
Interview: Pawel Soroka



'Scientific progress is needed to save Poland's industry'

Pawel Soroka is the coordinator of the Kwiatkowski Polish Industrial Lobby (PLP), named after Polish chemist and economist Eugeniusz Kwiatkowski. He was interviewed by Anna Kaczor Wei in Warsaw on Dec. 17, 1995. The interview has been translated from Polish.

EIR: Can you say a few words about the goals of the PLP, and who its members are?

Soroka: The lobby was founded three years ago, on March 13, 1993. It encompasses various groups which are connected to Polish industry, especially its strategic branches and those which use high technology. So, in the lobby, there are managers of various enterprises from the defense industry, aerospace industry, electronics, and so forth; also, representatives of organizations for engineers, for example, the Association of Polish Technicians and Mechanical Engineers, and the Polish Union of Inventors Associations.

We also have representatives of trade unions of various orientations, both Solidarity-originated as well as industrial-branch trade unions. Concerning trade unions, I want to add that we are interested not so much in their traditional social functions, but we want trade unionists and employees in general to participate in structural and ownership transformations [i.e., privatizations].

The lobby also includes representatives of science, especially research and development institutes working with industry.

The PLP is an agreement among those organizations and groups which want to cooperate, on an equal footing, to elaborate and defend the interests of Polish industry, especially those branches I have already mentioned. The PLP is independent from any government structures.

Our goal is to make sure that decisions concerning industry are not made somewhere in distant offices, or under foreign influence from outside of Poland, which happens quite often, but with consideration for the opinions of those people who work in industry and shape its fate. We want to match those who are practitioners, with specialists and scientists.

EIR: Official government reports claim that there was 5% economic growth in 1995. However, there is a lot of evidence

showing the collapse of Polish industry, especially heavy industry, electronics, i.e., industry based on modern technologies. What does the situation in Polish industry really look like?

Soroka: Concerning the indicators of growth, I must say that we do not have the appropriate research capabilities which would allow us to independently verify those reports. However, we are suspicious of any propaganda that claims success, which we heard many times in the past. They kept saying everything was going very well, and, finally, that ended up with a collapse.

Perhaps one can say that there is growth in some areas, but one wonders whether this is something stable or results solely from a short-term, favorable conjuncture. For example, a very lively trade along the Polish-Russian and Polish-German borders is considered to be one of the reasons for this growth tendency, or a visible increase of export production in some enterprises.

EIR: In what branches of industry can you see some growth?

Soroka: Actually, when you start considering such matters on the level of various branches of industry, then you can see the problem. For example, electronics, which should be seen as an important part of industry because it utilizes a lot of new scientific solutions and may contribute to modernization of other branches of industry, is going through a very rough period. Important enterprises, such as CEMI, the only Polish producer of semiconductors and [computer] motherboards, has collapsed. Only a very small part of this enterprise has been saved—with the help of the PLP. What is left from the productive part of CEMI has been turned into a small venture, thanks to the intervention of the State. Other enterprises in this branch have also gone under: "Kasprzak," "Telpod," and others.

Those which are surviving have serious problems: Their production has been declining and they have huge debts. Generally, industries producing investment goods, or processing industries, are going through a lot of troubles. Enterprises are indebted to the State and to one another. The defense industry is a good example of this. Some companies are on the verge of bankruptcy. This is the case with the investment goods

industry, the automobile industry, electronics, and computer industry. Generally, one can see the following trend: Various foreign companies come to Poland and establish assembly lines, so Poland is not a producer any more but, rather, an assembly point for parts which are produced abroad.

You can see some branches of industry which are seemingly recovering, for example, the textile industry, which plunged into a deep crisis after the loss of the eastern market. But also in this case, one can observe a tendency in which foreign materials or components, say, from Germany, are delivered to Polish textile factories which sew clothes. So this is also work based on Polish cheap labor, and all the material and designs come from abroad. You can see this in Lodz [a big industrial city in central Poland famous for textiles]. It was not like this in the past; we had a strong native textile industry.

