffic scheme" it was hoped by Winfried Wolf, a West German writer on transportation issues, who in December 1989 embarked on a study of traffic in the GDR in the year 2000 in Dresden. That moment occurred during the revolutionary weeks when the political leaders had not yet begun to push for total conformity with conditions in West Germany.

But by the end of his analysis the author had almost thrown in the towel. The CDU election victory on 18 March ruled out a separate GDR solution once and for all—and that applied to transportation policy as much as anything else. "You don't have chance—so grasp it by all means," Wolf ironically advised the GDR population.

On the other hand, it only looks at first glance as though real existing socialism had fulfilled the hopes for a better world—at least in the transportation sector. The high percentage of railroad traffic in the GDR was by no means the result of resolute environmental policies. Up to the early seventies highway freight loads were still climbing rapidly. But then the first oil crisis forced the leadership—as short on hard currency as ever—to limit further increases in the number of diesel-powered trucks.

Transportation regulations issued by the government told industry which goods could be trucked for what distances on the highways. This dirigism led to odd consequences. Some shipments went 150 km by rail although it would have taken only 50 km to transport them by road.

From an ecological point of view this diversion to rail transport made little sense. The Reichsbahn obtained the electric power for its locomotives from the poison-spewing lignite-fired power plants. About one-third of the Reichsbahn rolling stock was used to make sure the railroads got enough electric power to operate properly. Some 70 million tons of lignite had to be carried to the power plants each year. The waste from the power plants, vast quantities of gypsum and ashes, was subsequently taken by rail to disposal sites.

The investment policies demonstrate that the SED regime cared little about ecologically sound transportation planning. For years, the Reichsbahn, like the Bundesbahn in West Germany, had to make do on an austerity budget. There was not enough money for repairs. "We just rode the railroads into the ground," says Gibtner, a Reichsbahn signals technician by trade.

The GDR railroad network is the densest in all of Europe. The 14,000 km grid is almost one-half as long as that of the far larger FRG. But it is in a deplorable state. Only one-quarter of the lines are electrified as against 40 percent in the FRG. Only one-third of them have more than one track as compared to 50 percent in the FRG. Some 3,500 of the 8,200 railroad bridges are more than 85 years old and have never undergone thorough repair. Two-thirds of all switch towers were built prior to 1945.

Some 15 million ties along 9,000 km of track are about to fall apart. The manufacturers added alkali-rich Baltic coast sand to the cement which makes the concrete disintegrate at the end of only four years.

As a result, there is chaos on the overloaded railroad system. Last December, a freight train took 16 hours to negotiate a distance of 12 km. In 1989, "schedule

changes" amounting to 24,950 minutes lost had to be made because of construction and various failures in the system.

In 1987, there were 9,200 broken rails, 9,800 signal and block failures and 890 cases of damage to overhead wires. In 1988, a total of 1,000 speed limits were posted along a 950 km stretch of track. "The future will not tolerate Reichsbahn speed limits," Reichsbahn director Herbert Keddi sagely observed in late May.

But it will be very expensive to repair the damage that has been accumulating over the decades. Transportation experts from East and West estimate that it will cost about DM100 billion to upgrade the Reichsbahn system roughly to the technical level of the Bundesbahn. This amount is about three times as large as the projected 1986-95 investment budget for the entire FRG transportation system. The Bundesbahn does not have the necessary funds and the Reichsbahn doesn't either. They would have to come from a major reallocation of government funds in favor of the railroads.

But that, in turn, would call for an emphatic policy which concentrates on the railroad system at the expense of highway construction. All-German transportation officials have since made pro-railroad rhetoric a part of their stump speeches. Wilhelm Knittel, the state secretary in the Bonn transportation ministry, for example, has said "that far more attention should be paid to the opportunities presented by rail transport." Friedrich Zimmermann, the FRG transportation minister, has called the construction of a rapid rail link between Hamburg and Berlin "the most important infrastructure project at this time."

At the same time, however, the driving public should not be shortchanged either. Peter Gauweiler, the Bavarian state secretary of the interior and a member of Zimmermann's party, had already started to repave the Hof-Plauen highway while the railroad buffs were still pondering the future of their East-West network.

Money for highway construction is easy to come by. On short notice about DM90 million were made available for highway construction in the GDR for the remainder of this year. By comparison, the Bundesbahn will be able to spend only DM20 million on "closing gaps" in the system. The 1991 budget already calls for another DM168 million for highway construction in the East while the railroad budget figures have not yet been made public.

