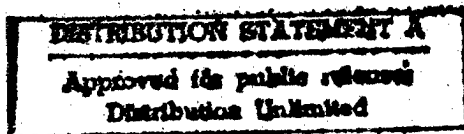


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24 OCTOBER 1986

# East Europe Report



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24 OCTOBER 1986

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ECONOMY

INTERNATIONAL AFFAIRS

SELECTED CEMA INTEGRATION PROBLEMS HIGHLIGHTED

Warsaw HANDEL ZAGRANICZNY in Polish, No 5-6, May-Jun 85, pp 24-28, 23

[Article by Zygmunt Zytomirski: "Conditions of Industrial and Sci-tech Cooperation in CEMA"]

[Text] The interest of particular socialist nations in the processes of economic integration has to a considerable degree been determined by their level of economic development, their manufacturing potential, resources and materials and other factors. Only the Soviet Union, a great state with enormous natural wealth and economic potential and an extensive and intensive domestic market has the full freedom to open up or close its economy. However, the other and smaller socialist countries have no such options. What is best for them is active participation in the international division of labor and this dictates an open economy. The smaller countries generally work strongly to achieve that integration. The USSR is interested in the growth of the socialist economic community and from a political and military point of view above all.

When the Council for Economic Mutual Aid [CEMA] was founded in 1949, the differences in the economic development of the individual socialist countries were quite pronounced. At one end of the scale there was the German Democratic Republic and at the other end, the Balkan states. Right at the start, these differences had a great influence on how much each of the member states could participate in economic integration. Nevertheless, integration has proceeded and intensified. In the 35 years that CEMA has existed, its geographical range has broadened and the member states have created substantial economic ties. They have gradually achieved a more uniform level of economic development despite the considerable differences that still exist.

Economic, scientific and technical cooperation within CEMA has been aimed at achieving a quick growth in the industrial capacities of all member nations, faster scientific and technical progress, more efficient production, the greatest possible growth in worker productivity and raising the material and cultural standard of living in all socialist states.

One of the chief forms of socialist integration is a broadened international division of labor through specialization and cooperative production. These tasks were first formulated in the first half of the 1960's in the joint document "Efficient enterprises"<sup>1</sup>. This document outlined the directions to be taken in the growth of specialization among the CEMA nations and its principles were confirmed and further developed in CEMA's Comprehensive Program in 1971<sup>2</sup>.

However, the community's plans for cooperative specialization were never fully realized. Characteristic of this failure were redundancies in production and competition between industrial powers and an example of this was the parallel development in the CEMA nations of individual national automotive and tractor industries.

Enterprises for specialized and cooperative production in CEMA are inalienably associated with the long-term cooperative programs for the period up to 1990. The goal of these programs is to strengthen the integration between CEMA nations and to more fully satisfy the needs of these countries. The CEMA nations have prepared 5 long-term cooperative programs in the areas of fuel and energy, machine industry, transportation, food industry and consumer goods manufacturing. These programs outlined the chief directions and possible methods for cooperation. However, the working out of details has been left to the discretion of the countries involved.

At the 37th CEMA Session in Berlin in October 1983, it was recognized that the work on setting up respective agreements on these 5 programs has in principle been fulfilled<sup>3</sup>. The communique issued by the session emphasized the need to continue work to realize agreements aimed at accelerating scientific and technical progress and to concentrate on solving high-priority scientific and technical problems.

In the formal sense, the work on contracts for the long-term cooperative programs has been finished but it is still not entirely clear how efficiently the signatories have been working to realize these contracts. It can, however, be said that the programs do not contain any elements that are completely new from either a theoretical or practical point of view. There is at the same time no compelling reason to feel that they will not eliminate parallel production.

The lack of satisfactory progress in strengthening the division of labor between the CEMA nations and developing complementary structures in their economies is one of the chief factors retarding growth processes in these countries. In addition, at the beginning of the 1980's, there were also other factors to be dealt with such as an economic recession in the West and trade and credit restrictions imposed by the capitalist countries for political reasons. With regard to past experience, it can be said that the CEMA nations will find ways to deal with these problems and the answers they find will have an important effect on the future of their economies. However, this will require the overcoming of certain barriers that have already begun to retard

integration. Many economists in the socialist countries feel that these barriers include the system of multilateral accounting<sup>4</sup>, the pricing system in mutual trade and certain other instruments.

#### Multilateral Accounting and the Transfer Ruble

Trade between CEMA nations is bilateral in actual character. This leads to considerable conflicts between the multilateral character of the organization itself and the practice of bilateral agreements on goods which are based on balanced planning formulated in natural units<sup>5</sup>.

Financial accounting is bilaterally balanced. The purchase and sale act is tied only to the plan and any purchasing over and beyond the plan is not considered and this determines the nature of currency relations. The transfer ruble functions within a closed system in the accounting between member nations. It is tied neither to the currencies of the member nations nor those of other countries. The transfer ruble assumes a real value when the average level of prices expressed by this currency and used in trade between the member nations corresponds to the average level of world prices. In the sense of the current principles, the so-called contract prices are set by the CEMA nations on the basis of the average world prices for certain goods over a few preceding years.

According to J. Wesolowski<sup>6</sup>, the transfer ruble is not a measure of value because its own value is set by the principles and ways in which prices are set on the international socialist market rather than the other way around as it should be. The dimensions of the movement of international currency should influence the level of prices which only then should be able to determine the purchasing power of a currency. The transfer ruble also to a limited extent functions as a medium of payment. The practice of bilateral coordination and balancing of goods and services means that the transfer rubles (held by the individual countries) in accounts in the International Economic Cooperation Bank are not in character a reserve of general buying power that could be used to purchase any product in any country<sup>7</sup>. This is glaringly obvious in the case of income obtained by this bank. This income (in the form of differences between the interest on credit and interest on deposits) is formally received by the bank but practically speaking, it cannot be used because there still does not exist any mechanism for converting transfer rubles from interest for goods and services. Identical problems have occurred in the realization of credits in transfer rubles received from the International Investment Bank. Regardless of the negotiation of such credit from the International Credit Bank, it is necessary to negotiate with individual countries to obtain their agreement on supplying goods for transfer rubles from these countries.

Difficulties in the transfer ruble's ability to function as a medium of payment must be found in the planning and management system and in the mechanism for international cooperation of the socialist countries. Therefore, it is felt that to limit the bilateral character of exchange, it is necessary to improve the planning system and principles by which trade

agreements are signed. Even in the coordinating of the 5-year plans, it would be better to try to classify goods or groups of goods with regard to the reserves of production capacity or market conditions and multilateral balancing<sup>8</sup>. Only then will the transfer ruble function as a universal medium of payment. In turn, a debtor will be able to transfer his obligations to another country to an account in the monetary institution so created and it is from this account that his creditors will be able to draw payments. Individual CEMA nations are not interested in building up currency reserves in transfer rubles because the utilization of these reserves requires prior beforehand with trade levies. Therefore, in the account in the International Economic Cooperation Bank shows a positive balance, this is actually the result of a trade contract being either exceeded or underfulfilled by partners.

The scale in which the transfer ruble can function as a measure of value, as a medium of payment or as a means of building up reserve funds depends not so much on the technical functions of its functioning but on the extent of international cooperation actively shaped by commercial and monetary implements. This is above all a matter of mutual unlevied exchange of goods and services as the object of purchase and sales at the immediate level of the firm. Such an exchange is possible if the object is goods or services whose supply falls below the level of their demand.

A widely-discussed problem in economic literature is the feasibility of making the transfer ruble exchangeable for outside currencies. This change should not be an end in itself but a tool for more easily attaining certain economic goals<sup>9</sup>. It should serve to make our products more competitive and limit the amount of necessary monetary or gold reserves, etc. A negative aspect of making transfer rubles exchangeable for other currencies is that it would also make the economies of the CEMA nations more dependent on the situation in outside countries. Therefore, the economies of the socialist countries would be more susceptible to economic cycles in the capitalist countries. However, it seems that socialist economies have many different instruments for eliminating the negative influence of changes in the world economy.

Literature on the problems of the CEMA nations often state that the relations existing within this block of nations meet objective needs and that the mechanism of these relations is functioning as it should. Even the smallest change can disrupt the normal functioning of the entire system. Publications on the problems of CEMA currency and financial relations generally speak about the achievements of the socialist community and refer to their problems to a much lesser degree. However, we must remember that in the 1970's, the economic mechanism for CEMA cooperation (principles of accounting, pricing systems, currency values and credit principles) was much the same as in previous periods in which the internal and external conditions for cooperation underwent substantial changes.

At that time, there were attempts to modify the system of accounting. One of the most frequently discussed problems for a long time has been the practical

employment of positive balances in international accounting. At the start of the 1970's, there were two popular opinions about how this problem could be solved. Some proposed the so-called credit method<sup>10</sup>. Others, basing their beliefs on the experiences of the European Payment Union, proposed the gradual stiffening of accounts. Advocates of both views assumed that making the transfer ruble fully exchangeable would not require any new solutions. As we know, some CEMA states began using in practice the method of stiffening accounts. On an experimental basis, these states on 1 January 1974 made the transfer ruble partially exchangeable for gold or other currencies for transactions made in 1973. However, the ruble was never made really exchangeable. The ruble was to be made exchangeable for debts exceeding a certain level. National banks regulated their debts in such a way as to keep them below the level requiring payment in rubles and for that purpose employed short- and middle-term credits. Therefore, the experiment did not lead to the creation of conditions making such currency exchange possible because the system had a built-in safety valve allowing the manipulation of debts.

The failure of this experiment compels us to be cautious. The possibility of failure of technical enterprises aimed at achieving properly chosen goals can for a long time endanger development of not only technical and economic tools. The creation of conditions favorable to satisfying needs in transfer rubles remains an important task and the given proposal could be the basis for solving it. However, at the present stage of CEMA cooperation (despite the comprehensive program for economic development of the socialist community), there have emerged many problems that have had a negative effect on the process of cooperation.

As we have now seen, the transfer ruble presently functions to a considerable degree as currency standard set in an independent manner in CEMA (the International Economic Assistance Bank and the International Investment Bank) and its individual member nations. In all actuality, such a standard does not at all correspond to the official currency values. Therefore, O. Bogomolov is right in calling out for the introduction of realistic exchange rates<sup>11</sup>. This would accelerate and intensify the integration of the CEMA nations.

#### The Pricing System

The chief principles of the system for creating contract prices were formulated at the 9th CEMA Session in Bulgaria in June 1958 and still remain in use. There are two essential problems involved in setting prices for trade between CEMA nations: first, the length of the so-called base period (average world prices from this period serve as a basis for establishing contract prices and in practice, a 5-year base period is used); second, the term of the validity of the negotiated contract price principles.

Substantial changes to the practice of setting prices were introduced by a decision of the 70th meeting of the CEMA Executive Committee in January 1975. These changes made it possible to use a moving base of prices and therefore allowed yearly price changes from 1976 to 1980 which were extended to 1981-

1985. A moving price base is an example of very elastic interpretation of the CEMA pricing principles of the time. Fixed prices based on average world prices were by their very nature out of contact with current prices and were from the very start obsolete as they followed world prices of 2.5 to 3.5 years ago. This had a negative effect on the functioning of the international markets of the CEMA nations. However, the prices in trade between CEMA nations continue to be based on old world prices. An example of this can be found in the figures of table 1. In such a situation, prices do not stimulate technical progress or specialized production that might broaden the scale of mutual commerce.

In setting prices for specialized and cooperative products, one encounters other problems associated with how world prices are documented and determined.

In the economic literature of the CEMA nations, one can distinguish two types of proposals for means of setting contract prices for specialized and cooperative prices: either on the basis of world prices or production costs. The proposal to base prices for trade between CEMA nations on world prices assumes that their relative position rather than absolute levels be considered.

The method of setting prices for cooperative and specialized products on the basis of their production costs could be accepted if these costs were to not differ too much from the costs to the chief world producers. If a country that manufactures a product has a monopoly on that product, he can impose a higher price on the basis of his own costs. Such a situation makes other countries begin producing the same product and resign from international cooperation.

It must be remembered here that on the world capitalist market, the level of the prices of exported products is determined also by other factors such as the amount, permanence and continuity of the supply. Increasing exports makes it possible for producers (thanks to the increased scale of production and better use of production potential) to lower their production costs and therefore their prices. However, these factors cannot as a rule affect prices in the trade between CEMA nations in which there is are general shortages in production and manufacturing potential which limits the opportunities for attaining the benefits of scale.

In conclusion, it can be said that the prices in trade between CEMA nations will encourage more intensive international cooperation only when they also provide both producers and buyers a means of gaining a share of the benefits. For prices to stimulate greater CEMA cooperation, there must be substantial modification of the concepts used in this area up to now<sup>12</sup>.

#### The Mechanism of Cooperation and National Mechanisms

The problem of developing mechanisms for cooperation between CEMA nations is associated with the interdependency of national and international mechanisms.

It is generally agreed that there is an inverse relationship between national and international mechanisms and that the internal guidance systems influence the international systems and vice versa. At the same time, there are differences of opinion as to the importance of each of these mechanisms.

According to one position, the internal mechanisms by which the economies of individual nations function are the most important ones. Supposedly, the international mechanism must be adapted to internal mechanisms. Other hold the view that the internal and international mechanisms develop at a different rate of speed. This belief assumes that as trade between CEMA nations increases, it becomes more necessary to create flexible ties between production and demand (in the sense of foreign demand). The existing mechanisms does not give enough force to this tie. Internal mechanisms do not agree with the mechanism of exchange especially when the latter is more slowly subject to these changes than the internal mechanisms.

These views give no allowance to either the "narrow profiles" chiefly created by differences in the level of development of the nations participating in this exchange or the asymmetry of this exchange which has been caused in turn by even slight differences in the strength of these nations' economies. Therefore, the mechanism for exchange and cooperation is chiefly a mechanism by which the country with the greatest potential functions.

Again, due to the existence of "narrow profiles", the international mechanism is principally determined by the action of the internal mechanism of the country whose economic management system is stiffer. It is also insufficient for only a few countries to change their economic mechanism while others participating in exchange and cooperation fail to develop their own internal economic systems or do so too slowly<sup>13</sup>.

In the second half of the 1960's attempts were made to improve the national mechanisms of management. Individual CEMA countries tried to introduce various changes. Therefore, one can say that there are three basic types of management mechanisms: the Soviet, Hungarian and Vietnamese. The scale of these mechanisms is fairly broad and ranges from the defensive economy of Vietnam to Hungary's economy which preserves business independence within certain bounds.

Regardless of the character of the mechanism used to guide their national economies, the CEMA nations have altered the structure of their production to only a slight degree. Neither national mechanisms nor international mechanisms have been strong enough to react to the serious changes in outside conditions in the 1970's. This insensitivity was the product of the differences between new concepts and traditional ones. This has led to ever-increasing difficulties such as a rise in dependency on imported materials and credits from the West and therefore a rise in debts in some countries and above all in Poland.



The principal element of necessary progress in the internal economic mechanisms of the member nations (and less directly, progress in modernization of the CEMA cooperation mechanism) is the creation of a unified system of assessments. The pricing system plays such a role in product and monetary relations. The internal pricing systems of the individual CEMA states were and still remain closed systems. They reflect the specific character of the production conditions in the given state, the methods used in the different countries to account for costs, profit deductions, finance funding etc. The differently functioning pricing systems created on various bases are not comparable on an international scale. Differences in the management conditions do not fully explain differences in price levels. The difficulties caused by lack of a real system of assessment on a national scale are much worse on an international scale. The comparability of work in an international sampling and actual currency exchange rates fulfilling price-setting functions would allow production costs to be used as the basis for setting prices in foreign trade. Only in Hungary and as a result of economic reform has the currency exchange rate been introduced as a price-setting factor.

In other CEMA countries, the internal prices not connected with foreign trade prices do not properly reflect either the cost in public work to produce goods or the efficiency of foreign trade<sup>14</sup>. In such a situation, it is impossible to make an international comparison of the costs of a given production and its results when the structure of internal prices vary within the individual countries (the material costs, wages, investments, interest on fixed assets and floating capital, profits and taxes all vary). For example, not all CEMA countries tax fixed assets and floating capital and those that do all do so on a different basis (on either gross or net property). In some countries, the interest on fixed property is taken out of profits while in others it comes out of the production costs. There are also differences in the range of resources subject to interest and different rates and principles of depreciation. Payment for land use is only charged in Hungary (5 percent of the price of the land) and partially in the USSR. It seems that an acceleration in the economic integration of the CEMA nations requires a uniform method of pricing. This would make it possible to compare prices and would also give the economic structures of the member nations greater similarity.

In Hungarian, Czechoslovakian, Polish and Romanian economic literature at the end of the 1970's and beginning of the 1980's, there appeared publications whose authors suggested that it would be feasible to increase the role of national currencies<sup>15</sup>. National currencies would gain some of the functions of money (as a means of payment). The transfer ruble would be used above all as a reserve similar to the SDR (special draught rights, currency unit of the International Monetary Fund). This would contribute to the growth of the transfer ruble. Other economists felt that the chief condition for a rational monetary and financial system for CEMA was a greater role for the transfer ruble in all functions.

It would be a mistake to emphasize the differences of opinion about the role of the transfer ruble, all the more so as they do not constitute the chief or even the sole problem in the future development of socialist integration. More and more specialists are in favor of intensifying the direct links between economic entities, in other words, they are for solutions that would bring about integration on a smaller scale. This can be achieved only when during the coordination of middle- and long-term plans, mutual supplies are not too strongly specified and conditions are created that make it possible not only for states but for businesses to more flexibly react to changes in the world market<sup>16</sup>. At the same time, it is now more often felt that the currencies of the socialist countries should be made exchangeable for foreign money<sup>17</sup> and this belief is spurred by the increasing role of goods and money in the socialist economy as well as the increasing economic relations between the CEMA countries and those with exchangeable currencies. Not all of the CEMA nations share the same views on this problem and their individual opinions are shaped by how open their economy is and by the way in which the economy is managed: centrally-administered economies and indirect administration require exchangeable currencies to different degrees.

According to the provisions of the Comprehensive Program, socialist currencies can be made exchangeable through an improvement in the function of the common currency and its continuous coverage. In order to create a common exchangeable currency, serious changes must be made to the CEMA monetary and finance system. Exchangeability of the national currencies also requires certain changes be made in the individual member nations as well as within the entire group.

In the future, the CEMA financial system can operate on the basis of both the national currencies and an international currency. Therefore, it would be justifiable to conduct all transactions using the transfer ruble and to make all national currencies exchangeable. An efficient monetary and finance system would also give greater freedom of action for economic policy and therefore make it possible to intensify economic processes.

It is worth pointing out here that O. Bogomolov has spoken about the more serious economic reforms presently being implemented in the CEMA countries to reduce the portion of the state budgets dedicated to financing investments and make greater use of bank credits and company funds, to reduce funding for unprofitable enterprises, base wages on productivity, improve pricing systems, improve central planning and create appropriate economic tools (such as credit, prices, taxes, etc.). O. Bogomolov feels that one of the most important conditions for CEMA's economic integration is an improvement in economic management and the ties between the national economies<sup>19</sup>. Of course, these processes are carried out with different intensities in the various countries but they can still form the basis at this time for gradually bringing together the national systems for pricing and setting currency values. In this way, we can gradually form new elements of an economic mechanism, adapted to the present and future conditions of the process of socialist economic integration.

Table 1. Prices for USSR petroleum exported to the European socialist countries in 1975-1982

Year	Real price	Calculated price <sup>a</sup>	World prices <sup>b</sup>	
	transferruble/ton	transfer ruble/ton	t. ruble/ton	dollar/ton
1975	31-38	32.3	61.3	34.6
1976	34-41	34.5	68.4	90.9
1977	44-50	95.3	66.3	91.0
1978	54-60	55.7	94.3	93.2
1979	64-72	64.1	65.5 <sup>c</sup>	97.9 <sup>c</sup>
			115.5 <sup>d</sup>	179.1 <sup>d</sup>
1980	72-76	70.3	143.0	220.2
1981	93-103	87.0	170.0	236.1
1982	116-130	107.0	180.0	250.0

a. Calculated according to current CEMA pricing principles.

b. Based on the price of light Arab petroleum.

c. January

d. December

Source: J. Bethkenhagen, "Erdoel und Erdgas im RGW -- Intrablockhandel" [Petroleum and Natural Gas in Trade Between CEMA Nations], DIW WOCHENBERICHT, 1983, 22 December

#### FOOTNOTES

1. "Efektywne przedsiwzięcia" [Efficient enterprises], in PROBLEMY KOOOPERACJI PRODUKCJI, CEMA Secretariat, 1960, p 364

2. "Kompleksowy program dalszego pogłębiania i doskonalenia współpracy i rozwoju socjalistycznej integracji gospodarczej krajów członkowskich RWPG" [Comprehensive program for further intensification and improvement of cooperation and development of socialist economic integration of the CEMA member nations], Warsaw, 1971, p 10.

3. "XXXVII Sesja RWPG w Berlinie, Wspólny Komunikat" [37th CEMA Session in Berlin. Joint Communiqué], RZECZPOSPOLITA, 1983, No 250.

4. See S. Ausch "Sostoyaniye, mekhanizm i perspektivy sotrudnichestva stran-chlenov SEV" [The state, mechanism and perspectives for cooperation between CEMA member states], Moscow, 1979.

5. See Z. Zytomirski, "RWPG -- uwarunkowania współpracy" [CEMA -- conditions for cooperation], ZYCIE GOSPODARCZE, No 49/1983.

6. J. Wesolowski, "Problemy walutowe integracji gospodarczej krajów RWPG" [Monetary problems of the economic integration of the CEMA countries], Instytut Finansów, Warsaw, 1964.

7. Z. Federowicz, "Problemy wspólnej waluty krajów socjalistycznych, referat na konferencja naukowa nt. 'Problemy monetarno-walutowe'" [Problems of a common currency for the socialist countries. Report to a scientific conference on monetary and currency problems], Warsaw, 1973.

8. See H. Kisiel, "Mechanizm rozliczeń międzynarodowych w zakresie wymiany towarów" [International accounting mechanisms for exchange of goods], in "Integracja ekonomiczna krajów socjalistycznych" [Economic integration of the socialist countries].

9. See E. Dabrowski, "Międzynarodowa waluta krajów RWPG" [International currency of the CEMA countries], Warsaw, 1974, p 17.

10. Using this method, debts in transfer rubles would be converted to exchangeable currency only under certain circumstances. In other words, a country with a positive balance would receive from the appropriate institution (organizing and operating the system) credit in exchangeable currency. The amount and term of credit would satisfy the needs of the recipient. According to this proposal, the interested CEMA nations would come together to create the necessary funds in exchangeable currencies in the International Economic Aid Bank and would create a joint credit fund that is based on a percentage of import trade. The bank would loan transfer rubles at no interest.

11. O. Bogomolov, "SEV: ekonomicheskaya strategiya 80-kh godov" [CEMA: an economic strategy for the 1980's], KOMMUNIST, 1983, No 7. This article was also published in Poland under the title of "Strategia gospodarcza na lata osiemdziesiąte. Nowa sytuacja w rozwoju gospodarczym i współpracy wzajemnej" [An economic strategy for the 1980's. The new situation in economic development and joint cooperation], GOSPODARKA PLANOWA, No 4/1984.

12. See J. Rutkowski, "System cen i jego działanie we współpracy krajów RWPG" [The pricing system and its effect on CEMA cooperation], in "Problemy handlu zagranicznego IKC-PWE" [Problems of IKC-PWE foreign trade], Warsaw, 1983, vol 15, p 112.

13. S. Ausch, "Sostoyaniye...".

14. S. Gora, Z. Knyziak, "Międzynarodowa specjalizacja produkcji krajów RWPG" [International specialization of production among the CEMA nations], Warsaw, p 133.

15. See, for example, K. Pecsí, "Nekotorye problemy ustanovleniya tsen" [Some problems in setting prices], MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTNOSHENIYA, 1979, No 9.

16. S. Ausch, "Sostoyaniye...".

17. See K. Pecsí, "Nekotorye problemy...".

18. O. Bogomolov, "Strategia gospodarcza..." op cit.

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## JULY TALKS PROMOTE DIRECT ENTERPRISE COOPERATION WITH USSR

Warsaw TRYBUNA LUDU in Polish 14 Aug 86 p 4

[Article by Zbigniew Lesnikowski: "The Advancement of Direct Relations"]

[Text] At one time, direct relations between units with a similar production or research profile did not play an important role in Polish-Soviet economic, industrial and scientific-technical cooperation. Indeed, individual plants did maintain contacts, even very systematic ones at times, but their range, scale and frequency did not correspond to either the potential or the needs of both sides.

Things are starting to be different now. For more than 2 years we have been making up for lost time in the development of direct cooperation. Currently it is becoming one of the main trends of our countries' economic strategy.

An important meeting took place at the Warsaw Friendship House [Dom Przyjazni] during the 10th PZPR Congress. The members of the Soviet delegation to our congress: USSR Foreign Minister Eduard Shevardnadze and CPSU Central Committee Secretary Alexander Yakovlev were greeted here by representatives of Polish enterprises and research-developmental posts which maintain direct contact with their Soviet partners. The prospects of these contacts were discussed. It was noted that currently direct cooperation is being implemented by 104 Polish and 97 Soviet enterprises and associations as well as 47 Polish and 45 Soviet scientific-research units.

Several weeks have passed since the 10th Congress and the above cited numbers are no longer in effect. However, that which had been signalled there is of great importance to our direct cooperation, which creates great possibilities of eliciting new initiatives, whose final result should be the joint organization of cooperative production for the manufacture of products based on new technology. Therefore, it is not just a question of the chance for better mutual understanding of each other's potential. This type of cooperation is conducive to the formation of joint research and construction teams, planning-design bureaus, scientific-production centers as well as joint Polish-Soviet enterprises. Of course, the establishment of such entities must go hand in hand with the tightening of bonds between the partners' work collectives through cooperation of party, union, and youth organizations--in a word, all those who participate in this cooperation.

Unfortunately, the expansion of these contacts still continues to come up against bureaucratic obstacles. It was emphasized by the discussion participants in the Warsaw Friendship House that it does occur, for example, that the need arises for the immediate meeting of experts for the purpose of solving a specific problem. Meanwhile, obstacles of a transportation, passport or border crossing nature arise--in a word formal barriers difficult to "cross" that complicate the frequently preclude the attainment of full productivity in this respect.

"It is good," stated Minister E. Shevardnadze at the meeting, "that we are talking more and more frequently not only about achievements but also about the difficulties that occur in the creation of a 'technology' of direct contacts." The elimination of bureaucratic barriers is one of the important goals presented at the most recent congresses of both of our parties. We must cooperate in this matter also and come to grips jointly with bureaucracy, formalism and the oppressiveness of various rules and structures.

Joint design bureaus, such as, the already functioning Ponar FUM [Mechanical Equipment Factor] Ostrzeszow--ENIMIS Moscow Design Research Bureau for Clutches and Brakes also represent an efficient and promising form of cooperation. Similar bureaus are also functioning in the area of heavy self-propelled [samojezdny] cranes, in the placing in operation of a new generation of color TV's and a jointly produced delivery truck. As far as indirect cooperation of Polish-Soviet research-developmental centers is concerned, the following deserve recognition: cooperation in the area of the production of a new generation of self-propelled cranes with a hoisting capacity of 25 to 250 tons, a joint graphics station [stacja graficzna] on the basis of the Soviet micro-computer and the Polish graphics monitor, and finally, the development of the design and coordination of the production of a 3.5 ton diesel engine delivery truck.

The list of examples is, of course, considerably longer all the more that July has brought a series of new and important decisions made in Warsaw and in Moscow during the course of the work carried out by government teams for the development of Polish-Soviet economic relations. In the area of metallurgy and the machine-building industry, the possibility of, for example, increasing the number of plants that would carry out direct cooperation with over 30 economic organizations from each country was decided upon.

It was determined that there exists the possibility of creating in both countries, several joint agricultural product processing enterprises and the possibility of cooperation with our Soviet partner in utilizing free production power [wolna moc produkcyjna] in our agro-food industry. Moreover, the Polish side has presented a list of approximately 70 scientific-research centers, agro-food enterprises as well as state owned and cooperative farms that are interested in direct coproduction with appropriate Soviet entities.

"In sum," as was stressed by Franciszek Kubiczek and Wladimir Lachtin, chairmen of the government teams, "the July talks were productive whereas their

results constitute a huge contribution to the development of cooperation, particularly direct cooperation. In accordance with the approved proposals, it is assumed that approximately 170 new entities on each side will establish such coproduction with each other of which one-fifth will be research-technological entities. The proposal of creating 44 joint economic organizations including 12 new joint enterprises, 5 coordinating unions associated with enterprises, and 27 joint scientific-technological collectives was also agreed upon. During the course of further work, nearly 100 new proposals will be examined pertaining to direct cooperation and joint organizations.