EIR: A few weeks ago, the Polish press noted that the PLP is ringing alarm bells because of the collapse of the machine tool industry in Poland. Is the situation there as bleak as in other branches?

Soroka: The machine tool industry is in a bad condition, similar to the electronics industry. We had a long tradition in this branch, many attainments—Polish machine tool industry was well known in Europe and on other continents, we used to export a lot, including very modern, numerically controlled machine tools. During the few last years, this industry has slid into an abyss. While in the 1980s, the Polish market absorbed about 10,000 machine tools of various types annually, of which half were imported, right now only 250 Polish-made machines of that type are sold in Poland per year! Like other State industry, it is heavily indebted and has lost most of its markets.

That was a result of a general policy toward State industry which had to pay very high taxes, for example, a tax on excessive wage increases that was meant to prevent the growth of wages, as well as dividends. The latter hit mainly modern enterprises, because that was a tax on the value of property. The other reason was credit policy: Interest rates on credits were very high, which had disastrous consequences because some enterprises had to borrow on credit just to maintain production.

The worst period for the machine tool industry may be behind it, but it has not recovered yet. We have worked out a program of reconstruction for this industry, and so far the government has responded by commissioning research, which, by the way, is done by a foreign company, to prepare a proposition for restructuring this branch.

Besides such parameters of growth as GNP, we see other symptoms in our economy that are very alarming, such as, depreciation of capital of Polish industry, which is estimated at 75%—this is a very serious threat. This means that production lines and machines are getting old and worn out, while the range of investments to rebuild this capital and modernize it is much smaller than depreciation. This is very worrisome,

because even if the industry reports income, you cannot consider this stable, continuous growth. In order to achieve such growth, you have to modernize and invest in industry. You can see a growing investment rate only in services and commerce, not in industry, not even at a rate of reproduction of used-up productive capital.

EIR: For over five years, Poland has been privatizing its State-owned industry, which is one of the demands of the International Monetary Fund. The PLP has opposed this. What are your arguments against it?

Soroka: We think that privatization should not be done forcefully. It should be based on economic criteria, which means, only in those cases where, after analyzing input and output, all advantages and disadvantages, one comes to the conclusion that privatization can improve a given enterprise and make it more efficient, provided that the employees will accept it. One should not treat privatization as a doctrine according to which all that which is private must be necessarily better than State-owned property. Besides, it is dangerous to conduct mass privatization under conditions of recession, as it was done in Poland, at the beginning. In such a case, the “market” value of an enterprise is lower than its replacement cost would be, so it is sold for too low a price.

We think that, mainly those enterprises which are in bad shape should be sold, if privatization can improve their condition. In Poland, on the contrary, first of all, good enterprises were privatized, the best ones; they were sold mainly to foreign capital.

In the privatization process, the question is, who becomes the owner, what is the participation of Polish capital, workers, managers, in comparison with foreign capital, which takes over the biggest and the best enterprises, those which play important roles in their particular branch of industry? These are mainly strategic branches, or industries which influence prices in the rest of the economy. There you see foreign capital coming in; for example, machine tools for the energy industry, cement and paper production, chemical industry, cosmetics, and so forth.

The Polish State gave up control over such industries. I think this is not the right policy, because in strategic branches and industries which are the biggest and the best, the Polish State, or Polish capital, should play the central role, while foreign capital may be used to modernize them. Otherwise, industrial, investment, and price policies are not established by us here in Poland, but by foreign investors. This is the elimination of economic sovereignty.

EIR: A few months ago you organized a conference on Polish science. What were its conclusions?

Soroka: We are mostly interested in applied science, and also in basic research as far as its results may be used directly in industry. We are aware that, in the situation of openness of the Polish economy, in the framework of the present transfor-

mation process, we are forced to deal with international competition, which means that Polish products must be more "competitive." This can be secured only if there is scientific progress, thanks to which new technologies could be introduced into production. Thus, Polish industry could upgrade its production. But there is no chance to achieve this if there is no scientific progress, no innovations in technology.

