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東欧における民営化
――教訓と将来の見通し――

平成７年10月

国際協力事業団
国際協力総合研修所

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場　所：国際協力総合研修所　2階　201

講　師：Dr. Jan Winiecki
Professor and Chair, International Trade and Finance
Department of Economic, Viadrina, European University,
Frankfurt/Oder, Germany

講師略歴：

1938　ポーランド、Sopot生まれ
1971　ワルシャワ大学にてLL.D(Public Administration)取得
1973　ポーランド国際関係大学国際経済学部助教授
1983　ポーランド科学アカデミー経営研究所準教授
1986　ルブリンカトリック大学経済学部準教授
1990　デンマーク、アールボルク大学ミクロ経済及び国際経営学部準教授
1991　欧州復興開発銀行ポーランド代表理事
1994　ヨーロッパ大学経済学部長

主な著作：

Post-Soviet-Type Economies in Transition (1993)
Privatisation in Poland A Comparative Perspective (1992)
Structural Legacy of the Soviet-Type Economy (1992)
他

東欧における民営化
―教訓と将来の見通し―

要　約

東欧における民営化は、自由化、マクロ経済安定とともに、「三位一体」の一部をなしている。

民営化の方式は国毎に異なり、ハンガリーの外資誘導型、ポーランドの民間及び従業員への株式売却、そして、チェコのバウチャーによる市民型民営化などがある。また、ロシアでは、内部型民営化とも言うべき、経営者や従業員へ株式の大多数を分配する方式がある。こうしたことから、第一の教訓として、その国の社会的、政治的条件が、民営化の結果のみならず、その方式まで決定していると言える。

第二には、民営化のような社会経済上の大きな変革には、政治的な支援が極めて重要である。チェコでは共産主義の下で財産を奪われた国民に対する償いという意味から、市民型民営化が図られ、それによって民営化に対する国民の支持をとりつけたが、ポーランドでは状況が異なり、民意を得られなかった。つまり、正当性を証明するだけではなく、正当であると思われることをうまく実施できるような、国民との連合を組むことが重要である。

第三に、民営化は、ほとんどどこでも予期しなかったことを引き起こしている。ハンガリーでは、共産党のノメンクラトゥラに有利にならないように、民営化を一元的に管理しようとしたものの、その進捗は遅かった。チェコでは、国民の大多数がバウチャーを投資基金に委託し、当初予想されたものとは異なった様相を呈している。つまり、これら諸国では、基礎的な計画能力の欠如ということが示されている。

第四の教訓は、「三位一体」の各分野は、互いに連関しており、一分野での問題が未解決であると、他に波及する恐れがあることである。ロシアが良い例である。

民営化と国民経済の関係について考察すると、企業の民営化と経済の民営化とは全く同一ではない。後者が意味するものは、資産の大部分が個人所有であるような、生産手段の所有権の構造を構築することである。そのためには、国有企業を民営化すること、もう一つは、民間部門の育成を支援することである。

このことは殆どの移行国で見過ごされていたことであった。一例として、ポーランドでは、卸売り、外国貿易ともに、企業設立に制限を設けなかったので、他国と比較して民間部門の発展に成功している。民営化を成功させることがそれほど重要なことであるのかという疑問が出るが、答えは長期的には"Yes".である。なぜなら、それによって民間部門発展のための最初の刺激が与えられるからである。

民間部門は、ある段階をへて発展していく。第一段階は、開始の時期で、金融機関の発達度等はあまり重要ではない。ポーランドは第二段階にある。ポーランドの場合、西側と関係を持つ海外在住の企業家が多く、彼らが技術や資本を持ち帰ったことが大きく、民間部門が金融分野に依存する度合いが低かった。しかし、近い将来、企業が商業銀行との関係を築かなければならなくなる時が来ると思われる。従って、改革を行う際には、移行の特定のプロセスが遅れることの結果を知っておくべきである。以上が民営化がもたらした主要な教訓である。

ポーランドの民営化には、あるパターンが見られる。まず、外資導入を全く行わなかった建設関連のコングロマリットと、財政状況が非常に悪かった造船所はともに民営化に成功しており、財務状況にかかわらず、民営化実施が可能であることがわかる。

