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# ***JPRS Report***

# **East Europe**

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# East Europe

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## CZECHOSLOVAKIA

### Prosecutor Reveals Scope of Criminality in Nation *24000013 Prague TVORBA in Czech 21 Oct 87 p 5*

[Article by mt]

[Text] In connection with the social and economic transformation of society taking place, it comes out more and more that the requirement for strengthening legal consciousness is not a side issue. It affects the economy, politics, administration, and culture and increases in importance with regard to legislative actions being prepared, such as the law on state enterprises and the laws on the cooperative system. Further legislative changes are also occurring in connection with this, including an updating of the criminal code and the laws connected with it.

Recently CSSR General Prosecutor Jan Fejes and CSR General Prosecutor Jaroslav Krupauer each spoke in the same time frame with newspaper reporters. Even though each of them spoke for different reasons (Dr Fejes talked about changes being prepared in the criminal code and Dr Krupauer addressed the status of lawfulness in the CSR), their presentations were socially closely connected.

Dr Jaroslav Krupauer stated that the development of criminality in the Czech lands is characterized by two differing tendencies. While in the period 1977 to 1979 the number of persons prosecuted dropped, around 1980 a noticeable increase occurred which in recent years leveled off. This overall trend does not apply to all types of criminal acts. The growth is mainly in crimes of property, especially theft. Theft occurs in construction and state trade and services and burglary has become more widespread in the cities. Criminal acts are being committed not only by individuals, but also by organized groups of perpetrators.

One cannot substantially limit the extent of seriousness of criminal acts, as Dr Krupauer stated. Juvenile crimes are being marked by a growing ruthlessness and cruelty in addition to their seriousness and it is also disturbing that they are being committed in groups. In the last 5 years, the number of persons prosecuted for crimes has grown and those indicted for wrongdoing has increased from 155,000 to 162,000 with the incidence of punishment per 10,000 inhabitants increasing from 111 to 113 persons. Among young people up to 29 years of age the incidence is 267 persons.

It is obvious that braking the law violates the interests and rights of citizens and does not respect the interests of society. The fight against crime is becoming a social imperative. At the beginning of September the leadership of the CPCZ Central Committee addressed the

crime situation and took measures to increase the effectiveness of action against this antisocial phenomenon. These questions will also be on the agenda of the Czech National Council session in the near future.

As shown by the speeches of both representatives of the Czechoslovak prosecutors' offices, the basis for the fight against crime and other illegal activities is an improvement in the agencies responsible for penal management and an increase in the effectiveness of social preventative measures, the behavioral modification of punishments, and the legal consciousness of society. In order to speed up court proceedings in the administrative and economic agencies and to maintain the principle that punishment should be swift, within the framework of legislative adjustments to the criminal code some less dangerous acts will be tried in the administrative and economic agencies, usually within the authority of agencies of the national committees. The new law on offences which is being prepared provides for the stability of our society. At the same time, it should bring about order and the authority of the socialist state in this area.

In increasing the legal consciousness, it is not just a matter of crime, although that, as the most dangerous manifestation of the of law, is the most dangerous. It is also a matter of maintaining the legal norms which support society and its economy. This includes, among other things, inadequate controls which we experience in all areas of managing the economy and culture. CSR General Prosecutor Dr Krupauer, in response to the question by the TVORBA editors as to what he saw as the reason for its low level, answered that it is not an isolated phenomenon, but results form a decrease in discipline and standards throughout society and from the fact that there has not been a complete understanding of the importance of controls in managing the national economy. The demand has been put forth for work controls to be paid from funds from above the enterprise level or other funds and taken out of the authority of the plant and enterprise managers. "This is an absurd demand," said Dr Krupauer. A supervisor who is not interested in properly determining the situation in the workplace which he manages and who does not lead his auditors so that they do not cover up deficiencies shows that his management is not up to the required level.

The laws must be changed and modified to conform to society's current situation. But a law is not in itself enough. It does not act itself, but is promulgated only by people's conscious actions. Without conscious maintenance of the laws in every area and in every field of human activities, one cannot speak of strengthening discipline and increasing the effectiveness of the national economy, of the protection of citizen's rights and the interests of all society, or even of the development of socialist democracy.

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**Daily on Intellectuals' Critical Manifesto**

*AU262110 Bratislava PRAVDA in Slovak 24 Nov 87 p 3*

[Lubos Pokorny article: "Belated Remorse and What Is Behind It; On One Provocation of Posthumous Children of Slovak Clericalist Fascism and Ideological Subversive Centers"]

[Excerpts] Not only our, but one could well say that also the European and the world public know the Voice Of America and Free Europe radios. They are vestiges of the Cold War period and their activities have frequently elicited protests not only from progressive organizations, but also from official representatives of many countries. There is perhaps no person that would have doubts about their true objectives: they serve reactionary forces in their struggle against everything that is progressive in the contemporary world. To this end they are organizing various spiteful campaigns, errantly falsifying historical facts, and are trying to subvert the political awareness of the population in the socialist countries. To do this, they like to make use of those individuals and groups, whom the revolutionary storms of this century swept away to the rubbish heap of history. Judge for yourself.

Not so long ago, Voice Of America and Free Europe reported to the world with much pomposity that a group of Slovaks visited the Dachau concentration camp to pay respects to victims of the Nazi terror. The ceremony was assisted by Bishop Dominik Kalata, there were prayers, highfalutin words, tears, fervent pathos. The highlight of the program was the reading of the Declaration on Deportations of Jews From Slovakia, a document which was allegedly signed by prominent representatives of Slovak culture and arts.

The authors of the document recall the tragic event of 45 years ago, when the government of the fascists Slovak State was deporting the Jewish population, and in the name of the Slovak nation express profound remorse over that tragic event, for which "we want to beg the forgiveness of all living relatives of these victims of inhumaneness and all relatives of their nation.... We leave it to historians to justly assess the general, absurd international situation in those times, when one generally retreated before violence.... Nor do we want to talk about expressions of resistance by the then representatives of churches against the persecution of our Jewish fellow citizens..." The authors are saying further that they are forced to express profound remorse because of the fact that in Slovakia there does not exist a single dignified memorial to this tragic event, synagogues are in poor shape, and Jewish cemeteries are gradually disappearing.

Emigree priest Anton Hlinka, Voice Of America's and Free Europe's "expert" on Slovak problems, especially on religious issues, called on those present to express solidarity with the signatories of the document and

voiced the hope that "all, who have reconciliation between individuals, social groups, and nations on their heart, will certainly follow" their example.

Quite a few readers of these lines could ask: What is so bad about that? The participants delved into their memories, wept, begged another nation for forgiveness on behalf of their own nation.

The only thing is that every word was a swindle, deception, falsification of history, distortion of facts.

First of all one has to clearly say that the Slovak nation is not responsible for this of the other crimes of the fascist government, and has no reason at all to beg other nations for forgiveness. [passage omitted]

Yes, the same as in other countries, in Slovakia, too, there were fascists. They committed many crimes, above all against their own nation. There are many mass graves in Slovakia, which remind of the horrors of fascism. In these graves are buried members of many nations and nationalities. But the majority of them are Slovaks, which is understandable.

The fate of our Jewish fellow citizens was, without doubt, tragic during the fascist reign of terror. The government of the so-called Slovak State mercilessly persecuted them, following the Hitlerite example. On 9 September 1941 it promulgated the Jewish Code which, patterned on the Nazi Nuremberg laws, outlawed in 270 articles citizens of Jewish origin and made beggars of them economically. [passage omitted]

What was the Slovak people's attitude toward these inhuman measures against the Jewish fellow citizens? They did not agree with them, and many Jews' lives were saved thanks to the fact that they were hidden by the fellow citizens. [passage omitted]

It is only proper to recall that the illegal Slovak Communist Party has always been consistently opposing racism. This is the reason why also many Jews from wealthy families joined them, such as, Eugen Loebel, who later—in emigration—joined clerical fascists.

The authors of the pamphlet are saying that representatives of churches opposed the deportations of Jews. There is no doubt that such cases do exist in history. But what did the authors conceal? For example the fact that a Catholic priest stood at the head of the state which was implementing those inhuman measures, whom the posthumous children of clericalist fascism are currently trying to proclaim as a saint. [passage omitted]

One of the organizers of this latest activity of Ludakist emigrees is Pavol Cernogursky, chairman of the World Congress of Slovaks' commission "for human rights." His brother Jan is one of the first signatories of the pamphlet and is a prominent representative of the illegal church structures in Czechoslovakia. According to

the Canadian radio they are allegedly well known in Slovakia thanks to their father Pavol Cernogursky, who was awarded the Congress' National Prize" this year. But who is this gentleman? From October 1938 through June 1944 he was deputy of the parliament and voted for the law on the deportation of Jews. [passage omitted] Thus if Mr Cernogursky and his sons want to beg forgiveness from the victims of the clericalist fascist licentiousness, let them, but they should not be hiding behind the nation, which had nothing to do with the father and has nothing to do with his sons.

It is typical that the pamphlet regards the Jewish fellow citizens in our country as a nationality, although under our conditions they were and are members with full rights of the nations and nationalities which live in Czechoslovakia; in their case of Jewish faith. This shows the pamphlet's foreign origin, or at least inspiration. Its authors are not aware of the contemporary realities of our social life. They are pressing for a memorial to victims of the deportation, although in Czechoslovakia there are many memorials to antifascist fighters and victims of fascism, but not one of them on a religious principle. They are memorials to fighters against fascism regardless of their nationality or religion. The authors of the pamphlet are bemoaning the dilapidated condition of synagogues and Jewish cemeteries. If they would be living in our country they would know that many synagogues had been renovated, and synagogues and cemeteries that no longer served religious purposes had been duly bought from Jewish religious communities and serve public interests now. These Jewish religious communities, similarly to 17 other churches, have in our country all necessary conditions for satisfying the religious needs of their believers. In Czechoslovakia there exists the State Jewish Museum, which is in its way a unique memorial to the victims of fascist licentiousness. Its extensive collections had been admired by many visitors of exhibitions not only in Europe, but also in the United States and Canada. There have not been any complaints in recent years by Jewish religious communities about the procedure of the state agencies which meet them halfway, the same as other believers, to satisfy their religious needs. It is a paradox that precisely the posthumous children of clericalist fascism, who have deportations and murders of the Jewish population on their conscience, are trying to speak on its behalf today.

Among the signatories of the pamphlet we find—whom else?—"dissidents" known for their attacks on our system. Surprising is the signature of Dominik Tatarka, the author of the well-known novel "The Parish Republic," who with profound convincingness depicted the repulsive, animal-like nature of Slovak clericalist fascism.

It is true that also some representatives of our artistic life, who had and have nothing in common with the anticommunist and anti-Czechoslovak attacks of the ludakist emigrees, signed the calumny-containing pamphlet. Some have been victims of trickery, because the agitators who asked them for a signature introduced

themselves as representatives of the Union of Antifascist Fighters. Many of them, when they found out who organized that action and whom the action serves, when they found out that the pamphlet would be broadcast by radios Free Europe and Voice OF America, immediately withdrew their signatures.

Our people have always been condemning genocide, no matter who became its victim—be it Jews during the years of World War II or the Arab people of Palestine at present.

**Slusovice Hosts Symposium on Cattle Breeding**  
*AU271601 Bratislava ROLNICKE NOVINY in Slovak*  
26 Nov 87 p 2

[CTK report: "Symposium on Cattle Breeding"]

[Text] Zadverice (CTK)—Some 400 Czechoslovak experts are participating in an international symposium entitled "New Breeding Techniques and the Holstein-Frisian Cattle" in Zadverice in Gottwaldov district, which is organized by the Agrokombinat Slusovice united agricultural cooperative. Among the 10 main lectures that will be heard are papers by experts from Hungary and the FRG. The 2-day symposium will provide both scientists and representatives of cattle breeders with information on developments of the past decades in advanced states and on the prospects of planned international cooperation in improving the quality of cattle breeding in the CSSR and other socialist states.

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## POLAND

**Polish Weekly Cites Schaff on Marxism**  
*AU031255 Warsaw POLITYKA in Polish 28 Nov 87 p 2*

[From the press review]

[Text] In his article "New Challenge to the Idea of Socialism," published by ZDANIE, Issue 10/87, Professor Dr Adam Schaff, a philosopher, writes:

At present, Marxism is facing a great challenge: Either its champions manage to carry out the indispensable changes in the theory of Marxism by developing it in line with a new objective situation in the lives of modern societies, or Marxism will have to be banned to the shelves with the books on history of science as an out-of-date theory, albeit meritorious and respectable.

This is the truth, and those who will shout at the top of their voices about revisionism and so on on because of their mental atrophy or because their positions and privileges begin to totter, should be silenced for the sake of the defense of Marxism and for the sake of its survival.

This is neither strange nor surprising for the theoretical concept of the creators of Marxism, who consciously proclaimed that their science is not a dogma and that it requires continuous development precisely as a science. [sentence as published] the present champions of Marxism should also understand this for the sake of Marxism's survival and further development. What Marxist science now needs is not an avalanche of quotations from the classics—a practice that has become a habit with many people—but independent thinking based on Marxist methods. Such thinking is bound to proclaim many of those quotations as obsolete in the face of the objective development of reality and science.

## ROMANIA

**Importance of Internal Party Democracy Stressed**  
*27000250 Bucharest ERA SOCIALISTA in Romanian*  
*No 13, 10 Jul 87 pp 14-16*

[Article by Dr Marin Nedelia: "Complete Unity of Internal Party Democracy With General Development of Socialist Democracy"]

[Text] As Romanian and worldwide experience indicates, development and improvement of the socialist democratic system, formation of a manifold and uniform structure for all workers' political and social expression, and more efficient democratic management on all social levels are objective laws of socialist construction. Ever since the Ninth RCP Congress Romania has been gradually but consistently building a new and original system of workers revolutionary democracy based on its understanding of those requirements, disregard of which in the previous period seriously interfered with full enjoyment of the superiority of the socialist form of social organization. The new system provides the political and organizational structure to fully concentrate the whole nation's will and capacities on solving the problems of social progress. Securing the proper operation of all components of that system while continuing to make the improvements necessitated by advanced social practice is a vital point in the RCP's policy and a primary task of the party organs and organizations and all communists.

There is a close correlation and interaction between development of democracy in socialist society, under the decisive influence of the policy of the RCP as the government party and guiding force of the people, and the operation of the party itself as a truly democratic force, as regards both the party's internal activity and its methods of formulating and implementing its general political policy and programs for every social field and the nature of its relations with the masses and of its integration as a component in the societal mechanism as a whole.