The July Polish-Soviet talks and specific proposals approved during their course constitute the practical implementation of the entry in the resolution of the 10th PZPR Congress that states that in our economic relations with the Soviet Union and with other CEMA countries, "we shall actively strive to expand cooperation and production specialization, and to implement new forms of coproduction on a broad scale through the creation of joint enterprises, the expansion of direct production and scientific-technological cooperation between enterprises and research centers and through new investments."

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SOVIET INTEREST IN POLISH COMPUTERS GROWING

Warsaw ZYCIE WARSZAWY in Polish 18 Aug 86 p 7

[Article by Henryk Chadzynski; "Expansion and Then What?"]

[Text] Moscow, August. All indications are that the value of computer equipment as well as that of automatic control engineering and surveying equipment sold in the Soviet Union by Metronex will reach a level of 270 million rubles this year. At the same time, Metronex will strengthen its position on this market among our other centers which deliver investment goods. Therefore, the several years ago projected amount of 500 million rubles is attainable today, although, not too long ago this seemed rather unrealistic to many people, who manage our industrial production and exports.

I can recall how in 1979 the equipment presented by Poland at the electronics exhibit in Moscow aroused great consumer interest. However, to those who were concerned with planning our activity on this market, the export plans of computer manufacturing plants seemed overly bold. At that time, everyone was excited about the export of structures, building machinery and rolling stock and Metronex was in 18th or perhaps even 20th place with regard to supplying this market. Today, it occupies third place immediately behind Centromor and Polmot and is ahead of both Bumar and Polimex-Cekop.

The skeptical attitude toward the possibility of expanding the export of computer technology was expressed in the shaping of the trade infrastructure, of the service network [siec serwisu] and in training-promotional activity. It is only in recent years that we have begun to make up for lost time whereas in 1983 a Trade-Technical Center was formed in Moscow which replaced the traditional form of activity assisted by a form of representation [delegatura] that did not correspond to the scale of activity nor the specificity of goods.

When and if Konstanty Zdanski, head of Metronex in Moscow, writes his memoirs in the future (he has fulfilled various occupations in various geographic areas of the world), he may devote one of the chapters to the struggle to create this technical center on a scale that would accommodate the needs of a large-scale market. Owing to the support of his principals from the home company in Warsaw it finally looks like expansion may begin. The center shares a small surface area with agencies of other Polish central offices in the building where it is housed. That is why it is difficult to speak of working conditions and of receiving clients in a manner appropriate for the requirements and practices of this type of business.



Now that permission has been granted by the Moscow architectural authorities for the construction of an additional part to the building, it will be possible to create an area for training-instructional work and finally the employees will not have to work in such cramped quarters. Therefore, improvement is close at hand. However, it is worthwhile to give some thought to why it was possible for the Bulgarians, whose computer exports are currently nearly four times as great as ours, to immediately create appropriate conditions of operation. From the start, the Bulgarian authorities placed great importance on this production and exports. The coordination of export tasks in the field of electronic computer technology was entrusted on the Soviet market to one of the Politburo members. Therefore, this activity was given the proper rank from the start and it was not necessary to later make up for delays in haste with improvisation.

The shortcomings of the [computer] service have become all the more severe that in the beginning of the 1980's, it was possible to enter the Soviet market with mini- and microcomputer systems. A real triumph has been achieved on this market by "Camac", a system manufactured by Polon that won the title of "Export Champion" [Mistrz Eksportu] at the most recent Poznan Fair [Targi Poznanskie].

During the last few years, the export of computer systems has increased from a modest sum of 100,000 rubles to approximately 65 million rubles currently. At the present time, there are approximately 2,200 systems being used in the vast territory of the Soviet Union in scientific-research facilities, in large industrial production plants and in construction bureaus. The manufacturer must provide both warranty and post-warranty service for this type of equipment because interruptions of any kind in the functioning cannot be permitted. The systems must function without fail. It is estimated that there may be 20 to 25 systems to maintain per "serviceman", depending on the type. Meanwhile, there are not enough people in our ranks. The entire technical-business service team numbers 102 persons.

The manufacturing plants have prepared the right people. At the present moment, there are 18 specialists with families sitting on their luggage waiting to leave as soon as housing can be obtained for them.

In any case, the situation varies from center to center. I have presented the difficult, pioneer-type conditions in Novosibirsk. I saw a completely different picture in Kiev. Actually, this is the only post of Polish computer service in which people are not complaining about the limited living area. This is due to the extreme kindness of the local authorities. They [service specialists] have two spacious lodging quarters at their disposal and their range of operations is also considerably broader. The Metronex service in Kiev services not only computer systems but the representatives of the respective factories also take care of individual equipment. The manager of this post in Kiev, engineer Jan Chorostowski, has given high praise to the activity of some of the Polish plants. A good example of this is Mera-Elzab from Zabrze which sets in motion novel concepts with the thought of the best export arrangement in the long-term. With respect to technical parameters as well as prices, it successfully competes with the Hungarians and the Bulgarians. The convassing [akwizycyjna] activity of the

post is evident since from among 9,000 monitors, 7,000 have found their way to the region of Kiev. A new monitor was developed recently which is one generation ahead of the existing ones offered by the competitors. Activity such as that of the plant from Zabrze or that of the supplier of feeder cables from Ostrow Wielkopolski, who in terms of the modernity of construction and lighter weight are also one generation ahead of the competitors, is extremely important in the face of increasingly more difficult demands.

The Soviet market is presenting increasing demands in this field. This is no longer an area about which it used to be said that trade was replaced by the agreements reached by planners. Competition is fierce and technical as well as trade negotiations very difficult. Conclusions from this must be drawn by all manufacturers. The fundamental issue that determines success is systematic progress and the development of equipment that meets demands and successfully competes with that supplied by others. A second indispensable condition for success is efficient service provided directly by the manufacturer's team of experts. I have become convinced during this trip that good service is at the same time a chance for canvassing work.

It is not by accident that during our most recent exhibit in Kiev entitled "Made in Poland" [Sdyelano v Polshe], the Metronex post received a very interesting proposal from that country's industrial and foreign trade representatives that cooperation in the field of computer systems be expanded to include automatic control engineering equipment [automatyka] in one of the important areas of industry.

Therefore, it is a good thing that Metronex continues to strive for strengthening the existing service posts and that it intends to establish new centers in such areas as Alma-Ata, Tbilisi, Yerevan, Chabarovsk and Ufa. This service pays twofold because it pays for itself and through efficient work it is conducive to furthering the development of cooperation. This, in saving on expenses associated with dispensable administration, restrictions cannot be applied to the service. It is a good thing then that the goals of Metronex in this field--as may be deduced from conducted discussions--are obtaining more effective assistance not only from the authorities in Warsaw but also from those who represent our foreign trade in Moscow.

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#### YUGOSLAV-SOVIET SCIENTIFIC, TECHNICAL COOPERATION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 14 Sep 86 (special supplement) p 3

[Article by Y. Vozyanov, scientific secretary of the Soviet Section of the Soviet-Yugoslav Subcommittee for Scientific-Technical Cooperation]

[Text] The intergovernmental agreement on scientific-technical cooperation between the Soviet Union and Yugoslavia was signed 19 December 1955. During the first phase of cooperation more than 10,000 Yugoslav experts familiarized themselves with the achievements of Soviet scientists and specialists in solving specific scientific and technical problems, while more than 8,000 Soviet experts visited Yugoslav enterprises, scientific research institutions, and design and construction organizations for the same purpose. About 600 sets of diverse technical documentation were furnished for use to Yugoslav enterprises and organizations, and about 400 copies of such documentation were obtained from Yugoslavia by Soviet firms.

A strengthening of the principles of planning scientific-technical cooperation with Yugoslavia is characteristic of the present period. On the basis of an agreement reached during the Soviet-Yugoslav summit meeting (August 1977) the Long-Range Program for Economic and Scientific-Technical Cooperation Between the Soviet Union and Yugoslavia Over the Period 1981-1990 was signed; within its framework the Program of Scientific-Technical Cooperation Between Organizations of the USSR and the SFRY Over the Period 1981-1985 was adopted for the eleventh 5-year planning period after mutual adjustment.

This is the first time in the 25 years of Soviet-Yugoslav scientific-technical cooperation that such a general 5-year plan has been adopted. More than 100 topics in various fields were elaborated under the program. Cooperation was established between 97 Soviet and 91 Yugoslav organizations and institutes representing the principal economic sectors of the two countries.

Extensive development has been achieved in the framework of Soviet-Yugoslav scientific-technical cooperation in the fields of machinebuilding, the chemical industry, the communications equipment industry, and electronics. Scientific-technical ties between scientists of the USSR Academy of Sciences and the Council of the Yugoslav Academy of Sciences and Arts have been broadened.

During the period 1981-1985 32 agreements and contracts were signed and performance initiated concerning scientific-technical cooperation, specialization, and industrial cooperation in the fields of machinebuilding, the applied chemical and petroleum industry, the machine tools industry, robotics, heavy and power machinebuilding, the manufacturing of appliances and instruments, the food industry, and the furniture industry.

Cooperation over the period 1981-1985 led to the creation of about 40 types of new machines, equipment, and instruments; not only were existing manufacturing processes improved, but 20 new ones were developed, as were 20 new types of materials; and about 30 sets of technical and design documentation were prepared.

For example, thanks to cooperation between the organization "Minstankoprom" and the professional association of machine tool and instrument manufacturers "Mashinosoyuz" and "Alat" a number of programmed control systems were created. Equipping Soviet lathes and milling machines with jointly developed "LJUMO-61" control systems (Ljubljana-Moscow-Odessa) produced by "ISKRA" made it possible to raise labor productivity on milling machines between 2- and 2.5-fold. The "LJUMO-11" system has increased productivity on lathes as much as 40 percent.

Jointly developed spindles for internal grinding, which are to be installed in high-precision machine tools produced by the Saratov Machine Tool Factory, will make it possible to increase the productivity of the machines 30 percent.

In 1983, pursuant to decisions of the 21st Meeting of the Soviet-Yugoslav Committee for Economic and Scientific-Technical Cooperation, agreement was reached on the program of consultations in order to develop scientific-technical cooperation between the Soviet Union and Yugoslavia over the period 1986-1990. Under the program the GKNT [State Committee for Science and Technology] elaborated and cleared with the Yugoslav side the "Basic Directions of Long-Term Cooperation Between the Soviet Union and Yugoslavia in the Fields of Science and Technology up to the Year 2000," as well as the List of Most Important Problems for Scientific-Technical Cooperation Between the USSR and the SFRY Over the Period 1986-1990.

In early 1986 consultations were completed between ministries of the USSR and business organizations of the SFRY concerning mutual agreement on cooperation in the various sectors over the period 1986-1990, and the program for scientific-technical cooperation and industrial cooperation over the current 5-year period was signed. The joint efforts of organizations of the two countries will be directed toward solving problems in the sectors of metallurgy, machinebuilding, the chemical industry and agriculture, health care, the wood industry, and other economic sectors. About 80 agreements, more than 50 contracts, and 20 business agreements will be signed in order to implement those plans.

Concentration of joint efforts will be toward carrying out programs for scientific-technical cooperation, above all in five basic directions: electrification of the economy, the manufacturing of automation equipment, including flexible automated systems, the fuel and power industry, creation of new materials and processes, and biotechnology.

Specific ultimate goals exist for these programs, their performance has been scheduled, those responsible for carrying them out have been designated, and the necessary financial and material resources have been furnished.

This is the procedure that will be followed in developing the technology for production of insulation coatings with increased thermal resistance to protect long-distance pipelines against corrosion on the basis of antichemical protection, up-to-date instruments will be devised for the diagnosis and measuring of high temperatures, and much attention will also be paid to welding equipment, to manufacturing measuring transformers with gas insulation for voltages exceeding 100 kv, as well as new types of precision grinders and lathes, to improvement of equipment for passenger automobiles, and so on.

The great importance of increasing the effectiveness of scientific-technical cooperation and attainment of the highest economic results thanks to application of the joint results of cooperation in the national economies of the two countries point up the need and promise of establishing broad, direct scientific-technical ties between Soviet and Yugoslav scientific research institutes and design, construction, industrial engineering, and scientific-production organizations.

It should be especially emphasized in this connection that direct scientific-technical ties offer the respective organizations of the two countries the opportunity to successfully solve scientific-technical problems envisaged for the period 1986-1990, to round out the cycle of cooperation on the principle "science--production--application," and to achieve the broadest application of the results of scientific-technical cooperation in the economies of the Soviet Union and Yugoslavia.

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#### YUGOSLAV-USSR COOPERATION IN AUTO PRODUCTION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 14 Sep 86 (special supplement) p 5

[Article by V. Komarov, chief of the All-Union Association for Foreign Deliveries of Products of the Automotive Industry "Soyuzglavavtozagrannostavka"]

[Text] It is well known that for years cooperation has gone on successfully between Soviet and Yugoslav firms and factories in the production of cars and trucks. The beginning of this cooperation dates back to the mid-fifties, when the Yugoslav factories "Crvena Zastava," "Utva," and "TAM" and others went into production.

When in the early seventies the governments of the USSR and SFRY signed the Agreement on Industrial Cooperation in Automobile Manufacturing between the Volga Factory and the "Crvena Zastava" Automobile Factory a qualitatively new period of cooperation began. During the implementation of that agreement Yugoslav automobile producers made an essential contribution to faster beginning of production of vehicles of the VAZ [Volga Motor Vehicle Plant] type and to the startup of the Volga Automobile Factory in Togliatti.

Today many Yugoslav factories from various parts of the country are every year delivering to the Volga Automobile Factory more than 60 types of components for VAZ vehicles, including storage batteries, electrical equipment, plastic and rubber parts, and fittings. This agreement has made it possible for Yugoslavia to satisfy more fully the demand for automobiles within the country thanks to their importation from the USSR in exchange for delivery of components.

In recent years Yugoslavia has received deliveries of more than 200,000 "lada" models of the VAZ automobile, which have become very popular in the country. At the present moment a protocol to extend the agreement on industrial cooperation over the period 1986-1990 has been prepared for signing. Solid friendly and business relations link the Kama Automobile Factory and "Prva Petoletka" of Yugoslavia; recently their labor forces held ceremonies to celebrate the 10th anniversary of their successful cooperation. Yugoslav firms have been delivering to KamAZ [Kama Motor Vehicle Plant] about 30 types of up-to-date brake devices, lighting instruments, devices for tipping the cab, filters and other equipment and components for the production of trucks and trailers for carrying heavy loads.

Since 1981 the "KamAZ" Production Association and the factory "Prva Petoletka" have also been carrying on successful scientific-technical cooperation. This applies first of all to the joint effort in modernizing series-produced brake equipment for trucks and development of new brake systems.

Deliveries of components for Yugoslavia are offset by the "KamAZ," "KraZ" [Kremenchug Motor Vehicle Plant], and "MAZ" [Minsk Motor Vehicle Plant] trucks which are needed by the Yugoslav economy. Over the period 1986-1990 the volume of deliveries will be more than twice as great as during the last 5-year period.

In general it can be said that the principal characteristic of the pace of development of Soviet-Yugoslav economic relations in the automotive sector has been a stable growth of visible trade, which over the period 1981-1985 increased 1.6-fold, and in the current 5-year period it will increase another 30 percent. Plans call for delivering to Yugoslavia automobiles and trucks, bicycles and motors, campers, and other goods for the automotive industry. Various components, including components for new front-wheel-drive models of automobiles produced by VAZ--the "Samara," the "Moskvich," and the "Zaporozhets"--will be delivered from Yugoslavia under the industrial cooperation.

The all-union association, together with motor vehicle manufacturers and the foreign trade organization "Avtoeksport," is working at the moment on further expansion of cooperation between our two countries in the sector of the automotive industry.

Together with the Yugoslav commercial firms "Progres," "Autocentar-Merkur," "UNIS," "Slovenijales," and others opportunities are being examined for finding new forms of industrial cooperation in the manufacturing of automobiles, travel trailers, campers, motors and bicycles, as well as automotive parts and various types of manufacturing equipment for automotive factories.

Plans call for establishing industrial cooperation in the production of specialized automobiles based on a new model of the "Moskvich" at the "CIMOS" Factory in Koper. Yugoslav enterprises will be delivering various plastic parts and other components to the "Leninskiy Komsomol" Factory in Moscow.

There are also many other opportunities for expanding industrial cooperation with Yugoslav enterprises and for concluding barter arrangements, above all concerning manufacturing equipment, joint work on particular problems related to automotive engineering and scientific-technical cooperation. A mandatory condition here is that the mutual deliveries and services be balanced.

Our joint effort is to see that Soviet-Yugoslav ties contribute to acceleration of scientific-technical progress and help in performing the key tasks of socioeconomic development of our countries. Equality, mutual benefit, and the balancing of deliveries, which are the basic principles of Soviet-Yugoslav cooperation in the sector of the automotive industry, are an important factor in the stability of our relations and a pledge for successful cooperation in the future.

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SOVIET ACADEMY OF SCIENCES, YUGOSLAV INSTITUTE COOPERATION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 14 Sep 86 (special supplement) p 7

[Article by V. Utkin and A. Volkov, laboratory heads of the Institute for Control Problems, doctors of engineering sciences, and professors: "Joint Development of New Principles of Control"]

[Text] Cooperation between the Institute for Control Problems of the USSR Academy of Sciences and the IRCA [Institute for Automation and Computer Science (Energoinvest)] and the "Mihajlo Pupin" Institute in Yugoslavia has been successful for more than 15 years now.

Mutual contacts have been made under the agreements concluded at the level of cooperation between academies as well. The aim of the joint research is to develop new principles for control of a broad range of technical facilities and new computer hardware.

Thanks to cooperation with IRCA (director--Dr M. Aganagic) in the field of creating sets of equipment for automating manufacturing processes a variable structure control system (SUPS) was created. The components of the system include a number of machines for processing data, various types of regulators, and actuating units. The advantage of this system is its versatility, since it can be used in practically all manufacturing processes.

Dr Salihbegovic headed the group of Yugoslav experts. The SUPS is being manufactured in the SFRY and the USSR.

Scientists of the two scientific institutions have jointly developed new principles for control of an asynchronous motor which for its dynamic characteristics and energy, economic, and operating indicators is regarded as a most promising electromechanical means of transforming energy. At the IRCA this work was done by a team of specialists headed by Dr A. Sabanovic. Principles based on intentional introduction of a "sliding" mode of control system operation have been elaborated for control of power machines.

The Soviet and Yugoslav specialists have created an experimental facility for studying systems of guided power feed which makes it possible to create and test experimental types of industrial control systems, power machines, and power converters.



One of the urgent problems in present-day engineering was solved in this way: a completely guided electric power feed based on an asynchronous motor was built. The solutions obtained have so far been patented in four countries.

The systems using algorithms for control in the "sliding" mode for asynchronous and other types of motors can be applied effectively in the process of controlling transportation equipment, in designing power feed systems for metal milling machines, in the production of glass wool and fibers, in metallurgy, and in other manufacturing processes.

The last joint project of our two institutes concerns the development and creation of a specialized computer--a multiprocessor for the unified computer system that already exists in the USSR. Description of this project requires a brief introduction.

It is well known that present-day computer systems constitute complicated systems in which hardware and software are integrated. They also include several dozen parallel-operating units performing the functions of processing, storing, and delivering large quantities of information. It is understandable, then, that the normal functioning of the system requires that all the components work in harmony. The function of harmonizing the operation of all the components of the computer system is performed by special large pieces of software known as operating systems.

At the same time the operating system, which coordinates the operation of the entire computer system, itself requires appropriate "support." That is the task of the multiprocessor being developed with the joint energies of Soviet and Yugoslav specialists.

When it is connected to a computer system, the multiprocessor takes over a portion of the functions of the operating system and performs them in order of magnitude faster than the initial operating system, which makes it possible to perform new control algorithms by means of exchange of information. These features of the processor make it especially useful in solving problems related to finding information as well as for application in systems for that purpose.

We now possess the first data on the effectiveness of the multiprocessor. These figures are encouraging. There has been a manifold jump in the computer's productivity in performing control tasks. It should also be borne in mind that the hardware of the microprocessor represents only a few percentage points of the total hardware of the computer system.

During the joint effort the staffs of the Institute for Control Problems and the "Mihajlo Pupin" Institute have served as complements to one another, and this has brought out their strongest points. The participation of our Yugoslav colleagues, especially V. Potic, I. Djordjevic, S. Randzic, M. Tomasevic, and M. Bojevic, has played a large role in carrying out the project.

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#### GDR TO CONSTRUCT HOUSING FOR SOVIET IRON ENRICHMENT COMBINE

East Berlin BAUERN-ECHO in German 22 Aug 86 p 7

[Text] An iron enrichment combine, one of the largest construction projects in CEMA, is arising in the vicinity of Dolinskaya city, 70 km from the Krivoi Rog ore deposits. The products to be turned out by this combine will be supplied to metallurgical enterprises in the USSR, GDR, CSSR, Romania and Hungary.

Geologists call this region the "iron lake." Still, even its potential is not unlimited. The production of ore gets to be harder each year, because many shafts at Krivoi Rog are now located at a depth of 1 km. The strip miners of five ore enrichment combines are descending 300 meters. Dolinskaya will provide a specially constructed ore transportation line for the enrichment and processing of so-called oxydic ore that was considered unsuitable in the past.

Until now ore with a small iron content (up to 37 percent) was held to be waste and dumped. Many hundred million tons oxydic ores were collected on dumps in the vicinity of the Yushy and Novokrivoi Rog combines alone. In future they are to be processed by means of a new enrichment technology. Much oxydic ore is found in the upper and more easily accessible strata. The possibility of processing it is therefore of great importance.

The future giant will supply almost 14 million tons concentrate per annum. Consonant with its contribution, each country involved in the construction will receive a specific percentage of the finished product.

GDR construction workers are to hand over, as a "turnkey project", one of the most important sections of the combine, the crushing plant. "Turnkey" means everything pertaining to a plant, from the control console to residential quarters. Wolfgang Roessel, bulldozer driver from the Cottbus area, is employed on the construction of a settlement where thousands of GDR workers, the builders of the combine, will live. Once the settlement is completed, Wolfgang will join those who will arrive for the construction of the crushing plant.

"My fellow workers and I are quite aware of the importance of the Krivoi Rog ore enrichment combine for the socialist countries. Much work is still ahead of us, but we will complete it on schedule.

Later this year, hundreds of workers from the GDR will work in Dolinskaya. So far the construction site of the future combine has been prepared, and the residential settlement for the construction workers is arising nearby.

By the time the combine will deliver its first products, the new residential district of the city will be standing. The families of the Krivoi Rog ore enrichment combine workers will live there. Each of the participating countries is making a contribution to the construction of the nine-floor residential buildings, stores, schools, nurseries and sports facilities of the residential district. Dolinskaya is a small town. A total of about 20,000 construction workers are expected to arrive. Of course there are many problems, but the city agencies and the site management are doing everything possible to resolve all difficulties in good time.

#### PHOTO CAPTION

The world's biggest blast furnace stands in Krivoi Rog; it has a volume of 5,000 cubic meters and an annual output of 4 million tons pig iron.

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ECONOMY

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CSSR GLASS FIBER FACTORY, PRB GLASS FOR VEHICLE CONSTRUCTION

East Berlin AUSSENWIRTSCHAFT in German No 34, 20 Aug 86 p 30

[Text] The glass and ceramics industry in the CSSR will grow by about 18 percent in the Eighth 5-Year Plan period (1986-1990), compared with only 11 percent in 1981-1985. The output of plate glass, glass fibers and semifinished glass products for the production of color television tubes is to rise in particular. In addition it is intended to comprehensively modernize the manufacturing base of the CSSR glass industry's export sectors--household glassware, costume jewelry, lighting glass and porcelain. While the output of plate glass is set to rise to a total of 74 million square meters per annum (1985: 53 million), the proportion of plate glass manufactured on the float glass principle will increase.

The CSSR will begin and expand the manufacture of glass fibers for electronic data processing and telecommunication equipment in the Eighth 5-Year Plan period. One factory for glass fiber production will start operations in Trnava, and the modernization of the Litomysl plant will help expand the output of glass silk for electrical engineering.

One of the biggest projects to date is the construction in Teplice of the second production line for the manufacture of float glass. The investment resources required have been estimated at R41 million. A group of buildings for the technological production line, including the technical base, has been planned, and the work is to be concluded in June 1987. The work on the expansion of the existing glass factories will also include the construction of a bay for smelting and producing glass in a continuous operation. A silica sand warehouse (32,000 tons), power station, industrial cooling facilities, hydrogen facilities and a group of basins as well as sewers and water pipelines are also to be provided.

The CSSR exports glassware to more than 70 countries.

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The investment plans for the Bulgarian glass industry in the coming years include the construction of a float glass plant. The probable location will be Rasgrad. According to the plans, the float glass plant will have a capacity of 250 tons per day.

The output of the plant is to primarily serve the supply of the domestic market and meet Bulgarian demand for tinted plate glass used mainly in hotels and administrative buildings. In view of the small domestic market, some of the output is also to be exported to facilitate the profitable operation of the plant.

Other product groups of the Bulgarian glass industry are also to benefit from investments in the coming years. They include glass containers and laminated glass for the motor industry. At the present time, glass containers for the domestic food industry account for roughly 52 percent of Bulgaria's glass output. Future investments are to benefit especially the production of thinner jars and bottles.

The establishment of laminated glass capacities in Bulgaria is intended above all to safeguard supplies for the domestic vehicle industry--mainly internal enterprise vehicles. The domestic demand for replacements of automobile windshields is also to be met.

11698

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24 October 1986

## ECONOMY

## INTERNATIONAL AFFAIRS

## BRIEF

CLOSER SRV-CEMA COOPERATION--Economic and foreign trade relations between the Socialist Republic of Vietnam and the other CEMA countries will expand and deepen in this 5-year plan period. Commodity turnover with the USSR will rise in 1986/1990 by 70 percent compared with 1981/1985, having already doubled in the past 5-year plan period to roughly R5.7 billion by comparison with 1976/1980. Economic and technical assistance for Vietnam will expand substantially (see also AUSSENWIRTSCHAFT No 34 of 21 August 1985). The commodity exchange with the CSSR will increase by 50 percent in 1986/1990, to about R460 million. Cooperation in agriculture especially will be deepened, including the establishment of rubber plantations (10,000 hectares) in Dong Nai Province. The commodity turnover with the People's Republic of Poland will also grow by 50 percent in 1986/1990. Several agreements have been concluded, including on cooperation in black tea planting (3,000 hectares), rubber planting (10,000 hectares) in the southern provinces, the development of coffee production and the planning of a factory to produce optical glassware in Thei Binh and the additional purchase of equipment for the coal enrichment plant in Cam Pha. The commodity turnover with the Hungarian People's Republic will amount to \$330 million in this 5-year plan period. Cooperation relations will be developed mainly in the clothing industry and rubber production and processing. Vietnam will be assisted in the construction of a spinning plant in Hue, for example, and also in the realization of various communication and television transmission projects as well as the expansion of the central factory for the production of veterinary pharmaceuticals. [Text] [East Berlin AUSSENWIRTSCHAFT in German No 31, 30 Jul 86 p 2] 11698

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ECONOMY

GERMAN DEMOCRATIC REPUBLIC

# TECHNOLOGY STILL VIEWED AS PANACEA FOR PRODUCTIVITY GAPS

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 11 Sep 86 p 13

[Article by Hans Herbert Goetz: "The Comrades Are Holding Their Breath"]

[Text] Gorbachev is annoying the comrades in the GDR. Planned economies always seek to impress their citizens with their steadiness and stability, while chaos is alleged to be inherent in the system of the Western industrial countries. Though in the GDR journal WIRTSCHAFTSWISSENSCHAFT, Rolf Espenhayn just lately certified some "imperialist industrial countries" to have considerable economic and scientific-technological potential and to be ahead with regard to labor productivity, he again affirmed the superiority of the socialist society: Any problem could be settled in socialist production conditions.

The SED leaders were bewildered to note that someone like Gorbachev should make a radical end of this "basically optimistic attitude" (Espenhayn) and talk for months past and with unprecedented frankness about domestic problems and even mistakes. As if Gorbachev were aiming to anticipate the critique uttered in the margin of the Leipzig Fair by senior SED members of the new Moscow style, specially the openness of Gorbachev's unembellished speeches, the latter adopted an unequivocal stance during an address given in the Far East: Regarding the publicity of the frankly expressed criticism of the Soviet Union's economic policy, he admitted that there had been "much talk," but the process of criticism and autocriticism thus initiated had led to the people "sensing a flow of new strength," it had become more courageous. Lenin had taught his followers: "Fewer sonorous phrases, less prattle, arrogance, empty theorizing but more daily concern with realities, with the satisfaction of the needs and problems of the people." Some SED comrades appear to be virtually holding their breath when hearing Gorbachev accuse a Central Committee Plenum of "a serious mistake"---though the party must always be right.