個別企業とは別に、分野ごとの民営化も可能である。その場合、投資家は、生産施設だけでなく、市場におけるシェアも手に入れることになる。貿易指向分野の民営化も極めてうまくいっている。

一方、電子産業や家電といったハイテク産業の民営化については、これまでのところうまくいっていない。その理由は、これまで東欧諸国では低質で高価な製品が主であったが、自由化とともに、消費者も生産者も外国に目を向けてしまったからである。だから、ポーランドやハンガリーでは、こうした産業を育成する準備ができていないと言える。

また、国の介入によって企業が生き残る機会が生まれるケースもあり、電気通信機器産業がその例である。

民営化が比較的に不成功である例としては小型車生産があるが、それには、企業に固有なものと、政策的な失敗の２つの原因がある。

チェコと比較した場合、ポーランドの民営化はより成功している例が多い。

ポーランドでは民営化は少数で、殆どの場合、最初から鍵となる投資家が存在していたからである。チェコでは、バウチャー方式による民営化であり、各企業が効率的に運営されるまでに時間がかかっている。

政治家や援助コミュニティーの活動は、これまで「上からの」民営化に集中してきており、資金配分もそうなっている。その理由としては、政治的な配慮や、利益誘導という意味もあった。さらに、「マーケティング的理由」もある。つまり、民営化の規模が巨大になることで、政府へ報告される内容の見栄えが良くなる訳である。

ポーランドの過去5年の経験から、東欧諸国の資本主義市場経済の将来には、一般民間部門の健全な成長が決定的な意味を持つと思われる。

東欧諸国の銀行には業績がないと言われるが、数年前まで銀行がなかった国で専門家が仕事を行うには、現地の事情に合った基準を柔軟に見つけるべきであるというのが、EBRDでの経験からの教訓である。

EBRDのような国際機関は大きな船のようなもので、方向転換をさせるには忍耐が必要である。移行国のシステムを変える政治家もまたしかりである。

Tuesday, 3rd October, 1995

PRIVATIZATION IN EASTERN EUROPE
— LESSONS AND FUTURE PROSPECTS —

Dr. Jan WINIECKI
Professor and Chair,
International Trade and Finance
Department of Economics,
European University

WINIECKI: Privatization in Eastern Europe has been a part of what may be called "Holy Trinity" of transition from socialist, centrally administered, to capitalist, market economy, the "Holy Trinity" consisting of **liberalization, macroeconomic stabilization, and privatization**. I will concentrate on the last component of this "Trinity".

To begin with, privatization everywhere started almost immediately after the political change, but what is interesting in almost every country, the preference was given to different methods of privatization. So, in Hungary they put most stress on **attracting foreign investors** as buyers of Hungarian state enterprises, and succeeded in having quite a few major companies sold to key foreign investors, usually large multinational companies.

Poland chose a different path. There, preference of the government was the **public sale of shares**, that is, on the so-called "classical British-style privatization." However, *de facto* developments made the actual composition of privatization methods look different because, on the one hand, in Poland there was stronger political resistance to privatization, while on the other, given the strength of Polish trade unions, privatization has shifted much more in the direction of the employee-ownership type of privatization, that is the only one type preferred by union activitists. So, among some 750 state enterprises privatized in Poland (out of about 8,000 existing at the start of transition), about 150 was privatized by either public sale or direct sale to major foreign investors, while the remaining 600 were turned into the so-called "leasing employee-owned companies", that is, companies that were leased to employees and later, once the lease installments are paid, are to be owned by these employees.

In the Czech Republic, they chose yet another form of privatization, which I am fond of calling **citizens' privatization**. There, the government offered vouchers to all citizens willing to buy them, at a token payment, and with those vouchers citizens were able to bid for shares of privatized companies. They could do it directly, or, more often as it turned out, also indirectly *via* mushrooming investment funds.

For a change, in Russia, they took yet another approach. There, not very numerous free marketeers were afraid that they wouldn't be able to overcome the resistance of the old *communist nomenklatura* managers. And therefore, they chose the kind of **insiders' privatization**, that is, in the case of most enterprises, the majority of shares were distributed to managers and employees of each company, while the minority only was spread across the population at large or sold to foreign investors.

Thus, what concerns privatization lessons, I would venture an opinion that the first lesson drawn from privatization in the region I am concerned with is that **local socio-political conditions determine not only outcomes of the privatization process but also the choice of preferred methods of privatization.** This, in my opinion, would be the first lesson.