In Nicolae Ceausescu's speech welcoming the secretaries for organizational problems of the central committees of the communist and workers parties in some socialist

countries, he stressed this connection and pointed out that in adopting the forms of self-management and self-administration and creating a number of new democratic bodies that have fully proved their importance to the people's participation in the entire country's management, "We have had and still have in mind that this also requires democratization of party activity. We consider party democracy an integral part of the general democracy of Romanian society."

Since the party is the chief promoter of the new, especially in substantial democratization of society as a whole, it cannot remain outside that process itself. It must promote the fundamental principles of socialist democracy in its own internal activity by making it possible for its members to participate as fully and efficiently as possible, in compliance with its regulations and decisions, in its activity and in the performance of its role in society.

The effort to keep expanding and developing democracy, characteristic of the approach to social management lent the RCP in the last 22 years by its secretary general Nicolae Ceausescu, has been and is reflected in both the organization and the operation of the party on democratic principles and standards and on the basis of democratic centralism as the fundamental principle of its activity and organizational structure, and in the changes made by the 9th, 10th, 11th, 12th and 13th RCP congresses in the party's regulations in order to strengthen its internal democracy.

As we know, election of the management organs of its various political or public structures is a fundamental principle of any democracy. The regulations and practical activity of the RCP organs and organizations strictly observe and apply that principle in all party work. All of the party's management organs are elected. The bureaus of the primary organizations and all party committees are elected by secret ballot from the bottom to the top.

Election of all party organs by the secret ballots of the members demonstrates the political maturity of the party and its members and their democratic investment with full responsibility for selection and promotion of personnel. It is also a real school teaching the party members to observe and correctly apply the basic rules of internal party democracy, which guarantees that they will also militate outside the party, in society and in the workers collectives, for observance of the standards of workers revolutionary democracy.

The democratic quality of the uniform standards for electing and promoting personnel formulated by the RCP is reflected, among other things, by the regulatory principle of compulsory replacement of some of the members of party organs at elections, from the bottom to the top. The 13th Party Congress enacted this principled provision when it stipulated that in conformity with the rotation requirements at least one-third of the membership of the party organs shall be replaced at elections. So

far from interfering in any way with the party members' regulation right to nominate the best communists and elect them to the management organs this provision, resulting from careful study of Romanian and other parties' experience, is an important guarantee of the democratic operation of the electoral mechanism. It avoids bureaucratic ossification of party organs by keeping their components unchanged for long periods. Moreover it helps to considerably increase the number of persons whose experience in party work and whose knowledge of the facts is enhanced by their election to the management organs, and they contribute directly from within those organs to the improvement of the work of the respective organizations of the whole party. Rotation of personnel elected to the party organs permits more rapid and extensive application of the energies and talents of a large number of communists, teaches them practical party management, and helps to indoctrinate the party members in the democratic principles of equality among communists and each one's responsibility for accomplishment of the party's historic aims and mission, regardless of his function at the moment.

Introduction of the regulations for nominating the party secretary general at the Plenum of the Central Committee and the county party conferences and for his election by the party congress is particularly important for extending the democratic principles in the RCP's activity, as well as the regulations for nominating, at the party conferences and assemblies, the candidates for the management organs of the higher party organizations, and also for preliminary discussion of the personnel to be recommended for promotion, in the party organization and in the workers collectives to which they belong. These measures enhance the democratic character of the party's internal activity because they make a better combination in practice of the equally democratic principles of direct and representative participation in the election of the management organs of the higher party organizations. This considerably increases the number of party members who analyze and decide upon nominations of persons to party organs outside their own organizations. As Nicolae Ceausescu said, discussion and approval of party personnel from top to bottom in the party conferences and assemblies, including the Central Committee members and the secretary general in the county party conferences, make it possible not only to know the communists' opinions better but also to strengthen the responsibility of the members of the Central Committee and the other party committees to the party organizations that nominated or supported them and to the collectives from which they were promoted.

Proportional representation of the party organizations in the party organs is one of the original measures taken by the RCP in order to expand internal party democracy. To that end it was decided to elect the members of all party committees, including the RCP Central Committee, according to precise criteria and in proportion to the

numbers of members of the respective party organizations. The uniform standards for electing the members of the RCP Central Committee and the local party organs are set by the RCP Central Committee according to the RCP Regulations.

The 13th RCP Congress introduced a provision in the RCP Regulations to the effect that the first secretaries of the county party committees established by the Central Committee shall be members or alternate members of the Political Executive Committee as long as they are in office. At the same time it also introduced a provision in the RCP Regulations to the effect that the chairman of the UGSR [General Union of Romanian Trade Unions] Central Committee, the first secretary of the UTC [Union of Communist Youth] Central Committee, and the chairman of the National Council of Women are members or alternate members of the Political Executive Committee. Those provisions provided for the presence on the Political Executive Committee of the RCP Central Committee of party personnel working in the managements of local party organizations and that of the managers of the main mass and public organizations.

Meanwhile a profoundly democratic purpose is served by the RCP's effort to regulate its social, national and age-group composition and to increase the number of women in the party and in the management of the latter and of socioeconomic activity in general. The enormous prestige enjoyed by the RCP in Romania and among the entire people is illustrated among other things by the concentration in its ranks of the most advanced representatives of all social categories. As of 31 December 1986 there were 3,639,344 party members, and 22.72 percent of the total adult population and 32.85 percent of the total employed population were communists. Appropriately reflecting the leading position of the working class in Romanian society, 55.29 percent of the party members come from the ranks of the workers, 15.54 percent from those of the peasants, and 20.53 percent from those of the intellectuals and office workers. The party's national composition reflects the national structure of the country's population. The proportion of women has increased annually and now amounts to more than 34 percent compared with 21.58 percent in 1965. As the party secretary general said, we have a young party, from the standpoints of both the average age of its members and the revolutionary conception of the world and life.

In order to bring out the true democratism of the RCP's internal activity, it is not unimportant to point out the way the candidates for the party organs are nominated and discussed by the communists at the respective party conferences or general assemblies. In principle and in practice, every party member has the right to nominate candidates for the bureau or committee of his own party organization and the immediately higher organization and to discuss the nominations made by the other party members. And for purposes of enhancing party democracy, the party organizations regularly nominate more

candidates than are to be elected. The appointment in some cases of nominating committees in the larger primary organizations and at party conferences as well does not restrict the participants' right to nominate other directly and to discuss and decide in each separate case whether or not the nominees shall be included on the list of candidates. The secret ballot accordingly closes the democratic discussion conducted knowledgeably and with communist responsibility by the members of the primary organization or by their elected delegates in the case of party conferences.

The party organs' obligation to report periodically on the activity performed to the respective party organizations, and to regularly inform the communists and party activists as to the party's domestic and foreign policies and the main decisions and measures they adopt, is an essential standard of democratic centralism.

It is the regulation duty of the bureau of the primary organization and the party committee to report annually on their activities to the respective organizations. At the party general assembly the bureau informs the organization about the implementation of the last general assembly's decisions. The party organs first submit the main measures for economic and social-cultural activity that are to be approved to extensive discussion in the party organizations and with the workers. All party committees and bureaus present reports at the assemblies or conferences to elect new management organs.

A number of forms of organization and labor are also promoted in the party's practical activity that combine the principle of competence and experience of the party members and personnel with those of democratism, consultation of as many communists as possible about study of the problems and proposal of solutions, and commitment of all party members to implementation of the party administration's directions and assignments and the higher organs' decisions. This includes the appointment and activity of the party activists and commissions on problems of the party committees.

The party committees to which the party activists were appointed regularly convene assemblies or conferences with them in order to discuss the major questions of party, economic and social-cultural work and the main decisions and laws, to consult them about the measures to be approved, to involve them in organization and control of implementation of decisions, and to inform them about the main questions of party and state domestic and foreign policy.

The RCP feels that the commissions on problems, which secure the active participation of all members of party committees in study of the problems and preparation of the decisions, have an important part to play in developing the role of the elected party organs in practical work and accordingly contributing to the arrangements for the appropriate repositioning of the party staff.

Discussion of vital problems throughout the party and with the entire has proved most effective. They demonstrate the democratism of RCP policy most specifically and graphically, as well as its close ties with the masses and its capacity for involving the entire party and people in sincere, constructive discussion of the problems and in making the best decisions for overcoming the difficulties and securing social progress. In this connection, the party secretary general's visits, the specific analyses made with the workers collectives in the visited units on those occasions, and the programs adopted and applied are exceptionally valuable intrinsically and as models of effective democratic discussion.

Within the RCP the party organs operate on the principle of collective labor, which is the highest principle of party and social management. Ever since the Ninth RCP Congress the collective management principle has been gradually applied in all socioeconomic units and on all levels. It reflects the need of the widest possible participation of communists and the other workers in management of all activity, and of use of collective experience and wisdom to adequately solve the increasingly complicated problems facing social management under the present circumstances.

In party activity the principle of collective labor requires observance of standards of party management and work that have been verified by experience and guarantee the democratism and effectiveness of the decisions adopted and of their implementation. They are based primarily on the fact that the adopted decisions must emanate from the entire management collective, and the members of the respective party organ have the unrestricted right to express their opinions in an organized fashion on all questions discussed, while the adopted decisions and measures must be the results of examination of the opinions and suggestions expressed and reflect the thinking of the entire collective. It is pointed out in the RCP Regulations that the members of the party organs are responsible both for performance of the tasks assigned them in the field of labor and for the decisions, activity and performance of the tasks of the organ to which they belong. It is the duty of the party organs to secure all their members' participation in management of the entire activity, in drafting the decisions, and in organization and control of their implementation as well.

As the RCP's basic political and organizational principle, democratic centralism means that the decisions are based upon the democratic standard of the majority in all party organizations and hearings. After the decisions are approved, the minority (in case there have been other opinions reflected in the vote) unconditionally yields to the majority and is required to carry out the approved decisions in practice without reservations.

Strange as it may seem, the bourgeois critics of the communist parties concentrate their fire primarily upon democratic centralism, which they present as an "authoritarian" and "undemocratic" principle, and especially upon the obligation of the minority to yield to the



majority, which is sanctioned by the whole historical evolution of bourgeois parliamentary democracy itself. But this is no accident. As contrasted with most bourgeois parties, wherein fractions are current phenomena, the communist parties are unified parties incompatible with fractions. The regulatory provisions specifying that the minority must yield unconditionally to the majority and carry out the approved decisions without reservations are intended to secure party unity and to prevent the formation of fractions, which would impair the effectiveness of party activity and paralyze its ability to act.

But the effort to prevent formation of fractions in the party does not mean ignoring diversity of opinions or viewpoints based on socialist positions, or trying to suppress the minority's right to its opinion. It says in the RCP Regulations that members of a party organ with opinions other than those decided upon by the respective organ may appeal to the next highest party committee, notifying it of their objections to the decision made. The petitioned party committee is required to analyze the objections as soon as possible and notify the party organ in question of its conclusions. Taking a stand outside the organized party structure against an approved decision is a serious violation of party standards and discipline.

Accordingly, the minority's right to another opinion is not violated. What the regulatory provisions quite rightly prohibit is the desire to impose the minority opinion, invalidated by democratic exercise of the right to vote, upon the whole collective and the entire party, and to paralyze the ability to act of the respective organization or the party as a whole by converting them to mere discussion clubs. The primary organization is the main element of internal party activity and of the effort to carry out the party's policy and decisions. The party general assembly and the communists' everyday effort to mobilize the workers collectives wherein they operate to carry out party policy and the assignments in the Unified National Plan for Socioeconomic Development are a true school for the party members' education and their political-ideological maturing. The whole party's level of awareness and activity depends upon those of each of its members.

Efficient party activity based on the standards of internal party democracy in every primary organization guarantees the increasingly intensive development of the party as a whole, its complete integration in the people's existence, and assimilation and implementation of its policy, which is regarded as the people's own policy.

Internal party democracy has been and is being developed within the RCP in close connection with the general evolution of socialist democracy, as both a component and an essential support of the latter. It is the basis for the intensified activity of the communists and party organizations and accordingly for the party's leadership in society. Experience disproves the unfounded assertions of the bourgeois ideologists or politicians who

maintain that the requirements of socialist democratic development are "incompatible" with maintenance of the party's leadership in society.

The party's role in the Romanian socialist structures is no external, foreign element nor one imposed from outside. The party does not operate as a body above society and the state but as one of their component parts, while its members work within the workers collectives and the various management bodies. They have no privileges but the duty to behave under all circumstances as the most active fighters for justice, truth and the solution of any problems in the interests of socialism and the people.

The RCP is also the chief guarantor of workers socialist democracy. In the exercise of its constitutional prerogatives and its role as the leading political force, with which it was invested by the express free will of the nation, it does not replace the working class or the other social forces and it does not lead in their name but together with them and with the entire people. The democratic way of uniting the party with the people that characterizes the RCP's activity is the result of the party's increasingly pronounced integration in the hearts of the people and of the identification of its organizations and members with the workers collectives among which they operate.

As the RCP secretary general said in his speech welcoming the secretaries for organizational problems of the central committees of communists and workers parties in socialist countries, the development of democracy in no way detracts from the party's role in management of society and all activity but calls for even more pronounced development and improvement of the party's activity and role in management of the various fields.

5186/9738

## YUGOSLAVIA

**Results of Zagreb Opinion Poll Published**  
*AU101507 Belgrade BORBA in Serbo-Croatian*  
23 Nov 87 p 5

[Seada Vranic report "Published results of public opinion poll in Zagreb: Public Picture—Our Circumstances"]

[Text] Zagreb people have finally been given the opportunity that people in Ljubljana have had for years, to say what they think.... Recently the results of an opinion poll, carried out this summer by a team of experts from the Zagreb University Center for Social Research (Professor Mladen Zvonarevic, Dr Stefica Bahtijarevic, and Dr Vlasta Spitek), were published, for which, material assistance, which is not exactly unimportant, was given by the city assembly and social political organizations.

It has happened that the "city fathers" have for the first time unselfishly supported a study for which they received no guarantees in advance. Here special significance is attached to the fact that the study on public opinion was carried out at all, and additional encouragement was given by the LC city committee Center for Ideological-Theoretical Research, otherwise the ideological protector of this project, and that this is only the beginning of future, lasting work.