The SED definitely sees no reason to publicly talk about its difficult internal discussions relating to economic policy. Possibly just to precisely define its opposition to Moscow in this matter, the SED leaders omitted any report on the Leipzig "seminar" between Guenter Mittag, the senior economic politician in the Politburo, and the general directors of the industry combines. We may assume that Mittag's speech that used to be published at

least in the form of excerpts, resembled a dressing down, because the SED leaders are far from satisfied with some of the combines.

To the outside, the world of the GDR planners still seems well and whole. The growth rates reported (4.3 percent) for July and August are high, the plan fulfillment figures "excellent," but it seems slowly to be appreciated in the GDR that even the best overall plan fulfillment percentages by no means equal the optimum commodity supply for the domestic markets and exports. In accordance with expectations, the grain harvest was good, the potato and sugar beet harvests will not be quite so satisfactory, and root crop production is one of the weaknesses of GDR farming. Housing construction is advancing, albeit somewhat more slowly, especially because--with an eye on Berlin's 750-year anniversary, more and more skilled people are ordered to Berlin from the districts.

The new 5-Year Plan (1986-1990) has not yet been enacted. The directive decided at the last party congress in April is being revised and to be adopted before the end of the year by the Central Committee and, later, the People's Chamber. The wind currently seems to blow in the faces of the GDR planners from all directions, East and West. While the Eleventh SED Party Congress wallowed in almost embarrassing complacency, Gorbachev's speeches constantly strew salt in the wounds of the planned economy. He believes himself supported by the wave of agreement by the broad public and, in the Far East, experienced a frank and critical working class. Nobody yet knows whether his struggle with the frozen apparatus will end in success. Will someone in the GDR appear in the post-Honecker era to address just as frankly and publicly as Gorbachev the delicate issues discussed by all citizens?

Of course it is true that the problems to be settled by the GDR planned economy are not the same as the Soviet Union's. But the arrears in labor productivity, not denied even by the SED, compel the party leaders to call on the combines for ever increasing output. The late introduction of modern equipment, of microelectronics and computers, presents the planned economy with a new and hard task. Admittedly, plenty GDR scientists GDR reflected on and publicized innovation strategies in recent years, for example Guenter Kroeber and Harry Mayer in their book "Wissenschaft und Innovation" [Science and Innovation], Akademie-Verlag 1985. However, the Politburo waited until the Tenth CC Plenum a year ago, in June 1985, to give the "green light." It will take a long time until everything planned with great rapidity is actually introduced and applied in the combines. Many comrades are close to despair upon reading the many pages of explanations in the GESETZBLATT, that define the conditions for the introduction of modern key technologies. Whatever can be bought here in the corner computer store must first be decreed in the GDR, down to the school curricula. In the meantime international development is galloping ahead. It is not good enough in the FRG either to buy a modern computer and expect it to wave a miraculous wand to produce the desired productivity increase that GDR newspapers report day in, day out. Consequently, discreet appeals for help are audible from the GDR, for technical knowledge, logistics, engineering services--all of them in connection with key technologies and also with environmental control.



Life for the general directors in the GDR has turned much difficult. The world markets have been set in motion, and not even the national economies of the Eastern Bloc are able to shut themselves off from these stormy movements. Some low price countries invoicing in dollars have already deprived the GDR of market shares. The drop in raw material prices, basically so beneficial for the customers, either do not affect the countries dependent on Moscow or only after lengthy delays. The Chernobyl disaster must be assumed also to have affected economic relations between the GDR and the Soviet Union. It is going to be a troublesome 5-year plan period.

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ECONOMY

GERMAN DEMOCRATIC REPUBLIC

MAJOR HOUSING SHORTAGE REDUCED; ESTHETIC CONSIDERATIONS CITED

Munich SUEDEUTSCHE ZEITUNG in German 17 Apr 86 p 12

[Article by Albrecht Hinze, member of editorial staff: "More Friendly-Looking Facades"]

[Text] The GDR has spent about M260 billion in the past 15 years on the construction and modernization of housing. According to Construction Minister Wolfgang Junker (SED), another M50-60 billion are to be earmarked for the same purpose in the coming 5 years. This money was intended in the 20 years from 1971 to 1990 to pay for around 3.3 million new or modernized housing units; at the turn of 1985/1986, 2.4 million had already been provided. In addition, Junker claimed to an audience of foreign reporters in East Berlin, adequate "social facilities" of good quality are also available--such as nurseries, kindergartens and schools, youth clubs and senior clubs, stores and service agencies, libraries and doctors' offices, parks and playgrounds. Junker is quite sure that the "housing question as a social problem" will then indeed have been solved, as forecast by Erich Honecker at the 1971 Eighth SED Party Congress that had proclaimed the objectives of the 20-year housing construction program, the "core piece of GDR social policy."

According to the respective GDR definition, the term "socially solved" means that every household in the country--while not obtaining the most desirable housing in terms of size, location and equipment--will have "housing appropriate" to the number of its residents, in good repair and with modern furnishings." Junker said that allocations give preference to families with several children and those headed by shift workers. "Political-social activism" is said no longer to be the decisive criterion. He also promised that there would be no change in the stable and low rents, subsidized by another M5 billion annually.

Rents in new residential buildings in GDR provinces have for years ranged from 80-90 pfennig per square meter and month, in Berlin, the capital, from M1.05-M1.25. 1938 rents are payable in old residential buildings, in other words a 5-room apartment costs about M75. Though a surcharge is levied for modernized apartments in old buildings, rents may not exceed M1 per square meter.

Without the industrial assembly-line production of building components, the ambitious housing construction program could not possibly be realized. Nine-

tenths of all new buildings are assembled from standardized concrete slabs, poured in now 50 slab factories spread all over the republic. Architecture and urban planning have had to be preprogrammed and now predominate from Cape Arkona to Fichtel Mountains. At the borders of the major cities, in particular, they have resulted in the rise of monotonous and uniform satellite settlements, veritable residential silos frequently housing tens of thousands.

More flexible layouts, roof types and facade design have gradually come to the fore in recent years. By now the GDR construction materials industry offers at least two dozen different frontal slabs. The variable series architecture thus made possible may be inspected mainly in East Berlin: In the Nikolai quarter and Thaelmann Park; another example is offered by Rostock city center. When talking about earlier mistakes, Junker did not mention the esthetic and probably also social defects: He merely spoke of difficulties with joint caulking and thermal insulation--problems that are now supposed to be settled. At the same time, he claimed, GDR construction had "learned to handle slab construction in an artistic manner, too," very visibly so with regard to the complicated problem set by filling inner-city gaps.

Half of all construction projects are organized by the state; another two-fifths represent cooperative but usually state financed housing construction. The remaining tenth is taken up by private home construction. At the present time, the 900 AWG's [workers housing construction cooperatives] administer around 950,000 apartment, barely 14 percent of the 7 million housing stock. AWG members willing to build themselves must pay in at least M2,000 for moving into a 3-room apartment--a lot of money in the GDR--, contribute work and later pay user fees, admittedly lower than rents for state housing.

About 120,000 privately owned homes have been built in the GDR since 1971. Such a home with 120 square meters living area costs around M100,000. Building permits are issued mainly in rural areas to prevent flight from the land. The future home owner must make a down payment of 20 percent of building costs but he has a right to freely use a state owned site and, for the remainder of the construction costs, may obtain a bank loan at 1 percent interest and with a term of 20 years. Interest and repayment thus correspond to the rent for a 3-4 room apartment in a new building. Admittedly, it needs connections with building tradesmen and building materials suppliers to be able to construct a private home within a reasonable delay. Of course such connections require bribes, called "shots" in the GDR. No private rental apartments are built in the GDR.

East Berlin and the industrial regions in the south (Dresden, Karl-Marx-Stadt, Leipzig and Halle districts) will be regional key points of GDR housing construction in the last stage of the 20-year program. As for Berlin, Junker claims that the housing question is not merely settled by 1990 as a social program but settled "in an exemplary manner." Now, following the Eleventh SED Party Congress, the next phase will be the city's 750's anniversary in 1988, by which time it is intended "to have completed the proper organization of the capital's basic design." Each year 24,000 units are to be constructed and 11,000 modernized in Berlin alone. Personnel, materials and construction

capacities will therefore continue to be drawn from the provinces--a bloodletting officially justified by the representative functions of the capital. Quite a few district officials are muttering darkly.

In the language of GDR propaganda, the housing construction program is an element in the "tried and tested policy of the main task in its unity of economic and social policy." Since the Eighth SED Party Congress, when Honecker first defined this term, the unity of economic and social policy has been interpreted to mean that economic and social advances should keep pace with one another. Junker described housing construction as "one of the historic achievements in GDR history," particularly because rent gouging and management for profit, homelessness and land speculation" had been abolished. He is not afraid that the extended construction capacities might suddenly lie fallow after 1990. According to him, the present "dynamism will continue thereafter," because it will then be necessary to provide facilities for recreation and tourism.

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ECONOMY

GERMAN DEMOCRATIC REPUBLIC

# COMBINE TASKING MANUALS BASED ON PRACTICAL ECONOMIC CRITERIA

East Berlin SOZIALISTISCHE FINANZWIRTSCHAFT in German Vol 40 No 4, 1986  
(signed to press 19 Jun 86) p 11

[Article by Frank Richter, chief bookkeeper of Chemical Combine VEB Bitterfeld: "Checking Tasking Manuals by Economic Criteria"]

[Text] Chief Bookkeeper Checks of the Greatest Possible Efficiency of Science and Technology on the Basis of Economic Normatives

The Eleventh SED Party Congress resolutions are yielding a significant challenge to the chief bookkeeper in the field of science and technology in so far as he is asked to reinforce his checks and analyses of the plan science and technology from the draft stage up to and including the realization of the respective measures and thereby effectively influence the achievement of the greatest possible efficiency. In the chemical combine, these checks and analyses emphasize the economic utilization of research and development results, the inclusion in the plan of the effects demonstrated in the tasking manuals and the realization of the plan science and technology so as to provide the best possible economic results. Management recommendations for the general director arise from these checks and analyses.

## Economic Criteria for Tasking Manuals

Before their defense, the tasking manuals must be submitted to the chief bookkeeper for his comments. The chief bookkeeper of the combine hands on his comments on the tasking manual to the general director, the chief bookkeepers of combine enterprises to the enterprise directors. The chief bookkeeper or his delegate always attend the defenses of tasking manuals.

Economic normatives, worked out in the combine by the chief bookkeeper, have turned out to be a realistic basis for the appraisal of the tasking manuals in accordance with economic criteria. These normatives for scientific-technological measures are derived from national claims on efficiency. They include, for example, the growth required in the combine of industrial commodity production or the growth of net production per M1 spent on science and technology, the maximum payback period of non-recurring costs, the necessary reduction in prime costs per M1 non-recurring costs, the reduction of the cost ratio and the cost ratio per M100 commodity production.

In their capacity as average dimensions, these normatives represent a relatively accurate yardstick for the appraisal of the economic productivity of scientific-technological measures. Geared to the reproduction conditions of the further processing lines or larger structural sectors, such as combine enterprise or sectional directorate, the tasking manuals may be appraised even more concretely. Generally the economic appraisal of the tasking manuals related to all measures of the plan science and technology must be based on at least the normatives for the cost ratio, the reduction of prime costs and the payback period of the non-recurrent cost.

#### Economic Normatives are Binding

Following a request by the chief bookkeeper of the combine, the general director declared mandatory for the entire combine the economic normatives worked out for the appraisal of the tasking manual. These normatives are set as

-- Average values for the combine, arising from the targets of the 5-year plan and representing a kind of crude orientation, and as

-- Differentiated values for further processing lines arising from the further processing conception.

These values are designed to establish a favorable cost-profit ratio. The general director issued them with mandatory effect in the form of an instruction, and the work with these normatives has thereby been elevated to a more effective stage than formerly, when they merely represented a criterion for the measurement and appraisal by the chief bookkeeper. All departmental directors are now aware of the exact dimension of the demands and must measure by them their work related to planning and implementation. Most of all, though, every researcher and innovator knows the economic requirements right at the beginning of his work and is able at each stage to assess the results achieved in economic terms.

The following are set with mandatory effect for the combine and, differentiated, for further processing lines:

-- Cost efficiency and cost intensity, such as growth of commodity production and net production per M1 non-recurring costs or maximum non-recurring costs per M1 growth of industrial goods production and net production;

-- Labor productivity on the basis of net output per worker, as increase by comparison with the former standard;

-- Repayment period of the non-recurring costs, set in the form of years that may not be exceeded;

-- Prime cost reduction (including reduction of materials costs) for current production per M1 non-recurring costs;

- Cost ratio for future production, including materials costs, per M100 commodity production;
- Foreign exchange efficiency; here foreign exchange earnings must exceed foreign exchange costs;
- Export profitability that must exceed 1;
- Export efficacy, such as export growth (BP) per M1 non-recurring costs.

At the same time we need to remember that fluctuations in the economic effect may arise from one task to the next, despite the normatives. Still, the managers of research collectives must ensure that these fluctuations are equalized and the overall normative is safeguarded. In other words, negative deviations in one task must be balanced by positive deviations in another. When appraising the tasking manuals, the chief bookkeeper must therefore always keep an eye on the efficiency of already defended tasking manuals for the further processing lines and, if need be, proceed to coordinations regarding tasking manuals still in operation.

The economic objective is therefore uniformly and at all levels measured and appraised by the economic normatives or standard values declared binding for the combine. This has also provided better bases for the performance appropriate stimulation of research and development collectives. In addition to other important criteria, the observance and surpassing or undercutting of standards may well be used for decisionmaking related to applications to the management for greater remuneration of patents and innovator proposals.

For the period 1986-1990, the chief bookkeeper used the economic normatives to check all measures of the plan science and technology included in the conception for transfer to practice. Checks were carried out in particular with regard to the observance or undercutting of the cost ratio as well as the reduction in prime costs to be expected. Established at the same time was the contribution still to be made by science and technology in order to guarantee the necessary overall lowering of prime costs.

The scientific-technological measures planned to be transferred in the 1986-1990 5-Year Plan period have been measured for their economic effect on, among others, the normative cost ratio, the growth of the enterprise result per M1 non-recurring costs and the growth of commodity production per M1 non-recurring costs. Account was taken of the fact that a higher economic level can be achieved only by reducing the cost ratio. The two other normatives provide information about the efficiency of the money spent and depend largely on the produced volume of new products and the volume of enterprise result arising therefrom.

Such checks and analyses supplied comprehensive information on how the scientific-technological measures to be transferred will ensure the reduction of costs and production consumption in 1986-1990, and how the lower level of costs is to be achieved with regard to the various further processing lines.

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ECONOMY

GERMAN DEMOCRATIC REPUBLIC

# CONSTRUCTION ENTERPRISES AWARDED FUNDS ON COMPETITIVE BASIS

East Berlin SOZIALISTISCHE FINANZWIRTSCHAFT in German Vol 40 No 4, 1986  
(signed to press 19 Jun 86) pp 12-13

[Article by Walter Kroehl, district director, Potsdam district directorate of the GDR State Bank: "The Bank Encourages Performance Comparison Among Kreis Managed Construction Enterprises"]

[Text] The Bank Employs Its Resources and Methods for the Achievement of Greater Efficiency by the Kreis Managed Construction Industry

As required by the Eleventh SED Party Congress Resolutions, labor productivity in the kreis managed construction industry is to be further improved by the extensive application of scientific-technological discoveries, the increased internal construction of rationalization aids, the development of local reserves of materials and the reduction in unwarranted differences in standards. Performance comparisons are very important in this context.

Since the early 1980's and assisted by the bank, the kreis managed construction enterprises in Potsdam Bezirk have carried on the performance comparison in the form of an assessment of local indicators. The indicators included were labor productivity, net profit, costs per M100 construction production, down times and repairs to residential buildings. The individual local indicators yielded the average local indicator. However, this type of the performance comparison turned out to be insufficiently stimulating. The production collectives were not really able to arrive at concrete measurable and accountable measures for an increased performance. To make the performance comparison more effective, it was necessary to improve the bases of comparison.

Seven groups of comparable kreis construction enterprises were set up. They hold quarterly management meetings to assess their performances and arrive at conclusions for future operations. Before these meetings, the enterprises analyze their operations. The bank helps them to do so. The analysis is concerned mainly with the economical use of stocks and greater efficiency. In 1985 it was possible to release material circulating funds amounting to millions simply by studies of the use of working capital and the output per enterprise.



The methodology used by the comparison group of enterprises in Belzig, Klein-Kreutz and Teltow has been demonstrably useful. Net performance is ascertained by deducting from construction production the cost of materials per completed building. This allows labor productivity to be compared for each building project on the basis of construction production or net production as well as materials costs per M100 construction production. The cost ratio per completed building is also included in this comparison. As a result we can see quite plainly which production collectives and what spheres still hold reserves.

The 132 technological headings, including 62 technological headings relating to the roof, are extremely important for the performance comparison within the enterprise groups. In order to be able directly and on the spot to compare collectives doing the same work in various enterprises, the roofers of the Klein Kreutz Building Repairs VEB and the Teltow Building Repairs VEB organized an operational test. Both collectives used their customary technological equipment and personnel to work on the same project. This revealed differences in their technical equipment. The roofers from Klein Kreutz, for example, use propane instead of traditional fuels to heat their tar boilers. This improves the safety and increases the speed of the operation. Such direct comparisons should be encouraged. The Eighth Construction Conference had already asked for the elimination of unwarranted differences in standards and for the use of new discoveries for raising productivity in the kreis managed construction industry. Lastly, if aware of the differences in technical equipment, the bank might well offer rationalization loans.

#### Close Cooperation Between Bank and Construction Enterprises

Many of the activities involved in the performance comparison originate with the district directorate of the State Bank. The engineering-technical audit of the bank, for example, examined the technological headings relating to the roof in several kreises. The results were evaluated by the enterprises and kreis branches. Personnel of the construction department at the district directorate collaborate in the product group for building repairs, where the appraisal and utilization of the performance comparison is particularly important. The bank regularly meets with the district building authority and enterprise managers to discuss the methods and substance of the performance comparison. This enables the construction specialists of the bank to share their experiences. The bank also closely cooperates with the science and technology department at the district building authority and the Engineering Office VEB. We intend to encourage and expand these direct links.

The kreis branches are informed quarterly about the results of the performance comparison. They use this information for management discussions and loan negotiations. More reserves may be developed by even more closely involving the personnel of the branches. Kreis branches might, for instance, inform one another about every rationalization measure they finance and, if appropriate, use the same procedure. This, however, presumes that the employees of the bank will deepen their practical experiences and knowledge, for example by visiting construction sites or via the construction information agency at the district building authority. Our employees should be instructed to track down

good experiences and methods, generalize them and quickly as well as widely apply them in practice. This objective was served by discussions carried on by the managers of the district directorate with management cadres of the district building authority, chief bookkeepers and planning managers at the various enterprises. The aim was to activate material processes by means of the methods and resources of the bank. We are pursuing two basic policies. First: The Construction Engineering Bureau is charged with providing the scientific-technological advance performances for the kreis managed construction system. In 1986, financial resources from the science and technology fund will be made available for that purpose; they are to be directly used for kreis construction enterprises. It is intended, for example, to prepare construction documents for the construction of rationalization aids, a best value catalogue, a consumer goods catalogue, a manual for the construction of rationalization aids and analyses related to the reproduction of fixed assets. The construction department at the bezirk directorate is cooperating with regard to the manual for the construction of rationalization aids.

The demonstration site of the kreis managed construction system and the information agency of the district building authority are of special importance. In addition to providing an opportunity for carrying on studies in preparation of scientific-technological tasks, all experiences gained from performance comparisons are here compiled and made available.

Second: All initiatives of kreis construction enterprises must be encouraged in order to enable them to operate as scientific-technological centers of the kreis managed construction industry--consonant with the demands stated at the Eighth Construction Conference. The Kreis Construction Enterprise VEB Koenigs Wusterhausen has gained many good experiences. The enterprise compiles state of construction analyses for all enterprises in the region. As a result we already know the basic parameters for 1987/1988 materials planning. This enables the enterprises to embark on long-range preparations for the use of the technological headings. The performance comparison of the state owned and kreis managed construction enterprises thus also affects cooperative and private enterprises. As far as the bank is concerned, the comments on the plan and the conclusion of loan contracts represent the best starting points for making the revelations of the performance comparison a binding basis.

#### Conclusions for Future Work

In addition to the anbove mentioned good results with regard to material circulating assets, the performance comparison of last year enabled us to also develop substantial cost, export and consumer goods reserves. We foresee the following key points for our future work:

1. Management must focus on a steady rise in output and the greatest possible efficiency in the state owned and kreis managed construction industry. To make sure of this target, we need to methodically perfect and textually expand performance comparisons and exchanges of experience. The individual contribution of construction experts at the district directorate and in the kreis branches must therefore grow. The results will be discussed with the regional organs. Coordinated measures for the quick and widespread

application of good experiences need to be adopted and their implementation checked.

2. The analysis of unwarranted differences in output and efficiency is a permanent task for the construction department at the bezirk directorate. This will provide bases for improving skills at the kreis branches, and knowledge gained from the performance comparison may be applied in practice via the plan, in conjunction with the district building authority.

3. To be further pursued and perfected are tried and tested management methods such as the quarterly evaluation of performance comparisons, half yearly informative discussions, site discussions and exchanges of experiences as well as cooperation and checking on the spot.

4. The transfer to production of knowledge gained from the performance comparison must be encouraged by loans, in particular to assist the construction of rationalization aids and implement the latest scientific-technological knowledge.

The efforts related to these tasks are also served by the agreement, concluded between the district directorate and the district building authority, on safeguarding the competition objective fund returns by means of a State Bank check.

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ECONOMY

GERMAN DEMOCRATIC REPUBLIC

BRIEF

EIBENSTOCK RESERVOIR COMPLETED--The second largest potable water reservoir in the GDR at Eibenstock in the Ore Mountain Aue Kreis has been completed. It was officially handed over last Friday, the eve of the Day of the People Working in Water Management, by Siegfried Lorenz, SED CC Politburo member and first secretary of the Karl-Marx-Stadt SED Bezirk management. Dr Hans Reichelt, deputy chairman of the Council of Ministers and Minister for Environmental Control and Water Management, attended the festive inauguration. In his address, Siegfried Lorenz stressed the fact that the construction of the reservoir that has been contributing to the potable water supply in the district since April 1982, was evidence of a policy ruled by the commandment to promote the happiness and well-being of the people. Almost M750 million were spent on the total storage, water processing and network system. The potable water reservoir has a total holding volume of 77 million cubic meters and occupies an area of almost 350 hectares. The reservoir, surrounded by mountains and forests, is about 7 km long. In addition to the 65 meter high main dam, 305 meter long at the top, a potable water processing plant was constructed in Burkersdorf, Zwickau Rural Kreis, and a more than 30 km pipeline laid from there to Karl-Marx-Stadt and Zwickau. The Eibenstock Reservoir is the ninth to have been constructed in Karl-Marx-Stadt Bezirk since the establishment of the GDR. Its construction was an important precondition for guaranteeing stable and good quality potable water supplies for roughly 1 million residents through the year 200,000 and beyond in the large new construction and modernization regions of Karl-Marx-Stadt, Zwickau and 93 other cities and villages. Flood protection for the localities situated on the banks of the Zwickau Mulde has also considerably improved. A new and attractive recreational area emerged. The former workers dormitory for the reservoir constructors has been transformed into a FDGB vacation resort. [Text] [NEUES DEUTSCHLAND in German 21-22 Jun 86 p 3] 11698

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ECONOMY

HUNGARY

RELATIONSHIP OF ECONOMIC, POLITICAL REFORM DISCUSSED

Budapest MAGYAR NEMZET in Hungarian 12 Aug 86 p 5

[Article by Dr Laszlo Lengyel, senior associate of the Financial Research Institute: "In What Direction Will the Reform Continue?"]

[Text] The 1968 economic reform also created new conditions in the relationship between politics and economy. These new conditions came to the surface in spite of the initial intentions not to couple political and social reform with the economic one. However, since the previous practice of direct economic supervision, a new distribution of tasks had to be instituted among the organs of the above two spheres. Those who think in terms of innovations hoped that the developing independence of economic partners would act as an example in the political and social sphere as well. According to this approach, economic life merely provides a point of breakthrough in the course of a broader democratizing and decentralizing process, on the way toward creating an open society.

The consumer already has a chance to decide. . . . They were also hoping that the new mechanism would be followed by a covert and gradual transformation in the system of political institutions. Their confidence was bolstered by the open declaration, according to which members of Hungarian society are entitled to satisfy their demands as consumers. In other words, citizens would no longer be required to be glad of the opportunity to purchase anything in the midst of a shortage economy; on the contrary, they were allowed to be dissatisfied on account of the chronic shortages.

In line with this policy, the government repeatedly and firmly declared that every element of society must be given an opportunity to be a consumer, what is more--in contrast with the previous practice--they were no longer even supposed to be ashamed of their desires in this regard. This "compromise" introduced new criteria in the process of evaluating satisfaction with the government. After all, if the party and the state no longer glorify ascetic citizens, then the consumer can make decisions, compare, evaluate and calculate, and he can base his judgment on the realization or disappointment of his expectations. In fact--and this is one of the major political aspects of the reform thus far--he can compare the products of the domestic market with those of other countries in the East and the West alike. From this

starting point, the reformer could have hoped that the independence of the consumer would sooner or later be followed by the unsupervised independence and sovereignty of the entrepreneur, the productive individual, and their collectives. As the outcome of this process, the citizen would appear as a political partner who, as a participant and controller of cultural life, could actively work toward creating democracy.

Hopes of this type were not unrealistic; after all, one could detect more and more of the process' initial symptoms. For example, it became a basic principle of the political system that we must not injure the definitive interests of any significant groups in our society. What is more, such interests must be continuously taken into consideration in the decision-making process, through the central party and state organs. This implied a significant qualitative improvement over the previous political mechanism, whose representatives could believe that they were free to ignore and injure the interests of society's major elements.

This system of representing interests, however, has a consequence and a shortcoming. Instead of direct, decentralized, open and accountable representation, large organizations tend to "process" interests through their own filters and rank them accordingly. Thus there is an attempt to replace the relationships reformed in 1968 with a slow and complex hierarchy that compares everyone's interest with those of everyone else. It is also part of reality that, beginning with the 1960s, the slow and impotent decision-making mechanism was also augmented with the process of charismatic negotiation, based on personal contacts and compromise. Within this system, the political leaders negotiated with the elite members of significant social groups. In other words, instead of the open interests of societies and associations confronting each other, the negotiations of significant people representing significant groups dominated the scene. The representatives of authority thus did not "negotiate" with important societal elements through, let us say, the society of economists, the Writers' Union, or the Chamber of Commerce, but in an indirect, one might say, "semi-official" manner. It would be a mistake to see only the negative side of this practice; after all, it expedites matters, and by exercising direct influence and sidestepping the hierarchy, it offers considerable advantages. In general, personal agreements cannot replace democratic and decentralizing reforms; they can only make the operation of the earlier decision-making mechanism more rational.

#### Hesitation and retreat

As it is well known, the 1968 introduction of the new economic mechanism was not followed by a social reform. On the contrary, the failure of a socio-political renewal to appear and the survival of the former leadership forms led to a number of steps backward. The re-centralizing process of the 1970s showed that many of the existing party and state institutions charged with the task of registering various interests, and the concomitant representative organs, are inherently opposed to the market-based democratizing reform measures aimed at eliminating spheres of authority and influence. This observation was bolstered by subsequent events, when various powerful organs alluded to the interests of the working class in justifying their rush to eliminate auxiliary activities by cooperatives (which proved viable in the long run) and to remove incentive wages from agriculture. After such

hesitation in reform, characteristic of the 1970s, there was a recurrent slowdown in political decision-making, a weakening of adaptability, and national political life lost some of its ability to integrate our citizens. It is not surprising, therefore, that--due to its involvement with its own "private life"--our system of institutions was unable to respond to the first signs of global economic crisis.

The causes for this as well as subsequent delayed reactions must be sought in the approach that emphasizes the preservation of the "status quo." A mechanism committed to this approach tends to become confused when confronted by rapid changes that call for decisive and complex decisions. It is more viable during periods of economic ascendancy, when it has at its disposal financial resources and incomes, when it can convince the semi-independent economic units that, sooner or later, they will receive their share of the central resources. However, when the resources are diminished, or even disappear--as we have not only witnessed but experienced for some time now--then the integration of interests and further action calls for a different course. The experience of the late 1970s and 1980s reinforces the principle according to which political reforms must take place parallel with economic ones. This demand has been conveyed not only by the challenges of economics and the requirements of global adaptability, but by other factors as well.

