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S I T U A T I O N R E P O R T

* Krupp - Polish Coproduction

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After months of soundings and weeks of negotiations between the representatives of the Krupp concern and Polish state officials, the Polish government has finally hinted to the public that some sort of "cooperation" between the capitalist firm and Poland's state-run industry is in preparation. Released on February 6, and repeated by Radio Warsaw the next day, the PAP communiqué is a typical Communist document in which assurances of good conduct are used to camouflage casual admission of a "cardinal sin." Thus, it deals first with "various forms of economic cooperation" with the socialist countries in general and with "cooperation between Polish industry and the industries of socialist countries" in particular. Only then are "economic relations" with the countries of "Western and Northern Europe" referred to, with particular emphasis on "some achievements" regarding "cooperation" with certain firms in Austria, Sweden, the German Federal Republic, and in other countries. Not until then is the rabbit finally pulled out of the hat:

11 February 1965

"At the end of January, a group of experts of the Krupp firm, headed by Directorial and Commissarial Council member Dr. Altpeter, visited Poland. They were received at the Ministry of Foreign Trade and toured metal industry plants in Warsaw, Bydgoszcz, Poznan and Katowice. At the same time, they held talks on technical and trade problems with the representatives of Polish state foreign trade agencies and with the managers of industrial enterprises and trusts. A better knowledge of the production potential of the Polish metal industry, of its technological achievements and organization will make it easier, according to the experts, to enlarge its scope of export possibilities for the West German market and for third markets. The technical and trade talks, which lasted about a week, will be continued," the communiqué concluded.

This visit of Krupp representatives "at the end of January" was the result of a series of soundings and preparatory talks undertaken some time ago by the firm's manager, Berthold Beitz, and more recently by a number of Polish trade officials (cf. SR December 23). Beitz's last visit to Warsaw (in December) was the eighth since early 1958. While these trips were widely commented upon by the Western press, very seldom did Trybuna Ludu as much as report on them. This restraint was broken on 9 June 1963 when the Party organ published a summary of Beitz's press conference with Polish journalists. It was also on this occasion that the possibility of Krupp "cooperation" with Polish industry in "supplying third countries" was mentioned and Beitz was quoted as approving of the idea. Now the idea seems to be very close to realization. It was possible because Beitz personally is deeply interested in the arrangement, which he admitted in an interview in Washington on February 2, and because Poland must do everything in its power to ease the pressure of excessive labor and particularly to cope with the "demographic explosion" expected in the near future.

11 February 1965

The simplest solution for Poland would be to "export excessive manpower to West Germany, but the Poles would not do this for purely political reasons as well as those involving Communist ideology. In this respect, the Warsaw government goes even further: it denies the very existence of unemployment in Poland. Thus, Zycie Warszawy (February 9), in an article which may be considered as the second public admission of the deal with Krupp, sharply criticized some West German papers for spreading "absurdities and lies about unemployment and economic stagnation in Poland." In this connection, the paper repeated that Poland's industrial cooperation with the Krupp firm and other West German enterprises was not the first and only example of Polish industrial contacts abroad. Of these "other contacts," the only one worth mentioning is the Polish-Austrian project of cooperation in supplying "third countries" with machines and "complete industrial installations" produced by the industries of both countries. Even in this respect, very little is known about the implementation of the project as discussed at the turn of 1963 and 1964 (cf. SR 16 December 1963 and 4 February 1964). It is also not known whether these discussions are as close to practical implementation as is the case with Krupp. Although a lot of details have to be discussed and agreed upon, Beitz is hopeful that the first plant operated jointly by Krupp and a Polish state enterprise will start "coproducing" some time this year (UPI from Washington February 2).

It is a pilot project which may become a model for other joint ventures between individual capitalist firms and Communist state enterprises, not only in West Germany and Poland, but in other countries on both sides of the Iron Curtain. This may explain the interest of the Western press and Western businessmen on the one hand, as well as the utmost cautiousness displayed by the Polish official announcements on the other. In more than one sense, the project is unique. A capitalist firm, and one traditionally known as an armaments manufacturer, is agreeing to a project with a Communist state whereby the former supplies management,

11 February 1965

machinery and what is generally known as technology, while the Communist state itself is supplying no more than the site, the plant buildings and the manpower. Irrespective of what the plant, actually run by Krupp, will produce, whether trucks or agricultural machinery, the product will be sold. Here the first problem arises, by whom and to whom will it be sold. According to the weekly Der Spiegel (February 10), it is suggested that Krupp will be selling the products on Western markets, Poland on the markets of the Communist Bloc, while the sales to trade bloc-free markets will be effected jointly. There remains the problem of customs, and also the one of payment. In this latter respect, Der Spiegel reported that Poland insists on acquiring full ownership of the plant after five years of operation. What is the guarantee against possible losses to Krupp? Queried on this subject by Welt am Sonntag (February 7), Beitz said that Krupp will run this risk. "We will operate as a private firm in Poland. The (West German) government has nothing to do with it."