### Both Fear and Hope

To begin we should see what Zagreb people think about the political conditions in Yugoslavia. "As many as" 55 percent of those asked think that political conditions are satisfactory. However, if this figure is compared with a poll of 20 years ago then there is no room for "disappointment". In 1967, as many as 92 percent of those asked were satisfied with the political situation in Yugoslavia. Otherwise, the answers show that there is both fear (27 percent) and hope (23 percent) and a readiness to act (16 percent), but also indifference (17 percent). There are also those people (6 percent) who can not fathom what is going on and even 59 percent of those asked described themselves as mere observers of events.

As the biggest weaknesses in our society Zagreb people ticked: "more words than actions" (67 percent of replies), unemployment (45 percent), lack of responsibility of people in positions (36 percent), unjustified pay differences (35 percent), and bribery and corruption (31 percent). On the list of most notable successes, they ticked: building of factories, schools etc (53 percent), Yugoslav foreign policy (39 percent), health and social insurance (35 percent), and an improvement in living standards (34 percent). It is interesting that self-management with 19 percent of replies, and democracy, with 16 percent, came quite low down on the list of successes of Yugoslav society.

The survey showed that the attitude of Zagreb people to inter-nationality relations does not coincide with the usual picture we often encounter in the media. Just 9 percent of respondents judged that inter-nationality relations had worsened and 8 percent that they had improved, while 52 percent thought that they had remained the same. This positive attitude to inter-nationality relations is also apparent in the very high number (80 percent) of those who thought that love was important for marriage, and only nine percent of respondents emphasized the national affiliation of their partner as an essential factor in marriage. This part of the survey also touched on Kosovo. Here, the predictions were partly "incorrect": only 4 percent of citizens asserted that it was an internal problem for Serbia and 9 percent for Kosovo itself, while 59 percent of respondents considered it a Yugoslav problem. Finally, from the perspective of inter-nation relations one can look at the respondents' attitude toward Croatia's position in Yugoslavia. Most of the respondents (59 percent) thought that Croatia was in the same position as the other republics, 7

percent that it was in a better position compared with the others, while 16 percent went for the reply "inferior". All in all, the results of the survey led to the conclusion that there is significantly less tension in inter-nation relations than is often thought.

Zagreb people also expressed their opinions on strikes. For most people (51 percent) they were justified, while 19 percent of respondents held the opposite view. However, only 43 percent of citizens were definitely for the legalization of strikes, while 34 percent thought this was unnecessary, and 17 percent even thought this was harmful.

The study gave some quite interesting information about religiousness. Only 34 percent of citizens do not belong to any religion, but only 15 percent were confirmed believers (that is they accepted everything the religion taught), while the other replies ranged from "I am not sure whether I believe or not" to "I am indifferent toward religion".

Zagreb people were also asked about the foreign debts, the responsibility for which was most often put on federal functionaries (33 percent), while republican-provincial (8 percent) and economic financial managers (7 percent) were spared responsibility. It is interesting that 20 percent of those surveyed thought that the foreign debts should be paid back with the help of a national loan, while as many as 54 percent ticked the reply "I have not thought about this".

### Nuclear Power Stations and Private Owners

Judging by the replies of the respondents, Zagreb people favor the private sector quite a lot. Only 2 percent thought it was harmful to socialism, and one percent asserted that the private sector should be limited and suppressed. A similar proportion, only with the opposite meaning, showed the attitude of citizens toward the building of nuclear power stations. Only 3 percent of respondents were definitely for nuclear power stations, as we will "otherwise be sitting in the dark," while 75 percent were categorically against and 7 percent left the decision up to the experts.

Zagreb people were quite critical of city and communal organs of administration. The relationship these services have with citizens was judged to be unsatisfactory by 64 percent of those surveyed. The militia and other organs of the Secretariat of Internal Affairs were seen in a significantly more favorable light, as 59 percent of answers gave them a good appraisal. However, one should not neglect the other two data. That is, 16 percent of respondents warned about the aggressive behavior of the militia toward citizens, while 7 percent thought this relationship was bad because citizens do not help the militia and have no understanding of its work.

Particular attention was paid to attitudes to the LC. Only 8 percent of respondents judged the standing of the LC in their community as being "above average", 48 percent as "middling", 23 percent as "minimal", and the answer "it has absolutely no standing" was given 13 percent of respondents. In relation to earlier studies the fall in the standing of the LC is very marked, which is definitely a question which goes beyond mere statistical importance and about which many people must think seriously.

Finally, loyalty to socialism as "most suitable for social and economic development" has waned to only 31 percent definitely for, while 35 percent of those surveyed thought that "socialism was just as good as other roads to development". Indeed, the researchers pointed out that this question should be analysed in more detail. It is not difficult to agree with this, particularly as the most reliable conclusions possible could be drawn by considering the many different responses concerning this subject.

However, regardless of the fact that none of this data can be taken on faith and that this research, like a series of others, also has its weak points, it is most important that things nevertheless did get moving. Since public opinion—as Professor Tomislav Jantol recently pointed out—is an important factor in every democratic movement, primarily because it is a noninstitutionalized form of citizens' influence on authority. Particularly as it is necessary to rehabilitate the political meaning of the public and of public opinion and then to stimulate continued research, as this is not only desirable but also necessary.

0781

**Kronic Speaks at SAWPY Presidium Session**  
*LD131302 Belgrade TANJUG Domestic Service*  
*in Serbo-Croatian 1401 GMT 12 Dec 87*

["SAWPY Federal Conference Presidium on Economic Resolution"—TANJUG headline; monitored TANJUG transmissions did not carry initial portion of this item, transmission begins with take 3 of a total of 7 TANJUG takes]

[Excerpts] [Dateline not received]—Calling for economization, Bosko Kronic stressed the vital need for work organizations making savings for the federation. We are not saving nearly as much as the other countries in the world are. Countries which have more save more than us, noted Kronic, adding that we should re-examine social overhead and the network of state and parastatal organs, because self-management would not be damaged by this.

Having pointed out the phenomena of "impassioned overreaction" to every proposed measure, Kronic stressed that everyone should turn to work, establishing and taking up his own responsibilities. The LCY Central Committee has just established the duties of communists

in the socioeconomic sphere. Their implementation will continually be, as he put it, supervised; and everyone's contribution will be measured according to his involvement in these duties. Having noted that it would be difficult to overcome the crisis if the people try to obstruct and "get around" the price policy, Kronic underlined that the way out of the crisis can only be by all our work. In any case, this will be dealt with at the LCY conference in March of next year. [passage omitted]

Asking to speak, Janez Zemljarić dwelled on today's discussion and pointed out that speedier development could not be ensured by relieving debts. For this reason, it is calculated that negotiations with foreign creditors on the consolidation of debts should be completed by March or April this year at the latest. The Yugoslav Chamber of Economy and the FEC are not party to the changes to the foreign exchange law, but they are beginning to coordinate their stands. The aim is to ensure greater support, especially to active exporters, said Zemljarić.

When the session reconvened, the presidium was informed that the constitutional commission ended work last night by endorsing amendments and addenda to the draft amendments to the SFRY Constitution. This job is done, said Jovan Dejanović, thanks to democratic and tolerant work and observance of arguments. [passage omitted]

Winding up this part of the session, Milojko Drulović recalled that the Socialist Alliance will come to the public discussion armed with its platform, because this organization has many more responsibilities than merely registering views and new proposals.

The Presidium then endorsed the tasks related to the implementation of the stands of the SAWPY Federal Conference on Kosovo which were the subject of discussion at the last session of the federal conference. [passage omitted]

7481

**Serbian Religious Activity Condemned**  
*LD131443 Belgrade TANJUG Domestic Service*  
*in Serbo-Croatian 0130 GMT 13 Dec 87*

[Text] The relations of the state with almost all the religious communities in the SR of Serbia are on the whole good and constructive, something which is borne out by the statements and stances of the state organs in the republic as well as by the most senior officials in the religious communities. However, the LC cannot accept the banding together of individuals and groups from clericalist circles which divide people into atheists and believers and foment militant theism, chipping away at Marxism, socialism, and the federative organization of the SFRY.

This is the essence of a debate which was conducted recently in the Serbian LC on the ideological struggle of communists against the phenomena of clericalism and clericonationalism. In addition to already well-known assessments about the clear and precise constitutional-legal position of the religious communities and the rights of believers in socialist Yugoslavia, it is stressed that the LC must make a clear distinction between the democratic orientations of citizens to express freely their religious convictions and the efforts of clericalist circles to exploit this for political purposes. The religious sensibilities of people in no way hinder the building of socialism, and nor is this possible if only atheists fight for it.

It was pointed out that the fact cannot be ignored that in individual religious communities there is a strengthening in the conservative wing of the clergy, who are attempting through their activity to go beyond constitutional frameworks and stimulate nationalism and ethnic-religious purity. Thus, for example, in a detailed analysis which was made of these problems in the Serbian LC, it is stated with regard to the Serbian Orthodox Church that there can be found under its wing clericalist and clericonationalist inspired individuals both in the bishopric and also in other parts of the church hierarchy, as well as among lay believers.

The most persistent, it is assessed, are some monastic circles, which follow uncritically the political stances of the former bishop of Zica, Nikolaj Velimirovic and Archimandrite Justin Popovic. These influences are also noticeable in a section of the Serbian Orthodox Church press, and there is also advocacy of "the exclusive concern for the souls" of Serbs, especially in Kosovo. In addition to anti-Yugoslav and anticommunist stimulation of cooperation with extremist clerical and other Serbian political emigres, the analysis says, demands can also be heard for "reconciliation" of the Serbian Orthodox Church with schismatic factions abroad. Pressures are also being exerted on the leadership of the Serbian Orthodox Church because of its correct cooperation with state organs and a total campaign is being undertaken against members of the association of orthodox priesthoods.

As regards the Roman Catholic Church it is stated that the recent decision by the Vatican about the new administrative organization of this church in Serbia and the creation of a Belgrade Metropolitan, is a sign of respect for existing realities and administrative boundaries in the republic. However, the range of these decisions, it is pointed out, is reduced by the fact that Novi Beograd, Zemun, and the whole of Srem continue to remain within the authority of the Djakovo Diocese, in other words the Zagreb Metropolitan, which according to some opinions, is reminiscent of "the solutions of Austro-Hungary and the Independent State of Croatia."

In the framework of this religious community as well there is mention of the expression of clericalist and clericonationalist activities and these are spreading about the alleged threat to Croats, Hungarians, and Albanians who are Catholics in the republic. This church, the analysts believe, has in large

measure contributed to nationalist division between Croats and HUNGARIANS in Vojvodina. While members of the clergy from the ranks of the Hungarian nationality are establishing increasingly firm ties with the Roman Catholic Church in neighboring Hungary, the Croatian Catholic clergy is insisting on the study of the cultural heritage of the Bunjevci [Croats who migrated from northern Dalmatia and Hercegovina to Vojvodina in the 17th century—fbis] in Vojvodina, and here there is a perceptible inclination toward nationalist mystifications and manipulation. In the last few years there has also been a revival in the connections of individual Catholic priests from Vojvodina and Volksdeutsche organizations and there have also been attempts of the Volksdeutsche in the organization of local parish priests to recall their former home. Phenomena of support for attempts at the political and judicial rehabilitation of Cardinal Stepinac have also been noticed. The activity of the Roman Catholic Church in Poland is also being followed with unconcealed sympathy and there are hankerings after a similar model of the church's behavior in our country too.

As regards the Islamic religious community, whose headquarters in the area of the SR of Serbia are in Pristina, the significance is stressed of the fact that immediately after the counterrevolution in Kosovo it clearly condemned these events. However, in this religious community too the politicization of one section of religious officials and believers is noticeable, something which also has a negative influence on international relations. Thus, for example, a significant section of the religious officials in the community, it is pointed out in the analysis made in the Serbian LC Central Committee, identify the Albanian, Turkish, Romani, and Muslim nationality with religion, or in the name of religion negate their national affiliation. A section of the clergy of the Islamic community is making propaganda against nationally and religiously mixed marriages and in the Sandzak. There are also attempts of the Albanianization of the Muslim population. Huge amounts of money are being set aside for the construction of religious buildings, whereas actions to raise voluntary contributions for the building of local roads of schools meet with failure.

There is also politicization of the religious press primarily through the uncritical publishing of texts from Islamic countries. Evermore present, it says, are the ideas of Islamic fundamentalism, pan-Slavism and so-called revolutionary Islam. There is also the maintenance of contacts with hostile Muslim emigres, and "the accentuated interest of the foreign Muslim factor in the position of Muslims in our country" is also observed.

A separate chapter of these considerations is connected to the activity of smaller religious communities in Serbia. In those which are nationally homogeneous (the Slovak Evangelical Church and the Reformist Church) there is more insistence on the nationalist component and the nurturing of cultural heritage, tradition, and folklore, and future priests are educated mainly abroad. In the context of some of these religious communities, such as the Jehovah's Witnesses, the Nazarenes, and the

Adventists, it says there is the expression of socially harmful and unacceptable phenomena. Individual members of the Christian religious community of Jehovah's Witnesses do not accept the legitimacy of socialist Yugoslavia because it was created by the use of arms," while their children refuse to accept the pioneer scarves, boycott the flag and national anthem of the SFRY, and steer clear of other socialist symbols... In a number of these small religious communities religious fanaticism is expressed. This has an influence on the passivity of believers in sociopolitical life, provokes refusal to do military service and bear arms of work during religious holidays, as well as undergo certain health measures.

Recently, in the territory of the SR of Serbia too, the activity of various oriental sects and quasireligious organizations has been recorded, about whose origin, method of organization, and ultimate goals insufficient is known.

Discussion of the religious communities in Serbia could not skirt around the problems of the sectarian and

dogmatic attitude of communists toward religion, the most frequent cause of which, is the underestimation and lack of knowledge about and understanding of this phenomena. Some members of the LC, it is noted, constantly express concern at the very existence of religious communities, and in addition often make public calls for the struggle against everything connected with religion. Often, merely because someone is a believer and performs religious rites which he is enabled to do by the constitution and the law, and although he is a good worker and honest citizen, he is treated with suspicion and as unreliable. This is given expression especially in the domain of cadre policy. "Secretly religious" communists as well as those who have a quasiliberalist attitude toward the abuse of religion for political purposes are not a rarity either.