The coalition agreement between the East CDU and the East SPD [Social Democratic Party] concluded in April still stipulated that priority would be given "to railroads over highways in long-distance freight hauling." But Minister President Lothar de Maiziere miraculously omitted that stipulation in his government policy statement.

But even if the will to assign priority to the railroads did exist, the Reichsbahn would still be at a disadvantage

vis-a-vis the truckers in the GDR. Any programs aimed at improving the railroad system will take a lot of time.

Rosemarie Schneider, a traffic expert with the West Berlin research center for all-German economic and social issues, believes it will take "at least five years" for the Reichsbahn to "get even close to normal."

In its present miserable state the Reichsbahn is noncompetitive. The 250,000 Reichsbahn employees cannot deal with a market economy—even with one that provides for a social safety net. By comparison, workers in the West know all about profits, commissions, and premiums by now. In the East, the economy of scarcity only called for improvisation. "The Reichsbahn employees chase after every freight car," says Prof Hofmann. Armin Woda, a colleague of his, adds: "But not after customers."

The Reichsbahn will hardly be able to handle the anticipated increase in tonnage. Until recently it was operating at full capacity. "The decline of our economy," i.e., almost all GDR plants have had to cut production since the beginning of the year, has reduced Reichsbahn freight volume and thus "provided a bit of a breathing spell."

The kind of modern transportation logistics which Western companies expect cannot be provided by the Reichsbahn. Containers were introduced as long ago as 1969—but then they were dropped. The number of containers "is down to 10 percent" of what it was, Hofmann says. The GDR has no experience whatever with road and rail piggyback traffic. For that matter, it would not work in the GDR because some bridges and tunnels do not offer sufficient clearance. Mixed cargoes are offloaded mostly by hand. Almost one-half of the forklifts are usually out of commission.

On-time availability of freight cars at the shipping end was the exception. "For weeks we didn't get anything," the transport manager of a paper factory in Grossenhain near Dresden says. "And then we would get 30 cars in a single day."

"Currency union will be the moment of truth for the Reichsbahn," Keddi surmises. The bitter truth is that the coming of the Deutsche mark will be accompanied by the coming of Western trucks. In spite of the desolate condition of the roads in the GDR, the trucks are faster and more reliable than the real existing Reichsbahn.

It will take years to get the railroads to do their job properly; but the trucks will be ready to go at the factory gates on Day X. Western truck manufacturers whose factories are not operating at full capacity are ready, willing and able to supply additional trucks on a moment's notice.

FRG truckers are already carrying perishable goods such as tropical fruit or newspapers to the GDR on a daily basis. "Trucks are able to do the job right away," Woda says.

The big Western moving firms have long since outmaneuvered their colleagues in the East. "We switched gears with lightning speed," says Klaus-Michael Kuehne, the director of Kuehne & Nagel, the second-largest West German transportation company. Kuehne wants to join forces with Deutrans, the East German transportation conglomerate, with the FRG firm holding a 60 percent of the shares. While negotiations were still going on, the first set of five provisional bases in the GDR was already being established.

The Munich moving firm of Dachser is already operating daily truck service to all 15 of the GDR bezirks. Since the middle of March, IDS Logistik Ltd., a 21-member conglomerate of West German moving firms, has been operating a countrywide transportation system, utilizing the services of 16 GDR truck companies. IDS guarantees deliveries within 24 to 48 hours.

The Bonn and Berlin transportation ministers have done their level best to smooth the way for the West German truckers. As of July, the trucking industry will be governed by the very same laws in the GDR that facilitated its victory over the railroads in the FRG. The GDR will take over a slightly abbreviated but otherwise almost identical version of the West German trucking regulations.

The regulations which have remained in force basically unchanged since 1936 are by no means in keeping with market economy concepts. Government-authorized freight rates and a system of government-administered trucking concessions protect the trucking industry from the vicissitudes of competition. No other sector of the economy enjoys this kind of government-sanctioned monopoly. This protective shield enabled the powerful trucking syndicate to wrest more and more traffic from the railroads.

This highly developed type of capitalist planning of all things is now being taken over by the ex-socialists in the GDR. "Let me tell it like it is: this is the same old crap all over again," said transportation management consultant Erich Hebel at a seminar for trucking combine directors.

There is method to the crap. The annexation of the GDR offers a welcome opportunity to the West German trucking industry lobby of preserving its profitable system for some time to come. The FRG's dirigistic transport regulations which prevent foreign companies from competing on the German market and thus do not comply with the liberal EC principle of freedom of goods and services were to be abolished once the EC internal market came into being in 1993. "To accommodate our footsore brethren in the East," says Fred Christian, the legal counsel of the long-distance freight carriers association, the EC should allow the market restrictions to remain in effect for the time being.

