

are economically and financially very much successful. This, of course, is a very misleading picture of the situation and I'm afraid that this is precisely what the East Germans are now doing and, unfortunately, what many in the West are buying in good faith.

The CHAIRMAN. Mr. Rurarz, for several years you were in the inner circles of the Polish Government. We hear all of the arguments that you can separate these apolitical loans, civilian economy versus the military economy of the Soviet Union or the Eastern bloc countries, or that the Soviet Union really doesn't utilize their Eastern bloc countries as a conduit for Western capital.

Rather than speculating from the outside on the inside, what was your experience? Do the Soviets use Poland and other countries as conduits for hard currency from the West or do they not, and can you separate in a socialist economy, a civilian economy from the military economy?

Mr. RURARZ. No; to start with the last question, one cannot. Everything is subordinated to the so-called security considerations which means the military as such has the priority.

To my best knowledge, about 15 percent of Polish manufacturing industry is war oriented and of course the economy is much more heavily burdened with the so-called security problems than officially reported. It could be about 15 percent of the GNP and it has a priority I would say. So that this is precisely the problem—by the way, not new, but which persists and nothing is changing in this respect.

May I add that as far as I know now even more emphasis is put on that due to the fact that new generations of weapons will be produced and therefore the Soviet Union when demanding Eastern Europe to modernize means exactly to produce more sophisticated conventional weapons and therefore Eastern Europe will be now again trying to buy know-how in the West or steal it and, of course, buy on credit terms if possible, so that this is to continue on an even bigger scale than before.

SATELLITES ARE MILITARILY AND ECONOMICALLY TIED WITH U.S.S.R.

When it comes to the other question, the situation is this, that due to the fact that all Soviet bloc countries are very much militarily and economically and of course politically and ideologically integrated with the U.S.S.R., whatever comes to Eastern Europe is on its way to the U.S.S.R., as well, whether indirectly or directly.

I know for sure, for instance, that the Soviets were very much interested that Poland would be borrowing heavily in the West in the 1970's. Why? Because the Polish industries are very much linked to the Soviet industries in many cases and Poland could easily get know-how and credit in the West and apart from that, this was an alternative to economic reforms. Brezhnev believed at that time that the bloc by receiving more credits and know-how from the West could somehow escape the necessary economic reforms. Of course, this led nowhere, but at that time all the Eastern Europe countries, especially Poland, were very much encouraged to do that. In the meantime, of course, a lot of resources has been specifically devoted to quite simply increase the defense capability of