The second lesson, and an extremely important one at that is, that it is necessary to build political support for a major socio-economic change, such as privatization. And here, as evidence in support of this thesis I would juxtapose the Czech Republic and Poland. In the Czech Republic the understanding of the need to gain popular support for privatization was clearly understood from very early days of the Czech "Velvet Revolution". It started in November 1989, as some of you may remember, and already n e x t m o n t h Vaclav Klaus, the then Minister of Finance in the Czechoslovak Federal Government, announced the major citizens' privatization scheme. This early promise was very well received by the population, because it was presented as the case of remedying to some extent the wrongdoings of the communist system that, *i.a.*, deprived people of the right to own productive assets. Therefore, the argument to compensate people, to some extent at least, every citizen will have the right to get the possibility to buy shares of privatized Czechoslovak (later only Czech) enterprises, and, in this way, to become an owner of productive assets.

This "compensation for communist wrongdoings" approach has been so widely accepted that when left-leaning economists of the 1968 "Socialism with human face" generation offered an alternative solution of employee ownership and ESOP-type firms, they didn't fire the imagination of the people who continued their strong support for the early introduced citizens' privatization scheme. Actually, this privatization scheme, introduced so early and in a way that was so appealing to the sense of justice, contributed importantly to a better reception of the hardships that transition necessarily brings about, especially in the early stages of the process of moving to a capitalist market economy. For it was seen as a kind of compensation.

Unfortunately, in my own country different ideas prevailed at the early stage. In Poland, there was a very strong trade union with very high political ambitions, I mean "Solidarity", and therein the Utopian left wing was pressing strongly for their preferred employee ownership method as the dominant method of privatization of state enterprises. However, the government, very much intent on moving toward the capitalist market economy in a well proven manner, did not embrace the idea of the citizens' privatization as an antidote to employee ownership, known from property rights theory as a rather inefficient solution. They preferred a method that has already been proven, meaning the British style public sale of shares, a method that is relatively clear and transparent in the sense that those pursuing it cannot be accused of corrupt deals. Government Decision makers thought that in this way they would protect themselves against attacks of the Utopian wing of "Solidarity".

However, what they did not realize was that it is not enough to prove that they are honest, but that they should also win people's minds. And this is what they couldn't achieve with the public sale of shares, and small packages of shares at that, by those willing to bid for those shares. Obviously, this is not the stuff that fires the imagination of the people. And, therefore, privatization in Poland, thanks to the vitriolic campaign of the left-wingers in the "Solidarity" on the one hand and the nationalists and ex-communists on the other, became a symbol of something shady, suspect, almost an archetype of a swindle. And, therefore, instead of becoming a factor of facilitating transition, it became just the opposite: an albatross around the neck of transition. In consequence not only Polish privatization but also Polish transition has encountered greater resistance than it could have encountered, had privatization choices been different.

So, rephrasing the lesson already formulated above, I would state the following: **Never forget that it is not enough to prove that you are right. You should also try to build a coalition that will allow you to succeed in implementing what you think is right.**

I would now move to yet another issue that also carries an important lesson. Namely, **privatization almost everywhere brought about many surprises**, both for privatizing authorities and politicians in general. Thus, for example, in Hungary, the conservative government was very distrustful of the old communist *nomenklatura*, and in order to prevent shady deals by which *nomenklatura* could enrich itself, it strongly centralized the privatization process, that is the sale of enterprises. But centralizing the sale, whether the sale of underwear or of enterprises, never works. And therefore, apart from major deals with multinationals that could be relatively easily arranged in a centralized way, there hasn't been much progress in privatization in Hungary. So, as you see, in Hungary actual developments were partly different from government's intentions.

Now, in the Czech Republic, a country probably most successful in privatization of all post-communist economies (this is at least my personal opinion), the guiding idea was also somewhat erroneous because they imagined the Czechs as a society of shareholders. Their main idea was that people who get vouchers all would bid for shares of state enterprises and all would retain and/or trade in those shares. However, in Czech Republic the distribution of willingness to take risk is not different from that in other countries. Consequently, only a minority could be classified as risk takers, while all the rest have been, as everywhere, more risk averse. Therefore, there has been a room for expansion of various investment funds that took vouchers from people in return for the promise of a steady flow of income to the voucher owners, who entrusted their vouchers to investment funds.