But this would be more to the advantage to the big brothers in the West than to the truckers in the East. The 84 former state-owned trucking companies and the

roughly 3,600 small private moving firms in the GDR "are unable to compete," says Berlin transportation expert Schneider.

Deutrans is the only firm that has modern long-distance trucks; the remaining companies drive small trucks usable only for short-distance hauling. Most of the trucks are more than 20 years old and have been overhauled any number of times. The only thing original about them is the registration certificate.

Western truckers will have huge loads to carry. The West German ministry of transportation expects the volume of freight between East and West Germany to increase from 22 million tons in 1985 to 224 million by the year 2010.

The GDR's desolate highway system cannot handle such huge loads. 2,000 km of Autobahn surface which have been in service for 40 years cannot be reclaimed without major repairs. Some 30 percent of the secondary roads are thought to be totally unusable. Merely getting the highway system back in shape without expanding it would cost 60 billion marks, GDR experts believe.

West German highway construction companies are quite openly demanding things of the GDR they would hardly dare say out loud in the FRG. "The GDR must set new priorities in its transportation system," says Peter Jungen, the director of Strabag, a Cologne construction firm. "Preference must be given to highways rather than railroads."

As was the case in West Germany years ago, the highway lobby will not even have to push its case. "The individual drivers will apply the pressure," Dresden transportation expert Woda fears. "Then the highway system will be expanded."

But the equation is too simple. According to the most recent figures, there are 3.7 million passenger cars in the GDR, i.e., 225 per 1,000 inhabitants. The current comparable figures for the FRG are 468 passenger cars per 1,000 inhabitants. To catch up, the number of cars in the GDR would have to more than double to about 8 million.

This trend seems inevitable. Even railroad buffs like author Wolf think it is "scarcely conceivable that the Western regions of a newly unified Germany will be highly motorized and the territory of the former GDR will continue to be as under-motorized as it is at present."

To be sure, passenger car density in the FRG took 10 years to increase by 100 percent. But the citizens of the GDR, with their eyes fixed on the West, want a dream car of their own right now. Traffic jams, chaos, and accidents everywhere are bound to follow. During the first few months since the revolution the number of traffic deaths in the GDR already rose by almost two-thirds compared to last year.

The high number of fatalities in the GDR (33 dead per 1,000 accidents as compared to four per 1,000 in the FRG) is reason enough for Transportation Minister Zimmermann to call for a DM100 billion investment in highway construction—all in the name of safety. Under the pressure of the highway lobby the politicians are going to pour concrete and lay down asphalt as never before. Will the unified Germany become one huge construction site?

This, too, is the price of unity. There are no separate courses of action in the all-German automobile society any longer. An alternative to automobile mania is possible only if both East and West Germany drastically revise their transportation concepts.

The way to do it is well known. Highway construction must no longer be given priority; the railroads must be given more money. Trucks and passenger cars must truly pay for the costs they incur—not just for highway construction but also for the damage they cause to the

environment and to humanity, e.g., air, water and noise pollution, land use and the suffering of traffic accident victims.

The rise in traffic should no longer be offered as statistical evidence of economic growth and prosperity. Unnecessary roads and shipments should be avoided; traffic density should not be increased.

But try and tell that to a citizen of the GDR who was unable to travel freely for 40 years. Open roads for free citizens has now become the watchword in the East as well. "That is freedom," says traffic expert Schneider, a refugee from the East. "Now they are breathing fresh air and stepping on the gas."

Footnote

*Winfried Wolf: "Neues Denken oder neues Tanken" [New Thinking or More Gas Stations?] ispg Verlag, 168 pages, 23 marks.

GERMAN DEMOCRATIC REPUBLIC

Preborder, Postborder Opening Resettler Demographics Surveyed

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[Analysis by Dieter Voigt/Hannelore Belitz-Demiriz/Sabine Meck, Ruhr-University, Bochum: "The Intra-German Migration and the Unification Process—Sociodemographic Structure and Attitudes of Refugees/Resettlers From the GDR Before and After the Opening of the Border"]

[Text]

I. Save Himself Who Can—The Boat Is Full

The demonstrators in the GDR and the refugees and resettlers from the GDR determine the course of developments in Germany. Both factors can hardly be controlled any longer.

Those protesting in the GDR may now lose some importance; the resettlers from the GDR, on the other hand, represent a new dimension difficult to calculate.

In 1989, 343,854 refugees and resettlers came from the GDR to us (and one must also add 377,055 emigrants from the East and 121,318 applicants for asylum).