7500

**POLAND**

**Bydgoszcz Seminar on Fraud, Waste in Military**  
*26000103 Warsaw ZOLNIERZ WOLNOSCI in Polish*  
*12 Dec 87 p 5*

[Article by (zp): "The Fight Against Waste, Mismanagement"]

[Text] The Bydgoszcz "Pomeranian Military District Club" has hosted a 2-day meeting attended by representatives of the prosecutors' offices, auditor staffs, and the Military Internal Service [military police] from the Pomeranian Military District and the Navy. The main

objective of this meeting was to establish closer ties of cooperation with a view to the prevention of waste, fraud, and mismanagement.

Efforts geared toward the collaboration of audit staff inspectors, law enforcement agencies, prosecutors' offices, and officers of the Military Internal Service were discussed. Some of the legalistic and substantive aspects of the day-to-day work of these bodies were reviewed, and special reference was also made to those components of the military logistics system which are especially vulnerable to various kinds of activities inconsistent with general standards of ethical social behavior.

## CZECHOSLOVAKIA

### State Enterprise-National Committee Relations Viewed

24000015b Prague RUDE PRAVO in Czech  
20 Oct 1987 p 1 [Editorial: "State and National Enterprises"]

[Text] The draft state enterprise law deals also with the matter of the relations of enterprises with the national committees, that is with the representatives of the state administration in a given region, district, town, or community.

The proposed law explicitly states that the enterprise has the duty to cooperate in its economic and social activities with the relevant national committee, and share in the comprehensive economic and social development of the territorial perimeter. In their activities they are obliged to respect the decisions of the national committees which are made in accord with sphere of their influence.

What does this mean in practice? Most of all, that it is essential to make better use of the current authority of the national committees and to base their activities consistently on the principles approved at the Sixth Congress of the Central Committee of the Czechoslovak Communist Party in 1982.

The development of any enterprise, factory, or workshop cannot be imagined without the necessary sources of natural wealth and manpower, without the background of housing, transportation, food supplies, services and the cultural and social utilization of people. And it is especially the responsibility of the national committees to ensure all of this. The continuing development of the enterprise and the town or community is therefore possible only on the basis of a close cooperation of the work collective, economic management, and the national committee. The main duty of the enterprise is to satisfy, observing to the draft law, in every way and efficiently the needs of society, whether it concerns products or services. We underline—the point is not just the fulfillment of the plan, but also meeting the needs of the public!

The draft enterprise law thus pursues at the basic objective of socialism—to do everything for the benefit of the people. That has to be kept in mind by the founders of the enterprise—the central agency or the national committee. The founder bears responsibility for the organization of the enterprise, for the fulfillment of tasks for which the enterprise was created, and for the possible discontinuation of production.

It applies equally to the national committees that in the enterprises under their jurisdiction they should be strengthening the efficiency of the economic instruments. The conditions for doing so are changes in the style and the method of work of the planning, financial

and branch trade unions of the national committees, the creation of circumstances, where the deciding criterion of establishing this or that enterprise of the local economy will be the satisfaction of the public needs, even if it means incurring a loss. The gauge, by which the national committee will assess their entrepreneurship, will have to be above all the satisfaction of the public—superseding even the justified requirement of the economic efficiency of the enterprises.

The new conditions are also in accord with the future two-tier management, where the enterprise of the local economy will have only a single superior national committee, its own founder. That will also act as a certain "barrier" to the enduring tendencies which divorce the management of services from the real needs in towns and communities.

The size and form of the enterprise will be decided by the individual national committees and other democratic agencies of the working people—councils of working collectives and assemblies of working enterprises. The entire working collective will share in the decision making process through their intermediary. It will have an influence on the adopted basic decisions concerning working and living conditions and will share the responsibility for them.

The principal task of uniting the approaches of the working people and the management will go to the basic party organizations, the political core of the collective. The agencies and organizations of the party will at the same time use their right to control, including influencing the cadre policy.

The draft state enterprise law does not resolve the problem of the budgetary and contributing organizations. The specific position of the Czechoslovak automobile transportation and Czechoslovak automobile repair shops, mass municipal transportation, enterprises controlling highways, watermains and sewers, enterprises of local production and services, housing, local construction, and others is the subject of further attention in the restructuring of the economic mechanism.

Next year, we count on involving more enterprises of the local economy in the experimental verification of the principles and elements of the restructuring. We shall use for the most part the economic methods of management which aim at a better quality of services and at making them more accessible to the public, as well as at removing undesirable administrative work.

The economic reform counts with a multicolored network of various kinds of economic enterprises of the national committees. It keeps in mind that the medium-sized and the small enterprises were particularly effective in providing services; it is thus understandable that workplaces of the national committees will have an

even higher standing among them. They exist in no less than 3,000 towns and communities. Since July of this year, they can be in work on housing and public services.

Much less used in practice is another form of developing services—the possibility of providing services on the basis of individual permits issued by the national committees. We are thinking about adjusting the currently valid measures to make them more attractive to the public. The services of the production and housing associations will be increased, as well as those of the centrally controlled enterprises and organizations of the national front. The national committees will coordinate these activities to make them more efficient.

The higher levels of the national committees will not be involved in dealing with the questions of the direct management of towns and communities, but primarily with working out the long term concept of regional development. This greater independence requires one important change—reducing the dependence of the national committees on comprehensive grants from the state budget or the District National Committee and Regional National Committee budgets. The resources of the center will go into comprehensive housing construction, education, health care, social security and partially to cultural affairs.

They will defray some losses incurred by the activities of some organizations. However, if such losses were the consequence of poor work organization and high costs, it will be up to the enterprises to take care of them. No longer can losses be tolerated in, for example, the enterprise of public catering. But it needs to be stressed that increasing the independence of enterprises of public catering, local production, and services does not mean that they can do as they wish. National committees as their founders will have the right and at the same time also the duty to watch how these enterprise serve the public needs. If it becomes necessary, they can use their authority to assign specific tasks, or, if necessary, put in force a consolidating regimen or even dissolve the enterprise.

The aim of the economic reform is to make even the national committees more interested in increasing the supplementary income from efficient and high quality internal production and services provided. The principle of consolidating resources with those of the state and associated enterprises for local investments, such as cleaners, watermains, health care, social and educational establishments, etc., will still apply.

The draft law also deals with the questions of payments and taxes; their concretization will be the subject of legal normatives which have to stem from regulations of the draft enterprise law.

The economic-organizational function of the national committees will have a new concept under the conditions of the enterprise law. Their role will be enhanced in

the economic development of the town, region, or county, as well as in the social and cultural development and the fulfillment of all the election programs of the National Front.

The state enterprise law in its totality will go into effect on 1 January 1991. But the success of future changes will depend on how hard the national committees will work for them even under present-day circumstances.

12605

**Lawyer Defends Large-Scale Enterprises**  
*24000015c Prague RUDE PRAVO in Czech*  
*22 Oct 1987 p 3*

[Article by Miroslav Novak, Skoda concern, Plzen; first paragraph is RUDE PRAVO introduction]

[Text] I would take exception to the draft state enterprise law because it does not reflect certain realities which are mentioned in the CSSR Government resolution No 40/1987, published as *The Concretization of the Principles of Restructuring the CSSR Economic Mechanism* in the supplement of the *HOSPODARSKE NOVINY* No 23, 1987.

In Section 4, *The Khozraschet Sphere and its Organization* it is stated that the state economic organizations will be formed out of: existing economic production units which represent large economic entities with solid internal linkages, with the proviso that it will be possible to detach enterprises not organically affiliated with those economic production units; the rest of the economic production units of the concern kombinat and trust type, whose existence is justified and efficient from the production and economic standpoint; independent enterprises which already exist, or which will come into being following the liquidation of those economic production units which are unjustified for the above mentioned reasons and are a superfluous intermediary management link, or which will be detached from the economic production units.

It is my belief that in the case of some of the present-day large economic production units which are productive and economically efficient and justified, the future founder—the relevant ministry, for example the Federal Ministry of Metallurgy and Heavy Industry—should consider that the existing production base should even be expanded. And do it in such a way that the production base of such state enterprise becomes an organic whole and conditions are created for fulfilling the tasks assigned to it by the state plan. Another reason is the fact that in accord with the restructuring of the economic mechanism fundamental changes will take place in the activities of the central agencies. Not to take such an approach in forming new state enterprises and allow the



present production base to be atomized would, to my mind, mean that those central agencies would permit anarchy in the sector and contravene the principles of democratic centralism.

We also cannot presume and expect to see some great entrepreneurial activity in the large state enterprises as a citizen currently might imagine. This will be so because they will be working at practically full capacity on the detailed state plan in the commodities of their production programs. Entrepreneurial activity should appear rather in the area of the given production program, by aiming at maximum rationalization with the objective of achieving optimal profitability, even in their coordinating activities, deliveries of assemblies, etc. I have in mind such future state enterprises which will be directed by the state plan to ensure deliveries for domestic capital construction by higher forms of supplies (end and general deliveries) and complete industrial plants for export. In such state enterprises it will not be possible to make use of the provision of Article 43 par. 2 of the draft state enterprise law, i.e., "the enterprise will independently choose the best methods and organization for marketing its products." As far as detailing the tasks of the state plan for domestic capital construction is concerned, the central agency will determine even in the future whether the enterprise will have the function of an end or general supplier. The same applies to the implementation of the detailed task of the state plan for export.

In this connection it has to be pointed out that the draft state enterprise law does not give the future state enterprises the possibility to properly organize the marketing of their products (particularly complete industrial plants for export) abroad, because Article 43, even though it contains two alternatives, is not a suitable form from the standpoint of possible disputes and responsibility for property. The state enterprise law ought to be complemented in this respect. It ought to be done especially in order to enable such state enterprises to really sell their products (complete industrial plants for export) on their own and not to have to do so through an intermediary as is the case now, even though in some cases present-day foreign trade enterprises are already merged with the economic production units, although, as other socialist organizations, they have their own legal subjectivity.

I think that the law should make it possible for a state enterprise to establish, for the purpose of marketing its products and deliveries of complete industrial plants for export, its own legal entity (organization for export and import) which would have its own basic capital and which would in its own name carry out the selling (export) and buying (import) for the needs of the state enterprise which established it.

12605

### **New Type of Enterprise Organization Under 'Law' Discussed**

*24000015a Prague MODERNI RIZENI in Czech  
No 9, Sep 1987 pp 39-45*

[Article by Prof Dr Milos Svoboda, Doc Eng Zdenek Dytrt, CSc, Economics Department of the Mining College, Ostrava; first paragraph is MODERNI RIZENI introduction]

[Text] In the framework of SPEV 903, the results, reached thus far, of the scientific research being done by the economics department of the Mining College in Ostrava and which deals with the structure of state economic organizations (SHO) according to the principles of restructuring the economic mechanism, have been prepared for the coordinating workplace Institute of Management. We consider the opinions contained in the article to be a contribution to the current discussions on the restructuring of the economic mechanism. The editors would also welcome the opinions of workers who have practical experience in enterprises.

### **Starting Points**

Our industry has been concentrated since 1965 into enterprise integrations of various organizations of the legal entity type, which gradually took on the current form of economic production units (VHJ). It became to be evident that the current amount of concentration is rational and beneficial.

During the past 20 years, the economic production units fulfilled their historical role, consolidated the technical production base, taught the enterprise employees to work within a broader context than merely that of the enterprise, and created large economic units which are for the most part the representatives and bearers of the tasks of production sectors and production branches.

When constructing the present-day economic production units, care was taken to integrate all the national enterprises without exception. In some cases they were included in an economic production unit only facultatively, since at that time the principles of integration were not yet fully objectivized. Only in a few instances has there been a later reevaluation of the situation and national enterprises reassigned to other economic production units more suited to their specific conditions, or were on account of their specific character designated as a special organization of the sector. The disadvantage was the fact that the size of the economic production units was determined mostly by the number of employees.

From the organizational-legal point of view, there developed in time a pressure on the economic production units for internal reorganization. To the original trusts and branch enterprises were added concerns which gradually came to be viewed as the most desirable. That brought about the so-called conglomerization of the

economic production units, which was often costly and formalistic because it did not respond to the specific conditions of integration. The managerial work did not observe these classifications and was not differentiated according to the organizationally legal types of the economic production units, and thus this often artificial classification lost its practical significance.

From the point of view of the internal management of the economic production units, care was taken to observe and follow prototype statutes and organizational regulations. That led to the so-called "mirror" type of management, which also prevented taking into consideration the specific conditions which exist inside every organization.

Complicated organizationally legal structures of the economic production units, lately supplemented by regional economic production units, did not exist in a pure form, and on the basis of various exceptions their organizational management mechanisms became quite similar. Hence the difference of the organizationally legal types lay mainly in the legal aspect.

Individual integrated enterprises and economic production units were responsible for the fulfillment of planned tasks, even though superior agencies sometimes greatly interfered in their internal management, many tasks were assigned without sufficient study and knowledge of realistic possibilities, and in addition were not sufficiently mutually interlinked.

### **Outline of the Principles of Structuring State Economic Organizations**

The basic requisite for structuring the state economic organizations is an objective analysis of the internal structure of existing economic production units, particularly from the point of view of the expediency of the integration, the specific character of the production, the specialized and scientific research organizations, and from the point of view of the personal characteristics of the leading representatives, particularly directors of the integrated organizations and the economic production unit as a whole. The analysis would stem from the needs and requirements of the economic production unit and the enterprise which would be requesting to be detached from it or an agency of the macroeconomic center. The evaluation of the analysis should be done by an objective government agency with the aim of resolving the problem on the basis of national interests.

Those organizations which were included in an economic production unit improperly should be taken out. That means, above all, those which are incompatible with the key program of the economic production unit or which expand it in an undesirable way; are markedly different in terms of their technical production base and production technology, nor are linked in any other way; do not share in the internal cooperation or division of

labor of the particular economic production unit; have serious and demonstrable reasons which would contribute to their economy if they were made independent.

The establishment of state economic organizations would not lead to an atomization of the production base but to its restructuring, leading to nonformalism, rationality and expediency. Although the number of the state economic organizations would be higher than the number of present-day economic production units, it would be markedly lower than the number of integrated organization in the economic production units.

We are not thinking of predetermining the desirable number of the state economic organizations. When constructing them it will be imperative to draw on the knowledge of specific conditions in the existing economic production units and bring their number and management mechanism more in accord with the specific situation stemming from their uniqueness.