Concerning investments in science, we are far behind Western countries, but we still have a strong scientific cadre. I think that there are many Polish scientists who could conduct serious scientific research. However, poorly paid scientists, also young scientists, often switch to other professions, mainly in services and commerce, or emigrate to other countries.

This is, of course, weakening the scientific and research potential of Polish industry. Besides, its base is rather outdated. Some research departments have gone through a very difficult period, many have been closed down. They cannot afford investments, and all research equipment, laboratories, and so forth, are obsolete. So it is difficult to conduct serious, modern research or development projects, although only thanks to such projects would there be a chance to introduce new technologies and new high-quality goods which could compete with Western production. As a result, we may become just a source of raw materials, which to some degree is already happening, or a place where you only have cheap labor.

We in the PLP pay a lot of attention to defense industry, because it has strong backing from science and uses modern technologies. For example, the aerospace industry. It also requires certain solutions fostering modernization and scientific development; for example, an appropriate tax system promoting investments in R&D. In other words, enterprises should have conditions to accumulate enough resources for research and development, which is not the case right now. All enterprises have to carry a heavy burden of taxes, which is not encouraging investment in development projects.

In the West, over half of investments in R&D are made by industrial enterprises, the rest is covered by the State budget and other sources. In Poland, the system does not permit industry to do it, and the budget is rather small, so investments in science are unsatisfactory [in 1994, it was only 0.5% of the budget, or \$500 million].

EIR: In his program for Eurasia, American economist Lyndon LaRouche stresses the importance of science as an engine of economic development. Because Russia has a huge scientific potential, especially in space and defense industries, do you see a possibility for close collaboration between Poland and Russia?

Soroka: Concerning the space industry, I do not think that Poland would aspire to participate in this industry. Our country is too weak economically for such projects. But, of course, in other areas, Poland should be open and cooperate with many countries, including Russia. However, I think that from

the point of view of economic sovereignty, it is best not to be dependent on one source of new technologies. One has to collaborate with many countries, to ensure that the economic dependence on one strong country will not turn into an instrument of political influence. There may be different scenarios of development in Europe, and in the East, so it is advisable to create an independent, strong scientific and technological base and collaborate with many countries, on the basis of partnership. First of all, the transfer of technologies would be required, or co-production or purchase of licenses, but such licenses that could be adopted and developed in the country.

EIR: There was a wave of strikes in France at the end of last year. What was the assessment of those protests here in Poland? Would you agree that they were directed against the Maastricht Treaty? And what role can trade unions play in Poland right now?

Soroka: I think that the strikes in France were a very important signal concerning the economic and social situation in western Europe. As I see it, they showed that deep changes are awaiting this part of the world. The French often have given the first signal for changes. That was not just a protest, but the scale of the events, the wide spectrum of professional groups which participated in them, shows that this is a symptom of a great crisis.

One can say that here, in central and eastern Europe, changes started in 1989-90; now, the time has come for changes in western Europe. Of course, they will be different, because the situation there is different; perhaps this is more a moral and financial crisis, not so much an economic one. But we have to analyze this very carefully and draw creative conclusions from those events, which can clearly be seen as a protest of the French against the Maastricht Treaty. They will have implications also for eastern and central Europe, including Poland.

Concerning trade unions in Poland, their role has been and still is very important. It flows from their contribution to the process of changes in Poland—this is true especially for Solidarity. However, right now, one can also see a tendency coming from strong capital groups to narrow the role of trade unions and limit the rights of employees. The PLP supports the idea of partnership between employers and employees. In a time of change, trade unions should not only protect workers, although this is also important, especially in view of the fact that those changes are costly and lead to the collapse of the standard of living and many sacrifices. But trade unions, as representatives of employee groups, should participate in those changes, i.e., participate in ownership and management.

Modern trade unions, learning from the good experience of countries with social democracy, can play a great role in reforms, which should not benefit only narrow capital groups, the oligarchy. All social groups should have a just sharing. Trade unions and employee groups can guarantee this.