Up to the GDR elections on 18 March 1990, FRG reception camps recorded 2,000 to 3,000 GDR resettlers per day. In January 1990 there were almost 60,000; that corresponds approximately to the number of inhabitants of a town like Greifswald. Although the number of resettlers dropped noticeably directly after the elections, further development cannot be forecast.

II. Formulation of the Question, Goal, and Importance of the Study

- Why do people leave the GDR?
- Who comes to us, when?
- Which factors influence the willingness to flee and resettle?
- What consequences result for us and the GDR?
- In the FRG, what course does the social and economic integration of the refugees and resettlers from the GDR take?¹
- Are there differences between the stream of refugees or resettlers, respectively, before and after the opening of the border?
- Have the motives for fleeing, for example, and the desire to live in the FRG shifted?
- How is professional prestige changing in the GDR?
- What is the awareness of justice of GDR resettlers of different social positions?
- What preferences do GDR resettlers show with regard to the parties in the FRG?

Our study is meant to contribute to clarifying these important problem areas, although only excerpts of the

data and their interpretations can be introduced here. Unification of the two parts of Germany is a difficult and very complex task. Although it was good that the beginning of the refugee movement was uncontrolled, today resettlers endanger the development toward a unified Germany. Therefore, certain and secured knowledge about the interrelationships is becoming ever more urgent. The migration between the two Germanys (at present almost exclusively to the West) today and in the near future will form the central influencing factor with regard to the social and economic development of our country.

We understand migration (movement) as a spatial movement (mobility) of people which is linked to a permanent or temporary change in the place of residence and occasions the shifting of all activities (living, work, education, leisure time, etc.) to the target area. Migration on the one hand means personal behavior based on an individual process of decisionmaking—influenced by economic and/or political and ecological conditions. On the other hand, migrants do not represent an incidental cross section of the society that is being left behind, but rather can be classified as certain groups of people characterized by common traits (among others, age, sex, education, qualification, values, standards, attitudes, needs, political and religious conviction, willingness to perform and advance).

Migration between the two Germanys can be interpreted as a compensation of stress between different political, economic, and social conditions of two societal systems with the goal of a positive change of individual living conditions. Insights into migration processes make possible the development of concepts on stress-compensating actions, the establishment of intervention strategies, and early recognition of problem situations.

Ensured knowledge of the streams of resettlers, their social and occupational composition in the course of time, their dynamism and direction is of the utmost importance and topicality to optimally influence the process of unification of the two parts of Germany.

Refugees initiated the way for the opening of the border and unification; today, resettlers destabilize the political and economic situation both in the GDR and the FRG.

In the future, only migration of the labor force—above all of leadership and administrative personnel and highly qualified specialists!—from West to East will make possible the building-up of the former GDR.

III. Conditions and Methods for the Study

Since the beginning of October 1989, refugees and resettlers from the GDR have been continually questioned in writing at the Giessen central reception office as well as in the Schoepingen branch offices. From this result four phases with different research results to be expected:

—Before the opening of the border (October to 8 November 1989);

- After the opening of the border;
- Before the elections in the GDR;
- After the elections in the GDR.

During the period from 10 October 1989 to 14 March 1990, so far 4,696 persons were questioned who were 18 years old. Hence the study is representative for the period mentioned for refugees and resettlers from the GDR of age 18 and above.

Hypothesis

Migration between societies reflects the condition of the individual social systems.

The more developed and humanitarian a system of society, the more people from outside strive to be accepted into it, and the higher the probability that it provides qualified migration assistance (development aid).

IV. Selected Study Results

1. Demographic Data

The highest and fastest-rising share of migrants can be found in the age group between 22 and 29 years of age (Diagram 1 on p 740). While the percentage rate of these people at the prime working age was already 33.7 percent before the opening of the border, it rose to 41.1 percent shortly after the opening of the border (Dec 89/Jan 90). The climax seems to have been reached.

If we form an age group from 18 to 29 years of age—they constitute 24.9 percent of the GDR population over 18 (1988; computed from the GDR Statistical Yearbook, p. 355)—the following picture emerges:

Before the opening of the border (10 Oct 89-8 Nov 89): 46.3 percent; first phase after opening of the border (9 Nov 89-30 Nov 89): 52.3 percent; second phase after opening of the border (14 Dec 89-31 Jan 90): 58.9 percent.

Not only is the GDR being left by its employable people in extremely disproportionate numbers (here the future flees)—but there is also the fact that the rate increase of resettlers is the highest in this particular young group.

Table 1 shows a growing ratio of resettling men. This raises the difference, which is already 6.4 percent in the GDR, even more to the disadvantage of women.