Of course, the continuing democratization and decentralization of the party itself is another urgent task. The April 1984 decision of the MSZMP clearly shows that the readiness and inducement for reforms along these lines already exist or can be developed. But the process of renewal will slow and disappear, if the predominance and influence of apparata opposed to the institutional organizations prevail, if the local checks on central decisions are not given an opportunity to develop, and if political-organizational activities are not allowed to replace bureaucratic-administrative ones.

Currently, party institutions duplicate the functions of state administrative organs and tend to develop their own decision-making chains. They cannot escape being accountable for the effects of decisions directly related to interests, and thus their comprehensive integrative role is weakened. Therefore, the relationship between party and state demands responsible analysis and clarification, as does the question: Can a separation be made between party and government policies? It is already quite clear that not every investment issue can be promoted to the level of party policy, because any failure reflects negatively upon the decision-makers. Nor is operative interference by the local party organizations desirable; after all, functionaries at the county and community level complained that organs of the [communist] movement have been degraded to performing such tasks as obtaining materials, arranging loans, negotiating regulations and fulfilling personnel functions. In equal and independent relationships there is an increasing need to locate the best means for handling conflicts and to introduce negotiating and institutional warranty techniques. The leadership attitude of sending directives from above must be transformed into an organizational, horizontal, realistic mechanism.

Within this political reform, organizations ready to adopt open representation must replace the interest-integrating approach of large bodies. For it

appears that--due to a representation of interests that is unable to free itself of the logic dictated by administrative apparatus--currently the government cannot effectively influence the economic and social behavior of large social groups. For example, the producer and citizen will consider prices and wages valid only when they are determined in open and controllable negotiations, attended by organizations that society views as its own. In another area of the economy, in the absence of a valid agreement between the government and an organization representing the small private entrepreneurs, the latter do not really believe in the firmness and reliability of, let us say, the taxation regulations. Since an open, controllable mechanism does not exist, it is even questionable how unprepared and unorganized social groups would react to decisions made with the intention of eliminating crisis conditions. Or even, in such instances, how should the government approach the people involved? What should be included in the channel preparing the decisions: enterprises, labor unions, the party, the KISZ, or the press? The examples may demonstrate that the large organs of representation are only able to become involved in the decision-making process through grass-roots movements and in a decentralized manner.

#### Using the power of publicity

The open political acceptance of the reform itself, specifically in the form of comprehensive and radical social transformations, appears most important. This is needed in order to offer genuine perspectives to Hungarian society by the next millennium. This effort should unite reforms in the areas of politics, cultural life, education, health care and economics, and measures aimed at changing the entire mechanism must form a consistent entity. There may never again be as urgent a need for the institutional meeting and unification of social groups dedicated to change than what exists today. The bases for such a meeting already exist: The election system is under reform, and the role of the National Assembly is increasing. However, unless further transformations in the mechanism and policies of economic life are forcefully demanded, these initiatives will be lost, and efforts for local autonomy will disappear. Only an openly declared policy of reform can get Hungary's economic, social and political processes moving once again.

12588

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ECONOMY

HUNGARY

# HOUSING CONSTRUCTION SITUATION WORST IN YEARS

Budapest ESTI HIRLAP in Hungarian 2 Sep 86 p 3

[Article by Jozsef Horvath: "No Fewer Housing Units May Be Built in Budapest Than Planned"]

[Text] Public mood was seriously disturbed by press items describing the status of housing construction in the capital city during the first two quarters. They focused attention on the construction industry as the source of tensions that have long existed in connection with housing construction. The July report of the news agency contained the following data: "During the first six months of the year, 1,472 dwelling units were completed in the capital city, which is only 17.5 percent of the quantity planned for the year. According to experts, such weak performance has not been evidenced for years, and it is doubtful whether the contracts can be fulfilled at all."

We could read the following news in the morning papers: Yesterday, under the leadership of Karoly Grosz, a member of the MSZMP's Politburo and first secretary of the Budapest party committee, there was a meeting of competent leaders, including Laszlo Somogyi, Minister of Construction and Urban Development; Zoltan Szepvolgyi, president of the capital city's council; and Laszlo Tisza, the president of the National Savings Bank. The exchange of views was also attended by Pal Ivanyi, assistant department head of the MSZMP's Central Committee.

There were plenty of things to talk about, and there were opportunities for voicing and coordinating the--sometimes identical, other times conflicting--opinions, not only in connection with the actualities of the day, but as a part of that continuous working relationship that has traditionally and smoothly operated between these various organs.

Karoly Grosz stated that progress has been made since the preparation of a working plan based on the last similar meeting two years ago, and this should not be forgotten, even if the primary goal of this meeting was to "synchronize" activities and discuss the mutually relevant issues. There is a whole list of jointly achieved results, including the realization, or at least initiation, of elementary and high school programs, the reconstruction taking place at the universities, the developments in the public health programs, and the noticeable improvement in the supply of construction materials.

### What Do Bidding-Prices Promise?

However, for years there have been problems with housing construction, which serves as one of the most sensitive indicators for the achievements of the capital city. In 1986, construction activities have almost constantly remained in the red, indicating that there are problems and that an intervention is warranted.

Laszlo Somogyi emphasized that when it comes to high-rise construction, progress depends on more forcefully implementing the regulatory effect of the market. This necessitates modernization of pricing policies. According to the 1984 decision of the Economic Committee, the construction industry is the branch that will lead in the creation of competitive practices within socialist economic life. What this implies is that, as of January, deregulated pricing should be introduced in housing construction. In other words, the client and the contractor firm should come to an agreement on their own, in accordance with their own interests.

"The introduction of competitive bidding would bring about a significant one-time price increase," emphasized the minister. "After the settling of the competition, however, the development of prices would assume its originally planned rate of growth."

In the view of the ministry, the current economic atmosphere is more favorable for the troubled construction enterprises, and it is expected that there would be increased interest in signing contracts for construction projects in Budapest. The construction firms of the countryside would increase their activities in Budapest, and there would be an increase in interest by those enterprises that are primarily involved in housing construction in the capital city.

### 800 Homes Are Not Paid For

Zoltan Szepvolgyi called attention to the consequences of increases in the price of homes that exceed the projected rate. If the trend continues, the capital city will not be able to accomplish its medium-range housing construction plans. After all, the "modernization" of the price system could result in a 14 percent average price hike during the first year, while in preparing the seventh Five-Year Plan--according to information provided by the Ministry of Construction and Urban Development--the capital city forecasts a 6 percent rise in housing prices. In other words, instead of the projected 13,200-15,700 dwelling units managed by the council, only 12,200-12,500 units would be built. If this were the case, about 2,000 families who had every expectation of receiving new apartments, would be disappointed.

As for people who use their own resources to build housing, their already critical situation would be further damaged by the price hike. Laszlo Tisza said that he knows of 800 units whose future owners cannot pay for them at this time. In this area, too, a price increase would have a negative effect on the mood to build.

Still, or at least this is what the ministry indicated, a price increase appears inevitable. Otherwise, the leaders of the capital city ask, why is it necessary to promote the introduction of a de-regulated pricing system?

"Naturally, there is a need for incentives, and there are no incentives without higher prices," stated Zoltan Koteles, the Budapest secretary of the MSZMP. "However, it is also true that the capital city cannot pay higher prices, nor can it agree to see fewer housing units built."

There are already some cautionary data available. The weak performance during the first quarter was not followed by an improvement. In the month of August, there were only 163 units completed. The construction firms so far have finished work on only 2,330 units, or 30 percent of the 7,800 under contract for the year. Consequently, prospects for the year's end are not promising. According to the council of the capital city, there are 1,000, according to the ministry there are 500-600 units whose completion is at least uncertain.

The prognosis for next year also looks unpromising. Actually, the enterprises undertake fewer projects than what available resources would cover. "At the same time," noted Kalman Gernyi, vice president of the capital city council, "there are several hundred homes currently under construction, for which the contractors have no contract. They probably have other incentives for working on these. It is also possible that they are delaying the signing of contracts, because they hope that in January the new-de-regulated pricing system will take effect . . . ."

#### On The Side of the Residents

Undoubtedly, the situation at the Budapest high-rise construction firms has not improved since 1984. However, there are mistakes elsewhere, as well. As Karoly Grosz emphasized, the enterprises certainly have their faults, but the financial leadership of the country also had a role in bringing about the current predicament. He proposed that housing is a social issue on which the city's leaders cannot be flexible. They have only one choice: they must be on the side of the residents.

The first secretary said, "It is commonly known that the government is looking for solutions and makes every effort to bring about progress, but the residents see no direct evidence of this, and efforts do not satisfy them. The leadership of the capital city must pay attention to this. Thus, we cannot accept the possibility of seeing fewer units built in Budapest than what was projected in the 7th Five-Year Plan. Similarly, it is out of the question for apartments to cost more than the amount that includes the precalculated price increase."

#### Ready for Joint Action

"Of course, the enterprises view the situation differently. The party committee is not opposed to the introduction of competitive bidding. We feel that any method is good, if it produces the desired results. There is no debate concerning this. However, we cannot permit a reduction in the number of new apartments. The means through which we realize our goals is not a primary issue: We in the central [MSZMP] leadership must make decisions concerning that issue, and the results do not depend on us. For the same

reason, we are not giving advice, either. However, we are always ready to work out alternatives and to undertake joint action with the government organs," said Karoly Grosz in conclusion.

The "synchronization" meeting closed with the acceptance of these thoughts.

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ECONOMY

POLAND

# COMPANY EXPORT SUCCESS, DEMISE PROVOKES DEBATE

## Ministry Assailed for License Revocation

Warsaw ZYCIE WARSZAWY in Polish 13 Aug 86 p 3

[Letter to Editor from Prof Ryszard Rudnicki, Institute of Fruit-growing and Floriculture in Skierniewice]

[Text] In the enormous onslaught of information in the press, radio and television on the subject of the successes and setbacks of the economic reform in our country, it is difficult to form an unequivocal opinion with regard to whether the economic reform is supported by the central administration or held back by it. After reading the articles by Jurczenko--Dzieniak in PRAWO I ZYCIE, 45 (1985) entitled "Assault on Reform" and recently by J. Morawski in PRZEGLAD TYGODNIOWY, 30 (1986) entitled "Games and Small Games," I am now certain that the reform of foreign trade does not lie, in all certainty, in the interest of the Ministry of Foreign Trade. This is attested to not by words but by facts. The revoking of the export license of the THZ-Interpegro joint venture as of 1 January 1987 is unequivocal proof of this.

The "Interpegro" Foreign Trade Association [THZ], a joint venture company with limited liability was created at the initiative of the Ministry of Agriculture, Forestry and the Food Economy in 1982 without the participation of state budgetary funds and from the voluntary financial contributions of various economic units of the agricultural ministry, such as, horticultural and agro-food plants, state farms and horticultural properties, and others as well as from the contributions of the Food Economy Bank [Bank Gospodarki Zywnosciowej]. In sum, Interpegro has 156 such shareholders currently. The annual production value of the enterprises-shareholders exceeds 30 billion zloty with a total of 150,000 employees.

The growth rate of Interpegro's trade turnover with both socialist and capitalist countries is simply impressive: from 6 million rubles in 1983 from socialist countries to the planned 35 million rubles in 1986; from \$2.5 million in 1982 from capitalist countries to the planned \$23 million for 1986. In quite a large number of transactions, Interpegro obtained higher foreign exchange prices than Polcoop, Hortex or Torimex.

During the period of its operation, THZ Interpegro exported only surpluses of raw materials and agricultural products from the country in the amount of

over 30 billion zloty despite a very restricted export license and smaller assortment possibilities by comparison with other enterprises of this type.

The activity of THZ Interpegro enabled the development of the production and export of horticultural products from State Horticultural Properties and from other establishments working for the needs of agriculture (through the import of technological equipment and the means of production) to a level surpassing in some units the productivity in the private sector.

However, the most important achievement in the activity of THZ Interpegro was to initiate structural changes in the fruit-vegetable-floricultural sector through the demonopolization of purchases and a change in the system of setting domestic prices and distribution as well as through the restricting of the monopolistic activity of horticultural cooperatives and peasants' mutual assistance [samopomoc chlopska] which up to now had been closely interrelated both personally and in terms of organization with foreign trade enterprises such as Hortex and Polcoop. Therefore, THZ Interpegro operated in compliance with the requirements and rules of the economic reform. It functioned a bit too well, too competitively and a bit too dynamically to have this please the monopolists at the time. The activity of Interpegro laid bare their incompetence and schematism in cooperation.

Therefore, it is no wonder that Interpegro had gone during the course of its activity through a dozen or so various audits conducted by NIK [Supreme Chamber of Control] and other state institutions appointed for this task including as many as 11 audits in 1984!

However, the audits did not establish any corruption or breaking of the law in the activity of the joint venture. Therefore, it could be assumed that the results of the audits demonstrated how it is possible to operate effectively and efficiently in these types of enterprises and that the methods would be adopted by competitive enterprises. Nothing of it. "Polish-style competition" went into motion--the one who is better is an enemy of the one who is worse, therefore, the better one must be eliminated.

The export license of the "Interpegro" Foreign Trade Association has been revoked. The fact that this decision will bring about billions in losses to the national economy, that it will deprive the country of a large amount of foreign-exchange income, that it will lower the confidence of foreign partners to the Polish side, that it will prevent the continuation of already assumed credit investments with foreign capital for the development of the future export base of a given joint venture, that it will hinder the repayment of credit already drawn, and that it will hinder reform in foreign trade and will discourage other interested parties from functioning in a nonconventional manner--all of this is easy to foresee. One does not have to be a high-class specialist in foreign trade to figure this out. Nonetheless, according to the principles of bureaucracy the decision is very purposeful. Too much competition in foreign trade! With monopoly over this activity, work moves along more peacefully and according to set patterns. It is easier to receive absolution from the authorities in the case of various setbacks because the competitor will not demonstrate that it is possible to do something better

for he [competitor] does not exist. We have a rich country that will pay for wastefulness.

I only have serious doubts whether we can activate foreign trade in this way. However, to paraphrase the remark made by the director of Interpegro, Z. Hryniewicz in PRAWO I ZYCIE--even if we should completely stop trading with the world, the ministry of foreign trade will not stop its activity! There will always be someone whose export license can be revoked should he be even a little better than the remaining exporters.

Thus, competition in foreign trade does not exist in our country but only "Polish-style competition."

#### Official Asserts Company Broke Rules

Warsaw ZYCIE WARSZAWY in Polish 20 Aug 86 p 3

[Letter to Editor from Tadeusz Ruzik, press spokesman for Ministry of Foreign Trade]

[Text] In connection with the letter of Prof R. Rudnicki entitled "Reform in Foreign Trade or Competition 'Polish-Style'" published in your newspaper on 13 August of this year [1986], I have been authorized to present the following explanation:

The content of the aforementioned letter suggests the alleged hindering of the economic reform by the Ministry of Foreign Trade on the basis of the revocation of the joint venture's, THZ Interpegro, license to conduct foreign trade. The opinions presented in the letter are not in keeping with the facts, and are biased and demagogic.

The intention of the creation in 1982 of the Interpegro joint venture and issuing it a license to conduct foreign trade was to develop the export of goods from the fruit-vegetable sector produced, above all, by enterprises belonging to the Polish Association of State Horticultural Enterprises [Krajowe Zrzeszenie Panstwowych Przedsiębiorstw Ogrodniczych] and being at the same time shareholders of THZ Interpegro, and to support these enterprises with the production means obtained from imports. It was, of course, assumed that the venture would abide by the rules, principles and guidelines also in force for the remaining 8 enterprises authorized to conduct foreign trade with agro-food products and in similar fashion, in any case, as the 400 other centers and enterprises that are currently active in foreign trade.

Meanwhile, the management of the Interpegro joint venture systematically violated from the start of its operations the binding rules of the game in foreign trade by letting itself be guided exclusively by the narrowly understood private interest of its shareholders. The scope of commodities authorized by the license was not observed, the import that was implemented was in conflict with the issued license, the fundamental principles of setting prices in the country and abroad were not respected, the binding principles of the clearing of accounts with the state budget and the MHZ

[Ministry of Foreign Trade] treaty terms were not observed, and transactions were implemented without the obligatory authorization to import and export. Such activity brought profits and rewards for the joint venture but losses for the economy. The balance of the joint venture for 1985 has not as yet been approved. The Ministry of Foreign Trade has repeatedly admonished the management of the joint venture about these irregularities demanding that they be eliminated and informing about the necessity of revoking the firm's license should such a state of affairs continue.

These irregularities were confirmed by an audit conducted in 1985 by NIK [Supreme Chamber of Control] which formulated a series of specific recommendations intended to place the firm on the right track.

For over half a year from the day of receiving the post-audit recommendations, neither the National Council nor the management of THZ Interpregro introduced any concrete measures aimed at putting them into effect. In such a situation, the minister of foreign trade made the decision about revoking as of 31 December 1986 the right previously granted THZ Interpregro to conduct foreign trade. We had anticipated that during the period in which notice was given about revoking the license, the firm's management would implement the post-audit recommendations that could be executed immediately and would present a program of shaping up the activity of the enterprise. Instead of this, however, pressure began to be exerted through, among other things, the mass media for the purpose of having the minister rescind his decision.

In the light of the presented explanation, the fact must appear surprising that the author of the letter presented the case of Interpregro in an indiscriminate manner only on the basis of one-sided information from the firm's management without taking the trouble of confronting them with the material available from the Ministry of Foreign Trade and the Supreme Chamber of Control. The economic reform and its binding rules cannot be confused with the "free American system of double entry bookkeeping" [wolna amerykanka] whose trait is the total lack of rules.

The Ministry of Foreign Trade did not involve itself in press polemics concerning Interpregro taking the stand that this would not be in the interest of either this enterprise or its work force. We continue to hope that the case of Interpregro will be positively solved through the execution by it of the recommendations presented by the inspector as the condition for continued activity.

Taking advantage of the opportunity, I would like to invite Prof R. Rudnicki to become acquainted with the documentation, that is in our possession, regarding the irregular activity of THZ Interpregro. Our offer is also open to all other potential authors of articles on this subject.

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24 October 1986

ECONOMY

POLAND

## MINISTRY OFFICIAL ANALYZES CHINESE REFORM, RELEVANCE FOR POLAND

Warsaw FINANCE in Polish No 1, Jan 86 pp 44-55

[Article by Edmund Cichowski, Director, Department of Industry and Building in the Ministry of Finance: "The Economic Reform in the Chinese People's Republic (Certain Solutions and Problems)" under the rubric "Foreign Financial Experience"]

[Text] 1. The economic reform being applied in the CPR was and is being regarded as the guiding line of the political-economic program of that country. The importance being attached to the reform's success is demonstrated by both the extremely thorough preparation of its discrete elements and the consistent implementation of the scenario outlined. Every successive step on that path is being, in accordance with the theses of the leading personalities of political and economic life, taken very cautiously and deliberately.

The principal purpose of the reform is seen in liberating potential human and material resources and markedly accelerating the country's economic growth. But while it is to activate diverse economic mechanisms, including market mechanisms, and curtail direct [i.e., centralized] methods of management, the reform may not -- as Chinese comrades stress -- infringe upon the nature of the socialist system of society, which is deeply rooted in social awareness, and neither may it detract from the leading role of the central plan and the central budget in determining and implementing strategic development lines of the economy.

Preparations for reforming the system for management of the national economy lasted several years. This was because the responsibility for an effective operation of the reform in consonance with the expectations of the society was realized. All the more so considering that the economic reform was to be introduced during the particularly complex sociopolitical situation that had arisen following the Cultural Revolution.

The economic reform in the CPR is being successfully applied. Hence, even now, in all reflections and assessments, a distinction is made between the first and the second stages of that reform.

2. The first stage of the reform, initiated in 1979, consisted primarily of the introduction of deep changes in the countryside as well as in economic planning.

About 800 million people live in the Chinese countryside. Prior to the reform the management system in the countryside was not conducive to growth of agricultural output and interest in effectiveness of management. The change consisted in that, at present, the state, represented by the commune, concludes an agreement with a particular collective (usually the family). The commune leases the land for a specific period of time to the collective, and the latter obligates itself under contract to deliver to the state a specified quantity of agricultural produce at planned (official) prices. Any produce surpluses can and should be sold by the collective to the state, but this time at contract prices.

This seemingly simple change has prompted a huge revival in the countryside and a marked increase in output. As a result, the state is able not only to meet the basic nutritional needs of the nation but also to accumulate the stocks it needs for lean times (e.g., in 1984 and for 1985 when bad weather occurred in many regions of China).

As regards planning, the command economy system was substantially curtailed in favor of indirect planning instruments. The decentralization of a number of powers previously reserved for the central government alone has commenced. The scope of the autonomy of enterprises has slowly begun to be expanded. Enterprises gained greater autonomy in determining their own output plans. However, as before, priority must be given to directives and orders transmitted by the superior organizations.

The state now sets indicators by directives only for the most basic consumer goods. This also applies to about 60 industrial consumer goods, or 20 percent of the overall value of industrial output. If allowance is made for the directives which provinces and designated cities are authorized to issue, directives altogether comprise about 40 percent of the overall value of industrial output.

The substantial growth in enterprise autonomy that occurred already during the first stage of application of the reform also included investments. The directives pertain only to the investment projects financed from the state budget and funded with state credit. Locally funded investment projects, implemented by the local administration and discrete economic ministries, have merely to meet certain guidelines rather than directives. Thus while previously all investment projects with cost estimates of more than 100 million yuan had to be specifically approved by the Government, and those with cost estimates of from 10 to 100 million yuan by the Planning Commission, under the reform these minimum requirements were raised to 200 and 30-200 million yuan, respectively. This was accompanied by an explicit transition from investment funding by subsidy to funding by credit. This does not, of course, preclude subsidizing certain investment projects.

The scope of the centralized allocation system was markedly restricted. Previously, detailed allocation lists had covered 256 raw and other materials,

whereas now the number is 56. At the same time, the procedures for the "distribution" of raw and other materials have been altered. For example, 50 percent of coal is distributed by the state and the other 50 percent by local authorities and enterprises themselves. Similarly, 100 million tons of crude petroleum are distributed by the state but any surplus output of crude in a given year may be distributed by the crude petroleum ministry itself, within its competences. In other fields the principle of the complete responsibility of the producer for any increase in output over the preceding year is being applied; e.g., a 5 percent increase in output above the thus established minimum may be sold by the enterprise itself as it wishes.

3. The institutional changes introduced in the years 1983-1985 are by now considered as the second stage of the application of the economic reform. This concerns chiefly the introduction of major changes in the industrial management system, education, transportation, etc. This stage is conventionally termed "reform in the city."

The changes in the economic-financial system of state enterprises consist chiefly in the participation of the enterprises in profits and in the linkage of wage increases to improvements in profitability as well as to increases in profit-linked deductions to the state budget. In the domain of the broadly conceived financial system of enterprises, more radical changes were introduced only during the second stage of the reform, upon utilizing every experience gained during its first stage. Similarly, the experience of other socialist countries in applying economic reforms, and particularly the Hungarian, Yugoslav, and Polish experience, is being utilized more broadly during the second stage.

The material, financial, and personnel autonomy of all enterprises has markedly increased. An important element of the reform is the responsibility of the managerial personnel of enterprises for their economic performance. Special importance is attached to wage discipline. Wage increases above a precisely specified plan limit hinge on the degree of the implementation of tax obligations toward the state.

Various kinds of incentives are used in this connection in discrete domains of economic life. It should be only stressed by way of an example that a wage experiment is under way in construction, where a participatory wage system (participation in value of processing operations) is being applied. In commerce, there is, e.g., the new system of internal responsibility for actual volume of sales, while at large gastronomic organizations there is the principle of constant participation of the [state] budget in the profits. The sales-commission system in commerce also is being developed (at smaller retail stores). At the same time, major shopping-and-service centers are being established in certain large cities. The smaller state enterprises (e.g., those with profits of less than 200,000 yuan) are being transformed into collective organizations (cooperatives) and are considered as small industry.

Changes also are occurring in the science and technology domain. New technical solutions are salable items: enterprises have to pay research centers or inventors for them. Prior to the reform the industrial application of new technical solutions had been financed solely from the state budget.

In addition, a marked revival of cooperation among discrete cities and provinces is occurring. For example, offices of various outside companies are being established in Shanghai, and vice versa.

Special preferences are granted to regions with tardy development (subsidies for special funds) and to national minorities (about 10 percent of the population).

Under the influence of the reform the Chinese economy is, according to Chinese assessments, turning into a multisector socialist economy. Crafts are developing at a relatively rapid rate (the number of units has increased by 35 percent compared with 1983). The share of that sector in overall output remains insignificant, but its share in market retail sales is significant, because in 1984 it was about 10 percent (in 1983, 6 percent). Private transportation (e.g., taxis) also is growing.

The reform has caused a marked growth in output and a general revival of the economy. But it also has led to its first tensions. IN 1984 the growth of industrial and agricultural output was about 14 percent, and in the first 7 months of this year, 22 percent. This is causing various supply problems and exerting a great pressure on growth in imports. According to preliminary estimates, for the seventh 5-year plan (until 1990) a reduction in that rate and a simultaneous marked improvement in the effectiveness of management are assumed.

Current economic bottlenecks are power industry, transportation, and the raw materials industry. It is thus necessary to slow down the present pace of development of the processing industry in favor of precisely these subsectors.

In addition, an accelerated pace of development of education, science, and technology is thought to be necessary. And in investment policy it is thought that emphasis should be shifted toward the modernization of existing facilities instead of the initiation of new construction investments.

As enterprise autonomy is growing, the principle of the self-financing of enterprises is becoming consolidated and the role of financial instruments in management is growing. These instruments are correspondingly differentiated with respect to different sectors and branches of the economy, and even to regions of the country.

An important role in the economic reform is ascribed to the "open door" policy. In that policy, in addition to the broad propagation of the need to develop foreign trade, allowance is made for the need to provide preferential terms for foreign contacts at various levels of managements (bypassing the central level), as well as special conditions for the absorption of foreign capital. This is reflected in, inter alia, the granting of privileges to two provinces for direct maintenance of foreign contacts, the establishment of four special economic zones, the "opening" of 14 coastal cities and Hainan Island, the creation of legal foundations for the development of coproduction and trade cooperation with foreign partners, and the active participation of foreign capital (regulations governing joint ventures and foreign enterprises). Although foreign trade is developing at an extremely dynamic

pace, its role in the Chinese economy is still small given China's huge population resources and already developed production potential. A change in that role is possible in the long run. The "open door" policy is to be a lasting and longterm aspect shaping the relations between the Chinese People's Republic and the socialist and nonsocialist countries.

4. Three kinds of prices are applied: planned (official), contract, and free (open).

Proposals for price determination and the scope of application of discrete kinds of prices are prepared by the Main Office for Prices, which in this respect cooperates closely with the Ministry of Finance. In China great importance is attached to price problems. Hence also, inter alia, the Government has appointed a special Prices Team.

Different kinds of prices are applied to many commodities and products. For example, the state's grain procurement price for specified compulsory deliveries (as contracted with the agricultural collective) is a planned (official) procurement price. But grain surpluses (remaining after the compulsory delivery targets are met) are procured at contract prices.

Planned prices apply also, by way of an example, to livestock procurements and the retail prices of meat. Retail prices of meat are higher than procurement prices. Owing to recent increases in meat prices, consumers have received compensation pay. Transportation rates also are centrally determined. Recently, the rates for short-distance hauls by rail were markedly increased -- the objective was to prompt enterprises to become more interested in using automotive transport.

Planned prices are fixed by the state for all centrally allocated materials and products that are of special importance to production cost and consumer living standards. Materials and products other than these are sold at contract prices. Not so long ago, contract prices could be at most only 20 percent higher than planned prices. Recently, however, this requirement was abolished.

Free (open) prices apply only to small-series and unitary products as well as to products of high unit value and products of secondary importance to the cost of living. Even so they account for about 20 percent of the overall volume of sales.

Planned and contract prices are fixed on the basis of production cost.

Transaction prices in foreign trade do not apply to regular enterprises. Foreign trade enterprises settle accounts with domestic suppliers and recipients in terms of the domestic prices applying to the product or commodity concerned. It is only the foreign trade enterprises that handle foreign trade, whatever its financial results.

Provinces and designated cities have certain price-fixing privileges. The price of a product may differ in different regions of the country. For example, the prices of confectionery goods are much lower in Shanghai, with its highly developed light industry, than in Beijing.

Noteworthy also is the fact that prices differ depending on the quality of goods. Enterprises receive higher prices for products of higher useful value. The principle of differentiating prices depending on the level of quality is also applied by foreign trade enterprises to export goods.