The state economic organizations will differ considerably from each other in the level of the economic effect they achieve, the size of their working collective, the degree of research and development, the share of direct and indirect management, differentiation of direct management, etc. These aspects should therefore provide the determining base for their specific conditions and the premise for the differentiation of their internal management.

With the exception of special-purpose economic organizations, the organization of their internal structure would become exclusively the business of the state economic organizations, with the condition that they should function as the basic factor in the growth of economic efficiency in the framework of the *khozraschet*.

From the point of view of contribution to society, the state economic organization would be always considered as a unit working on the basis of a full *khozraschet* which is executed at the top management level of that organization.

The state economic organization management would be represented by a general directorate with a director general at its head, or a directorate and a director. The differentiation between a general directorate and a directorate would be determined by the size of the state economic organization. The result of the differentiation would be also the internal management mechanism which in the case of small state economic organizations, which for the most part came into existence by being detached from the economic production units, should concord with the existing national enterprises and be substantially simpler than large state economic organizations which would concord with present-day economic production units.

The state economic organizations would thus be created out of the existing economic production units, from enterprises detached from the present-day economic production units, and from the reorganization of the economic production units under branch directorates to state economic organizations managed on a territorial basis which for the most part have a combinative structure.

From the organizational-legal standpoint, the state economic organizations would not be differentiated according to present-day forms (concern, trust, sector enterprise), as is still the case in the economic production units, but their system of internal management and organization would be determined by statute and organizational order according to a proposal respecting all specific conditions which would be worked out by each of the state economic organizations.

Superior agencies would bear in mind their specific conditions either when judging or approving their statute and organizational order. Those would stem from the singularities of production branches or sectors.

As regards the implementation of the methods and the system of external control, all state economic organizations with the exception of special-purpose organizations would be equal. An unavoidable difference would probably lie in the time frame of strategic management.

The main premise for evaluating how well the state economic organizations have been structured would be the results of their economic efficiency, which would be the result of applying full khozraschet and would be determined at the level of a state economic organization as a unit. The khozraschet behavior of a state economic organization necessarily requires a commensurate behavior by the controlling institutions of the non-khozraschet sphere which cannot intervene in the management of the state economic organizations without incurring bearing economic responsibility for their intervention.

At the head of the state economic organizations would be a general directorate or a directorate, which would have a new relationship to the integrated organizations; it would primarily

1. act as a link between the state economic organization and the center matters of the economic and state plans and the state budget;
2. set the ceiling on the khozraschet of the state economic organization;
3. be responsible for the detailing and fulfillment of the state plan by detailing the economic plan of the state economic organization as a unit, i.e., management of internal cooperation, direct relations, study of the market, creation of special-purpose organizations, rationalization of the information system and computer technology, development of the production sector, strategic management, etc.

The integrated organizations, or rather their representatives, should share to a much greater extent in the management of the state economic organization as a unit. The managers of the integrated organizations would be members of the administrative board of the state economic organization, which, under the leadership of the director general would designate teams to resolve the basic problems or tasks of the relevant state economic organization, such as, for example, establishment of new (special-purpose or research and development) organizations in the state economic organization, the evaluation and definition of other activities of the general directorate (directorates) according to the needs of the integrated organizations, development of direct relations of the state economic organizations, their strategic management, etc.

The administrative board would share in the planning and evaluating of the basic problems of the development of the state economic organizations as a unit. However, the principles of democratic centralism would not be contravened, because the director general would have the right to make the final decision. (It is true, however, that a possible decision that would go against the will of the majority would require a full justification.)

The economic mechanism of the internal management of the state economic organizations should be based on a thorough utilization of the integrated organizations, most of all their size. The following two types can be considered as extreme:

- a. integrated organizations would have a limited number of plan indicators specified (similarly as in the state economic organization-sector relationship), centralization of assets would be voluntary for the general directorate of the state economic organizations, in certain circumstances possibly carrying certain economic advantages for an organization which would for a certain time make available a surplus of its assets (interest or share in the profit of the organization to which the general management made the assets available, etc.);
- b. an integrated organization would be directed by the general directorate on the basis of principles worked out beforehand (board of directors of the state economic organization) in great detail by using norms, limits, and planning indicators. The assets of the integrated organizations would be centralized in the general directorate which would distribute them on the basis of previously determined principles. Basically, full khozraschet would exist at the level of the state economic organization as a unit and in the integrated organizations it would be functioning at the level of enterprise subdivisions (centers) on the basis of budgeted fixed items.

The state economic organization, as a basic component of the organizational structure of our economy, should have the possibility to ensure the manufacture of a

certain product or range of products in the desired quality, time and price, and create voluntary special-purpose associations, which would share in its development, production and marketing within the framework of the type of their production.

The economic effectiveness of the associations should be manifest in positive results in the full khozraschet of individual state economic organizations. The associations could be disbanded after fulfilling a specific task or they could exist for the long term in the event that it would prove efficient for the organization.

The associations of the state economic organizations would be open structures. In the case where it would serve a useful purpose, other state economic organizations would be able to join the association, or, on the other hand, if the participation of some state economic organization would prove to serve no purpose, it could, after settling accounts, leave the association.

The associations of state economic organizations would be an instrument for realizing direct relations within our economy or for implementing direct international relations as well.

At the head of the associations would be the chairman and the board made up of representatives of the rest of the state economic organizations or other types of economic organizations—members of the association.

The activity of the associations be conducted according to articles of association (statutes), which would be worked out for each individual case.

Key words: Organizational structure of the national economy; Economic production unit; State economic organization; Restructuring of the CSSR economic mechanism.

12605

### Types of Competition Under Law of Enterprise Viewed

24000014d Prague RUDE PRAVO in Czech  
22 Oct 87 p 1 [Editorial: "What Sort of Competition Do We Need?"]

[Text] The discussion of the proposal for a law on state enterprises often comes back to economic competitiveness. This is no accident. One can say that we overvalue the importance of a concept which was not used too much in the economic dictionary in the past few years. Competitiveness did not stem from the economic mechanism itself and the attempts to replace this deficiency under various names all failed. There was competition, but there was no actual competitiveness. There were no rivals, no winners or losers, and competition was just the obligations one had.

Not infrequently the mutual rivalry of the producers and the customer was considered to be something inherent in a planned economy. Even in the discussions on the law on state enterprises the fear comes up that economic competitiveness will mean anarchy, arbitrariness, and the end of the planned economy. We understandably are not going to take the path of capitalistic competition. This also has not been free competition between equal suppliers for a long time now. It is a merciless struggle where one strangles the other; where the most capable one does not win, but the strongest; where man is less than nothing and profit is everything. Socialist competitiveness and capitalist competition have nothing in common. The primary aspect of competitiveness is the better satisfaction of needs and everything must be subordinated to this. And what is antisocial in the effort to introduce the idea of meeting the customer's needs better and with greater quality, even if it "knocks out" someone else? This does not impoverish socialism but enriches it.

Not only theory, but also practice has adequately taught us that competition must become part of a well-functioning mechanism of managing social production. Understandably, we value stability on which our manufacturers can depend, but in many cases this has grown into rigidity and too much security for the organization in having the individual fields in which they operate as their exclusive area in which they can be allowed to dictate the conditions to others. They lost interest in the customers because there was not anyone to fight with them for the customer's favor. It is therefore only proper that the ground should be a little less firm under their feet and they would have to earn their position somewhat more.

In the discussion on the proposed law on state enterprises, various proposals have come up on how to formulate the requirements for competitiveness, what to add to it or take out of it.

It is extremely important to work out a truly balanced legal document because no ready formulas exist even for competitiveness. Nonetheless, experience shows us that the level of competitiveness does not depend just on the rules, but mainly on the level of the competitors themselves. It is therefore necessary to determine just how the letter of the law should read, but at the same time each one of us should be asking the question of how we are really prepared for competitiveness. We have to learn competitiveness and it cannot be put off for long. Anyone who postpones preparations until he is looking at the back of the best competition from a great distance will not end up in front.

In some enterprises they are disregarding competitiveness with a wave of their hand. They are already sensing victory. They depend on taking care of their rivals with intercessions and complaints at the higher agencies and wrapping them up in administrative paperwork and will accompany this with gestures, exceptions, and balancing

bodies. They are, however, sadly mistaken. In economic competition the judge is not the superior agency, but the customer. And he is interested quality, the technical level, rapid innovations, and the price. Unfortunately, many of our producers have still not learned to respect such interests of the customer and this is their greatest mistake.

Sometimes it is thought sufficient to come up with a product at a high technical and qualitative level crowned with medals from exhibitions or recognition as one of the department's best products. But people are amazed when there is no interest in it. Why? Because the technicians in the enterprises are not managed in a way that will ensure that they take into account the actual needs of the customers. They concentrate on their own technical problems and strive for features which nobody needs. At one time, for example, we were first in the world in fully electronic small-diameter weaving machines, but what good would this lead do us if no one wanted them? The manufacturers must get rid of the idea that when they achieve the highest quality level and someone approved the product for the production plan that there must also necessarily be a market for it. The customer is selective and under conditions of competitiveness this same situation will undoubtedly occur with our consumers, not just foreign ones. The earlier the suppliers get rid of their mistaken ideas, the better for them.

Rigidity likewise will not stand up to competitiveness. each year the market specifies the list of products which are lacking and desired in the market. The production program is being held right under our noses. What more could the manufacturers want? Despite this fact, each year there are many items which have not found a manufacturer and the stale goods produced are gotten rid of slowly. The producers often complain that people want them to produce more and more, so that they have no time for innovation and changes in the product mix. But they should take the time because there may come a time when nobody will want anything from the.

The central agencies will understandably also have to learn competitiveness. Competitiveness must be managed and guided and not just passively observed at a distance, as to how it works out. At the expositions we see several manufacturers of robots or solar collectors who appear to be competing with each other for the customer's favor. But what does he really get out of such competition? It turns out in the final analysis that none of the exhibitors is capable of meeting the need and so, despite the broad development, the equipment is bought from outside the country. This situation has also come up more than once in the application of electronics with microcomputers and software. If two or more manufacturers are working on the same thing, this does not mean there is beneficial competitiveness, but can be disorganization and lack of restraint which fills the gap caused by the lack of conceptual orientation. We could have convinced ourselves of this in securing supplemental production of consumer goods in enterprises which had

not previously produced them. The central agencies did not properly manage the development and thus the production of a single item was immediately begun in several organizations, for example, ladders made by six enterprises. At the same time, many items still did not have anyone to make them. Competition is not limitless and the center must decide in time when it is necessary to concentrate efforts rather than disperse them.

A condition for true competitiveness is to do away with disproportions. Where there is a continual conflict between supply and demand, the supplier dictates the condition and no competition can threaten his position. It is necessary for the central agencies to regulate more thoroughly the basic proportion of the development of the individual branches, the funds, and their accessibility. It is hard to imagine that there would be any real hope of success and there would not be formal competitiveness between construction organizations when there is already a high level of dispersion based in the plan and the investor is happy if he can come up with any supplier, rather than selecting one according to bids.

Competitiveness will bring many new aspects for every level of management, from the enterprise up through the ministry. It would be a mistake for it to stop with just discussion. Each of them must derive the necessary conclusions for his work right now.

6285/12232

#### **Profit Tax Under Restructuring of Economy Discussed**

*24000014a Prague FINANCE A UVER in Czech No 7, Jul 87 pp 467-472*

[Article by Eng Ladislav Machon: "Payments (Taxes) From Profits to the State Budget Under the Conditions of Restructuring the Economic Mechanism"]

[Text] The approaches to designing a payment system contained in this article represent one of the possible options. The attempt was made to have this option be the most adequate effort at accelerating the intensification processes in our economy.

The payment (tax) system should be set up so that primarily it fulfills these specific functions:

1. to provide income for the state budget for fulfilling its goals for society as a whole;
2. to act in a stimulating manner on organizations so that they will increase the effectiveness of their own work;
3. to set as a financial regulator resisting the occurrence of excessive monetary demands of organizations and individuals.

The payment system must carry out all these functions in mutual unity and balance, since only thus can it contribute to an effective growth of the economy as a whole.

The prerequisites for successful implementation of the functions mentioned above are that:

- a suitable payment base be selected and the structure of payments and the payment burden on profit of the organization be reasonable and roughly comparable with the prevailing tax rates in the world economies, which has an important significance both from the standpoint of the organization's interest in the growth of profit and from the standpoint of the future development of direct relationships;
- the level of profits contained in prices must make it possible to apply full khozrazchet in the majority of organizations, that is, also the principles of self-financing increasing their financial independence and likewise their responsibility for effective development and a balanced financial situation (liquidity, capability of payment, etc.);
- the economy be oriented toward an overall and structural balance between supply and demand where the organizations find enough material resources in the market to cover the disposable monetary resources; this requires the appropriate changes in planning, in the organizational set-up for production, etc.

Payments are thus closely interrelated with prices, khozrazchet, planning, and other areas of the economic mechanism, with the key role falling to prices and their profitability.

Demands on the level of profitability (income from the degree of profit) embedded in the wholesale prices.

In my opinion, the level of this profit in prices should be derived from the relationship to surplus capital (assets, original assets, or other assets) and be based on the prevailing interest level, that is, about 6 percent. Under the other condition that the basic payment from profit for the state budget should amount to roughly 50 percent, the level of profit included in the whole sale prices should be at the 12 percent level.<sup>1</sup> (Footnote 1: Today the category of surplus capital is not used and as a rule no one knows what its actual level is and the level of profit which would correspond to it. In this matter we deviate significantly from the industrialized countries where this profit indicator represents the decisive criterion for the successfulness of the undertaking. We consider the profitability of the production funds as the basic criterion for effectiveness as they are expressed in actual values, that is, neither the level of capital assets consumed nor the degree of debt burden are taken into consideration. The above also shows the low level of influence of surplus capital and financing in general (or expressed in other terms the side of the passive balance, that is, of the financial resources) on optimization of the needs which they meet, that is, on the optimal utilization of the capital assets and supplies (the active balance side).

This 12 percent approximately corresponds to a 6 percent profit level for the production funds, if we assume that the capital assets are written off by one-half on the average and that supplies are covered approximately one-half by bank credits.

The 12 percent profit level of surplus capital in the wholesale prices would be approximately established, that is, without any differentiation by branches. This would at the same time create a uniform criterion for the desired level of return on new investments.

We do not consider it proper to set the branch profit level on surplus capital at much more or less than 12 percent.