Tables 2 and 3 show the family status, and with whom the migrants came to the FRG. The percentage of married refugees/resettlers decreases in the course of time. While before the opening of the border still 57.6 percent of the refugees were married, in the last phase studied only 40.6 percent of the resettlers listed this family status. The development is reverse for single people. Their share rose from 29.8 percent to 45.4 percent.

The ratio of divorced persons remained relatively stable during the entire period studied. It is noteworthy here that the percentage rate of divorced persons among the refugees/resettlers is disproportionately large compared to the overall GDR population. This also applies to single people. At their flight/resettlement, 39.7 percent of all refugees/resettlers were single. By comparison, only 18.4 percent of the overall GDR population (over age 18) are single. The ratio of single persons rises continually during the course of the time period, and men predominate. While before the opening of the border GDR citizens still predominantly fled together with their families (56.7 percent), today even married resettlers travel primarily alone to the FRG (69.8 percent). After the opening of the border, the difference in the third phase between married persons (40.6 percent) and those who resettled together with their families (29.4 percent) amounts to 11.2 percentage points. This speaks in favor of the theory that one family member first organizes the resettlement and later, after the work and housing situation is clarified, the remaining family members follow. It becomes clear: The number of those arriving without their families—be it because they first want to find housing and work (and then have their families come), or be it because they want to leave their families—is increasing extremely significantly. This reflects many problem cases.

Table 1. Refugees/Resettlers Over Time According to Sex

male/female	Before Opening of the Border (10 Oct 89-8 Nov 89)	First Phase After Opening of the Border (9 Nov 89-30 Nov 89)	Second Phase after Opening of the Border (14 Dec 89-31 Jan 90)	Third Phase After Opening of the Border (1 Feb 90-14 Mar 90)	Total Group	GDR*
	N=1164 in percent	N=635 in percent	N=783 in percent	N=2,114 in percent	N=4,696 in percent	in percent
Women	41.0	40.6	31.2	35.9	37.0	53.2
Men	59.0	59.4	68.8	64.1	63.0	46.8

* As of 1988. Computed from GDR Statistical Yearbook 1989, p. 360.

Chi² Before opening of the border/first, second and third phase after opening of the border=25,530; df=3; p=0.000++.

Table 2. Marital Status Over Time of the Refugees/Resettlers

male/female	Before Opening of the Border (10 Oct 89-8 Nov 89)	First Phase after Opening of the Border (9 Nov 89-30 Nov 89)	Second Phase After Opening of the Border (14 Dec 89-31 Jan 90)	Third Phase After Opening of the Border (1 Feb 90-14 Mar 90)	Total Group	GDR*
	N=1,160 in percent	N=633 in percent	N=783 in percent	N=2,110 in percent	N=4,686 in percent	in percent
Married	57.6	51.2	45.2	40.6	47.0	63.7
Single	29.8	35.9	42.0	45.4	39.7	18.4
Divorced	11.0	12.3	11.9	13.2	12.3	7.4
Widowed	1.6	0.6	0.9	0.8	1.0	10.6

* As of 1987; computed from GDR Statistical Yearbook 1989, p. 359.

Chi² before opening of the border/first, second, and third phase after opening of the border=106,957; df=9; p=0.0000++.

Table 3. With Whom Did the Refugees/Resettlers Come to the FRG

With their family	Before Opening of the Border (10 Oct 89-8 Nov 89)	First Phase After Opening of the Border (9 Nov 89-30 Nov 89)	Second Phase After Opening of the Border (14 Dec 89-31 Jan 90)	Third Phase After Opening of the Border (1 Feb 90-14 Mar 90)	Total Group
	N=1,149 in percent	N=625 in percent	N=776 in percent	N=2,069 in percent	N=4,619 in percent
Yes	56.7	50.6	34.1	29.4	39.9
No	39.9	48.2	65.2	69.8	58.7
With some family	3.3	1.3	0.6	0.8	1.5

Chi² before opening of the border/first, second and third phase after opening of the border=330,070; df=6; p=0.000++.