5. Until 1978 the regulations governing financial management and taxation had applied uniformly to all enterprises. This general principle was abandoned under the reform. At present, the regulations in force differ quite markedly in different branches and subsectors of the economy, and even within groups of enterprises, e.g., depending on the profitability level. Depending on the importance of the products sold by a given enterprise, the scope of directive-based indicators stemming from the assumptions of the central plan also differs. Certain enterprises are, e.g., assigned the following directive-based indicators: value of output, variety of output, quality level of products, profits, etc.

It should be emphasized that the Chinese reform has not so far caused any major changes in the administrative structures. Thus, branch ministries and [enterprise] associations (of a subsector nature) have been retained. Directive-based indicators are transmitted by the central agencies to branch ministries and these, in their turn, assign them to associations and equivalent organizations.

The change in the transmittal of directives consists chiefly in limiting their number and in that, in the planning stage, they can be negotiated with the parent agency. In addition, the output plan is discussed at a meeting with workforce representatives.

An enterprise that does not fulfill its directive-based targets is subjected to sanctions: chiefly, the fund for social services to the workforce is reduced. If the enterprise does not attain higher-than-planned profits or if it operates at a loss, the superior authorities may order it to be merged with another enterprise, to change its production profile, or even to be shut down. A decree on enterprise bankruptcy is currently being drafted.

By contrast, an enterprise that produces and financially performs above the targets assigned to it is allowed to dispose of its surpluses as it sees fit (often at contract or free-market prices), to increase wages and social services, and to expand its operations.

The reform of the principles of the financial management of enterprises consists chiefly in markedly strengthening the interest of enterprises in a more streamlined management as measured by the profit criterion. Since 1979 two forms of the participation of enterprises in profits have been applied, namely:

--10 percent of the base amount of profits;

--10 to 30 percent of increase in profits.

The base amount of profits is taken as the actual profits of the enterprise in 1982. At some enterprises, proportional participation in profits also is employed.

The share of profits retained by the enterprise is used to finance:

- reserve fund;
- output development fund;
- social services fund;
- bonus fund;
- fund for activation of new facilities.

It should be emphasized that subsidized enterprises receive subsidies only up to the limit specified in the plan. If their profitability improves and planned losses decrease they are allowed to retain 60 percent of the improvements in profits.

This system, described above in a greatly abridged form, had initially been applied in several provinces by way of an experiment. The results of that experiment proved to be positive and as of 1 January 1983 this system was introduced at all enterprises.

Previously, enterprises had to pay to the state budget an output tax, which accounted for 30 percent of the state's budget revenues, as well as all profits, which accounted for about 70 percent of these revenues and, most important, discouraged enterprises from attempting to streamline their management. Such a system had not either created any conditions for applying the idea of enterprise autonomy.

Under the new system, enterprises have to pay an income tax on their profits. For major and middle-sized enterprises this tax is 55 percent.

It is estimated that the new system has already caused a marked growth in interest in streamlining management. According to preliminary estimates, the state budget will receive 60 percent of the increase in profits gained since 1982 (base year). But in the opinion of Chinese comrades this means that the share of the state budget in profit increases is too low. That is why, in addition, the so-called regulation tax, collected from highly profitable enterprises, has been introduced.

After it pays all the taxes, the enterprise is left with about 30 percent of its profits. It is estimated that about 60 percent of this remainder of profits is allocated for the output development fund, the new facility fund, and the reserve fund, and 40 percent for the social services and bonus funds. These proportions differ at different enterprises, of course.

As part of the second stage of the reform, the following basic changes have also been carried out in the rules for financial management at enterprises:

-- the average rate of the depreciation of fixed capital is being gradually increased to 100 percent; previously the central budget received 30 percent of that depreciation and the local budgets, 20 percent;

-- a technical progress fund has been set up at enterprises of the machinery and electronics industries; the cost of that fund is now part (1 percent) of the basic production cost;

-- the enterprise may partially finance from its liquid capital the cost of activating new production (acquisition of needed materials, equipment, and facilities) -- but only with respect to the stage of the design and construction of the prototype of a new product;

-- income of up to 100,000 yuan from the sales of technological innovations is exempted from the income tax and the regulation tax.

6. Beginning with the fourth quarter of 1984 the enterprise taxation system has been substantially changed. The changes were carried out on the basis of extensive studies and audits of a huge number of enterprises. On that basis, 20 tentative models of the taxation system were constructed and then broadly consulted upon with scientists and practitioners. The final model was approved at the Sixth Session of the All-China Parliament.

This entire operation is regarded as a highly important element of the second stage of the reform. At present, the following basic taxes are applied:

- a) real estate tax;
- b) tax on products (in Poland, turnover tax);
- c) tax on "multiplication" of output;
- d) communal-type taxes;
- e) income tax;
- f) regulation tax.

The taxes specified in points a), b), c) and d) are part of production cost, or are included in the enterprise's factory prices. Only the taxes specified in points e) and f) are paid from profits.

Concerning a): this tax applies to farmland occupied for production purposes, as well as to buildings, structures, and means of transportation. This tax accounts for 1.2 percent of the taxation base.

Concerning b): Specific rates of this tax apply to discrete products. This tax operates as, *inter alia*, an instrument for equalizing the profitability of discrete products, and hence its rates are closely correlated with product profitability. For 65 products of basic importance (e.g., electrical power, crude petroleum, automotive tires) the rates of this tax were increased, while



for 75 products they were reduced. In balance, these changes in tax rates increased central budget revenues by more than 5 billion yuan.

Concerning c): This tax is intended to promote specialization of production in, e.g., the machinery industry and to equalize profitability for different conditions of the extraction of raw materials and procurement of other materials (differentiated rent). In the former case, this concerns reimbursement of taxes already paid on the subassemblies used to assemble the final product (e.g., an automobile). As regards the second purpose, this tax is used to drain any excessive profits that might be gained by, e.g., a crude petroleum extracting enterprise or a coal mine which operates under more favorable geological conditions than its sister enterprises. Thus, this tax drains surplus profits that are in excess of the prevailing norm.

Concerning d): these are the taxes determined by local authorities, e.g., taxes on building maintenance, local construction, and the construction and expansion of the needed infrastructure.

Concerning e): The income tax collected accounts for 55 percent of the overall profits of the enterprise. This percentage is paid only by highly profitable large enterprises. Income (and regulation) tax is not paid by enterprises operating at a low profit, small enterprises, and all cooperatives. At these enterprises, a progressive surplus-profit tax is collected instead.

Concerning f): The basic income tax on profits proved to be still too low for enterprises with relatively highest profitability. To stimulate interest in the development of these enterprises, tax relief in such cases may be granted. Such tax relief may at most amount to 70 percent of the regulation tax due.

The regulation tax is determined in accordance with specified principles, in relation to the 1979 profit level (assuming that since then profits have not decreased). Regressive -- annually -- indicators of the share of this tax in profits are determined, in such a way as not to neutralize the interest of the enterprise in increasing its profits. At some enterprises in Shanghai, e.g., this tax accounted for 37 percent of profits in 1983 and 23.4 percent in 1984. This general premise is confirmed by the growing participation of enterprises in profits. The regulation tax is thus to some extent similar in design to the Polish corrective tax system which was introduced for the years 1984-1986 in connection with the transition from the progressive to the linear income tax.

Independently of the tax types discussed above, various taxes in the nature of sanctions are applied. A typical tax of this kind is the tax on norm-exceeding awards and bonuses. Under the present norm, awards and bonuses may not exceed the equivalent of 4-month base pay and are included in production cost. A steep progressive tax is applied when this norm is exceeded. When the awards and bonuses are equivalent to 6-month base pay, the tax on norm-exceeding awards and bonuses is 300 percent. This tax reduces the profits left for distribution at the enterprise. That is, it promotes spending these profits on development purposes rather than on consumption.

In addition, noteworthy also is the strong linkage of the possibilities for wage increases (which burden production cost) to the increase in payments to the state budget. The general principle is as follows: for each additional one percent of increase in taxes on profits paid by the enterprise to the state budget, the wages included in production cost may be increased by 0.3 percent.

An enterprise which does not pay more to the state budget has no right to increase the wages included in its production cost. This is a highly interesting solution. Emoluments may not be increased at the expense of revenues to the state budget. All emoluments are closely audited by Treasury offices and, for this purpose, also by banks.

It is assumed that, in measure with the introduction of price revisions, the tax system will be correspondingly perfected and revised. For example, the regulation tax is to be successively reduced (until its complete elimination) and the income tax correspondingly increased.

7. The principal problems of financial policy and the financial system are thought to be at present:

-- The need to assure the concentration of financial resources within the central [state] budget to a greater extent than at present: at least 28-30 percent of the overall financial resources should be collected by the central budget; disturbing in this connection is the extremely dynamic growth of the funds remaining at the disposal of enterprises -- this creates, inter alia, the peril of an increase in pressure for the initiation of new investment projects, which should be temporarily halted and changed in structure.

-- The need to introduce major changes in the structure of budgetary expenditures against the background of the present growth of national income.

-- The need to strengthen control on the macroeconomic scale; the lack of experience in this respect has caused, among other things, a marked increase in money supply, the initiation of investment projects that are unnecessary at this stage, and problems with the balance sheet of raw and other materials as well as with the balance of payments.

-- The need to introduce laws regulating many problems (e.g., enterprise bankruptcy, capital flow).

8. The economic reform is causing major changes in the functioning of banks and bank credit.

Since 1982 the People's Bank of China (central bank) has no longer been under the jurisdiction of the Minister of Finance. This bank, in its capacity as the emission bank, is now under the direct jurisdiction of the Government. However, good and close cooperation of the Ministry of Finance with this bank is assured.

The Vice Minister of Finance is a member of the Supervisory Council of the People's Bank of China. The Minister of Finance has a great influence on the

bank's policy, including the fixing of the interest rate (which has recently been increased and now amounts to 7 percent (monthly) [as published]).

On the other hand, the Investment Bank and the Bank of China (the counterpart of Poland's Commercial Bank) are under the jurisdiction of the Minister of Finance.

The following are thought to be the principal problems needing an urgent solution or a different qualitative approach: the exercise of macroeconomic control; an improved utilization of credit as an instrument for stimulating desirable actions by enterprises; shaping the interest rate; and the flow of capital among enterprises. It has been found that, e.g., recently banks have been granting too many investment loans, which resulted in a deconcentration of investment projects that is undesirable at the present stage. The credit plan specifies the credit to be granted for all the major investment projects in that country. Investment credit is granted directly to the concerned enterprises. The strengthening of control by banks on the macro scale should, in this connection, be linked better than it is at present to the effect of credit on an improved performance of enterprises. Criteria for differentiated treatment of enterprises depending on their economic performance are currently being drafted. It is thought in this connection that it is fairly difficult to reconcile in credit policy the requirements of economic macropolicy with microprocesses at enterprises. Until recently the interest charged on credit granted for circulating capital had been higher than that charged on credit granted for modernization investments. As of August 1985 this situation was reversed, with the object of tightening investment discipline. In addition, it is envisaged that the interest rate on credit granted for improper inventories will be raised. It should be added that individual enterprises may maintain accounts with only one financing institution and that granting credit is not obligatory. However, any enterprise that meets specified formal and on-merit requirements can expect to receive assistance with circulating-capital credit and investment credit.

Discounts (in the form of a moratorium on 50 percent of the loan granted) also are granted in the event that the loan recipient (the enterprise) successfully applies new technology. Credit policy is explicitly intended to promote technological progress. It should be emphasized that there is a fairly high bank interest paid on enterprise funds accumulated in bank accounts (3.6 percent per annum on time deposits and correspondingly 1.8 percent on current deposits).

Recently, an organized "horizontal" flow of capital has been initiated. Collective enterprises may issue stocks or bonds to obtain the capital for, e.g., building a new facility. At first this process was rather uncoordinated and often even implemented in the form of an order issued by a branch minister or mayors. The drafting of a special decree on this subject is intended with the object of regulating this domain of credit operations.

As regards the foreign-exchange policy of banks toward enterprises, it should be emphasized that exporting enterprises are paid for their exports in domestic currency. To stimulate interest in greater exports, in some cases exporters are allowed to retain for their own import needs 15 or so percent of

the foreign exchange they earn. Branches of the Bank of China may, moreover -- within limits specified by the bank's central office -- directly grant foreign-exchange credit to enterprises. According to Chinese estimates, during the first stage of the reform there had occurred a loosening, as it were, of foreign-exchange controls owing to the tremendous pressures in favor of an increase in often dispensable kinds of imports (e.g., the imports of excessive numbers of motor vehicles to some provinces of China). This resulted in a shrinkage of foreign-exchange reserves. Hence, the Government decided to tighten its control over new investment projects in general, and over projects funded with foreign-exchange credit in particular. This decision led even to the immobilization of a number of already initiated investment projects. It should be added that, upon exercising considerable caution, the Bank of China is issuing bonds -- to finance specified important investment projects -- on selected foreign markets.

9. The organization of the financial apparatus in the CPR is closely tied to the governmental structure. There are four levels of management:

- 1) central;
- 2) provinces, designated cities, and autonomous regions;
- 3) sounties, cities;
- 4) subcounties.

All the levels of management prepare and implement their own financial plans and budgets. However, owing to the lack of properly trained personnel, about 60 percent of the subcounties still do not draft their own budgets. Their needs are considered in the budgets of counties proper. In the provinces and powiats (and in equivalent administrative units), Treasury offices and bureaus operate. Branches of the Central Office of Taxation also operate there. On the national scale, about 50,000 [as published] such local offices dealing with taxation are operating.

It is worth noting that the Ministry of Finance maintains representatives (whose salaries come from its own budget) at every larger enterprise.

Local financial and taxation apparatus is independent of the local administration.

Personnel for the financial and banking apparatus are trained at five higher educational institutions (located in various areas). The leading school in this respect is the Central Academy of Finance and Banking. The Ministry of Finance drafts the annual budget and 5-year financial plans. Budgetary planning is treated at the Ministry as an exceptionally important part of overall economic planning. Financial plans are closely correlated with the guidelines and orienting indicators previously fixed by the Government. The assumptions of the budget and the financial plans are continuously consulted upon with the State Planning Commission. Following multilateral consultations and coordination with the State Planning Commission, draft financial plans are, together with material plans, submitted for consideration to the

Government. The Government, in its turn -- once it accepts these drafts -- submits them for final consideration and approval to the All-China People's Assembly. As confirmed through this procedure, the budget constitutes the basis for the transmission of appropriate budgetary funds and tasks to discrete executors.

Noteworthy is the continuing process of strengthening, under the reform, the financial autonomy of local administrative levels. The whole of tax revenues is divided into those going directly to the central budget, those which constitute the regular revenues of local budgets, and joint revenues, that is, revenues which the central budget shares with the local budgets.

If all the revenues going to a particular local budget do not offset the necessary expenditures, the central budget assigns part of joint revenues to that local budget.

In certain situations the possibility of strengthening local budgets with a subsidy from the central budget also is foreseen. Such a system of links between the central budget and local budgets is to be applied within the next 5 years.

For example, with regard to the budget of the municipality of Shanghai it can be stated that most of its revenues derive from the tax obligations of enterprises. The city's budget also receives directly revenues from enterprises which are not accountable to the central budget (in Polish terms, enterprises under territorial (local) plans), deriving from the taxes charged for the protection and expansion of the city as well as from the income tax, from the regulation tax, from penalties for exceeding the bonus ceiling at enterprises, from the construction tax, and from penalties for the use of crude petroleum for heating purposes.

Enterprises subordinated to the economic ministries (i.e., under the central plan), e.g., enterprises of the petroleum, electronics, power, and nonferrous metals industries, pay more than 70 percent of their taxes to the central budget and 23.2 percent to the municipal budget.

The city's financial apparatus prepares its own balance of payments. It retains for its own use 25 percent of the foreign exchange obtained from exports by enterprises located within the city's boundaries.

The city's budget, in addition to funding various development and municipal projects, is also used to subsidize certain consumer goods. It subsidizes, the prices of e.g., meat, vegetables, eggs, cereal products, vegetable oil, coal, and pig hides. Subsidy rates are fixed separately in every province and designated city. Their proportions depend simply on the possibilities of the concerned local budgets.

Until recently subsidies were paid to the enterprises producing subsidized goods. As of April of this year, in connection with the changes of prices for these producers (to make them operate profitably), subsidies are transmitted directly to the consumers in the form of compensation payments (discounts).

10. Given the particular solutions and problems of the economic reform in the CPR outlined above, some of them are worth considering in connection with the difficulties arising in the application of the economic reform in our country. This application was commenced only after its discrete segments had been comprehensively prepared. The reform [in China] has received and continues to receive strong political support -- it is being treated as the guiding line of the political-economic program. Discrete solutions of the reform are being applied successively, in stages. Successive revisions ensue from attentive observation and complementary assessments of the performance of particular solutions, often applied in the initial period on an experimental basis. These solutions are sufficiently differentiated to suit discrete sectors, branches, subsectors, and even regions.

The diversification of solutions is more far-reaching than under our Polish system which makes allowance only for certain specific features of particular economic organizations and types of activity. Noteworthy in this connection is the fact that most solutions are created in the form of resolutions, recommendations, etc., issued by the All-China Parliament, the Chinese CP, and the Government. The expedient model of the reform is simply being worked out on the principle of "successive approximations," of the adaptation of solutions to the changing socioeconomic conditions and current assessments of the effectiveness of performance of discrete mechanisms of the reform.

There is no problem either as regards the tempoeral stability of solutions and parameters. It is to be supposed that they can be revised according to macroeconomic needs and assessments of the effectiveness of their application.

A highly important element of the reform, which moreover affects tremendously the whole of the changes taking place in the economy, is the "opening" of the Chinese economy to broad foreign cooperation, to the transfer of capital, technologies and management techniques. With the object of gaining greater experience and assuring adequate control of the related operations by the state, so-called separate [economic] zones and open port cities have been designated.

Of great interest are the solutions applied to price-fixing, budgetary planning, and handling of the central budget and local budgets, as well as the increased role of profits and their linkage to the motivation of workforces and the development of enterprises, and also the "economicization" of investment processes (inter alia, transition, in principle, to universal credit funding of investment projects, prioritization of modernization investments).

Considering our Polish realities and aspects of the application of our reform, a positive assessment is also merited by the solutions applied by the Chinese with respect to the allocation of raw and other materials, the disciplining of wages (inter alia, the linkage of wage increases to higher tax payments), and the responsibility of enterprises for the fulfillment of plan targets.

On the other hand, no tangible changes in administrative structures were made in the CPR, where numerous economic ministries, enterprise associations and other equivalent bodies continue to operate. The impression arises that the

retention of these structures produces a negative influence on the percolation of the centrally created ideas of that reform to individual enterprises. At the enterprises themselves there thus still do not exist adequate conditions for the practical implementation of, e.g., the principle of enterprise autonomy. The new elements of management collide here with the still fairly broad scope of the command economy.

Given the experience so far, emphasis is being placed on the need to create a more efficient and effective macroguidance of economic processes. The huge possibilities of general financial balance sheets in this respect, and the importance of their utilization for this purpose, are being justly emphasized.

Summing up the above comments, it can be stated that the economic reform in the CPR will continue to develop successfully. Certain of the reform solutions currently applied in the CPR, e.g.:

- the curtailed scope and methods of the central allocation of raw and other materials;

- sanctions and incentives relating to the fulfillment of basic plan targets;

- methods for determining emoluments, and especially making wage increases (when they are included in production cost) contingent on improvements in profitability and payments of higher taxes to the state budget;

- methods for central guidance of investment projects;

- diversification of institutional solutions,

merit special interest and, despite the definite difference in conditions, eventual consideration in our Polish mechanisms of economic control.

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POLITICS

BULGARIA

ADVANCE ASSOCIATED WITH 1956 HISTORIC APRIL PLENUM ANALYZED

Sofia ISTORICHESKI PREGLED in Bulgarian No 3, 1986 pp 3-19

[Article by Vladimir Migeu: "The April BCP Central Committee Plenum and the Party's Organizational Development (1956-1958)"]

[Text] The April 1956 BCP Central Committee Plenum was an event of crucial and historical significance in the development of Bulgaria on the path of socialism. The plenum marked the beginning of the elimination of the harmful consequences of the cult of personality and created the necessary conditions and prerequisites for taking decisive steps in the further assertion of the Leninist principles and standards of party and state life and management. The formulation and application of the party's April strategic line was undertaken--a remarkable arm of the BCP which helped to surmount relatively quickly and most painlessly the errors and weaknesses which had taken place and to complete the tasks of the transitional period from capitalism to socialism and undertake the building of developed socialism.

By freeing the people from a number of shortcomings related to stereotyped and dogmatic thinking, the April plenum opened broad opportunities for the creativity and initiative of the masses, outlining for them the prospect for a new and intensive development of socialism and the fullest possible development of its forces and possibilities. This marked a new stage in the development of socialist democracy in Bulgaria and in enhancing the role and significance of the people's masses in our history.

Whereas the April plenum marked the beginning of the party's April line, the June 1958 7th BCP Congress reported the initial results of its application. In the party's history the 7th Congress has been recorded as the congress of victorious socialism. The congress emphasized that the main socioeconomic tasks of the transitional period had been met in their essential lines and that socialism in Bulgaria had won definitively and irreversibly. That is why the period between the April 1956 plenum and the 1958 7th Congress is a clearly outlined period in the development of the Bulgarian Communist Party.

So far the problems of the organizational development of the BCP in 1956-1958 have not been the subject of an independent study. Some of its aspects have been noted in a number of works and statements of political personalities and historians who have studied the political process in Bulgaria during the



transitional period. Their main features have been considered in the general course on BCP history and the published histories of okrug party organizations (those of Ruse and Plovdiv in particular), as well as in the studies of party construction work made by some historians.<sup>1</sup>

The new spirit and the new situation in the BCP and throughout the country were clearly felt after the 20th CPSU Congress (12-20 February 1956). The 17 March 1956 RABOTNICHESKO DELO editorial, in which the results of the historical forum held by the Soviet communists were analyzed, indicated that the party will carry out to the end the struggle for the total uprooting of all vestiges of the cult of personality.<sup>2</sup> It was emphasized that in our country that struggle had begun even before the 20th CPSU Congress but had not been brought to its conclusion.

At the April plenum itself, which was held between 2 and 6 April 1956, priority was given to party organizational problems. These problems became the foundation of the overall line which was followed in surmounting the harmful consequences of the cult of personality. The plenum's resolution emphasized that lowered collective leadership hindered the development of intraparty democracy and limited the activeness of party cadres; under the circumstances of oppression and fear truly constructive criticism had become impossible, for which reason major problems of building socialism had not been solved on time or else had been solved one-sidedly and halfway.<sup>3</sup>

This aspect of the resolution was quite important. Until then the slogan of daring criticism of shortcomings had been steadily raised and the need for harsh and irreconcilable struggle against any suppression of criticism "from below" had been proclaimed. The resolution justifiably assessed that all this could not be actually accomplished under the conditions of the cult of personality.

The plenum's resolutions set as a particularly important task that of enhancing the role of the Central Committee as the collective leader of the party and the role of the Politburo as the collective body of the Central Committee. This would block henceforth the possibility of putting any individual above the Central Committee and the Politburo. The stipulation was asserted of observing most strictly the supreme principle of party leadership--collectiveness--and the systematic and integral application of the Leninist principles and norms in all party units. The plenum resolved that the Secretariat of the Central Committee should be strengthened by increasing the number of secretaries from three to five.<sup>4</sup>

Conferences were held by the okrug party aktivs immediately after the plenum, at which party and state leaders analyzed its decisions. Thus, Comrade Todor Zhivkov, Central Committee first secretary, met with the Sofia party aktiv; Rayko Damyanov met with the Sofia Okrug party aktiv; Dimitur Ganev, with the Varna aktiv; Boris Taskov met with the Khaskovo aktiv; Petur Panchevski, with the Burgas aktiv, etc. The speakers held a frank discussion with the aktivs, informing them in detail about the historical plenum meetings and exposing the main shortcomings in the work of the Central Committee and the Politburo up to that point; they formulated the most important problems which now had to be solved by the party organizations. The members of the Politburo and the

Central Committee also submitted detailed reports to the party aktivs of ministries and central departments, the central managements of the mass organizations, the BAN, Sofia University, the Higher Party School, the creative associations and others. The leaders of the party organizations throughout the country were made familiar with the speeches of Comrade Todor Zhivkov to the Sofia City party aktiv and the aktiv of the MVR. Subsequently, until the middle of May, the primary party organizations held meetings on this subject.<sup>5</sup>

The report submitted by Comrade Todor Zhivkov to the Sofia city party aktiv made a particularly strong impression. It emphasized that the basic feature which must be understood by every party member is the need to ensure the strictest possible and comprehensive observance of the principle of collectivity as the most important prerequisite for strengthening party unity and surmounting the harmful consequences of the cult of personality. It also emphasized the restoration of Dimitrov's criteria in assessing party members, unifying cadres of all generations within the party and surmounting the underestimating of the older cadres, which had been the case until then. The BCP Central Committee first secretary indicated that elements of the harmful methods of the cult of personality were found not only in the Central Committee but throughout the party and that their elimination required unyielding and stubborn struggle.<sup>6</sup>

"Every one of them," Comrade T. Zhivkov emphasized, "must display individual daring. He must expose shortcomings and methods in his own work and undertake their elimination. Methods of command and bureaucratic administration, scorn for someone else's opinion, fettering people and suppressing criticism and self-criticism and underestimating the collective are widespread throughout the party.... Currently careerism, subservience, speaking behind the back of one's comrade and other such acts are widespread in our country. That is why our work on restoring the Leninist principles of party leadership and standards of party life must be comprehensive.... We must critically assess the results of the work, engage in a decisive struggle against self-delusions, boosterism and pride. We must be intolerant of any moods at all of complacency or any efforts at all at embellishing, glossing over the true state of affairs and concealing and ignoring errors and shortcomings."<sup>7</sup>

Many party members spoke out at the conferences of party aktivs and at the meetings, both managers and rank-and-file party members. The tremendous majority of them through their full support behind the decisions of the April plenum, expressed their great pleasure at the fact that it was held; they frankly and clearly exposed a number of manifestations of improper management and activities in their organizations and indicated many unsolved problems in the country's political, economic and social life. The statements expressed a sharp reaction against the practice of suppressing criticism, and commanding and bureaucratic administration methods and improper cadre policy which let careerists and turncoats to sneak into command positions.

It is true that many of the statements included exaggerations in the sense that the dissemination of negative phenomena was presented as being comprehensive. The fact that a struggle had been waged against them previously as well, particularly starting with the spring of 1951, and that

that struggle had not remained without results, was neglected. The line followed in the statements, however, was accurate, for the purpose was to surmount harmful phenomena in the party and the country as soon as possible.

The conferences of the aktivs and the meetings of the PPO on clarifying the resolutions of the April plenum were given a total positive rating by the Central Committee as a happy phenomenon, as marking the beginning and laying a firm foundation for a more durable further energizing of party members and enhancing the organizational standard of the BCP.<sup>8</sup>

Nevertheless, some erroneous, improper and even antiparty statements were made at the conferences and meetings. Some of them depicted an inaccurate, tendentious and sinister picture of the situation in the country and within the party prior to the April plenum, totally ignoring the real successes which had been achieved in building socialism during that period. Violations of socialist legality were exaggerated both in terms of scale and duration. The improper idea was being created that throughout the period from the death of G. Dimitrov to the April plenum repressive measures had been taken against party leaders. It is no accident that on this subject, in his reports to the MVR party aktiv, Comrade Todor Zhivkov expressly indicated that these phenomena had come to an end as of the spring of 1951. Other statements included groundless accusations against Central Committee and Politburo members; the resolutions of the April plenum were considered soft and halfway, an immediate holding of a party congress was demanded, etc.

Such statements were made in some organizations of the intelligentsia, such as the PPO of the associations of Bulgarian writers, painters and journalists, the party-wide meeting of the BAN, the Medical Academy, the Sofia city people's council, the K. Marx Higher Economics Institute, some residential district PPOs in Sofia, etc. Isolated statements of this kind could be heard also in some worker collectives and even at the meeting held at the higher party schools. In a number of areas members of the city and rayon party committees in Sofia initially did not oppose such statements, which confirmed the insufficient political maturity of some party cadres.

The same situation could be noted until the end of April, when the party collectives themselves acquired a clear idea of the situation and began to firmly resist improper statements. New PPO meetings were held during the second half of May, in the course of which most of those who had made improper statements engaged in self-criticism. Matters became even clearer at the PPO meetings in June, when Comrade Todor Zhivkov's report delivered at the meeting with party secretaries in Sofia on 25 May 1956 was discussed. It is true that in the course of these meetings as well some party members were hesitant and displayed immaturity, expressing the view that criticism was being suppressed in the party. They disagreed with the assessment that these manifestations were the result of the "petit bourgeois element," etc. All in all, however, the meetings which were held during the second half of May and in June proved that the maturity of the party organizations and the strength of the Communist Party rapidly to surmount newly developing negative phenomena and to prevent their further development and intensification had increased.