With a markedly lower level of profit in the whole sale prices we would also:

- not create a favorable climate for self-financing of the organizations from profit;
- substantially increase the number of organizations and fields showing losses, and in some cases entire branches; the main reasons for this include the differing levels of expenses for organizations producing comparable products, as is the case with enterprises of the consumer industry, the wood processing industry, construction, the production of construction materials, the foodstuffs industry, etc.;
- artificially improve the relation of the wholesale prices to foreign prices;
- show an excessively long period of return on new investments;
- weaken the interest of organizations in profit as the decisive indicator of effectiveness and reduce its weighting in relation to depreciation of capital assets which would by doing so become the totally decisive integral financial resource, but without the mark of effectiveness;
- cause unduly rapid growth in profit for a number of organizations with regard to their low initial level, which would cause pressure for abandoning the desired long-term stability and unity of payment rates;
- weaken overall the influence of the payment system on the work of the organization.

There would be undesirable effects on the organization's work also if there were markedly higher profit levels included in the wholesale prices. Thus, for example, some organizations would show a below-average level of work despite the profit in the wholesale prices; even in this case the creation of the desired incentive for profit growth and reduction of expenses would not take place, the relationship of our wholesale prices to foreign prices would get worse, etc.

A high level of profits in prices would take on a realistic sense only if it were supported by a high level of competitiveness on the part of our products (in prices, costs, productivity, and use values) in the demanding world markets; in other words, when the economy achieved a high national income per worker and per hour worked. For the time being, however, that is not the case.

The proposed approach to the system of payments from profit to the state budget and to further distribution of the profit margin (profit) of the organizations.

The substance of the proposal consists of the introduction of a two-component payment from profit, where the first element represents a uniform basic payment at the 50 percent level and the second is applied up to a minimal, fixed, and uniform allocation to the developmental needs of the organization, but under conditions where the profit after the basic payment is sufficient. I will demonstrate the methods of implementing this proposal in the stage of wholesale price change on the one hand and after this change on the other hand.

### The Stage of Wholesale Price Change

The intentions concerning profitability (profit) in wholesale prices and the structure of its allocation are as follows:

Profitability of surplus assets built into wholesale prices	12 percent
—50 percent basic payment from profit to the state budget	-6
Profitability after the basic payment corresponding to the interest rate	6
—3 percent of the surplus assets for developmental needs	-3
Remaining for further allocation	3
Of which:	
Share of the state budget	1.5
Share of the organization	1.5

The total share of the state budget in the profitability being considered is 62.5 percent and the organization's share is 37.5 percent. The 3 percent rate of surplus assets designated for development represents approximate data which may be adjusted in some cases.

A further distribution (50 percent share to the state budget and a 50 percent share to the organization) is conditional and it would be possible to change it under certain conditions, mainly to the benefit of the organization. The share of the organization in this further allocation would be used for any contingency supplementing of the developmental needs (above the 3 percent mentioned above) and for remaining needs such as the FKSP (cultural and social services fund), the bonus fund, the reserve fund, etc.

If we express the organization's share in relation to the production funds in comparable values, we would get approximately 1.5 percent (half of 3 percent) plus 0.75 percent (half of 1.5 percent) which is a total of 2.25 percent.

The 12 percent profitability (earnings) of the surplus assets, the uniform basic payment from profit to the state budget at a 50 percent level, and a minimal, fixed, and uniform 3 percent allocation for developmental needs can currently be considered to be the three important economic standards applied within the framework of full khozrazchet and self-financing or organizations.

### The Stage After the Change in Wholesale Prices

In the individual years after the price change, the profitability achieved will differ among organizations and with time there often will be a significant in balance developed with these organizations. There can be a number of factors involved in this situation, socially both desirable and undesirable, such as the changing makeup of production of various profitability, differences in costs between organizations, different impacts of the results of foreign trade on profit, violating the product mix structure of production, hidden price increases, etc.

[Data on p 470]

From these figures the following information is derived:

1. Up to 6 percent profitability (inclusive), there is the same allocation between the state budget and the organization, that is, up to the time when twice the minimal 3 percent allocation for developmental needs is achieved in profitability.
2. Organizations are thus intensively encouraged to increase the low level of profitability, since otherwise they cannot implement the minimal allocation for developmental needs at all (with zero profitability) or to its full level; they also would not create sufficient profit (profitability).
3. With each growth of profitability by one point above 6 percent profitability the state budget takes a 75 percent share and the organization 25 percent by reason of the fixed nature of the minimum allocation at the 3 percent level. This results in a situation where the share of the state budget grows more rapidly than the share of the organization with growth in profitability, see Graph 1.
4. In a case where the minimum allocation for developmental needs amounts to only 2 percent instead of 3 percent, for example, then the progression for the state budget (with regard to the 50 percent basic payment from profit) takes place as soon as profitability exceeds 4 percent. Simultaneously the progression of payments to the state budget increases. Thus, for example, with 10 percent profitability it rises from the 60 percent cited to 65 percent.

[Graph on p 471]

With effective support of accelerated and effective implementation of structural changes, the support of innovative and rapid return investments, exports to the demanding world market, etc., in selected cases finance

(1)	dosažená rentabilita [%]	0	1	2	3	4	5	6	7	8	...	10	...	30	...	60	...
(2)	-50 % základního odvodu ze zisku	0	0,5	1,0	1,5	2,0	2,5	3,0	3,5	4,0	5,0	15,0	30,0				
(3)	rentabilita po základním odvodu	0	0,5	1,0	1,5	2,0	2,5	3,0	3,5	4,0	5,0	15,0	30,0				
(4)	-3 % vlastního jmění na rozvojové potřeby	0	0,5	1,0	1,5	2,0	2,5	3,0	3,0	3,0	3,0	3,0	3,0				
(5)	zůstává k dalšímu dělení								0,5	1,0	2,0	12,0	27,0				
(6)	z toho: podíl SR								0,25	0,5	1,0	6,0	13,5				
(7)	podíl organizace								0,25	0,5	1,0	6,0	13,5				
(8)	celkový podíl SR	0	0,5	1,0	1,5	2,0	2,5	3,0	3,75	4,5	6,0	21,0	43,5				
(9)	celkový podíl organizace	0	0,5	1,0	1,5	2,0	2,5	3,0	3,25	3,5	4,0	9,0	16,5				
(10)	celkový procentní podíl SR na rentabilitě	0	50	50	50	50	50	50	53,6	56,3	60,0	70,0	72,5				
(11)	celkový procentní podíl organizace	0	50	50	50	50	50	50	46,4	43,7	40,0	30,0	27,5				

Allocation of the profitability achieved from surplus assets (profit) is shown by the data in Table 1.

Key:

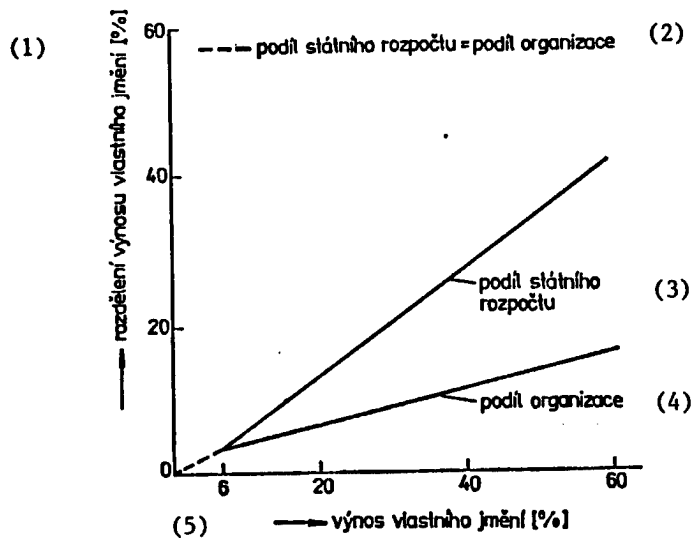
1. Profitability achieved (in percent)
2. Minus 60 percent basic payment from profit
3. Profitability after basic payment
4. Minus 3 percent of surplus assets for developmental needs
5. Remaining for further allocation
6. Of which: share for the national budget
7. Share for the organization
8. Overall share for the national budget
9. Overall share of the organization
10. Overall percentage share for the national budget in profitability
11. Overall percentage share for the organization

could, after agreement with other agencies, proceed to a reduction in the share of the second component of payment from profit to the state budget and thus increase the available financial resources of some organizations. We would consider such an approach as more effective because of its specificity than differentiation of the level of profit (profitability) in wholesale prices according to branch.

In exceptional cases, on the other hand, it could come to an increase in this second element in the favor of the state budget, for example, in the case of demonstrable violation of the social interests by an organization (misuse of its monopolistic position in meeting the needs of customers and consumers, etc.).

I am of the view that the overall payment burden on profit should be around 70 percent and should not exceed 80 percent if we want to avoid reducing the incentives for the organizations to create profits. This load on profit cannot be considered excessive even in relation to nonsocialist countries where organizations often retain only 30 percent of the created profits or sometimes even less for developmental needs after an approximate 50 percent tax on the profit and the payment of dividends to the owners. Here the owner is the state and therefore the overall payment burden must be higher than the basic payment rate.





Graph 1. Graphic depiction of the distribution of earnings from surplus assets (profit)

Key:

1. Distribution of earnings from surplus assets (in percent)
2. —Share of the state budget = share of the organization
3. Share of the state budget
4. Share of the organization
- 5.

Earnings from surplus assets (in percent)

A prerequisite for the introduction of the proposed approach to payments and to the distribution of profitability would be a reevaluation of the capital assets and the establishment of point for the level of surplus assets (original assets) of the individual organization with a goal of getting rid of past distortions resulting from a free redistribution of surplus assets, mainly through redistribution of the depreciation of capital assets.

Examples of calculations with absolute figures:

The calculations are considerably simplified. In all three of the following examples, the level of surplus assets used is 2,000.

Example 1

actual profit (= 20 percent profitability of surplus assets)	400
—50 percent basic payment from profit	-200
earnings of surplus assets after the basic payment	200
—3 percent surplus assets for developmental needs	-60
remaining for further distribution	140
of which:	

Example 1

actual profit (= 20 percent profitability of surplus assets)	400
share of the national budget	70
share of organization	70

The share of the state budget in the total profit amounts to 67.5 percent and the share of the organization to 32.5 percent.

Example 2

actual profit (= 6 percent profitability)	120
—50 percent basic payment from profit	-60
earnings of surplus assets after the basic payment	60
—3 percent surplus for further distribution	0

The share of the state budget in the total profit is 50 percent and it is the same share for the organization.

Example 3

actual profit (= 3 percent profitability)	60
—50 percent basic payment from profit	-30
earnings of surplus assets after the basic payment	30
—1.5 percent surplus assets for developmental needs	-30
remaining for further distribution	0

In this case, 3 percent of the surplus assets did not remain for self-financing since sufficiently high profit was not made. The share of the state budget is again equal to the share of the organization.

Conclusion

I consider income in the form of profit to be the most suitable an irreplaceable payment basis. At the same time, the level of profit (profitability or earnings) included into wholesale prices should use the relationship to surplus assets as a starting point and respect the prevailing interest rate and the payment system being considered.

With application of the criteria of profitability of surplus assets in the economic mechanism it is necessary gradually to increase the importance and influence of finance (including interest) and financial resources in general for optimization of needs, that is, investments, capital assets, and inventory. Presently the decisive factor in this relationship is usually the needs and the low level of their utilization also is in accordance with this, but it is moreover connected with their totally unsuitable qualitative structure.

As far as the makeup of the payments from profit to the state budget is itself concerned, it is necessary to choose it, with regard to the specific function of the payment system, so that it has an element of progression in it from a given percentage of profitability, which could, however, be reduced in some cases as a matter of financial policy (support to research and development, effective exports to the world markets, etc.) or in exceptional cases it can also be increased.

The element of progression is included in the proposal in an implicit form, that is, not be a progressive scale, for example, in connection with selected zones of profitability which dampens the organization's interest in the growth of profit and profitability. These implicit forms of progression were achieved by the fact that the minimum and uniform share of the organization for covering developmental costs at a level of 3 percent remains unchanged with time, even with a large growth in profitability.

The proposed uniform and long-term applicable payment system could be checked out experimentally under conditions of a reevaluation of the capital assets and the corresponding supplying of the organizations with surplus assets, even under a situation where it did not start

off from the prerequisites described above in the wholesale prices, with the goal of gradually gaining experience with the invigorating role of finance in securing growth in effectiveness and exports to the world markets.

6285/12232

FMZO Official Argues Against Easing Trade Restrictions

24000014b Prague SVET HOSPODARSTVI in Czech 22 Sep 87 p 1

[Article by Eng Ladislav Dobrovolny of the Federal Ministry of Foreign Trade: "The Necessity of Maintaining Specialized Foreign Trade Organizations"]

[Text] There are now discussions going on throughout our republic on the proposed law on state enterprises. Employees of the Foreign Trade Department are also taking an active part in them because the principles of transforming the economic mechanism and the proposed law on state enterprises will bring about basic changes in the delimitation of authority and responsibility of the enterprise sphere and the transition of their economic activities over to self-financing. The position of the state enterprise and all other economic organizations will also change in that the state will support their healthy economic competition and economic independence as it expands their rights to do business in various fields, including foreign trade operations; makes it possible for the enterprises to choose their channels for sales and purchases; and gives greater room for the utilization of advantages arising from the international division of labor.

Implementation of the strategy of accelerated social and economic development by means of intensification of the national economy brings with it basic changes to the economic climate which in and of themselves create the need to reconsider the rationality of the existing organizational structure and proposals for a new arrangement of relationships and the division of labor between economic entities. In the past we were convinced that the reorganization of the enterprise sphere in and of itself would not lead to basic changes in the export capabilities of the economy nor to the desired increase in the effectiveness of their connections to external economic relationships.

The regulations which will set up the possibility of giving the enterprise the right to carry out foreign economic operations directly must, in our opinion, ensure that foreign economic operations are directed by the state so that they develop in accordance with the needs of the CSSR's overall national economy. The delegation of the state's monopoly on external economic relationships to a new entity makes sense mainly with the assumption of achieving greater effectiveness in foreign economic operations.

Foreign economic operations are a highly specialized and professional field just as every other economic operation is, for example, production or domestic trade. Participation in foreign economic relationships and determining their effectiveness are significantly affected by the high level of changeability of external conditions and the high degree of risk. When economic plunges in foreign economic operations are going to affect directly the enterprises' payoff in economic results, then the question of professionalism in measuring the risk arising from directly carrying out foreign trade operations is a very serious one for the enterprise.