Table 4. Distribution of Refugees/Resettlers According to Selected Occupational Groups

Occupational Groups	Before Opening of the Border (10 Oct 89-8 Nov 89)	First Phase After Opening of the Border (9 Nov 89-30 Nov 89)	Second Phase After Opening of the Border (14 Dec 89-31 Jan 90)	Third Phase After Opening of the Border (1 Feb 89-14 Mar 90)
	in percent	in percent	in percent	in percent
Physicians/dentists	3.1	1.2	0.7	0.4
Graduate engineers	1.7	0.3	0.7	0.6
Nursing profession	2.9	3.9	2.3	2.5
Teachers	2.3	0.8	0.8	0.7
Auto mechanics	2.9	1.3	1.4	1.1
Bricklayers	2.7	3.5	2.8	1.7

2. On the Professional Qualification of the Refugees and Resettlers

Before the opening of the border, the 21.4 percent share of graduates from technical schools (GDR approximately 15.5 percent) and the 10.7 percent of university graduates (GDR, approximately 8.6 percent) was disproportionately high; later it dropped, but will probably increase again in the future (Diagram 3, p 741; also see Diagram 2, p 740 [not reproduced]).

Particularly noticeable is the decrease in physicians (from 3.1 percent to 0.4 percent); the flight rate was particularly high among them when the border was closed. The situation is similar for teachers (from 2.3 percent to 0.7 percent) and graduate engineers (from 1.7 percent to 0.6 percent). Emigration of persons in the

nursing profession remains at a constant high (from 2.9 percent to 2.5 percent); probably there is a particularly strong pull from the West (Table 4).

The influx of skilled labor is growing significantly.

Among the migrants, 88.3 percent are employed; this rate is far above the 67.1 percent (as of age 18, not counting apprentices) in the GDR.

3. Why Do so Many People Push From the GDR into the FRG?

From the point of methodology, measuring motives is a difficult and as yet unsolved problem. In the last analysis, we are collecting statements, the veracity of which require careful examination.

Those questioned continue to see the major reason for their flight/resettlement in the political conditions and the personal lack of liberty (Diagrams 4 and 5, p 741f. [not reproduced]). Almost all leadership positions in administration, justice, police, military, educational, and health care system as well as the cadres in enterprises and schools continue to be held by the same people from former times. The state security service was not snashed—it was regrouped, changed and organized in other structures. The department for foreign espionage so far has been retained in full and “continues, undiminished, the fight against the class enemy.” The SED [Socialist Unity Party of Germany] (=PDS [Party of Democratic Socialism]) continues to pull the most important leadership and decisionmaking strings. The distrust of GDR citizens is deep-seated—they fear relapses (they are also thinking of the desolate situation in the USSR) and endlessly drawn-out power struggles. The “roundtable” is hardly seen as a competent and viable alternative, and some political groupings are distrustfully seen as infiltrated by the SED.

What influence is played by religious denomination on the decision to flee or resettle, respectively? Before the opening of the border, 35.2 percent (GDR: below 30 percent) of the refugees were Evangelical and 9.7 percent (GDR: approximately six percent) were Catholic; after that (14 December 89-31 January 90), the percentages are 23.6 and 5.8. Religious reasons for migration evidently play a diminishing role after the opening of the border; before then, it was different. A second cluster of motives (Diagram 5 [not reproduced], p. 742) which is growing in importance with the passage of time, is the standard of living in the GDR, felt to be frighteningly low compared to the FRG. This means primarily:

- desolate economic situation (among others, unsatisfactory supply of goods and services, no “real” money, inadequate infrastructure);
- polluted environment (air, water, soil, foodstuffs, construction materials);
- lack of housing and unbearable housing conditions;
- inadequate health care;
- indoctrinating educational and training system;
- totally inadequate traffic and communications conditions;
- lack of recreational opportunities.

The third cluster of motives, which is also increasingly the cause of emigration from the GDR, consists in the poor working conditions, which are also hazardous to health (compare Voigt/Meck 1984, Schwebig 1985, Voigt 1986). Only this much is to be said on that point: According to FRG standards (TUeV), many more than half of all state enterprises in the GDR would have to be closed immediately for technical safety and health hazard reasons!

Diagram 6 (p. 743) [not reproduced] explains the reasons for leaving the GDR in dependence on age and time. In all age groups, working conditions are gaining significantly increasing importance as a motive for resettlement. One thing is certain: The worse environmental (pollution in soil, air, water, food) and working conditions are (hazardous to health, etc.), the higher is the population's migration from the respective regions to the FRG.

People are becoming impatient. They want to live now and not only in an uncertain future. “The same functionalities are still everywhere, how is anything to change in a far-reaching way?” The performance principle is to be applied to work (see Voigt/Meck 1984); many leave the GDR because they cannot imagine how the new is to be implemented with the “old cadres.”

4. The Refugees' and Resettlers' Expectations of the New Life in the FRG

A united Germany in the sense of a union of the GDR with the FRG is desired by 83.9 percent of the migrants (Diagram 7, p. 742 [not reproduced]). Diagram 8 (p. 744) [not reproduced] shows the significantly increasing importance of daily living and working conditions as a motive for emigration. Diagram 9 (p. 744) [not reproduced] supports the hypothesis: The higher the educational level (here: professional qualification), the more highly the migrants value personal and political freedom.