Still, a Krupp can afford the risk. Of the firm's total 1963 sales of 5.18 billion marks (about 1.3 billion dollars), less than one per cent was to Communist countries. While the firm's owner, Alfried Krupp von Bohlen und Halbach, stated that this per cent should increase, according to Handelsblatt (February 3), the paper also expressed serious doubts that this figure had risen at all in 1964. On the other hand, Krupp does not intend to lose on the Polish project; on the contrary, the firm expects profits, Handelsblatt explained. Smaller West German firms, intending to engage in similar ventures, may be looking for some sort of government guarantee. In this connection, the so-called Hermes Guarantee Company is often mentioned. (Set up in August 1949 as a joint stock company, the Hermes Kredit AG is expected to issue guarantees up to 50 million dollars to firms trading with the East.)

As a matter of fact, very little is known about the

11 February 1965

Krupp project as yet. Both sides, Krupp and the Poles, are rather tight-lipped on details, and what is released or "leaked" does not always agree. Thus Der Spiegel, reporting on the visit of the Krupp delegation to Poland between January 25 and February 3, listed Hans Juergen Baumann instead of Altpeter as head of the delegation and, in addition to the four places mentioned in the Polish communiqué as visited by the delegation also listed Cracow. It is, therefore, not surprising to find different reports on what will be produced. In this respect, trucks, agricultural machinery, road-building equipment, technical instruments, etc., are mentioned. There seems to be no doubt that more than one plant is involved and there is no doubt that none will be situated in the territories disputed by the Germans (this was a specific condition of Beitz). An RFE Special from Bonn (February 4), quoting "informed sources," referred to three such plants, one for producing trucks, a second for making technical instruments of various sorts, and a third described merely as involving manufacturing processes requiring a good deal of manpower.

Beitz's statement about the Federal government having nothing to do with the project should also be taken with a grain of salt. First of all, the Bonn government has always been informed about every detail of the various Beitz visits to Poland. Bonn seems to take much interest in these ventures, particularly the latest one. Owing to the complexities arising from the lack of diplomatic relations between Poland and West Germany, it fell to a member of the West German parliament (Bundestag), Erik Blumenfeld -- with the approval of the West German Foreign Office -- to spend about five days in Warsaw discussing various problems connected with the Krupp project. Like Beitz, and for similar reasons, Blumenfeld is a persona grata in Warsaw. A wartime inmate of the Nazi death camp at Oswiecim (Auschwitz), Blumenfeld -- in the words of the New York Times (January 26) -- "has made it a personal mission to bring about easier relations between Poland and West Germany."

11 February 1965

His last visit to Warsaw was not the first one, and this time it took place "in a remarkably good atmosphere," as Blumenfeld stated upon his return to Hamburg on February 5. According to Die Welt (February 6) he was twice received by Foreign Trade Minister Witold Trampczynski and also had a long talk with Deputy Foreign Minister Jozef Winiewicz. Details connected with the Krupp project were discussed, such as the status of German technicians and members of their families, school facilities for the children of these technicians, and so on. No definite conclusions were drawn, with the exception of one: that first the Krupp economic deal must be worked out and agreed upon. Both sides are hopeful of removing all obstacles possible in a pragmatic way, but Beitz warned that the "devil lurks in details." Another evil may lie in the Polish insistence on a strict separation of economic business from politics. Since some matters, for instance, consular protection, are unavoidably connected with politics, both sides face numerous, still unsolved problems.

A specific Polish problem, already apparent from the way in which the Krupp project was made public, is one of ideology. Here the Party propaganda workers must find ways and means to quell the possible suspicion and doubts of the orthodox Communist both at home and abroad. Thus Die Welt (February 6) reported that there is a "group" in the Polish Party leadership which opposes closer economic ties with West Germany. This group is reported to be concerned about possible negative repercussions of such cooperation upon the East German regime. It is rather difficult to pinpoint a Party "group" which would be so favorably inclined toward East Germany, unless Die Welt refers to scattered Stalinist diehards ready to call Gomulka a traitor. Regarding possible objections from abroad, Angela Nacken stressed in the Frankfurter Allgemeine Zeitung (February 8) the utmost care with which the official communiqué was prepared. She interpreted it as an expression of the Polish Communists' concern about "doubts" which may arise in the Communist camp.

It seems that the problem the Party theoreticians may face is political rather than ideological. They may point out that their policy is quite Leninist, for it was Lenin who, during his NEP period, invited foreign capital to the Soviet Union and engaged in more than one joint venture with the capitalists. Moreover, the Poles may claim that they are as orthodox as Stalin himself was. After all, it was after Lenin's death that one of the biggest deals of this sort was concluded in 1925 with the Lena Goldfields Limited, a British company, for a 30 year concession for the exploitation of rich deposits of gold and other precious materials. The company operated for almost 10 years. (Scared by the terror trials of foreign technicians, the company's officials in 1934 gladly accepted Stalin's offer of a settlement for three million pounds sterling.) So it is not so much the problem of dealing with capitalists that the Party propaganda would have to explain to possible critics. The problem is one of a particular capitalist, the "revanchist," "militaristic," and possibly "imperialistic" West Germany of Ludwig Erhard as contrasted with the "democratic" and "peaceful" East Germany of Walter Ulbricht. Another aspect of the problem is the traditional subconscious association by the man-in-the-street of the very name Krupp with cannons, wars and aggression. Should, and will Polish propaganda admit that Krupp has stopped producing cannons?