The proposed law on state enterprises in paragraph 48 gives two different forms for the participation of a state enterprise in foreign economic operations. Variant II gives the enterprise the opportunity to carry out its foreign economic activities, as a rule on the basis of hard currency profitability and self-financing, so that the result of its foreign trade operations is an integral part of the economic results of the enterprise and effects the formation of its funds. In section (2) of the second variant, however, it states that only a special regulation can determine which forms of foreign economic operations can be carried out through specialized foreign trade organizations or on the basis of their permission. Variant I assumes a practice where the enterprise will not automatically have any right to carry out foreign economic operations, but only after it has obtained authorization for them.

The results of the discussions in the foreign trade department date express support for approving the variant I option especially because carrying out foreign economic activities is a specialized operation whose successful performance depends on the creation of a whole range of essentially necessary and rational material, organizational, and personnel prerequisites.

The existing concept also divides foreign economic activities into five categories: foreign trade activities, foreign economic services, production specialization with foreign countries, research and development cooperation with foreign countries, and handling industrial rights in relation to foreign countries. The conditions under which the right to carry out foreign economic activities will be different for each type of operation. Likewise, it will be necessary to take a different approach to the territorial extent of permission for foreign economic activities. Indeed, the proposal on the law on state enterprises in paragraph 5, section (2) gives the right to the enterprise to establish and effect independently direct relationships with organizations of the CEMA member countries and in a number of cases the Federal Ministry of Foreign Trade has already given permission for foreign trade activities within the framework of establishing direct relationships.

We therefore consider it useful to maintain an organizational structure of foreign economic activities in which specialized organizations for foreign trade would have

an important role. Their existence is also connected with many objective advantages in comparison with subjects which might be implemented on foreign markets. This is especially a matter of economic effects resulting from:

- lower labor intensity of the trade turnover and a higher productivity of labor as a consequence of a strong division of labor and highly specialized activities determined by the professional makeup in the OZO's [foreign trade organizations] being formed;
- the contact and relationship base in the foreign markets and the enterprise image (name recognition in the market);
- the worldwide contractual trade network created by the traditional trade partners and foreign enterprises with Czechoslovak participation in ownership;
- an effective concentration of supplies making it possible to satisfy a broad range of demands;
- significant resistance to the market fluctuations as a consequence of a broad community base;
- the capability of an effective combination of export and import interests in various fields;
- the prerequisite for exploiting the concentrated economic powers of a large entity;
- the coordination of sales and purchasing policies in dealing with trade partners in common;
- a stability of the commodity and territorial structure making possible optimization of trade methods and the selection of trading partners;
- the effect of long-term cooperation with trading partners stemming from a mutual knowledge of problems and the clarification of general questions which make it possible to grow beyond the traditional trade relationships to higher forms of cooperation, etc.

The responsibility for maintaining specialized foreign trade organizations results from the fact that the foreign trade operation itself cannot be carried out either at all or at least effectively without the appropriate backup of such units as supply the demanding specific details on hard currency, price cycles, trade policies, transportation, trade operations, and other things. It follows from this that it is useful to give permission for foreign economic activities to organizations with a high level of connections with external economic relationships and which will rationally build up an adequate commercial organization and the appropriate staff units.

In regard to the fact that only those large economic entities (today's VHJ's [economic production units]) which have economic justification will be kept, for the majority of the enterprises the utilization of specialized foreign trade organizations will be not only effective, but also economically advantageous.

In this connection, we consider it to be an important task to work out such forms of organizational interrelationships which would bring the indisputable economic advantages of carrying out foreign trade activities through specialized foreign trade organizations into harmony with the need for ensuring a direct influence on

management and responsibility for their effective execution on the part of the state enterprise as stated in the context of the principles of transformation of the management system and the law on the state enterprises.

In evaluating suitable organizational forms which create the decisive conditions for accomplishing this goal, an improved legal form of the stock corporation appears to be suitable option. But in order for it to become sufficiently attractive for state enterprises it will be essential to set up its articles of association so that they ensure a direct influence of the stockholders, the state enterprises, in its management, organization, personnel and staffing policies, and distribution processes and their economic stimulation must be increased for the economic results achieved, both in the domestic currency and the hard currency spheres.

6285/12232

### **More Democracy and Responsibility, Argues ZIVOT STRANY**

*24000014c Prague ZIVOT STRANY in Czech  
21 Sep 87 pp 3-5*

[Text] The Central Committee of the Czechoslovak Communist Party, the CSSR government, the Central Committee of the Union of Cooperative Farmers, and the Central Cooperative Council submitted another two important documents on the restructuring of our economic mechanism—the proposal on the law on the agricultural cooperative system and the proposal on the law on production, consumption, and housing cooperative systems—for public discussion. The discussion will last until 31 October 1987.

The proposal on the law on the agricultural cooperative system has the same importance for the unified agricultural cooperatives and the joint agricultural cooperatives and the joint agricultural enterprises, who work roughly two-thirds of the agricultural land and contribute approximately the same share of gross agricultural production, as the proposed law on state enterprises has for the state sector. It directly affects 1 million agricultural workers who are employed in the JZD's (unified agricultural cooperatives) and other agricultural cooperative organizations. It starts with the need for overall modification of JZD membership questions and thus also with the social relationships of the class of cooperative farmers in maintaining economic and legal continuity with the development of the agricultural cooperative system to date. The law in this newly proposed form reinforces the principles of self-administration, *khozrazhet*, and cooperative democracy. It increases the responsibility of the cooperatives and their members for the final results of their activities. At the same time, it specified the different nature (which is a result mainly of the different

relationships to ownership and the subject of production) which demands other solutions than those of the proposed law on the state enterprise, especially in the management and running of cooperatives and joint cooperative enterprises.

Under the leadership of the party agencies and organizations, the state agencies managing agriculture, especially the okres agricultural administrations together with the okres committees of the Union of Cooperative Farmers, are being brought into the organizational support of the discussion of the proposal for this important document. The focal point of the discussions taking place is the unified agricultural cooperatives, the work collectives, the membership meetings of the ZO's (basic organizations) of the Czech CP (or Slovak CP) in the JZD's, and in villages and the councils and sessions of the national committees in whose sphere of authority the cooperatives are working. After its evaluation, the proposal on the law will be modified and submitted in the first half of 1988 for discussion in the Federal Assembly. It will go into effect on 1 January 1989. Until that time the cooperatives must prepare their bylaws and other intracooperative rules so that the provisions of the law can be put into effect. This likewise makes it possible to prepare the next, Ninth 5-Year Plan in accordance with the new legal set-up for the agricultural cooperative.

Our agriculture, as it was evaluated in the 17th Party Congress, fulfills an important stabilizing role in society's economic and social development. It has qualified experts and modern equipment available which makes it possible to exploit fully its reserves and at the same time continually to create new capabilities for the overall satisfaction of social needs in the makeup and quality of foodstuffs with the current increase in the effectiveness of their production. The main task of agriculture consists of this, as is emphasized in the background information on the law proposal, and it must contribute significantly to the intensification of the national economy and the implementation of the strategic policy of accelerating social and economic development approved at the 17th Congress. This demands that even the agricultural cooperatives achieve a greater growth rate in the productivity of labor and increase the effectiveness of the overall production process by more intensive utilization of the results of research and development, expanding the international socialist division of labor, and creative application of the experiences and creative forces of the cooperative farmers. It is obviously necessary to create the prerequisites for this by restructuring the economic mechanism in the agricultural cooperative system as well.

As is emphasized in the preamble to the proposal on the law, the unified agricultural cooperatives and the joint enterprises carry out their economic and social tasks in accordance with the policies of the Communist Party of Czechoslovakia. The party organizations operating in the unified agricultural cooperatives and in joint enterprises are the political nuclei of their collectives. The

application of the tools of the political leadership unifies the efforts of the cooperative agencies and collectives and the social organizations join together in the National front which operate within the cooperatives to satisfy the needs of society overall. They ensure the implementation of the CPCZ personnel policy and apply the law of party control.

In the course of the discussions, the question may come up, especially in the nonagricultural public, "Why is a new law being prepared when the existing legal arrangement (already the third one in a row, as the first law on JZD's was approved after the Ninth CPCZ Congress) has been in effect since 1975, which is not such a long time from the standpoint of the functioning of legal norms?" Even though the existing law has worked out well, in some of its provisions it was outdated as a result of significant changes in the development of production forces in agriculture. In the period in question the economic potential of the JZD's grew significantly, the skill levels of the employees and the productivity of labor increased, and the contribution of R&D information to the intensification of agricultural production expanded. As early as the 10th JZD Congress the need for modifying some of the provisions of the law was pointed out. In accordance with the intentions of the restructuring of the entire economic mechanism, the partial updating of the existing law being considered was therefore dropped and a proposal for a new legal document was prepared which, of course, maintains the economic and legal continuity of the social development to date. Such proven principles of the Czechoslovak cooperative system as its voluntary nature, cooperative democracy, electing officials, planning, economic independence and the responsibility of the cooperative for the interests of its members and society, as well for the results achieved, were taken over and developed in the new law.

What are the most important modifications taking place and on what should attention be concentrated in the course of the discussions on the proposed law in the basic party organizations? The relationship between the state and the cooperative is newly formulated where it determines the duties of the cooperative to respect the tasks of the state plan and ensures the right of state control, including its intervention into the cooperative operations if there is unfavorable economic development. The basis of this modification is support of the development of cooperative enterprise in accordance with the state's needs to satisfy society's demands. At the same time, there is an important change in the delimitation of the subject of JZD operations. The proposed formulation creates greater space for the further development of the objective process of combining agricultural and nonagricultural activities of the cooperatives and connecting up the preproduction and postproduction sectors of agricultural production, including the engineering activities, for example, in putting R&D information into widespread agricultural practice. The proposed law also contains some entirely new paragraphs on foreign economic activities with the right of the cooperatives to control their

hard currency fund. This chapter is a reaction to the new thoughts expressed in the Principles for Restructuring the CSSR's Economic Mechanism and in the discussion of the Council on Economic Mutual Assistance.

The proposed law contains important elements of further democratization of the management of JZD's and the other forms of agricultural cooperatives and a new concept of the relationship of the state and its agencies to the agricultural cooperative organizations and their management by the central agencies. At the same time, it is necessary to emphasize that in the unified agricultural cooperatives there will not be as significant changes as in the state enterprises because the intra-cooperative democracy and self-administration have been the main principles for their organization from the very beginning. Despite this, however, the new legal arrangement indisputably expands and intensifies the intracooperative democracy and self-administration. The goal of the legal changes in the internal forms of the cooperative's democracy (or self-administration of the cooperative) is to establish a balance between the professional leadership of the cooperative and its officials on the one hand and the work of collectives on the other. The linking factor in this area is the membership meeting and the cooperative's elected agencies. Among the most important authorities of the membership meeting are the secret election of officials, approval of the by laws, approving the annual final report, and making decisions on the combination, division, or abolition of the cooperative. Up until now there have been model bylaws in all the provisions of the law on whose basis the cooperatives would approve their own bylaws. There will be a basic change here. Model bylaws, organizational and legal regulations, and the like will not be issued as mandatory legal standards. The basic questions are contained right in the law and the cooperative members will work out the details based on their specific conditions and needs in their own bylaws, which means a significant intensification of the cooperative democracy. There will also be a transfer of authority to the cooperative's agencies as in the case, for example, of the creation of funds which they will establish according to their own needs over and above the mandatory development fund designated for financing R&D and capital investments.

The proposed law also significantly intensifies the external form of cooperative democracy in relation to the development to date. The proposed legal position of the Union of Cooperative Farmers as the Social organization of the cooperative members and the equal partner of the central agencies of state administration in pursuing the overall social interests of the class of cooperative farmers is guided by the law and its own bylaws.

In comparison with the existing legal arrangement, the authority and the responsibility as well of the JZD's and the other cooperative organizations is thus being substantially expanded in all areas of their activities, including environmental protection and relationships to regional development. The cooperative runs its own

accounts with the attendant risk of possible economic losses. As stated in the words of the first paragraph of the proposed law, it bears full economic responsibility for the results of its management, on which directly depend the earnings of the cooperative collective and its individual members. The proposed law as a whole thus effectively reacts to the changes which are taking place in our national economy in connection with the implementation of the strategic policy of the 17th Party Congress directed at acceleration and restructuring.

An integral part of our economic and social system is also the Czechoslovak production, consumer, and housing cooperative systems. Along with the state enterprises, these cooperatives are another basic link in the unified Czechoslovak economy which is capable of satisfying various of the citizens' and society's needs by using the flexibility of smaller organizations and a direct connection between the interests of the members and the results of their activities.

The production, consumer, and housing cooperative systems in the CSSR are now composed of 832 cooperatives with almost 4 million members and 350,000 employees. The cooperatives own Kcs 161 billion worth of property. The production cooperatives provide a number of services for the populace and supplement the domestic market with consumer goods amounting to more than 8 percent of the total volume. One-fourth of the retail turnover of goods belongs to the consumer cooperatives and their trade network makes up roughly 40 percent of all the trade units in Czechoslovakia. The housing cooperatives carry out the construction, maintenance, and management of apartments, family homes, and garages, including the services connected with housing. In the CSSR's housing inventory at this time more than 33 percent are cooperative apartments and by the year 2000 this share will grow by more than 50 percent.

The strategy of acceleration and restructuring and the necessity of better satisfaction of the material and spiritual needs of the people demand that better use be made of the capabilities of cooperative systems and cooperative forms of management be further developed in keeping with our traditions. This is a matter of making the earliest and most effective use of the extensive potential, resources, labor, and activity of the more than 4 million member base and employees of cooperatives. This requires development of the political educational work among the members and gaining their support for the implementation of policies of the Czechoslovak Communist Party and the National Front, for social and public activities, and for strengthening the socialist relationships among people.

As the rationalization for the proposed law states, it is desirable to establish the basic economic and social missions of the production, consumer, and housing cooperative systems by a law in keeping with the needs for accelerated social and economic development through the path of intensification and increasing the

effectiveness of work through the path of intensification and increasing the effectiveness of work in all spheres of activity of the socialist society. This will establish the legal position for the cooperatives and their organizations and the rules for utilizing cooperative socialist property to satisfy the needs of the members, the populace, and organizations in keeping with the policies of the Czechoslovak Communist Party and the socialist state.

