

against the so-called Soviet domestic investment costs which have no connection to any international comparisons.

To be more specific, for instance, Poland will be investing in the next 15 years something like 900 billion zlotys in the U.S.S.R. which means only 2 billion transferable rubles which means the exchange rate from zlotys to rubles would be something like 450 zlotys while the official exchange rate is 86 zlotys only. So you can imagine, Mr. Chairman, what a heavy subsidization of the Soviet economy is being done by Poland.

So when Poland receives a credit from the West for whatever purposes, it could be related to credit to the U.S.S.R., not saying about some other things which are always distorted.

So this is the change which is a change for the worse because the Soviet Union after the so-called Moscow Comecon Summit last year and even this year in Warsaw is now demanding ever more of such investments in the U.S.S.R. I'm not saying about some other burdens which Eastern Europe must bear. So without any profound change in Eastern European-Soviet Union relations and without any systemic changes in Eastern Europe and in the U.S.S.R. any credits for those countries are a waste of money, especially if no political strings are attached to them. Thank you.

The CHAIRMAN. Banks are still not lending to Poland at the current time. They are lending to East Germany on the argument that East Germany's economy is strong and that it's a good credit risk. But, of course, that was the same thing I heard about Poland before Poland got in trouble.

Would you think that East Germany is an example of a better credit risk than Poland?

Mr. RURARZ. Oh, no. I think that East Germany is even potentially in a much more difficult situation. Why? Because due to the fact that their productivity of labor is only half of that one in West Germany and East Germany has a problem with manpower—actually the country today has less people than it had in 1945—so that some dramatic improvement in the productivity of labor would have to happen. Recently East Germany was not investing a lot in the economy because of financial constraints, but a part of that organizational change would have to be done, which is not the case. As I have mentioned previously, the country is practicing a very orthodox economic model which cannot be efficient and under any circumstances I would not believe that there is such a dramatic increase in the productivity of labor in East Germany as it is reported.

CLEVER USE OF SHORT-TERM CREDITS

I should like to say that I am very strongly convinced that this \$5 billion of East German reserves in Western banks could be a very clever use of short-term credits because usually only long-term and medium-term credits are reported internationally. Short-term credits somehow escape the attention. And in a country which has a centralistic model as East Germany does and certain other East European countries have, one can borrow heavily on short-term credits and somehow try to confuse the world by depositing them as reserves and this creates the impression that they