The 20 May editorial in RABOTNICHESKO DELO, the 30 May meeting between the Politburo and the Sofia city party aktiv and, above all, the speech by Comrade Todor Zhivkov at the 25 May meeting we mentioned helped to surmount the harmful trends. The speaker, who highly rated the discussions which had been held at the party meetings and conferences, indicated that the main reasons for erroneous statements were consequences of the errors committed during the preceding period. The Central Committee had informed the party members of its resolutions and of the development of the political situation in the country extremely insufficiently and irregularly. Most of the improper statements were the result of the poor degree of information of cadres and their insufficient ideological-political tempering. Improper statements were also made by some party cadres who had been hurt and groundlessly punished during the preceding period.

The report by Comrade Todor Zhivkov and many party materials of that time made it clear that during such a very crucial time it was inevitable for some party members to display hesitation, lack of understanding and confusion, that patience and maturity had to be displayed, that energetic explanatory and educational work had to be done and that no haste should be shown in drawing categorical conclusions and evaluations. An attentive and comradely attitude toward erring party members was a clear manifestation of the Leninist maturity of our party and its Central Committee. It contributed to the fast correction of the errors and to preserving the unity and cohesion of party ranks. Furthermore, the firm rebuff given to the petit bourgeois element was of tremendous importance in the development of the political process in the country as was quite clearly established in the autumn of 1956.<sup>9</sup>

An interesting feature which describes the situation prevailing at that time was the fact that some okrug and okoliya party committees convened their plenums in the light of the decisions of the April plenum immediately after it. Other party committees, which had decided to work longer on the preparation of such plenums, organized conferences with the aktivi to discuss and draw conclusions concerning their own work. In the summer of 1956 the Central Committee informed the managements of the party organizations of the plenums held by the okrug committees in Pleven, Stara Zagora and Varna. The Central Committee made a positive positively assessment of their work.

A very important aspect in these forums was the self-critical analysis of the reports and, particularly, the strong critical spirit of the statements. It was no accident that the strongest statements were made by the secretaries of okoliya and city committees, who had suffered the most during the preceding period from the errors of the Central Committee and the okrug committees. The statements indicated a number of aspects of formalism and routine in party work, constant intensification of the economic slant, which was particularly typical after the establishment of instructor rayons in 1955. Particularly useful was the personal criticism addressed at members of the okrug committees, including first secretaries, for their ordering style of work and for imposing their own views over those of the collective.

Boris Tepeshanov, secretary of the Radomir Okoliya BCP Committee, pointed out that the following opinion had prevailed until that time in the okoliya committees: "So far no okoliya committee secretary has been punished for

political work or for the management of the school year; however, many had been punished for the nonfulfillment of economic assignments and percentages." Hence the priority given to economic problems.<sup>10</sup> Samuil Savov, secretary of the Kyustendil Okoliya BCP Committee, emphasized that the investigations conducted by the Central Committee or the okrug committees were formal. What was mainly looked at was the way in which resolutions had been formulated rather than their implementation, for which reason the first concern of those investigated was to draft good resolutions.<sup>11</sup>

The plenums and conferences also had a beneficial influence on shaping a critical spirit within the party, creating a favorable atmosphere and enhancing the level of party-organizational work.<sup>12</sup>

Indeed, even immediately after the April Central Committee Plenum there was a considerable upsurge in the development of intraparty democracy, the energizing of the party organizations and improvements in the work of the party committees. This was helped also by the profound study which was made by the party press of the errors and weaknesses in party work which had occurred until that time. Particular attention was paid to the need considerably to enhance the role of the plenums of okrug, okoliya and city committees, as being some of the most important bodies in charge of implementing intraparty democracy. The task was set of surmounting the harmful practice of convening the party aktivs only for "instruction" purposes for the implementation of resolutions instead of making use of the collective mind in order to ensure their better formulation. A possibility had to be ensured for every party member to feel himself the master of his party organization and freely to express his view even if it contradicted that of the leadership.

A stubborn struggle was mounted against excessive meetings and bureaucratism, which created conditions for formalism and routine in party work. NOVO VREME, the party's theoretical organ, gave us an example of the meeting held by the Pleven Okrug BCP Committee Buro on 17 March 1956, at which, according to the plan, four problems have to be considered. But yet another 18 were introduced subsequently. The buro meeting lasted 8 hours, and 22 resolutions totaling 92 items were passed. Instead of efficiency and practicality, the party leadership was asserting the same style of work which had led to excessive meetings.<sup>13</sup>

The first Central Committee plenum held after the April plenum dealt with agriculture. It was held on 6-7 July 1956. Comrade Todor Zhivkov's report and the statements and resolutions at the plenum dealt extensively with party work in the countryside. A positive rating was given to the 1955 reorganization of the okoliya committees and the creation of instructors' rayons. It was emphasized, however, that the created opportunities had not been used satisfactorily, for the okoliya committees remained largely removed from specific work in the countryside and the party organizations in the TKZS had not been strengthened adequately. A significant percentage of them were unable properly to exercise party control and were sliding down the line of bureaucratic administration and interfering in the work of the administrative councils. Obviously, the help provided by the instructors' groups remained insufficient.

The question of the cadre strengthening of rural party organizations remained urgent. The decision of the July Central Committee Plenum was to continue with an even more intensive withdrawal of experienced party cadres from the large centers to work in the villages, in the instructor rayons and the okoliya party committees. It was also resolved to increase help given to the mountainous and semimountainous parts of the country where the mass organization of farm cooperatives had been undertaken at that time.<sup>14</sup>

The process of improving party work, which occurred after the April plenum, was manifested most clearly in the PPO and the party committees. The local BCP committees were relieved from the heavy dose of petty supervision and regulation on the part of superior bodies, which enabled them to invest greater creativity and autonomy in their work. A number of okoliya committees undertook to formulate long-range plans for the development of agriculture in their okoliyas. The range of problems discussed at plenums was broadened.

The BCP Central Committee as well improved its activities. Its apparatus intensified its work on various problems; plenums were being prepared with the help of a broad range of specialists and materials were subject to lively discussions. The Central Committee regularly informed the party members of the most important decisions made by the Politburo and the Council of Ministers and on the party's international activities. The Politburo and Central Committee members increasingly submitted reports on the most vital problems in the course of their meetings with party aktivs and labor collectives. The previous practice of threatening and telling-off subordinate party workers summoned to the Central Committee was eliminated. An atmosphere of attentive and comradely attitude toward cadres, combined with exigency, was established. The party workers no longer felt fettered as they previously did when summoned by the Central Committee.<sup>15</sup>

The 7 May 1957 meeting between Comrade Todor Zhivkov and senior personnel of the Central Committee apparatus had a positive influence on improving Central Committee work. At the meeting Comrade Zhivkov indicated that despite significant difference, the Central Committee apparatus had remained unable to eliminate a number of shortcomings which had accumulated in the period preceding the April plenum, such as suppressed and strained actions, ordering people and lack of sufficient initiative and independence. The first secretary insisted on the need to increase the creative aspect of the work of the departments which should establish closer ties with the primary units; department and sector heads should spend more time with the okrug and okoliya committees and the system of assigning Central Committee brigades to engage in comprehensive investigations and provide aid was to be broadened. Departments were to report more frequently to the Secretariat and the Politburo on the new trends and processes noted in the party and the country and keep closer track of and respond promptly to the signals of the working people.<sup>16</sup>

Preparations for the proper organization of forthcoming okoliya and city accountability and election conferences began as early as May. They were to be held entirely according to the resolutions and in the spirit of the April Central Committee Plenum. The role and significance of accountability and election conferences and accountability meetings of PPO were to be enhanced even further "as an efficient means of investigating the leadership by the

party masses;" a most favorable situation had to be created at the conference for the freedom of speech by the delegates and for developing constructive criticism of shortcomings. The old routine of drafting long reports which covered everything had to be eliminated. The reports were to be concise and deal with specific problems and raise basic crucial topics for discussion. The draft rostrums of the future committees were to include older party workers as well, in order to create continuity among all generations.<sup>17</sup>

The accountability and election conferences which were held in June were part of the reorganization process which took place after the April plenum. They were held with high political activeness displayed by the delegates, and intensified criticism, including criticism personally addressed at a number of leaders. The fact that 11 former secretaries of okoliya committees, who had been included in the draft tickets, were not reelected at the conferences, because of their improper work methods during the previous period, proved that the party masses had formulated stricter cadre requirements.<sup>18</sup>

The line adopted at the April plenum was pursued at the September 1956 BCP Central Committee Plenum. Important conclusions were drawn on the development of the renovation process. The further assertion the Leninist principles and standards of party life and management, and development of intraparty democracy and the faster elimination of the harmful practices of the cult of personality were intensified and concretized.

In its analysis of the process leading to the clarification and adoption of the April resolutions, the September plenum refined and expanded the characterization of the negative phenomena within that process. It was emphasized that they were the result of the conditions under which the BCP had developed during the transitional period, and the fact that members of different social circles had joined the party, in addition to careeristic and alien elements.

While pursuing the line of an attentive and comradely attitude toward party members who had erred, the plenum stressed the need for an intolerant and merciless attitude toward petit bourgeois and antiparty manifestations. Educational and explanatory work was not to lead to an acceptance of ideas alien to Marxism-Leninism. The party organizations were to purge their ranks from alien elements which had insinuated themselves into the party and sharply to react against any effort at promoting anti-Marxist views.<sup>19</sup>

It was in the spirit of the resolutions of the September Central Committee Plenum that a number of okrug, okoliya and city party committees prepared and held by the end of 1956 and the beginning of 1957 plenums to discuss the style and methods of party work. They indicated the substantially increased collectivism in the activities of the party aktivs in the formulation and execution of resolutions. The exchange of positive experience substantially intensified. Periodical conferences for the exchange of experience became the rule of many okoliya and city organizations.

The quality of party meetings continued to improve. PPO practices of adopting monthly plans, which resulted in a great monotony of organizational party meetings--more than 80 percent of them were held for reporting on the

implementation of the old and the adoption of the new plan--were abolished. The primary party organizations undertook the formulation of quarterly and semiannual plans, which made it possible significantly to increase the number of problems discussed at the meetings.

The differentiated approach of the committees was strengthened. They began to hold plenums on the work of party organizations and party groups in various sectors and areas, such as crop growing, animal husbandry, MTS, construction, trade, transportation, etc. This also brought to light the extremely adverse trend of stubbornly making the same type of large numbers of errors and weaknesses against which the struggle had been waged even prior to the April plenum, such as holding large numbers of meetings, bureaucratic-style management, insufficient involvement of plenum members in implementing resolutions, and others.<sup>20</sup>

Cadre work improved significantly. On the one hand, specialists began to be recruited more actively by party committees, particularly on the okrug level. On the other, cadre selection and evaluation improved. The frequently encountered manifestations of subjectivism in this area began to be surmounted more persistently. Requirements concerning senior cadres greatly increased; a line of strict intolerance of the violation of Leninist principles and standards of party and state life and management was asserted. Thus, in 1957 the party members were informed of the Central Committee report on adverse developments in okoliya party committees in Stanke Dimitrov and Petrich. A factional group had been established in the former, which had mounted an unprincipled struggle for power. In the latter there were cases of systematic violations of collective leadership, gross bureaucratic administration and ordering. The culprits had been strictly punished. The attitude toward senior generation cadres changed. Most of them work given suitable work and many became members of party managements. In accordance with the resolutions of the September plenum, Central Committee commissions reviewed materials on penalties imposed on party members after the January 1950 plenum. On the basis of their reports, and with special resolutions, the improperly imposed punishments were revoked by the Politburo in November and December 1956. This action had a particularly beneficial influence on some okrug and okoliya organizations, such as those in Pleven, Khaskovo, Burgas and others, where dozens of party workers had been punished in 1950. In turn, the local party committees reviewed the files of cadres and groundless accusations and slanderous denunciations were expunged. This marked the end of one of the darkest pages from the period of the cult of personality.<sup>21</sup>

The Hungarian events of the end of October and beginning of November 1956, which were a serious test of the maturity of the party members, also had a certain influence on development. Initially, some party members became confused; once again unhealthy statements, familiar from the period of the April plenum, could be heard in some organizations of the intelligentsia in Sofia. Now, however, they were immediately and firmly rebuffed and mercilessly condemned by the party organizations. The events in Hungary had a very strong influence on enhancing the standards of party political and organizational life. Party discipline increased significantly and party activities intensified.



A spontaneous and very clearly manifested feeling of public sharp intolerance of the so-called "dead souls," as they were known then, developed, i.e., toward party members who did not fully participate in the life of the PPO and violated the requirements of the party statutes. A general demand that all sorts of alien elements be expelled from the party was formulated, such as careerists, turncoats, bearers of antiparty ideas, etc. These were very positive phenomena which proved the strength of our party and the principle-minded position and high political maturity of the tremendous majority of Bulgarian communists. The political upsurge in the BCP was felt quite clearly as early as the end of 1956 in the course of the discussions of the confidential Central Committee letter entitled "On Some Urgent Tasks of Party Organs and Organizations," although the upsurge continued throughout 1957 as well.<sup>22</sup>

The 1956 accountability and election party campaign began at the end of the year and ended with the May 1957 okrug conferences. It covered an important period in the party's development, characterized by the process of renovation which had taken place during the spring and summer of 1956 and the significant organizational and political tightening up of party ranks after the Hungarian events. A characteristic feature of the campaign was the high degree of criticism and self-criticism, the profound study of the problems in the reports and statements and the strong feeling of responsibility shown by the party membership.<sup>23</sup>

The exigency toward leading cadres continued to increase. In 1956 40.24 percent of PPO secretaries were replaced for failure to cope with their work (two-fifths of them at annual accountability meetings). Furthermore, 364 people (2.4 percent of the nominees) whose names were on the tickets were not reelected, most of them for having used poor work methods.<sup>24</sup>

The accountability and election campaign indicated that significant improvements had taken place in the development of the PPO. A leading position in this respect continued to be held by the party organizations in industry and transportation. At the same time, however, the work of the PPO in TKZS, MTS and DZS, particularly in the grain growing parts of the country, also showed great improvement. Unfortunately, most of the party organizations in the mass new TKZS remained weak. Since they were small the distribution of party members among production sectors in such organizations was difficult. In many such farms the primary organizations showed no personal initiative; instead, they waited for instructions or the urging of instructors.

Substantial improvements took place in office party organizations, particularly in Sofia. Nevertheless, criticism "from below" remained insufficient, for which reason many of the statements made at accountability meetings were no more than a formality.<sup>25</sup> Concern was manifested at the significant number of weak organizations whose unity had been disturbed--at that time the party numbered 930 weak organizations, 470 of which in the TKZS and 200 other, classified as rural territorial. The organizations with a disturbed unity totaled 180. The organizations belonging to these two types totaled 1,110. This accounted for under 7 percent of the overall PPO in the party; their shortcomings, however, were very difficult to eliminate. This was mainly due to the weakness of leading cadres in these organizations, the

insufficient work of the okoliya committees with them, insufficient concern for controlling and rejuvenating the membership and poor ideological and political work with the older party members. Quite frequently members of the senior generation within them became centers of negative moods.<sup>26</sup>

The great progress which had been achieved in cadre work was noted in the course of the accountability and election campaign. Cadre selection was improved and they were assessed much more thoroughly in terms of political and practical qualities. The practice of rating cadres in front of the collective, which enhanced the feeling of responsibility, was broadened. Nonetheless the problem of reserve cadres remained unsolved, and releasing a person frequently led to substantial time losses until a replacement could be found.<sup>27</sup>

A BCP Central Committee Plenum was held on 11 and 12 July 1957, at which some leading party personalities were punished for efforts to engage in factional activities.<sup>28</sup> On that subject the Central Committee sent a confidential letter to every party member, setting the task of intensifying the struggle against unhealthy forces within the party ranks, which for more than 1 year had continued to oppose the line of the party plenum overtly or covertly. The letter pointed out that this was a threat to unity, which had to be eliminated once and for all. It was pointed out, however, that the struggle against factional activities should not lead to a return to the circumstances which prevailed during the period of the cult of personality.<sup>29</sup>

By the end of July 1957 meetings of the party aktivs and the PPO had been held throughout the party to discuss the confidential letter of the Central Committee. The opponents of the April line and the wreckers of unity were firmly condemned and steps were taken to eliminate such cases in some party organizations and party committees. The resolutions of the July 1957 plenum called for energizing the work of the party organizations where unity had been disturbed. Within a relatively short time their number declined significantly. At the same time, some leftist and sectarian statements, which had exaggerated the errors and weaknesses of the period preceding the April plenum, the search of victims of the "cult of personality" everywhere and the total denial of the existence of collectivism within the party and in party work during that period, were rebuffed at the meetings and conferences.<sup>30</sup>

The struggle against the manifestations of right-wing revisionism in the international communist movement at that time created a potential threat of the appearance of sectarian and leftist moods, which could have very easily and imperceptibly led to recurrences of the period of the cult of personality. That is why the party systematically fought both against right-wing revisionist manifestations on the international level as well as spontaneously arising, as a reaction, of left wing and sectarian moods within the BCP. Within the period considered in this study, no single exaggerated assessment of the time preceding the April plenum was left without a rebuff; scorn for or rejection of anything positive which had been achieved by the party and within the country until the plenum were not allowed to take place.

The years 1957 and 1958 were characterized by the continuing systematic and persistent effort to analyze the basic problems of party organizational life

within the BCP and to surmount the basic weaknesses within it.<sup>31</sup> The efforts to strengthen the PPO in the newly formed and comprehensively organized TKZS continued with great persistence. The main thing here was to increase the numerical strength of the organizations, to distribute the party members properly among the production sectors, to develop within each production unit a party group and to surmount the harmful trend which had appeared of party members leaving production work. A proper party control by the PPO of the administrative councils had to be secured and a struggle had waged against petty supervision of their work. This applied to a high percentage of the old TKZS as well, and had to be eliminated as soon as possible. The profound study of party work in the primary organizations directed the okoliya and city committees and instructor groups toward the more comprehensive study of a number of important problems of intraparty life. Increasingly systematic concern was shown for good preliminary preparations for party meetings, greater control over execution of party instructions and resolutions passed at meetings, and strengthening criticism and self-criticism. Nevertheless, during that time, some unconscientious party members began to use the efforts to upgrade the critical attitude by engaging in indiscriminate criticism with a view to attaining some careeristic objectives or settling personal accounts. Such actions were sharply rebuffed.<sup>32</sup>

The work of the instructor rayons continued to be studied. The positive experience of a number of okoliya committees in Lom, Radomir, Varna and Svilengrad regarding the proper assignment of the work among secretaries and surmounting the improper trend of letting them deal with their instruction rayons only, thus overloading the first secretaries, was shared.<sup>33</sup>

A line of strengthening the autonomy and initiative of the local party organs was followed systematically. The Politburo decision of 9 January 1958 gave party okrug, okoliya and city committees the right to set up their cadre nomenclature themselves.<sup>34</sup>

Also continued was the struggle against the stubbornly remaining tendency to engage in paper shuffling and to hold excessive meetings by a number of okoliya, city and okrug party committees. Thus, for example, a RABOTNICHESKO DELO editorial which came out in the summer of 1957, criticized the Varna Okrug BCP Committee for tolerating the bookishness and excessive number of meetings of the General Toshevo Okoliya Committee, which had promulgated 141 resolutions in 1956, only 70 of which had been carried out. The tolerance of this weakness by the okrug committee was explained by the fact that the committee itself frequently engaged in long and tiring sessions at which a number of decisions were made. The Central Committee drew the important conclusion that such waste of effort and so much paper shuffling were among the reasons "for which many party committees and organizations, even after the April plenum, have done little to change decisively the situation and to improve work and management methods."<sup>35</sup>

Another important feature of that period was the increased attention paid to improving the training and skills of party cadres, particularly those of PPO secretaries and instructors. It is true that after the April plenum the active recruitment of people with better education and of specialists had been undertaken by the party committees. This process, however, demanded a great

deal of time. The majority of primary party cadres had low educational standards. Thus, for example, 70 percent of rayon instructors and 57.4 percent of PPO secretaries were no more than primary school graduates. This required the development of an efficient and properly operating system for their training and for the steady dissemination and mastery of positive experience.<sup>36</sup>

The proper management of party work after the April plenum inevitably led to the better study of the problems of the different party organizations and to a more differentiated approach to them. Thus, in the second half of 1957, the Central Committee Industrial-Transportation Department studied the work of the PPO in the sectors it had kept under observation, after which okrug conferences were held in December for exchange of positive experience. The main conclusion of the studies was that the level of party work in industry and transportation was continuing to improve. However, the initiative of the primary party organizations had to be enhanced and party control of economic management improved. Until then it had been manifested essentially and above all in hearing out informations at party meetings or meetings of buros. Such information had to be accompanied by studies of bottlenecks in<sup>37</sup> production and with mobilizing the party organizations for their elimination.

The attention paid to PPO in schools was intensified in the summer of 1957, after the adoption of the decree on the reorganization of school work. It was emphasized that despite significant improvements, the level of party work in this area, particularly in the VUZs, had remained quite low, that the combat capability of the organizations had been lowered, that criticism "from below-upwards" was lacking and that lack of principles, subservience to superiors, and so on, were frequent phenomena. That is why by the end of 1957 the attention of the party committees to PPO work within the educational system was increased significantly. The efforts were aimed above all at surmounting as soon as possible the great weaknesses in VUZ party organizations.<sup>38</sup>

After the April plenum the problem of regulating the numerical and social composition of the party and upgrading the requirements of new BCP members was particularly emphasized. As early as the summer of 1956 the BCP Central Committee had noted that in a number of party organizations the decision adopted at the 6th Congress of resuming the acceptance of employees had not been properly understood or, more accurately, had been understood as widely opening the party's doors to this social category. Under such circumstances, a number of city organizations had expanded significantly and so had the percentage of employees in them. Whereas at the time of the 6th BCP Congress there were 455,454 members and candidate members, by 31 March 1957 there were 490,350. The share of employees had increased from 17.94 to 21.31 percent. This represented a relatively substantial increase for such a short period of time unsupported by any kind of somewhat more serious reason. The great majority of the employees belonged to the general administrative apparatus and specialists accounted for no more than 9 percent of all employees who had joined the party.<sup>39</sup>

This called for putting an end to the uncontrolled acceptance of new members, which had become typical of a significant number of PPO, and to intensifying the strict individual selection of candidates. The need for this conclusion

was also based on manifestations of political immaturity in some offices and organizations of intellectuals, as we mentioned, after the April plenum and during the Hungarian events.

As we have seen, however, the results of the party's work in connection with the response to the Hungarian events were positive within the party: exigency toward party members was made stricter and a comprehensive demand was voiced for the party to be purged of members who violated the stipulations of the party statutes. By the end of 1956 and beginning of 1957, many PPO had drafted their resolutions on controlling their numerical and social composition. All in all, by the end of 1956, some 10,000 to 11,000 members and candidate members were expelled from the party (no precise figure is available) as follows: 5,800 for irregular attendance, 2,400 for refusal to join the TKZS, some 1,800-2,000 as unsuitable and alien elements, etc.

Some leftist demands for a party "purge" and for stopping the acceptance of employees and intellectuals were rebuffed. The party line was that a most attentive and comradely attitude had to be displayed toward delinquent party members, that only the incorrigible and totally corrupt, who could not be influenced through educational work, were to be expelled.

As to those who attended meetings irregularly, the party committees reached the conclusion that the tremendous majority of them had been accepted during the period of mass enrollment, between 1944 and 1947, and that they had proven to be a "unnecessary ballast," as the party leaders had described them at that time, a ballast which the party had been dragging along for a long period of time in an effort to reeducate them and enhance their political tempering. Naturally, this applied only to some of the individuals who had been accepted during that period.

What were the main results of the line taken to control the numerical and social structure in 1956? First, the requirements concerning new party members were made stricter; second, the BCP was rid of a number of alien and unsuitable elements, of people with low political tempering, who were no longer meeting party membership requirements; third, the acceptance of employees was significantly restricted; fourth, the pace at which BCP membership had been increasing and which had intensified in the period after the 6th Congress, was slowed down. All of these trends had a positive influence.<sup>40</sup>

The party held its regular accountability and election campaign between the end of 1957 and May 1958. It was related to preparations for the 7th Party Congress, which was reflected in its nature and direction. Once again the accountability and election meetings and conferences proved that the standards of party organizational life had improved significantly and that great progress had been made in the application of the Leninist principles and norms of party life and style of party work. Collective leadership in the party committees was enhanced significantly; their structure was improved; it included more specialists and more women and young people, and more party members directly employed in material production.

The meetings which were held were very active. A total of 43.6 percent of those attending spoke out. The statements made were serious and profound. Both they and the reports and resolutions formulated basic problems, profoundly analyzed weaknesses and sought ways for their elimination.

At the same time, however, some trends of the stubborn retention of negative phenomena in party work were noted with concern. Many party committees and buros found it difficult to eliminate bookishness and excessive meetings and the harmful practice of taking many decisions and failure to provide the necessary regular verification of their execution. This led to frequent repetition of resolutions, which took a great deal of time of the party workers and reduced their possibility of establishing more frequent contacts with and work among labor collectives.<sup>41</sup>

The 7th Party Congress was held between 2 and 7 June. It summed up the events since the 6th Congress (which was held from the end of February to the beginning of March 1954), but emphasized the period after the April plenum. It emphasized that the elimination of the improper methods of the cult of personality had enhanced the party's leading role and developed a creative atmosphere for correcting existing weaknesses and errors.<sup>42</sup> In terms of the party's organizational development, the 7th Congress stipulated that a great deal of efforts had been made during that period to ensure the systematic and firm application of the supreme principle of party leadership--collectivity. One of the most outstanding manifestations of this trend was the significant enhancement of the role of plenums.<sup>43</sup> It was also pointed out, however, that many okoliya, city and okrug committees were still not regularly holding their plenums. Others were holding them irregularly, leaving considerable periods of time during the year (from 6 to 8 or more months) without holding a plenary meeting. Expanded plenums, with the participation of a broad aktiv, were still being convened very frequently, which lowered the role of the plenum and reduced the feeling of responsibility of its members.

The congress noted the significant growth of the PPO. The rigidity of their managements had been eliminated and they had become more active. Party control over economic and administrative managements had improved, management forms had become more varied and their efficiency had been improved in most production organizations.<sup>44</sup>

Great attention was paid at the congress on improving the style and method of party work. It was emphasized with great satisfaction that petty supervision and regulatory actions by superior party bodies had been eliminated and the rights and responsibilities of the local party units had been broadened, which had strengthened their initiative and efficiency.<sup>45</sup> The significant overall enhancement of the level of organizational life in the party had been manifested in a great variety of areas, including improvements in financial accountability and management of party property and documentation.<sup>46</sup>

Substantial improvements had taken place in the social and numerical composition of the BCP. The 7th Congress reported that workers had already become the largest social group within the party, accounting for 36.04 percent of the membership. This marked the implementation of the important tasks set at the 5th Party Congress in 1948.

The congress reported that after the April plenum the Central Committee had followed the Dimitrov line of unification of cadres of all generations faster and more systematically. This was also manifested in the new membership of the Central Committee, elected at the congress. The line of strengthening primary units with experienced cadres drawn from the "center" was continued. This yielded a number of useful results, particularly in improving party work in the countryside.<sup>47</sup>

The 7th Congress also made some improvements in the statutes, aimed at expanding and intensifying intraparty democracy. The new draft of the statutes gave the right to okrug committees to determine on their own initiative where a village-wide, cooperative-wide or plant-wide party committee could be set up. The expulsion of party members and candidate members was to be the definitive right of okoliya (respectively, urban) committees. The approval of such decisions on the okrug level was eliminated. Also eliminated were "superior" orders regulating the number of okoliya committee secretaries and the number of members of party organizations which could be set up without the right of primary party organizations, and of PPO which had the right to set up party groups. Primary organizations of 10 members or less could elect not only a secretary, as had been the case previously, but a deputy secretary as well. The upper limit of the number of members of buros was raised from seven to nine. The right of party control over administrative managements was granted to the PPO of TKZS and the Central Committee could grant this right to other organizations as well, if it deemed it necessary. Okrug accountability and election conferences were to convene once every 2 years rather than annually. The mandatory interval between plenums of local party organizations was expanded from 2 to 3 months. The new draft statutes specifically indicated that anyone who wrecks party unity cannot be a party member.<sup>48</sup>

The period between the April 1956 Central Committee Plenum and the 7th Congress was interesting and important in the organizational development of the BCP. It was the first stage in the assertion of the April party line, a period of decisive upsurge related to surmounting the harmful consequences of the cult of personality.