The proposed law starts with the concept of the proposed laws on state enterprises and agricultural cooperative systems, but with appropriate differences. The cooperatives' position of legal equality with the state enterprises and the other socialist organizations is emphasized in it. It assumes the maximum participation of the cooperatives both in the formation of forecasts, concepts and long-range and mid-range plans for the development of the national economy and in their fulfillment in accordance with the needs of the cooperative members, other citizens, and organizations. The cooperatives would thus make better and fuller use of their material potential and the activity of their members to enrich the domestic market and to develop services, or to say it briefly, to meet people's needs better. It is of course necessary to do this by creating the same conditions for the cooperatives' activities as the communal enterprises have and also to promulgate full *khozrazchet* and self-financing and self-administration and cooperative democracy.

The above intentions require basic changes in the behavior of the cooperatives, but also in the relations between them and the unions which are their central agencies, in order for them to meet the needs of the economic mechanism. Therefore the plan is that, just as the basic link in the national economy will be the enterprise, in the cooperative systems it will be the cooperative, as is stated in the fourth paragraph of the proposed law.

The proposal for this document likewise newly delimits the role of the cooperative unions and the Central Cooperatives Council. The task of the unions will be to work out a qualified concept of development of the cooperatives and their decisive activities and to create the overall conditions for implementing them. In contrast to the practice up until now, the unions will not determine and summarize the economic plans for the cooperatives. Each cooperative will independently establish the plan with regard as to how it will meet the goals and tasks of the state plan and start off form the economic contracts, business, orders, market surveys, and the intentions of the cooperative itself. In doing so, it must maintain the established limits and standards and respect the needs of territorial entities and the citizens' interests. In cases where the plan is not fulfilled, the cooperative unions will use their advisory, analytic, and review functions to create conditions to get rid of the deficiencies in the cooperatives, including establishing consolidation programs, and to help in their implementation.

The Central Cooperatives Council as the supreme agency of Czechoslovak cooperative systems must increase the attention given to the overall development of cooperative systems and in particular see to it that the cooperative organizations perform their economic and social functions. It will likewise represent the Czechoslovak cooperative systems and organize international contacts and the foreign trade of the cooperative organizations; it is a partner of the federal-level state, social, and economic agencies.

The common mission of our cooperative systems is closely connected with further development of cooperative democracy. Expansion of the cooperative's authority is based mainly on strengthening the rights and responsibilities of the elected offices of the cooperatives. Of course, intensifying democracy requires a reduction in ceremonial displays and, in some cases, the formal nature of meetings and assemblies and an increase in their work nature. At the same time, it is necessary to increase substantially the quality of the level of cooperative leadership and in this connection to think about the possibility of a broader selection of candidates for cooperative offices, including the introduction of secret elections.

Approval of the new law which is supposed to go into effect on 1 January 1989 will create the necessary prerequisites for the production, consumer, and housing cooperatives to increase their contribution to accelerating the development of our society and economy and help in the growth of the population's standard of living by better satisfying its needs.

The restructuring of our economic mechanism is more and more taking on concrete forms. We are currently discussing three proposals for laws on state enterprises; agricultural cooperative systems; and production, consumer, and housing cooperative systems. The idea behind public discussions of these documents is not only assistance in working through the proposals, but likewise a thorough acquaintance with them and a deep understanding of their substance. The discussions everywhere are taking place under the leadership of the party agencies and organizations, which is a guarantee of their constructive orientation. Indeed, activity first arises in the discussions, in the comments, in thinking over all the circumstances, in understanding the meaning of the entire restructuring and one's own place in implementing it. And the greatest advantage of socialism is in the initiative and creative, conscious work of each individual and the entire collectives.

The new opportunities which the restructuring of the economic mechanism creates in principle give the enterprises greater authority and responsibility. They are a prerequisite for the actual socialist undertaking, the decision as to how to utilize the means of production better and how to deal as well with resources created above the plan. Under these conditions, it is entirely natural that the leading role of the party also grows,

which is the general law of building socialism and its inseparable attribute. This places continually greater demands on the methods and forms of the work by party agencies and organizations.

Their tasks is to stand in the forefront of the restructuring and to fight for it everywhere against deviationists and be obvious or secret enemies. The party organizations must be the true political nuclei of the work collectives whose voice is heard at every place of work, who recruit, educate, organize, and mobilize the other workers in the interest of fulfilling all the planned economic tasks. Today more than ever before it is true that anyone who delays and lags behind, starting later with the higher effectiveness and growth rates that will come about in the 5-year plan, will enter into the new economic conditions without being prepared and will have a hard time catching up with the others. It is necessary to be fully aware of this now and not to wait and put things off, but to operate in keeping with the policy of acceleration and restructuring. It is the communists' right and duty to be in the forefront of this process. This is what their responsibility consists of today.

6285/12232

#### **Start in Reducing JZD Operating Costs Urged Now**

*24000018d Prague ZEMEDLSKE NOVINY in Czech  
2 Nov 87 p 1*

[Editorial: "Why Wait"]

[Text] The national discussion on the draft economic laws has finished. Based on what became public in the media and what we could hear in agricultural cooperatives there were many creative suggestions that will certainly improve the quality of the final versions of these laws. On the whole one may confidently state that the public generally and the agricultural public in particular approached these important, one might even say historic, steps in our socialist economy very maturely and hopefully, in the hope of opening up new prospects for the development of agriculture and the entire economy.

Groups of experts will now rework the draft laws to incorporate the best of these suggestions, before submitting the final laws to the Federal Assembly for approval. In addition other documents will be drafted that will further clarify our strategy for reaching the stated goal of full restructuring.

The public discussion on the proposed laws displayed not only important democratic elements, but also became a school of profound legal education. The very fact that millions of people became familiar with drafts of actual laws represents an inestimable contribution to the restructuring process. At the same time we must harbor no illusions that everyone who will be affected by

the law took the time to study it. Many people, including even enterprise managers, in many cases did not think about the laws too much. It is our opinion therefore that factory and cooperative schools should make use of this winter to further acquaint work collectives, especially in smaller organizational entities, with the provisions of the laws. These discussion should already be considered what can be done at specific places of work so that the enterprises or collective will be properly prepared for the laws when they take affect.

Representatives of executive level party and state agencies have many times stated that it is both consistent with the new laws and necessary as well as to move assertively to meet both immediate and longer term economic objectives. We can only welcome the news, then that in some industrial firms the process has begun of electing an enterprise director. One may also assume that this will open the floodgates in organizations that must choose new leadership to do so by the new methods, namely competitively and by secret ballot. This is nothing sensational, but mainly a way to assure that those people who manage enterprises are politically mature, qualified, good organizers, and will generally guarantee active management of the work collective.

Not all locations are approaching long standing problems with the same level of activity. In many enterprises, JZD, and state farms one still meets frequently with a wait and see attitude. In many cases this is justified by citing the difficulty of autumn work in the fields. However, a good state farm director, of JZD chairman, must always be aware of the future of his enterprise. He more than anyone else must realize that we are dealing with important changes here, which go to the very foundations of a socialist economy. A good manager will also realize that we are in a struggle with time. Every day that we put off doing what we have acknowledged must be done brings harm to society and the enterprise. Someone needs to say, then, in a very loud voice: "Don't wait. Especially don't wait for detailed guidelines from 'above'".

In the discussions it was stated many times that in the past such guidelines have drowned more than a few good resolutions and goals. Now, when the guidelines are not forthcoming, many people in the enterprises not only now don't know what to do, but actually are calling for guidelines.

One of the arguments for waiting is that we do not know yet what wholesale price levels will be. This may be so, but isn't it clear enough by now that all sectors will need to reduce across the board material and labor costs? Don't we know already that we have to see what can be done with the soil to make it more productive, to increase yields? Don't we know already that we need to search for areas of potential improvement in all aspects of plant and livestock production? We certainly all know that our production costs are too high, that we use more

artificial fertilizers than in neighboring countries without obtaining higher yields, that we have a long way to go in the effective application of chemical preparations against pests, diseases, weeds, etc. We desperately need to formulate cost-accounting principles as comprehensively as possible at the level of the smallest work collectives, and even perhaps at the individual level. We must think through all aspects of the modern organization of an enterprise and its management.

We need immediately to develop entrepreneurial activity. This means overcoming the outdated opinion that the farmer needs to feed only the farmer and that farmers should not stick their noses into other people's business. It is a completely false assertion that auxiliary activities undertaken by an agricultural enterprise are substitutes for other shortcomings. The draft law on agricultural cooperatives correctly emphasizes that we cannot understand agricultural activity today in the narrow sense of working in the fields and in the stalls, but that agriculture in fact has three phases: a pre-production phase, a production phase, and a post-production phase. The specific content of each of these phases will become clear in practice.

The discussion period of the draft laws may have ended, but once they complete their autumn field work agricultural enterprises should be full of creative activity, the focus of which should be a complete rethinking and detailed criticism of all aspects of the economic and social activities of the enterprise, and the establishment of a long range strategy for improvement. This strategy will certainly change to accommodate the restructuring of prices and other changes, but this will be a constant state of affairs, since any sluggishness or stagnation leads to decline. Only full involvement within the new system will bring the results that society expects.

9276/9738

**Corporate Form Used by 19 OZO's Discussed**  
*24000015d Prague SVET HOSPODARSTVI in Czech*  
*24 Sep 87 p 2*

[Article by Eng Gustav Svoboda, director of sector center for property matters, foreign trade enterprise Transakta: "Discussion on state enterprise law: The Standing and Activity of a Corporation"]

[Text] The corporate form is now being used by 19 supply and marketing organizations (OZO): 8 non-machinery, 3 machinery and 8 organizations which act as agencies.

Law No 243, Laws of CSSR, of 17 Nov 1949 on corporations establishes the basic characteristics of the company, the conditions for its creation, relations of stock holders, officials of the company, the method of dissolving it, and the conduct of state supervision. In the



sense of this law the Federal Ministry of Foreign Trade in agreement with the State Planning Commission approves the articles of association of corporations for foreign trade.

At present, the corporate form is being used by 19 foreign trade organizations, of those 8 are non-machinery, 3 machinery, and 8 organizations which act as agencies. The employees of the foreign trade organizations value the corporate form positively, particularly because the activities of their officials contribute to better mutual communication of knowledge and harmonizes the interests and coordinating activities of the corporation and its shareholders. As a shortcoming of the present-day foreign trade corporations must be considered the fact that the authority of their officials (general meetings, board of directors, and supervisory board) has a formalistic character and the size of the dividends is not attractive to the shareholders.

In the evidential report on the draft state enterprise law it is stated that "from the broadly conceived direction of the restructuring of the economic mechanism flows the necessity for fundamental changes of many generally mandatory legal rulings, or possibly for the issuing of new ones, which would anchor the changes in the standing, rights and obligations especially those of the central agencies, enterprises, and working collectives." Modifications of the standing and activities of corporations will also be under consideration. In connection with these modifications it will be necessary to make basic changes in the standard articles of association and conditions for the activities of foreign trade corporations in such a way that these corporations create optimal conditions for an effective functioning and rational organizational and economic link between the foreign trade corporation and its shareholders in the new economic mechanism.

It would be useful if most of the specialized foreign trade organizations would be changed into corporations of a new type which make them an altogether attractive intermediary or agency for state enterprises and other Czechoslovak organizations for carrying out their foreign trade activities.

An integral part of implementing the strategic line to accelerate socio-economic development of our society is also the plan to delegate the right to carry out the state monopoly of external economic relations also to state enterprises as the socialist producers of goods. This plan has to be looked at in context with the decision to suppress unhealthy monopolism, the effort to strengthen competition among organizations by broadening their right to venture in various sectors (including foreign trade), with the increase of economic independence of the enterprises which came about as a result of giving them the authority to choose their own ways of marketing and purchasing, and with the possibility to utilize to

a greater extent the advantages of being incorporated into the international division of labor, particularly in the framework of socialist economic integration.

The draft state enterprise law answers the questions of foreign trade activities in Article 48 in two variants. According to the first variant, an enterprise can be given the authority to engage in foreign trade activities directly on the basis of special directives. In the second variant, this authority stems from the law directly, with the proviso, however, that a special directive can limit this authority. Both variants are in full accord with Article 5 of Law No 42/1980 on economic relations with foreign countries, which defines the legal substance of the state monopoly of external economic relations thus: "Foreign trade activities are directed, organized and controlled by the state in such a way that they develop in accordance with the needs of the national economy of the Czechoslovak Socialist Republic." However, since every enterprise entity needs clear rules for their economic activity before it begins to produce or market goods, I give full preference to the first variant. I think that the second variant is not logical, because it gives the enterprise the authority with a proviso that it can be limited by a special directive, which does not create legal certainty essential for entrepreneurship.

Under consideration as candidates for permission to engage in foreign trade are particularly those state enterprises which produce complete industrial plants or technologically complicated products requiring divergent cooperation and as close as possible contacts with the end user, flexible technical and technological services, and assurance of operational deliveries of spare parts according to the business standards of the country for which the product is destined. As far as imports of centrally planned items is concerned, it will be necessary that they continue to be ensured by centrally managed specialized foreign trade organizations in accord with the principles of Czechoslovak trade policy, Czechoslovak foreign currency interests, and accepted inter-state obligations. Among these country variations, however, there is a broad spectrum of possible ways to direct, organize and control foreign trade activities so as to achieve the best possible effects. A foreign trade corporation presents itself as one of the variants which merit serious evaluation.

Under a full *khozraschet* and a *koruna* as well as foreign currency financing it should be more advantageous for a state enterprise to use specialized services of a foreign trade corporation than to engage in foreign trade activities directly. Furthermore, the investment of state enterprise resources in the basic capital of a foreign trade corporation must be a profitable and rational form of using financial resources. Lastly, a state enterprise, as a shareholder, has to have the following rights guaranteed by the articles of association:

1. share in the decision making on the main directions of further development of the corporation,
2. share in working out the product and territorial

- concepts, as well the program for improving commercial activities,
3. influence the choice of methods and means for ensuring profitability under full khozraschet and self-financing,
  4. discuss basic questions of the life of the corporation, such as, for example, its organization or disclocation,
  5. submit and approve proposals for basic measures, and
  6. elect or recall senior officials of the corporation.

The foreign trade corporation has, under the conditions of the restructuring of the economic mechanism, a good chance to become an optimal form of participation in foreign trade activities for a great number of state enterprises. The staff of the foreign trade department should not waste this opportunity.

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