So, in the end, about 75 percent of all vouchers was placed with the mushrooming investment funds, in Czechoslovakia first, and in Czech Republic later. About 25 percent of those who got vouchers decided to bid for shares themselves, which is, I would say, still a strikingly high ratio. It compares favorably with the ratios for Great Britain and the United States, where about 20 percent of the population owns shares, but nonetheless the outcome was different from the ideas held at the start of transition.

In Poland I already signaled the divergence between governmental preferences and the reality. The government preferred the public sale. However, at the enterprise level, trade unionists & employees pressed – usually with success – for the employee ownership, and as a result, about three-fourths of enterprises were privatized that way. In terms of employment and output the shares are not as unfavorable, because the largest enterprises were sold *via* public sale of shares or sold directly to major foreign investors. Once again, the outcomes were different from those expected.

So, the third lesson of privatization is, in my opinion, **a lesson of humility, a reminder of the fundamental unplannability of social processes.** It follows from the above that the privatization process, given all the possible surprises that we cannot imagine at the start, should allow for as wide a spectrum of privatization methods as possible, which means that there shouldn't be the o n e a n d o n l y method applicable in all situations. The range of methods available should be very wide because we never know what socio-political preferences would emerge, what legal obstacles would be encountered, etc.

Yet another lesson concerns linkages between the components of the "Holy Trinity" I mentioned at the start. There is a need of progressing in all areas developments in all areas important for transition (even if progress as of necessity not identical). Because if a given country lags in some areas then, **unsolved problems in one area become a drag on another.** A case of Russia is very illuminating in this respect. In Russia, for political reasons, reformers were unable to pursue consistently macroeconomic stabilization. At the same time, however, privatization team of Russian government succeeded in the first phase of privatization, that is, in making enterprises privately-owned (as I already signaled, largely by "insiders").

The idea of privatizers was that this should be only the first phase to be followed by further phases of the ownership changes. Only then the structure of ownership would move toward a more efficient one, namely, toward the one in which a core outside investor emerges in most cases. This has been historically proven as the most efficient way of enterprise management, because ownership by insiders distorts enterprise opportunities for the expansion & is even less efficient in the contraction or even stagnation phase.

However, very little happened afterwards because, as I signaled already, the unsolved problems in other areas became a drag on Russian privatization. Foreign investors or domestic private investors are much more ready to invest their financial resources, their time and effort, when certain preconditions are fulfilled in a given country: where there is political stability, macroeconomic stability, stability of rules, and uniformity of implementation of these rules.

The last two variables are most difficult to obtain any time soon everywhere, but the first two certainly have not been present in Russia, either. And, therefore, because of the lack of political and macroeconomic stabilization, with a very arbitrary way, in which government officials were behaving, there have been very little willingness by foreigners and by domestic entrepreneurs to buy into those freshly privatized companies, to buy shares from either managers, or employees, or both. And, therefore, Russian privatized sector at the moment seems to be stuck in the form of private ownership that is known in theory of property rights as maybe the least efficient form of private ownership. It is, maybe, somewhat more efficient than state ownership, but certainly of the forms of private ownership, it should be regarded as the least efficient one.

So, another important lesson of privatization in Eastern Europe is, again, a lesson that you should not be lagging behind too much in any major area of transition, because at a certain point it becomes a drag on other areas, as in the case of Russian privatization.

And now I am coming to an issue that, given its importance, should be really dealt with separately, namely, privatization of the national economy. In Eastern Europe, governments, politicians, trade unions and the general public all concentrated their attention, as well as human and financial resources, almost exclusively on what became known as privatization of state enterprises.

However, **the privatization of enterprises and privatization of the economy is not exactly the same thing.** Privatizing an economy means trying to create a structure of ownership of productive assets in which private owners own an overwhelming majority of the assets. And this can be achieved in two ways. One way is, of course, the transformation of state-owned enterprises into privately-owned ones. And **another way is assisting and nurturing the growth of the generic private sector,** the private sector that starts from scratch. And this is a way that has been almost universally neglected in all countries in transition. This is to some extent understandable if you remember the starting point. At the start of transition, say in 1989-1991, there was anything between 80 and 100 percent of state-ownership in the economy of all these countries, which means that the attention of everybody was glued to that sector that was overwhelmingly dominant and little thought was given to the issue of how to support the generic private sector that everybody hoped that will emerge somehow in all these countries. However, this lack of interest has been detrimental to the privatization of the economy (i.e. privatization in the larger sense).