The inevitable difficulties of the major change were surmounted with relative ease and rapidly, thanks to the strong political tempering of the majority of Bulgarian communists and the strong BCP traditions of loyalty to revolutionary proletarian theory. The party showed an attentive and comradely concern toward party members who had become confused under the difficult situation but it also freed itself of many alien and unsuitable elements who had failed to pass the test of time.

This contributed to the even greater enhancement of the party's leading role and to strengthening the combat capability of its organizations. It was during that period that a considerable strengthening was noted in the organizational life of the BCP, which helped it to undertake better and more comprehensively the building of developed socialism in Bulgaria in the period which followed.

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## HORVATH SPEAKS TO POLITICAL COLLEGE TO START SCHOOL YEAR

Budapest NEPSZABADSAG in Hungarian 2 Sep 86 p 5

[Article: "Opening the Academic Year at the Political College"]

[Text] On Monday the convocation for the awarding of diplomas and the opening of the new school-year was held at the Political College of the MSZMP's Central Committee.

Istvan Horvath, the secretary of the Central Committee of the MSZMP, participated in the ceremonies and made a speech.

In his introductory remarks he congratulated the participants of this ceremonious occasion and then spoke about the tasks facing our nation as outlined in the resolution and directive of the 13th congress of the MSZMP. He emphasized that the primary objectives and content of the work we have to do in all areas of social activity have been determined by the resolution of the 13th congress, which reflects public opinion and the views of party membership. In the time since the congress, however, there have not been consistent efforts made everywhere to implement these decisions.

"We are at a crossroads," he said, "and it is up to us whether or not we will be able to modify our actions in accordance with the new demands. Our public opinion supports the 13th congress's policies and goals as far as the economy and the standard of living are concerned, but at the same time it expects faster and more resolute action, better control, and more consistent enforcement of the principles and especially the practice of responsibility. Undeniably, we are currently concerned not only with the unquestionable deficiencies in economic life; the sum total of society's accomplishments are also unsatisfactory. We must deal severely with the laxity of moral behavior, with the disturbances in the mechanisms responsible for the congruence of interests, and with other faults in social practice," stated Istvan Horvath, and then he continued in the following manner:

"We must work on eliminating deficiencies, while asserting that the crucial area of our work, from this point of view, is the economy. We have already recognized the fact that for the quality renewal of the country's productive forces, work based on abilities and an entrepreneurial spirit is necessary. Even so, it is a long road to accepting the fact that the incentive for

effective economic accomplishments necessarily goes together with greater differentiation than what we have practiced until now. In theory, it is clear to everyone that more dynamic progress depends on the enforcement of social justice."

"However, its realization is hindered by that fact that the new economic demands, organizational solutions and a healthy competitive spirit are inevitably emerging amidst many contradictions. Naturally it is easier to find illegal shortcuts in this process and more difficult to delineate what is new and worth adopting, what is merely cunning, dishonest, or simply illegal. In the reduction of these social tensions, however, we can expect favorable changes only through the consistent enforcement of positive economic demands and the development and operation of a system of controls and precise legal regulation."

The secretary of the Central Committee, in speaking about social leadership, stated the need for strengthening the citizens' role in shaping policies through greater individual and collective independence, autonomous activity, and increased responsibility toward one's self and the greater community. He spoke about another sphere of the system of political institutions, socialist democracy, too. He emphasized the following:

"We desire to approach the achievement of more developed socialist democracy through enriching the elements of communal self-government. We are convinced that this does not weaken but rather strengthens the people's state. We consider this a suitable path, means and method for the stimulation and development of individual responsibility to the common cause, for the evolution of an ability and readiness for initiative, and for the social control and evaluation of accomplishments, and even for the gaining of more experience in the practice of wielding power--in the positive sense of the word--by individuals who enjoy the confidence of the community. Organization, order and discipline are the essence of socialist democracy--we do not want to strengthen these with force, but primarily through restructuring the spirit, the attitude and the demands of society. Precisely because these are democratic factors, they are compelling through the assumption of more responsible roles."

"Political power in a healthy socialist society is built less upon the elements of force," continued the secretary of the Central Committee of the MSZMP. "The chief instruments for building the new society and for solving everyday tasks are convincing power and the support of social interests, but authority must always remain firmly established."

Following the speech by the secretary of the Central Committee of the MSZMP, the president, Jozsef Szabo, handed out diplomas to 224 students who had completed their studies during the past academic year at the Political College.

13201  
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POLITICS

HUNGARY

NEPSZABADSAG CORRESPONDENT COMMENTS ON BERLIN WALL

Budapest NEPSZABADSAG in Hungarian 22 Aug 86 p 6

[Article by Jozsef Gyorgy Farkas: "A Quarter Century of Reality"]

[Text] I first visited East Germany a quarter of a century ago. Twenty-five years ago--and one week after the wall was built in Berlin. The mood in the country was tense. The operators of Soviet and American tanks were still staring at each other around the more important checkpoints, and Western propaganda organs were still demanding, at the top of their lungs, that the new border-closure be physically eliminated. Sixteen years after the end of World War Two, people were again afraid of a disaster. There were those who started purchasing salt, others stockpiled bedding. My host, an elderly engineer, put it this way: "Many people feel that a crisis is approaching: It could also be that a crisis is ending . . . ."

The Preceding

It has been my experience that today's young people, or even those not so young, have a rather hazy idea concerning Berlin's special status. There are those who are surprised to learn that West Berlin does not border West Germany but is rather deep inside East German territory--an independent, island-like political entity. Just as a reminder, I wish to mention here that the former capital city of the Reich was conquered by Soviet units. In accordance with the agreement signed by the four major powers, American, British and French units entered the western section of Berlin in July 1945.

However, as we know, there soon developed a rift between the Soviet and Western members of the anti-Fascist coalition. As the Cold War increased in intensity, the process of economic and even political separation began in the western zones of occupied Germany and in West Berlin. With the introduction of new money, conditions were created for hard currency speculation, and West Berlin was ideal for such activities. After all, one only had to cross the street in order to find oneself in a completely different economic, social and political system. Resulting from the influx of Western capital and the selective application of support by the United States, which came out of the war greatly strengthened, the ruins of the western sector were cleaned up in a relatively short time. Reconstruction efforts were stimulated by the unconcealed aim to create a sparkling showcase, a "dream city," whose mere sight would enchant the visitors. This sparkle, in combination with the hope of

better earning opportunities and living conditions, enticed many hundreds of thousands to leave East Germany. This methodical brain-drain, the mass seduction of physicians, engineers, and other highly-educated experts, created a nearly intolerable tension in the socialist German state.

Nearly forgotten during the years of detente, certain designations connected with West Berlin--such as "thorn in the side of East Germany," "city of confrontation," "the cheapest atomic bomb"--allude to the role designed for the city. The smuggling of currency, the "zonal traffic" in merchandise, especially food, the emigration of labor force, and the feverish activities of propaganda and spy centers all called for corrective action.

#### August 13

After making the necessary preparations and in coordination with its allies, East Germany closed the more than 160-kilometer-long border around West Berlin during the dawn hours of August 13, 1961. Even Western experts admit with cool objectivity that the operation, in which the armed forces and workers' guards also participated, was executed with clockwork-like precision. In little more than one hour, an insurmountable physical barrier that crossed the city and divided even streets and houses was created along the border. And when American tanks rattled up to the best-known crossing on the Friedrichstrasse, Checkpoint Charlie, Soviet armored vehicles lined up against them, indicating that the Soviet Union supported the East German action. It can be attributed to the restraint of both sides and the realistic evaluation of gradually developing new conditions by the West that the tense confrontation was not followed by a conflict but by a slow--and, for many, bitter--sobering process. The original, temporary wall, built of cinder-blocks, has since been replaced by the current tall concrete structure, which stands inside East German territory by at least one meter. Its inner side has been painted white or light gray. Its Western side is decorated with everything from signs declaring that "... was here" to amorous declarations and fantastic paintings. ("Exceptional" among the latter is the 150-meter-long bizarre image, created by two young Frenchmen, visited even by the tour busses.)

#### System of Agreements

Nothing could be farther from me than an intent to describe the present situation as pleasant or desirable. With the building of the wall, a historically developed, nearly 750-year-old city was cut into two. However, it is also part of the truth that August 13, 1961 did not mark the starting point in the division of the city but rather the end--at least as long as the causes for building the wall exist. In contrast to the preceding years, that brought tremendous economic damages and uncertainty to East Germany; the road was now open for tranquil planning and construction. As for the international repercussions of the affair, it must be pointed out that the strengthening of the European--including West Berlin--status quo, combined with more realistic approaches by the leaders of West Germany and the United States, made it possible for the two German states to undertake a process of rapprochement. This in turn led to the treaties of Moscow and Warsaw, the treaties defining the situation of West Berlin and the relations between East and West Germany, and in the final analysis, to the full international recognition of East Germany and the blooming of detente. This must be acknowledged, even if after

Helsinki certain circles robbed this process of its momentum.

#### The Status of the City

Very important in connection with this issue is the four-power agreement signed on September 3, 1971, according to which the signatories defined the status of West Berlin in accordance with international law. One of the most important, irrevocable clauses of this agreement is this sentence: "West Berlin does not constitute a part of West Germany and cannot be administered from West Germany."

It is quite a different question that certain circles in West Germany make every effort to weaken the relevant clauses of the treaty pertaining to West Berlin. They take advantage of every opportunity--such as the present 25th anniversary of the wall--to mount great propaganda campaigns, which benefit neither the city nor East-West contacts.

As for East Germany, it honors its contractual obligations, and--as prescribed by the commercial contract signed with the West Berlin senate--contributes to the supplying of the city with raw materials, energy sources and food. And residents of West Berlin acknowledge this, considering it--along with the measures introduced to make travel to East Germany easier--as signs of the normalization in relations.

12588

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POLITICS

POLAND

ARMY POLITICAL CHIEF ON PZPR LEADING ROLE IN, OVER MILITARY

Warsaw WOJSKO LUDOWE in Polish No 7, Jul 86 pp 16-17

[Article by Gen Div Dr Tadeusz Szacilo: "To Lead, Direct and Serve"]

[Statement by Gen Div Dr Tadeusz Szacilo, chief, Main Political Administration of the Polish Armed Forces, made on 1 July 1986 during the proceedings of the PZPA 10th Congress Task Force 1 on "The Party and its Mission ]

[Text] The years, which have lapsed since the already historic 9th Extraordinary PZPR Congress, have become one of the most demanding tests in the history of our party. The issue of the party itself was pushed to the forefront of various political problems.

We in the military are aware of this truth that the realization of an ambitious and difficult, improvised and long-term complex of program tasks, emphasized by our jubilee 10th Congress in its resolutions, are to a large extent dependent on the strength and condition of the party. The experiences of the past confirm this truth in all its dimensions and current practices in the building of socialism document it. The crisis we lived through and the difficulties which still plague us on the road to socialism have taught us a great deal. This has all had a great inspirational impact on the development of party theoretical thought and the improvement and enrichment of its approach in action.

It is completely understandable that the party's problems, its directing, leading and serving role in various political and social relations, is the central focus of the 10th Congress. This three-part formula, which spells out the party's role, is fundamentally our theoretical and, partially, practical achievement after the 9th Extraordinary Congress; it also emerges from our dramatic experiences, the culminating point of which was the outbreak of counterrevolution and the period of martial law. This formula is being constantly expanded and justified by the first secretary of the PZPR Central Committee, Comrade W. Jaruzelski.

We have already today at our disposal an equally developed arsenal of arguments which allow the party to exercise such a role. This right arises from historic, political and moral prerequisites; it is an answer to those who accuse the party of usurping its power.

Today, the most important issue is the introduction of this formula in everyday life and, especially, the creation of those political and organizational mechanisms which would ensure the formula's functioning in everyday public life. In this respect, I share the opinion expressed here a short time ago by Comrade Paterka. What are these mechanisms and what directives for party activity emerge from them?

First: The directing role of the party in the state implies the need for a distinct restriction of functions, tasks and areas of activity between political agencies and agencies of state administration on all levels. Generally speaking, it turns out that the party sets overall tasks and directions for development, exercises control and determines cadre policy. In compliance with the party's program, the basis of its directing role is the delineation of objectives for the socialist state which correspond to the interests of working people; we are also talking here about keeping vigil over their methodical implementation. This role is exercised by the party through a system of representatives which is neither subordinate to nor replaces state agencies. The period between the 9th and 10th congresses was characteristic for shaping such practices.

Second: The leading role of the party over society means the need to gain general public acceptance and support for party objectives. The basis for public support for the directing role of the party in the state is party authority which is the result not only of its historic merits, but primarily of the consequences of the implementation of socially accepted objectives. For this reason, great significance is held in the standards and qualities of attitudes on the part of party members, as well as by the role of the basic party organization in its professional environment.

--I have to affirm here that the authority and competence of administrative agencies also impact on party authority.

--In exercising this function, the key issue is knowing that the public has positively accepted party policies. Hence, the importance of direct contacts with working people, as well as various polls of public opinion.

--In current politics, we must consider this opinion, make corresponding decisions, and actively shape this opinion.

Third: The service role of the party vis-a-vis the working class means the practical recognition of the interests and needs of the working class as the instrumental value in forming overall policy and making particular decisions. Combining the avant-garde status of the party within its service to the working class demands the proper political culture. This is no simple matter and has to be learnt, including how to overcome possible conflicts which may arise. This can be served well by the system of public consultation which is developing in Poland.

The three functions discussed become a dialectic unity. Most briefly, but very strongly put, the party must be the servant of the working class, because



this class gives to the party its mandate; they must lead society, because without support from the masses and their mobilization, nothing results and it becomes in itself just another sect; the party must, ultimately, be the country's helmsman, because it is simply impossible to build socialism without its programing, inspiring and supervising role vis-a-vis the bureaucratic authorities.

If we are talking about the directing role of the party in the military, we see it on somewhat two different levels: in relation to the party Central Committee where the armed forces are regarded as an important agency of the socialist state, and the organization of the armed forces themselves.

The party's directing role in the armed forces overall is manifested in the specification of state defense policy, the establishment of material and social conditions necessary for the implementation of defense tasks by the military, the provision for the state's security, and in a cadre policy which ensures that party members retain all key positions in the military.

On the other hand, if we are talking about the role of party organization in the military itself, then the conditions of unified command have seen the formation of a system in which party committees first participate in working out decisions which impact on the basic tasks at any given level of command, and then mobilize all party members to exemplary execution of the assigned tasks. Party committees, together with the political section, set up uniform party-political agencies. The head of a party-political agency answers for cadre policies as an equal to the commander himself.

From personal military experience we know well that leadership functions cannot be decreed or ordered. They have to be acquired through political methods and education; they are gained through the ability to win authority among and trust from soldiers, and through a constant show of one's credibility and concern for their needs.

For this reason, we are trying to strengthen the principle in the military of unity of command through party methods. For instance, we are utilizing very effectively the wisdom of party collectives and various advisory agencies (take the military councils, collegiums and others), their opinions, proposals and recommendations in an extensively sensible process of working out decisions.

One of the conditions for the party organization to play its role in the military is the level of knowledge and political awareness of party members. Hence, our special concern for raising the ideological-political state of party organizations and soldiers generally, training them politically, familiarizing them with party issues, and effectively conducting propaganda and agitation.

For years now, we have been familiar with slogans: "Ideology is our Weapon," and "Every Officer Should be an Educated Marxist." The system of party and political training (and this goes for soldiers as well) is precisely advanced both from the perspective of merit, as well as from methodology; it is also applied for changing requirements. Most recently, comprehensive programs

in economics, history and state law have been developed and introduced. They include tasks for various levels of education and training. The particular value of this training is its universality, obligatoriness and connection to accomplished missions and tasks.

The party organization in the military is very strong and enjoys great authority. Responsible research confirms this, as does the growth in party membership. Since the 9th Congress, of those candidates who have actually joined the PZPR, more than 20 percent were accepted into the party organizations of the military with the great majority of those, workers and peasants. Most important, they are also young people: Forty percent are soldiers of basic military service. I wish to inform you, comrade delegates, that 41 additional soldiers joined the party yesterday.

We all know that the programs, which we are resolving here at our congress, will be implemented primarily by the young generations and we must prepare them for it. As a result, we are introducing a series of fundamental changes in the system of military training. We are trying to so construct our training programs and search out the proper methodology for educating and training, that they will take into account the requirements placed on the cadre by the approaching new century.

The party organization and the personnel of the armed forces are actively engaging in the realization of the resolutions of the 10th PZPR Congress.

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POLITICS

POLAND

# MEDIA BRIEFED ON 10th CONGRESS PUBLICITY DUTIES

Warsaw TRYBUNA LUDU in Polish 26-27 Jul 86 p 2

[Article by (PAP): "Tasks Facing the Media After the 10th Congress"]

[Text] The tasks of the media in the dissemination and introduction of resolutions from the 10th party congress were the subject of a meeting of editors from the major press agencies, new publications, radio and television on the PZPR Central Committee.

Member of the Politburo and PZPR Central Committee secretary Jan Glowczyk, who conducted the meeting, referred to the need to continue the new forms of propaganda and to enrich constantly the language of the media as a condition for the most effective method of getting the richness of party resolutions to the most extensive circles of the public.

In emphasizing the need to improve the work of the press and of radio and television, the Central Committee secretary focused attention on the need to listen more carefully to the moods and opinions of the people, to condemn everything which is detrimental and holds up progress; the media must know what helps and hinders society.

"In speaking and writing about the 'external world' and that which surrounds or bothers the readers, we should not forget the 'internal world'," said Jan Glowczyk, who also emphasized that all this has an impact on the various kinds of weakness which still is evident on some editorial staffs. The goal of all workers on the ideological front should be the striving always to be in the thick of daily concerns and issues.

Stanislaw Glen, the deputy director of the PZPR Central Committee Propaganda Department, described the most important tasks facing the mass media.

The following people participated in the discussion, the focal point of which was an attempt to answer the question: What should be studied in order to raise the aggressiveness, prominence and attractiveness of the press: Franciszek Lewicki (KAR), Ryszard Galinski (Broadcasting Polish Radio in Zielona Gora), Tadeusz Konior (Broadcasting Polish Radio in Zielona Gora), Jerzy Majka (Trubna Ludu), Witold Wasniewski (Krakow TV), Zenon Skuza (Arguments), Ryszard Ulicki (Broadcasting Polish Radio in Koszalin), and Tadeusz Myslik (Rebirth).

POLITICS

POLAND

#### PZPR HOLDS PERSONNEL POLICY SEMINAR

Warsaw TRYBUNA LUDU in Polish 29 Jul 86 p 2

[Article entitled: "Working With the Cadres After the 10th PZPR Congress"]

[Text] A series of deliberations on the part of departmental bureau directors of cadres, education, ministries, central offices and cooperative union agencies took place at the PZPR Central Committee Party Course Center in Warsaw.

In accordance with the recommendations of the 10th PZPR Congress and the 2nd PZPR Central Committee Plenum, selected problems of cadre policy were brought up at the meeting. The director of the PZPR Central Committee Economic Section, Marek Holdakowski, participated in the deliberations. He discussed the provisions of a general review of the organizational structures and evaluated work centers. He referred to the importance, significance and complexity of the selected ventures, the realization of which should serve as a solid example of good work for those organizational units being reviewed.

During the talks, people also discussed the recommended courses of solutions in the director's status and the methodological problems in evaluating the work of the enterprises and the directors themselves.

Wladyslaw Honkisz, director of the PZPR Central Committee Section for Cadre Policy, chaired the deliberations. In summing up the long discussions, he focused considerable attention on an evaluation of the state of the application of the resolutions of the PZPR Central Committee Politburo of 6 May 1986 with regard to cadre policy. He especially emphasized the importance of the efficient moving and rotation of leadership cadre, the optimized manning of positions, the good preparation of the upcoming cadre review and the best motivation for people occupying leadership positions which are not associated with assigned duties. He also focused attention on the duties of the leadership of departments, central agencies and cooperative union agencies, as well as on the introduction of programs through party and service agents promoting young cadres. Finally, he focused attention on the need to maintain leadership cadres at high levels through competition.

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POLITICS

POLAND

NON-PARTY GOVERNOR REFLECTS ON ROLE, DUTIES

Warsaw SZTANDAR MLODYCH in Polish 10 Jul 86 pp 1, 3

[Interview with Boleslaw Didyk, Voivodship governor, Zamosc, by Bronislaw Redzioch]

[Text] Last January Dr Marian Wysocki, Zamosc Voivodship governor offered his resignation in connection with his being elected first secretary of Zamosc Voivodship Party Committee. By mid-June, following a few months of discussions and try-outs, Boleslaw Didyk, the then Zamosc lieutenant-governor has been appointed the governor of Zamosc Voivodship by the prime minister. Boleslaw Didyk is a non-party activist. This means that the new cadre policies start being applied in practice. Appointments and promotions are now decided not by party membership but by professionalism, idealism, spirit of innovation, effective action. For the first time, a non-party activist has been entrusted with so high an office in local administration. Today, SZTANDAR MLODYCH talks with the country's first non-party governor.

[Bronislaw Redzioch] "As a rule, our leaders like to know some details concerning people we are talking with. Would you please bring your person closer to them?"

[Boleslaw Didyk] "I am a normal, average man. I was 53 last May. I was born into a Wlaszczynce, Volhynia peasant family but ever since the age of 12 have been connected with the Zamosc area, where my parents moved in February 1945. Studies: I graduated from Wroclaw Academy of Agriculture Water Improvements School. Following studies, I returned to the Zamosc area. I was working on the construction of Wieprz-Krzna Canal, in the powiat (county) administration, and in the Regional Land Improvements Enterprises in Krasnystaw and Zamosc, i. a. as their director. In the summer of 1982, I was appointed lieutenant-governor. I am married and have two daughters. My wife is employed by the Voivodship Administration of Agricultural Investment Projects. My family of six is living in the standard "M-5" cooperative apartment for which we waited close to 10 years. We are living on our remuneration, and have no possessions whatsoever".

[Question] "Ever since your childhood, you have been connected with the Zamosc area. Did this help you in your activities as lieutenant-governor and, since June, as governor of Zamosc Voivodship?"

[Answer] "I have always wished to work in close touch with people, and precisely here, in the Zamosc area. This is why, for instance, I have renounced the scientific career I had been offered by Wroclaw Academy. I need human contacts just like I need the air I breathe. I have never looked to arrangements or support to be lent by colleagues or any social groups. Ever since the start of my activities in the ZMP (Zwiazek Mlodziezy Polskiej--Polish Youth Union), I have wished to go beyond the call of duty. It has always been my opinion that the non-existence of party allegiance does not mean indifference or absence of social commitment. In the past, I was often undertaking too much in the field of social activities as chairman of Zamosc Voivodship NOT (Naczelna Organizacja Techniczna--Chief Technical Organization), LOK (Liga Obrony Kraju--National Defense League) and PKPS (Polski Komitet Pomocy Spolecznej--Polish Social Assistance Committee) etc. At present, all this will perhaps be somewhat more difficult but for the moment I do not intend to offer my resignation".

[Question] "Are there more duties now?"

[Answer] "Of course, this is natural following any promotion. In accepting such promotion, one must, first of all, consider his new, more numerous duties, as a rule increasing one's responsibilities. Should one consider the advantages alone, he will not accomplish a lot".

[Question] "Zamosc has been without a governor for 5 months. Do you think this could make itself felt in the current activities of the administration?"

[Answer] "Of course. There has been some relaxation in the activities of certain rural commune or town offices, and even in a number of governor's office sections. For there are workers--and not in state administration alone--who need 'supervision' or 'to be given a push'. They first of all have felt 'freer', less disciplined, and were becoming short of time for the public and its problems. The governor's council will draw the relevant concrete decisions".

[Question] "In May, Janislowski, civil engineer, Chairman of the Voivodship Council stated that over the period in question, the number of complaints and grievances concerning administration was four or five times that of the period when there was a Governor here. What are your comments?"

[Answer] "I have already answered your question in part. I agree that over the 'interregnum' period, the number of such complaints had increased, even though, in a general way, their number was steadily decreasing. In the first quarter of 1986, they were nearly 30 percent down on the same period of 1985. It is evident however that if the activities of a given office or cell are slowing down, the people at once advise their councilors accordingly. Such weaker spots must be eliminated".

[Question] "Why was there no governor here for so many months?"

[Answer] "I do not know. This question should be addressed elsewhere. Over that period, my duties were those of lieutenant governor, and I have heard about various proposals".

[Question] "Were you the only candidate?"

[Answer] "No, there were others. It is normal that several people are discussed, hence the delay. Finally, my name has been suggested to the WRN (Wojewodzka Rada Narodowa--People's Voivodship Council) by the Prime Minister, and the suggestion--accepted".

[Question] "You are an experienced administration official and a social activist. You are familiar with the new law on the People's Councils and the territorial self-government. Do you think there have been, in practice, any changes in the role played by the People's Councils, by your own WRN regarding appointments to administration offices? Is the councils' voice more decisive, are their opinions in this respect taken into consideration?"

[Answer] "Of course, the administration does not reach any decisions of importance without their being approved by the councils. This principle is absolutely respected and implemented by the councils. And as we are talking about it, I would say that the councils perhaps too seldom intervene in cadre affairs, are perhaps too tolerant with regard to certain administration workers. This however is another story".

[Question] "Does the fact of your being a non-party activist have any practical significance in the activities in your own capacity as governor?"

[Answer] "Not at the top level voivodship authorities. I am their full member, and the vote of a non-party governor carries the same weight as those of other people at that level. Hence, I am not hampered by being a non-party man. However, on the global scale of public life of the voivodship, a non-party governor stands the chance of uniting all active patriotic forces of various groups. I think that such chance should be exploited by the governor's office in order to obtain substantial advantages in the voivodship's public life".

[Question] "You are the first non-party governor over the last 30-year period. Do you think this is the outset of a new public life phenomenon, so often stressed by General Wojciech Jaruzelski, and concerning a weightier, more important participation by all patriotic forces and groups in steering the development and future of our country, or otherwise should your appointment be considered a one-shot event?"

[Answer] "You have mentioned the name of General Jaruzelski, so I would also like to remind you the words of his report as addressed to the 10th Party Congress:

'A non-party man devoted to People's Poland must be given all the chances. We will not be afraid of that, for this can only strengthen both the Party and Poland'

I think that my being entrusted with the governorship was neither a fluke (for there was nobody better) nor a one-shot fact. I see in it

the concrete implementation of principles of the new cadre policies as outlined in the XXVth plenum of Central Party Committee, and so strongly expressed in the course of the Xth Congress discussion. In public life, the role is lesser--and I think these processes will extend even farther--as played by party allegiance or non-allegiance as against a man's or a woman's personality, i.e. what do they represent, how do they think and act, how they serve the nation and the country. This is the most important matter. I do not consider my appointment a 'circumstantial' phenomenon. I have not been carried by the Xth Congress wave. I just form a part of the changes in the state cadre policies".

[Question] "Therefore, in your capacity as governor, will you to a greater extent appoint non-party social activists to high administration offices? What are today the party allegiances among rural commune and town chiefs, among voivodship section directors? How many are there non-party activists in charge of these offices?"

[Answer] "I will follow the principles of the new cadre policies. I think there will be room for active, energetic non-party men. The role they are playing in the public life has been the subject of discussions for quite a while, however the implementation of such principles has been uneven. In consequence, the proportion of non-party men at high level voivodship administration offices was insignificant. We have just one non-party rural commune head: Edward Hacia, the young, energetic chief of Potok Gorny commune. There are 49 commune and town chiefs--PZPR, and 4 ZSL (Zjednoczone Stronnictwo Ludowe--United Peasant Party) members. Among the Voivodship Office section directors, there is just one SD (Stronnictwo Demokratyczne--Democratic Party) member. All the remaining ones are PZPR members.

This is the outcome of former cadre policies. These people's work is not sloppy, indeed quite a few of them are working very well. However, up to now, the quality of their work had not been affected by the very important factor of competition. A chief or a director were not fearing they would be replaced by some--one better than they. Subconsciously, they were counting on the protective 'umbrella' or the party 'key'. That umbrella has been decisively removed by the 10th Congress through introducing competitiveness as a principle governing the selection of cadres, and this principle must make its appearance in our voivodship as well. It will be to our advantage for it will improve our activities".

[Question] "What is your evaluation of the voivodship's selection of cadres recruited among young specialists following their studies, what are their chances and practical possibilities of promotion?"

[Answer] "The administration is all that I am in a position to evaluate, and I think that young people of such description are few and far between. Out of the voivodship's 55 administration units, there are only seven entrusted to people under 35. At the voivodship Office, there are ten under 35 among the section directors and deputy directors and sub-section directors. This clearly goes to show that in the past, the matter of promoting young administration workers was not brilliant".



[Question] "Perhaps the young were not up to more strenuous duties?"