5. On the Social Prestige of Occupation in the GDR

In the GDR, also, one's occupation is the most important indicator of social position (Tesch 1970, Voigt/Belitz-Demiriz 1987, Voigt/Voss/Meck 1987), social strata are “clusters” of occupations. For Western industrial societies, the following holds true: The more difficult the situation of a social system, the closer is the connection between the specific occupational performance or the holder of the position, respectively, on the one hand, and the prestige of the occupation and its inherent rewards (incentives) on the other. The stronger the performance principle in a society, the greater the accordance between the specific performance of the position holder and the respective regard of the corresponding gratification (Voigt/Meck 1984).

In the opinion of the refugees/resettlers questioned by us, the highest standing is accorded in the GDR to the professions of university professor (with the exception of social sciences, etc.), physician and master craftsman; followed by lawyer, clergyman and engineer. With Tesch (1970[1956-1961]), the following ranking in the first six places results from the refugees questioned: physician, university professor, electrical engineer, technical director, teacher, master car mechanic. Functionaries, party and civil servants are held in low esteem in the GDR. The professional prestige (Diagram 10, p 745)—that is documented by changes in the direction of Western value structure—is probably already far-reaching influenced by the upheaval in the GDR! This is above all demonstrated by the professions of lawyer, clergyman (in seventh place according to Tesch), engineer, skilled worker, journalist and policeman. The

esteem, for instance, of lawyers, journalists, policemen, i.e., of those who in their majority served the SED with or without uniform, was extremely low in the old GDR; within the framework of the functions of these professions which are now changing, their valuation is now also approaching the Western standard.

6. Party Preference Among Resettlers From the GDR

Resettlers from the GDR tend to vote conservative. In an election to parliament, 44.2 percent would vote for the CDU/CSU [Christian Democratic Union/Christian Social Union], and 21.4 percent for the SPD [Social Democratic Party]; 21.4 percent are still undecided. But one thing is certain: They would not cast their vote for the PDS or any other communist party. If we disregard the "don't know" share, then the CDU/CSU receives 60.8 percent, and the SPD 29.4 percent.

If we compare the party preference of the resettlers with the result of the election to the People's Chamber in the GDR (18 March 1990), common points, but also significant differences, emerge. The CDU/CSU received 47.2 percent of the votes; the SPD (= 21.8 percent) and the PDS (= 16.3 percent) represent a noteworthy share. The "left potential" in the GDR is incomparably greater than among the resettlers, and probably also greater than that in the FRG (Diagram 11, p. 746).

The SPD/PDS gained votes by propagating social fears. But also its former cadres voted for the SED/PDS; employees in SED enterprises/institutions (administration and executives), coworkers and employees of the Ministry for State Security; students and cadres of technical schools and colleges without any professional prospects (for example, teachers of Marxism-Leninism and social sciences, economists, sociologists, pedagogues); judges, prosecuting attorneys, directors, etc.

Almost all "SED cadres" and functionaries were more or less linked to the state security service! They not only fear the loss of their sinecure—not a few of them also fear being brought to account for crimes committed. For the GDR resettler, the SED/PDS is a criminal organization which should be strictly prohibited; for the 16.3 percent PDS voters in the GDR, on the other hand, it represents a safety anchor and power tool which must be preserved and expanded.

V. Summary and Hypotheses

In summary, the refugees/resettlers questioned during the October 1989–March 1990 study period can be characterized as follows:

On the average, the refugees/resettlers are younger than the GDR population.

The average age declines with the passage of time.

Considerably more men than women come to the FRG.

The proportion of married persons declines, that of single persons increases.

The qualification level, which was above the GDR average before the opening of the border, decreases in the course of time.

Those questioned continue to list the bad political conditions and lack of personal freedom in the GDR as the main reasons for their flight/resettlement.

By comparison, however, with the passage of time the low standard of living and the bad working conditions in the GDR clearly gain in importance as a resettlement motive.

Refugees/resettlers (10 October 89–14 March 90) are not a representative reflection of the GDR population!

All extremes seem more pronounced among them. They probably deviate more in all values studied from the mean value than the average of GDR inhabitants.

Agreement is greatest between GDR citizens and GDR emigrants in the strict rejection of the GDR (SED/PDS) regime; there is not a trace of GDR identity among the migrants (rather, open enmity), but there is a noticeable and growing kind of bond vis-a-vis the difficulties and those arrogantly established.

Politically, the refugees/resettlers as a whole are probably more center-right than those who stayed at home, who at present probably tend more toward center-left.

Work morale, willingness to perform, "bourgeois virtues," creativity, good qualification and spontaneity are probably much more pronounced among the migrants of the first phase than among those who came later and those remaining in the GDR. The percentage of problem cases, asocials and criminals is growing among the resettlers. Many would like to be paid without working; this "taker" mentality also seems to be spreading in the GDR.

Distrust and need for security are generally very pronounced among refugees/resettlers—probably more so than among those still working in the GDR.

The economic integration of the emigrants from the GDR is becoming more difficult; but much more difficult in the future—due to the great number of resettlers—will probably be the social integration of these masses of people. Volker Onge (1990, p. 45) remarks on this:

"...that the relatively successful and unproblematic economic integration of the GDR resettlers in the FRG is confronted with a social integration laden with problems, in which is reflected the far-reaching difference between the two German social orders of the postwar period which meanwhile has taken place. The socialist 'socialization baggage' that today's resettlers are bringing to the West, which cannot simply be shaken off and exchanged through relearning, which conflict in numerous situations with the expectations predominating here with regard to behavior, orientations and patterns."

The burden of the problems stemming from this will not only be borne by the GDR resettlers (who moved in with us every month in numbers equalling the size of a city like Cuxhaven) in the form of "widespread social isolation" (ibid.), but also by FRG citizens with financial burdens and increasing conflicts of values and standards which occur in contact with the "East Germans."

True, the awareness and sense of justice in the Western meaning is probably more pronounced among the predominant part of the migrants than among those remaining in the GDR, but problem cases and criminality among the resettlers are increasing. Compared to GDR standards, however, there are deficits in the sense of justice and internalized democratic behavior norms whose extent and effects on our lives, also, can only be surmised today.

Footnote

1. Compare Hilmer/Koehler 1989 a/b, Ronge 1985, 1990.

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POLAND

Religious Instruction Controversy Broadening

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19 Jun 90 p 6

[Article by Ulrich Schmidla: "Poland's Bishops Are Making a Push for the Schools—Government Reaction Skeptical/Students Complain About Study Load/Radio Survey"]

[Text] Warsaw—Poland's Catholic Church would like to increase its influence on society. It considers the introduction of religious instruction in the schools as one of the most important means for its purpose. Recently, the bishops, with Primate Jozef Glemp in the lead, do not pass up any opportunity to point out that religious instructions were banned from schools by the old communist system. When changing to a new democratic order the misguided decisions of the old regime must be rescinded.

In their fight for religious instruction the bishops have the support of a large fraction of the Solidarity. The GAZETA WYBORCZA, the union's daily newspaper, generously reserved space for Bishop Orszulik, the acting secretary of the episcopate. In his article Orszulik

referred to the 1921 Constitution, which guarantees religious instruction in the schools, and a survey among parents and priests. Both groups, according to the bishop, had spoken in favor of reintroduction.

The now-dissolved Communist Party had irrevocably abolished religious instruction in 1961. Previously, in 1950 and 1956, it had been sanctioned in two agreements between state and church, that is at a time when all other communist states had already prohibited it. After the ban, the church in Poland organized its own instructions in catechism.

The present drive is being viewed with skepticism by the respective ministry and by students. Anna Radziwill, the acting education minister, commented that the introduction of religious instruction as a school subject would most likely cause tension. "Christian values should be present in education but without any pressure into professing oneself." Unrelated to the fact whether a child is religious, he or she should learn in school what church is and the purpose of the altar. Whether religious instruction will be introduced as a subject will be decided by the Sejm, however.

In a survey conducted by Polish radio broadcasting, the young people expressed unanimous disapproval. One

female student, presently taking her high school graduation exams, said: "The number of school hours is already too high, there is much too much subject material. We are tired when we get home because we sit in school too long. It makes no sense to add religious instruction on top of it."

Another was of the opinion that such instruction might lead to intolerance in school, namely intolerance toward the minorities who belong to other denominations. "Those who absolutely want to have religious instruction should utilize the options the churches have offered all along," she added.

Yet Orszulik points to the bishops' right and duty to teach the faithful about their responsibilities in the area of child education and of cooperation with the school. They should see to it that state laws ensure religious and moral education in the schools. "Today we are participating in the reform of the state and of education as well," he stated and demanded that a bill proposed by the education ministry also make provisions for religious instruction.

According to Orszulik, a commission of government and episcopate representatives will soon begin talks with regard to this issue.