[Answer] "On the contrary, they are working very well. Jerzy Greszta, Director of Voivodship Office cadre bureau, Boguslaw Kawalko, Deputy Chairman of WKPG (Wojewodzka Komisja Planowania Gospodarczego--Voivodship Commission on Economic Planning), Stanislaw Treba, Deputy Director of Agriculture Section or town and rural commune chiefs Edward Hacia, Ryszard Niespodziewanski in Lubycz Krolewska, Janusz Lachowski (at 28 the youngest of them all) in Lukowa or Wieslaw Sadon in Obsza belong to the vanguard of administration workers. None of these young men had to be 'changed'. This means that the young cadres must be recruited in a more extensive and courageous way, promoted, and given tasks commensurate with our needs.

In simple words, they must be dealt with as we are dealing with younger administration employees. For instance, the young account for 47 percent of the Voivodship Office employees. Similar proportions are to be found in local agencies. Hence, there is plenty to choose from".

[Question] "When accepting your nomination and appointment, have you stated any conditions, e. g. to the WRN, to the political parties' leadership of the area, to the administration?"

[Answer] "I have posed conditions to myself alone. I knew it would now be harder for me--I have felt it during the last month. Formerly, when there were problems, one went to the 'boss'. At present, I have no one to go to. People are coming to me. These are precisely the heavier duties in connection with any promotion. I am only hoping for help to come from people and, first of all, from political and economic leaders, from area activists. Should I have been less sure of such aid, I would not have accepted my appointment. It is quite easier to be the lieutenant governor: Fewer responsibilities, lesser risks. However, this is not just my cup of tea".

[Question] "You are aware that, except for Dr Marian Wysocki, all the preceding Zamosc governors have left under a cloud. Does such awareness affect, in a way, your current activities as governor?"

[Answer] "No, even though I admit that over the 11 years of the voivodship, I am the fifth governor, and the first three have in point of fact left without full satisfaction. I have been elected on Friday 13 June by the 13th WRN session. Without being superstitious I bear in mind the two 13's and the Friday as well. I can at any moment offer my resignation, leave my place to someone better suited without any hard feelings at all but as long as I am the governor, I will do my very best. Bearing the past in mind does give one opportunity to learn a lot

[Question] "These are quite intimate matters, and I do apologize for my question but I think my curiosity is not unwarranted: Do you intend to join the PZPR or one of the political parties?"

[Answer] "There is nothing secret about it. I do not intend to change my political status. I have been, and still am, a non-party man, a

non-party activist. This has not so far been a stumbling stone in my path, and I do not think it will become one in future. I am appraising people not according to their party cards but to what they themselves represent, how they act, and how they serve the socialist fatherland. Once again, I am stressing it: This is what counts".

[Question] "What is your evaluation of the activities of the Voivodship administration subordinate to you?"

[Answer] "I would not say they are excellent but I believe they are not too bad either. In all the evaluations and controls conducted by the GIT (Główna Inspekcja Terenowa--Main Territorial Inspectorate), our services are given good marks. The same applies to public opinion as shown by the number of complaints decreasing over the last 3 years. Moreover, it is also exceptional for our decisions to be quashed by the NSA (Naczelny Sad Administracyjny--Supreme Administrative Court).

Endeavoring steadily to improve our work, we have, a few years ago, introduced the 'public Tuesdays'. On that day, every citizen is certain to find every official, is expected by the chief, the section director, the governor, he may bring any matter along. These 'Tuesdays' have brought a lot of discipline into the work of our offices.

Another innovation of importance: 'Legal Sundays', chiefly organized in remote communes, far from towns and from legal counseling centers. These were introduced 2 years ago. They constitute the general legal education offered citizens. The 'Sundays' are attended by Justices, prosecutors, lawyers, and the staff of our offices' legal divisions. Our example is now extending to other voivodships.

Summing up: The activities of our offices are decided by the people. The officials who would be short of time to swiftly and fairly deal with the public will have to look for other jobs."

[Question] "To close, what are the matters of greatest importance to the area now and in the near future? What has to be seen to first, and how far is it possible in practice?"

[Answer] "There are quite a few problems as can be seen from the new 5-Year-Plan as voted by the WRN session. This is the document to be implemented by the Voivodship Office. The plan is sound, and the councilors are watchful. What does the plan bring? First of all, the agriculture and food program, accounting on the average for 42 percent of the voivodship budget. Here, the needs are tremendous, and we could not face them without aid to be provided by the central authorities, first of all in developing the processing-and-storage base for grain, milk, meat and sugar production, road network, transportation. We are given aid but there is too little of it. Hence, substantial losses and waste of produce.

Problem number two: The renovation of historical monuments including Zamosc City. We wish to continue the projects under way. This has to be

done but is proving quite hard. At the outset, we were getting central authorities' grants but these have been discontinued in January last, and there is still a lot to do. Should we do it singlehanded, we would be overwhelmed".

[Question] "And perhaps the new governor will achieve a major breakthrough in Warsaw?"

[Answer] "I do not think so, and it is not a breakthrough we are looking for. And more likely, Warsaw and the country may be watching how the new non-party governor is managing at his high office? I am aware of that but, at the same time, I am hoping for indispensable aid".

Our very best wishes, and thank you for the interview.

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POLITICS

POLAND

BRIEFS

ILLEGAL PUBLICATION SMUGGLING--At the border crossing in Cieszyn, a lorry, belonging to the Italian transportation firm, Tombolo, was detained. The vehicle carried Church contributions from Italy to Poland, including: cans of meat, used clothing and shoes. Five hundred seventy eight parcels had been loaded on in Venice and Turin. As the transit documents revealed, the parish of Saint Ignacy in Lido, Venice, indicated the address of the Commission of the Charitable Episcopate in Poland, Kuril, in Szczecin, as the destination. During the customs search of the vehicle, in addition to the contributions, 275 books and brochures in Polish and 27 various publications, which slandered our people, the system and the Polish state authorities, and signed by Anekes and Puls, were found. The books were hidden in the rear section of the vehicle in the parcels of clothing. According to his statements, the Italian driver had no idea of what he was really transporting. The illegal items were confiscated. Officials for State Security are conducting an investigation in Bielsko Biala under the auspices of the Regional Procurator in Cieszyn. [Text] [Warsaw TRYBUNA LUDU in Polish 26-27 Jul 86 p 8] 12247/9835

CSO: 2600/632

POLITICS

YUGOSLAVIA

QUESTION OF REHABILITATION OF ZANKO, OTHERS DISCUSSED

Belgrade BORBA in Serbo-Croatian 13-14 Sep 86 p 2

[Article by Slavko Djuruvija: "From Being Rehabilitated To Being Discredited"]

[Text] There is still public discussion of the rehabilitation of Milos Zanko. To be sure, it is not as emotionally charged as it was in August, but on the other hand it has become broader in content. One also notes an appreciably different placement of emphasis. Moreover, it is also taking formal shape: the demand of the leadership of the veterans' organization of Split that this issue be placed on the agenda of party leadership forums as the particular significance of a formal initiative.

A Different Outcome

What will the outcome be? This is not known at present. The leadership of the Croatian LC has not taken an official position on this, as was recently announced by Drago Dimitrovic, secretary of the Presidium of the Croatian LC Central Committee. He did not say that it would soon adopt one, but he called attention to something whose actual importance would be equal to formal rehabilitation. That is, Dimitrovic feels that there is sufficient evidence of Croatia's attitude toward Zanko in the very fact that the initiative to award him recognition came precisely from Croatia, from its veterans' organization. This fact is all the more significant when we bear in mind the customary practice of political communication and consultation among the forums of sociopolitical organizations, especially concerning issues important to a given community. It is difficult to forecast whether the Croatian party leadership will in the end take an official position, but it is quite certain that there will neither be pomp nor spotlights in the party forums of Croatia concerning this case. One might suppose much the same for the cases of "other revolutionaries" who, as is asserted among Dalmatian veterans, were politically discredited in the seventies in Croatia "just like Zanko or on the same pretext."

An essentially different approach, however, might be taken by the initiative recently set in motion to rehabilitate Panco Peshev, the Macedonian revolutionary and composer. At the outset of 1944 he was expelled from the CPY and removed from his position as commanding officer. The reason: without approval of the then Provincial Committee of the CPY for Macedonia Peshev in 1943 sent a letter to the CPY Central Committee and called for help in straightening out the

situation in the Macedonian party organization. Officially, he was expelled for "lack of discipline and refusal to be bound by the decisions of the former CPY Provincial Committee for Macedonia." Only a few months after his expulsion he was killed in battle as an ordinary demoted soldier. The last congress of the Macedonian LC called for the Macedonian LC Central Committee to study the case and possibly rehabilitate Panco Peshev.

But the reason for this article of ours is neither the case of Zanko nor the case of Peshev. Quite a bit has been said about them, and there will be still more discussion. The reason lies in the events and topics which first emerged as incidental trappings to the discussion of Milos Zanko's political tribulations, but then became the dominant matter under discussion, and now even the purpose of the discussion.

### Strong Tones

Even a neutral observer, who has no need for classification as to the "subject matter of the dispute," might be bothered and actually is bothered above all by the markedly strong tones and words which have been heard in public. We can well understand the justified effort to reestablish the relevance of a topic through a certain pressure and by "warming up" the public, but we cannot countenance the advent of a period in our political life in which political issues can be discussed in words such as "shame," "fascistoid methods," "Stalinist reckonings," "liquidation,"...without risking even criticism from people of good taste. Such words have been used these past days without any sort of reserve and have been sent either indirectly or very directly to various addresses, but above all those of the party.

Political confrontations are not a very graceful affair. If we cannot oppose them, we must at least distance ourselves from them, especially if tens and hundreds of people are unjustifiably condemning and excommunicating their party comrade without any great pang of conscience even though he is partly or altogether in the right. But the discussion of such reckonings deserves equal suspicion and distance when it insists on the impression that political reckoning with its own members who have been at fault only in having thought differently at a particular moment was the favorite game and distinction of the leadership bodies of the League of Communists. The truth defends itself, but at times it also needs help.

In the Yugoslav working class movement there have been those who were innocently excommunicated, but any serious interest in its history which also shows that it has been precisely through its attitudes toward the victims of restless times in this region that the League of Communists has earned and acquired a considerable moral capital. Is it difficult to recall that in the last several years we have witnessed a number of rehabilitations in Slovenia, Bosnia-Herzegovina, and Montenegro? Unfortunately, information of this kind does not reach the public, but everyone who talks about the "Stalinistic" attitude of the party toward the victims, both deserving and undeserving, of its "ill will" might do well to check out, for example, the attitude of the leadership bodies of the LC toward the party officials who stumbled in various communities during the seventies.

We mentioned at the beginning of this article that the discussion of Zanko's rehabilitation is becoming broader in its content. We were referring to the phase of the discussion in which Zanko seems to be becoming less and less essential, while ideas about reevaluation of certain other individuals or their writings are breaking into the foreground. For instance, KNJIZEVNE NOVINE has asserted in the past few days that "in a number of periodicals there have been demands for publishing the writings of certain of our theoreticians and writers which up until now have mainly been persistently covered up," and that there have been "demands and proposals for publishing the prose of Milovan Djilas, the literary work of Dragisa Vasic, and the writings of Slobodan Jovanovic...." That same newspaper says that the names of Jovo Sotra and Milos Sekulovic are also being mentioned in the context of rehabilitation and it judges that in their case "it is after all essentially a case of a derivative from the erroneous decisions of the 14th Meeting of the Serbian LC Central Committee in May 1968." It is hard to say whether those demands were actually made "in a number of periodicals," as asserted by KNJIZEVNE NOVINE, but it is certain that they have emerged and that the discussion now concerns not only Zanko, but also other people divided not only by time, but also by ideology. And now under the same pretext people have begun to emerge side by side who in their time even looked "across the sights."

#### A Finger in the Eye

Nevertheless, in that vivid and picturesque discussion of rehabilitations, one is bothered even more by the rather cruel use to which the "Zanko case" is being put. In current political speech this is referred to as "use/abuse" for other reasons. This instrumentalization has been taking on proportions which could not only threaten his quiet rehabilitation, which has already taken place, but they could make him the subject of another political incident if it were supported in any way by people who it seems have greater ambitions than his rehabilitation.

What purpose is supposed to be served by the pronounced radicalization of attitudes toward rehabilitation in the manner of: either a complete and formal rehabilitation or none at all? And then, what would happen in society and would rehabilitations be possible at all if the correctness of demands for rehabilitation were measured, as is being proposed, by "the extent to which such a demand is at the same time aimed at reform and advancement both of the party and of political relations in a society"?

Our colleague from KNJIZEVNE NOVINE intensifies the assertion we have quoted with the position that "only from that angle does the problem of rehabilitation take on its full value and true social justification." Where, then, is the place of the victim among these "higher purposes"?

Moreover, are those purposes arrived at by quoting the "notes" about Tito's alleged views concerning the case of Zanko, which--it is said in the article referred to--were distributed along with the material for the 10th "historic meeting" of the Croatian LC Central Committee, as the author of the article ironically referred to it? According to that quote, Tito felt that what Zanko had written had not fallen on fertile ground, that it had not been correct for

his articles to be published in BORBA, that such cases ought to be prevented, and that the Croatian party leadership had been working effectively....

We might agree with the author of the article to the effect that "no sober and objective political approach needs to detour around anyone's merits, nor indeed accountability." However, it is not possible or permissible to resort to Tito's "accountability" on the basis of a quotation out of context solely because it states in some "note" that he said something.

It is still less honest, even a case of speculation, at least implicitly, to put that alleged statement of his in the context of the views we have mentioned concerning the "Stalinistic" reckoning with Zanko. We mention Tito because the "identification of those responsible" has gotten to him in recent days. That is, the ultimate goal of certain discussions of rehabilitation is the outright discrediting of Tito. Incidentally, Bakaric and those in SR Croatia at the time who asserted themselves in the fight against nationalism have already been placed in direct association with the "political liquidation" of Milos Zanko on the same pretext and in a similar way, though to be sure in various other newspapers. Who and what profits from this? It is particularly easy to attack people who are no longer among the living.

The first public statement of the new secretary of the Presidium of the Croatian LC Central Committee is also significant because he calls attention to the difficulty of bringing about rehabilitations when the discussion of them is too much associated with the political problems and actions of the present moment, since then human destinies are taken advantage of for other purposes.

Finally, in connection with rehabilitations we must above all be concerned about the time when certain errors were committed. At this point we can discuss certain essential factors in the past both more soberly and more democratically. And that says something about the ability of the party to be critical in confronting itself. And it is precisely on behalf of future democratization of relations in the party that we must decisively reject the method of discreditation when the discussion is supposedly about rehabilitation.

At the same time there probably is no dispute that rehabilitation will come only to those who have really been the victims of injustice and who proved in their subsequent activity that they had remained on the basic course of society. Otherwise there will be various requests, their number has already increased, to return "to the front rank" all those who in various periods might perhaps have been right, which does not at all mean that all others were on the other side. At the same time we must express a resolute "no" to the demands for rehabilitation even of class enemies.

Incidentally, by correcting certain obvious mistakes the LC is above all demonstrating its own strength, but that does not mean that it is digging up its own past, nor is it settling (nonexistent) accounts. It seems that there are individuals who have been waiting for precisely such "changes of direction." Is this, then, a discussion of rehabilitations or are we dealing with some altogether different intention, clear and recognizable--by discrediting the best-known Yugoslav revolutionaries to actually discredit the CPY and LCY and make an issue of its legitimacy in this society?



POLITICS

YUGOSLAVIA

CATHOLIC PAPER CRITICIZED FOR DEFENDING STEPINAC

Belgrade BORBA in Serbo-Croatian 13-14 Sep 86 p 2

[Article by Rajko Vujatovic: "The Same Bells, the Same Notes"]

[Text] Only the rather careful reader of GLAS KONCILA will easily note that this Catholic weekly of the Zagreb, Split, Upper Bosnia, Rijeka, and Zadar Archepiscopate cannot help from mentioning in virtually every issue and in the most handsome "terms" Archbishop Alojzije Stepinac, who, we will recall, was convicted immediately after the war of flagrant collaboration with the enemy. Even in the most recent issue of this Catholic weekly quite a bit of space is devoted to Archbishop Stepinac, and this is all in the intention of persuading the public that he is innocent, since everything he did he did for the good of the church and in its service.

But was that actually the case?

Cynical "Recollections"

What actually does GLAS KONCILA offer on 7 September that is new about this archbishop in the sketch "How the Most Prestigious Paris Newspapers Fell for the Misinformation of Their Belgrade Correspondent"? Let us state it at once: nothing new. These are all old and well-known stories which become far less convincing the more often they are repeated. But what is one to do, GLAS KONCILA uses the old axiom to the effect that if you only persist, people may even come to believe falsehoods.

In carrying on polemics with Pavel Jankovic, correspondent for LE MONDE of Paris, a certain D.S., author of the sketch we have mentioned in GLAS KONCILA, reproaches Jankovic for making use of the book "Magnum Crimen" of Viktor Novak in issuing a number of accusations against the Catholic Church and Archbishop Stepinac without taking into account that those charges were "uttered in the euphoric period following the war and that many of them have already been refuted by the subsequent course of events." It would certainly be interesting for GLAS KONCILA to tell its readers what has changed in the attitude toward Stepinac since that "euphoric period after the war" and what the "course of events" has refuted with respect to this archbishop and a goodly portion of the church elite. Unfortunately, GLAS KONCILA offers no answer to this question.

GLAS KONCILA goes on to take pains for the umpteenth time to prove that Stepinac was not a sinner for having collaborated with Pavelic and for having often dispensed his blessings in the seats of power. "On 12 April 1941," GLAS KONCILA writes, "Stepinac did indeed pay a visit to representatives of the new authority in Zagreb, just as he paid visits to the representatives of the previous government authority and just as he met with the highest representatives of the authority of the new Yugoslavia and the Republic of Croatia immediately upon their arrival in Zagreb." And that is true. If "this authority comes from God," then what could be more logical than for the church to collaborate closely with that authority--is the basic message of those assertions. Except that it still appears that that is not the way it was, since if we are to judge by Stepinac's behavior and that of his retinue in the cathedral, all power comes from God (even the power of the Ustashi)--except the power whereby the Communists hold authority.

It is true that Stepinac also visited representatives of the government of the new Yugoslavia, but not with the intention (nor was there any need) to give it his blessing as he had when Pavelic was inaugurated as the head of the Ustasha state. However, we are forgetting that Stepinac worked enthusiastically to strengthen Ustasha power and that after the new government was set up in Yugoslavia he strove to undermine and destroy that government. The best and most solid evidence of this is that after the end of the war Stepinac placed under his protection Ustasha criminals who had returned from abroad to destroy the new communist system. Let us quote what is written about this with so much cynicism in the sketch in GLAS KONCILA that has been mentioned. "It is well known," writes GLAS KONCILA, "that Bozo Magovac, as vice chairman of the National Committee for the Liberation of Yugoslavia, wrote on behalf of the Partisans to Archbishop Stepinac requesting that he recognize the new government and that he received a terse reply...on the day when you are the power in Zagreb."

And what happened when the Communists set up the government in Zagreb? What happened is that Stepinac joined the criminal Lisak in hatching plans for destroying that new government. So, nothing came of the promise made to Magovac.

By God's Will or That of the Ustashi

We will not go into everything that the correspondent of the Paris newspaper LE MONDE reported to his editors and how he did his job. But certainly it is symptomatic that GLAS KONCILA is angered at that correspondent, if he was going to write about the forcible conversion of the Serbs to Catholicism at all, he did not mention "that the ugly business of the forcible conversion of the Orthodox Serbs was not begun nor initiated by the hierarchy (he is referring to the church hierarchy--R.V.), but rather that it was forced to act in that way so that the threatened Orthodox would suffer as little as possible." What cynicism! It would thus appear that the church did only what the Ustasha government ordered it to do.

Nevertheless, it turns out that that is not actually the way it was.

Let us recall what the public prosecutor Jakov Blazevic said at the time about this "service" rendered by the church in connection with the forcible conversion in his final speech at Stepinac's trial.

"One thing is evident from the testimony of witnesses in the trial," Blazevic said, "and that is that even the Ustashi themselves were not enthusiastic about the conversion and that here where the conversion was forcible the organizers and leaders were the Ustasha priests and it was they who ordered the Ustasha bans, through officials in the local Ustasha government, through the cardinals, through the district head officials, through the criminal Ustasha authorities, to carry out those conversions. The initiative in this business, the organizational plan, and the work was done primarily by the priests who were Ustashi, and it is accordingly clear and it accordingly cannot be a question, nor can a defense be built on the basis that the conversion was a service done to the Serbian people and aid was thereby rendered to the Serbian people, which at that time was humiliated in every possible way.... To say today that this was aid to the Serbian people is to assert that the National Liberation Struggle did not rescue the Serbs and Croats from ruin, but that this was done by Archbishop Stepinac and his criminal priests who committed those acts of violence," Blazevic concluded.

There is also an abundance of other evidence that that was the case, but what is the point in merely enumerating it here. Only those who do not know or do not wish to know Stepinac's doctrine can assert today that he agreed to the conversion of the Serbs only because the Ustasha government wished it. That is to forget that this is an old idea of Stepinac's, one which he recorded in his diary back on 17 June 1940 (before that is, the Ustashi took power): "The most ideal would be for the Serbs to return to the faith of their fathers, that is, to bow their heads before Christ's regent, the Holy Father. Then we could finally breathe easy in this part of Europe...."

Thus Stepinac himself provides the best refutation of all his defenders. That is why any attribution of the idea of conversion exclusively to the Ustashi represents an injustice even toward Stepinac himself, who did not renounce his ideas even in the trial. Why do others wish to take them away from him at this point?

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SOCIOLOGY

POLAND

VIGNETTE DEPICTS LIFE OF POLES SENT TO WORK ABROAD

Warsaw TRYBUNA LUDU in Polish 9-10 Aug 86 p 6

[Article by Anna Pawlowska, "Wtuh 'Export' to Vienna"]

[Text] The CHOPIN express train leaves Warsaw in the afternoon. It will reach Vienna tomorrow morning. Let us add an important detail: today is Sunday; tomorrow a new working week starts.

CHOPIN has two sleeping cars. Within one compartment, just for one night, fate might bring together a senior government official "on assignment" and a prosperous tourist "on invitation": they are not liable to share with one another their business or purpose. Three cars have berths. There mainly "group" tourists and more humble "invitees" travel; it might just happen as well, albeit not frequently, an "export". But he will virtually always represent a major firm with a serious contract.

Simple "exports" will fill cars with seating places only. A handful might have come abroad in Warsaw, but their starting point is essentially Katowice: they flock there from all over Poland.

Mr. Stefan and Mr. Kazio, however, entered my compartment in Piotrkow. No wonder: their own ELEKTROBUDOWA works in Belchatow. Both of them have been detached, through a legal contract, to a private electric firm in Vienna. Their travelling bags are crammed with tins, melted lard, smoked sausage, cigarettes "in excess". All that translates into schillings, to be saved at a later date. The bags contents should do them for a month, until their next weekend at home.

Mr. Stefan is on his second "export" within the month, while Mr. Kazio has just started. "Several years ago all looked different," Mr. Stefan explains to me. "One used to work for a state firm, in one's own profession, with a contract clearly defined in time, one knew where one stood. I would have never accepted the current terms, were it not for this 'must' of mine: I have to make a lot of money quickly..."

Mr. Kazio is even more embittered. "During the audition one had to prove one's best professional skills, there was no point even to bother starting, without a license to work high-voltage systems.

"And would you imagine what we are going to do? You will never guess! In one suburb we pour concrete over wooden telephone poles to prevent rot. Our employer had managed to grab this kind of municipal moonlighting job, and he is happy because his competitors could not even come up with that much. He prefers to hire such easy marks as we are, because his regular labor force would demand full wages for electricity jobs.

"POLSERVICE does not give a damn where it is going to place us, in any case it gets its share of our wages. At home I talk of nothing but schillings, or stores, or the nightlife; not a word about the job itself: I am ashamed."

"Were it not for my 'must'...", Mr. Stefan sighs again. "You, you have thought that if you had managed to become an 'export', you had been born under a lucky star. You would not listen to experienced people."

My fellow travellers are experienced, well educated workers. The night is long, we chew the fat about one thing and another: Is socialism, as the papers claim, a Utopia? Is the economic reform in Poland going to survive? Can "export's" wife manage with their kids?...

But it is not easy to talk, since in Katowice the adjacent compartment was occupied by "free-lancing exports". Closer to the border five young men and two young women nervously run all over the car, looking for people who travel to Austria in order to place with them their wares--T-shirts with pictures of youth music idols. Czechoslovak customs officers "comb out" all those who travel to Czechoslovakia, but the "Austrians" are not bothered. Since they managed somehow to place their wares, from Petrovice on our neighbors, to a man and to a woman, are dead drunk.

Some also behave like man and wife, not just in the train. But everything somehow remains O.K., until a big clash between Wiesio and Adas. As it happened, Adas charged Wiesio with cheating on him during their previous settling of accounts. He had been chated out of a mind-boggling sum of...one hundred korunas. The company noisily splits up between followers of the two adversaries, who by then stopped fooling around and started a fistfight in the corridor. Were it not for a suicide mission to arbitrate, undertaken by a slightly less drunk Zenek, both Wiesio and the car would have been doomed. Adas, stocky and athletic, pounds the wall with his fists, and repeats through clenched teeth, "I'll kill him, I'll kill him!" His eyes, vacuous because of, indicate it was not an empty threat.

Zenek barely manages to keep him on his feet, sticking to the wall, The girls, squealing, treat Wiesio's wounds. In the middle of the night, at Otrokowice railway station, the whole happy company leaves the train with their bags. In a few hours' time they are supposed to be at work again, at the local rubber plants.

"Free lancing" means the right of some of our employment agencies to hire "export" volunteers, In theory, it is supposed to get them vocational training, in practice--a few days or a few weeks menial job, followed by smuggling wares: painted T-shirts over there, lemons and sneakers over here.

In the small hours we approach our station. The Pomeranian gallantly offers me his assistance in getting my luggage down. We became acquainted during Adas' fight with Wiesio. I verbally supported Zenek in his peacemaking negotiations, while the Pomeranian succored him physically, to the extent that his own state of alcoholic inebriation permitted.

The Pomeranian travels alone in his compartment, on most friendly terms with conductors, both Polish and Czechoslovak; his luggage had been carefully distributed all over the racks, together with some empties, still full bottles, and a Wars glass--drinking here was being done culturally.

The Pomeranian is discreet, and despite acquaintance sealed in the noblest cause, I shall never fully learn which enterprises had "exported" him to Vienna. He is going to admit only that there were "just mountaineers only" who had tried to grab everything for themselves, but those were tricks which had no chance of success with him, the Pomeranian.

"Not a single day have I ever worked in Poland. It is export only, to Austria, GDR, Federal Germany, Austria again and again. Those jerks," the Pomeranian refers here to the Adas' and Wiesio's company, "seem to think they had been 'exported'. For 'export' muscles are not enough, you need brain." He gulped another glass, and decided to confess his heart's desire to me.

"That is the third time my son is in the Voluntary Labor Troops [OHP]. Now he is bound to get his papers. This year he will be 17, and immediately I will hustle him to my firm, we shall start working together--Federal Germany, Austria, Austria, Federal Germany, and again and again..."

"What if the kid refuses?" I chime into his dreams.

He looks at me astounded. "Do I look like a father to a stupid son?"

Despite everything, he gallantly opens the car door for me, and adds in the direction of the platform, empty at night: "You were not all that stupid yourself..."

By then I have already got to know the Pomeranian well enough to recognize that no insult was meant. The Pomeranian got to like me, and now commiserated with me because I had to get out--nobody knows what for--at a Czechoslovakian railway station.

It does not matter that in a few days time I will visit a major Polish construction site, on contract in Dunajska Streda, where the Wroclaw MOSTOSTAL with impressive speed puts up cold-storage plants for a meta processing factory. There I get into conversation with genuine, ambitious workers. I listen to well-founded words about "glorifying the good name of Polish workers, technicians, and engineers." I still have before my eyes and in my ears the CHOPIN travellers. In a month time, Mr. Stefan and Mr. Kazio--each driven by a "must" of his own--will drop in to Piotrkow to buy Cracow smoked sausage and Radom cigarettes, and then to go back to their concrete pouring over telephone

pole parts in Vienna. Adas might stab Wiesio, reclaiming his lost 100 korunas, or else they might reconcile during their next tour with wares. The Pomeranian's son will get ready at his father's side for a not so stupid way of life...

It is right that we build all over the world cold-storage plants, factories, river dams, that we export technological expertise, designing, and professional skills; it might even be right that people profit thanks to "export", earning wages higher than at home.

Who, however, when and how, will repay us, the society, for wasted skills, for demoralization of youth, for honor sunk in vodka? I address these questions to the Ministry of Labor, Wages, and Social Affairs, which had blessed the "free lancing", and to the Foreign Trade Enterprise POLSERVICE, the executor of all our foreign contracts.

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