That generic private sector grows spontaneously, there is no doubt about it. However, there should be at least s o m e support for this, and I think that the Polish case is here, for a change, (because I was talking quite critically about Polish ownership transformation), a highly positive one. Right now, Poland and Czech Republic don't differ very much in terms of the share of private ownership in their national economies. In both economies, it approaches 70 percent of GDP. And with Polish privatization of state enterprises (privatization "from above") contributing rather little to this outcome, quite obviously, there must have been another source. And this source has been in

Poland the growth of the generic private sector, that grew tremendously. Actually, almost 40 percent of GDP has been added by this generic private sector in the period of five years.

And now the question is: Why there has been such a tremendous growth of the generic private sector? Why privatization "from below" (expansion of the generic private sector) has been in Poland so successful, in spite of still limited assistance from the official quarters (or from international community for that matter)?

I think that **Poland went the furthest of all postcommunist countries in allowing the unrestricted right of establishment**, while various territorial, sectoral and other limitations still exist to some, smaller or greater extent, in other countries of the region. So, for example, Polish rules for registration of private companies are incomparably more liberal when contrasted, for instance, with the requirement to obtain a license from district or county government office even in such a free-market oriented country as the Czech Republic.

So, our entrepreneurs can establish a firm by just registering with the court. And that's it. There are no authorities that have to give their opinion, with very narrow exceptions of certain lines of business such as defence, pharmaceuticals, and so on, while in other countries, this is a much longer process, and, let us add frankly, also more corruption-prone. For if you give the right to decide to some (here: local) officials, there is always a temptation to use this as the vehicle for personal enrichment. And, therefore, even if corruption is definitely not absent in the post-communist economy of Poland (this is the unfortunate fact of life!), at least in this area of private sector expansion, we have been spared this type of problems.

What was very important for Poland was **the extension of this liberal rule of establishment to both wholesale trade and foreign trade.** Private wholesalers were much quicker than the state-owned mastodonts at identifying the products for which there has been large and unsatisfied demand. And they much more quickly signaled these consumer preferences to producers. So, the ability to react to perceived demand created p o s i t i v e s t i m u l i for producers to change their structure of supply.

However, since there was also a wide-ranging liberalization of foreign trade, it created possibility for private wholesalers to import higher quality goods from abroad. And that added potential t h r e a t s to positive stimuli. So, enterprises were facing the either-or situation. If they adjust and supply what is needed by the market, that's fine. If they don't, there is alternative source of supply abroad. So, be careful and try to adjust. This may seem all too obvious to you but I assure you that it was a major behavioural revolution in the economy emerging from half a century of communism.

That foregoing was extremely important because it's not only more flexible private firms that reacted to these stimuli and threats but also a part of state enterprises. Because you certainly realize that privatization of industry is much more difficult than privatization of any other sector of the economy, because in industry capital threshold is much higher than elsewhere, and therefore the expansion of the generic private sector is relatively slower. And therefore, the creation of this threats/stimuli framework for the state sector, dominant in industry, additionally facilitated structural change.

In retrospect, I would say that all the successes of this expansion of the generic private sector & of forced adjustment of some state enterprises, were dependent on these particular features of Polish transition programme that have been most often criticized by believers in "gradualism" and by those who didn't like the transition at all. Because contrary to their complaints about transition "ruining everything", which actually meant allowing state enterprises to go bankrupt if they did not adjust, and complaints about the "excessive openness" to imports, **it was precisely those features that generated a very fast expansion of the generic private sector.**

The view that so much of Polish successes in this area is the result of the elimination of barriers to the expansion of the private sector calls for reflection. For it really means that what is sometimes defined in institutional theory as "stroke-of-the-pan reforms", that is, measures that are relatively easy to implement, is of primary importance. It's relatively easy to abolish certain barriers: relatively easy to abolish price controls, relatively easy to, let's say, abolish foreign trade controls, etc. But it is much more difficult to transform state enterprises into privately owned ones because you have to have a network of public and private institutions that are skilled in doing so.

Next lesson would concern a somewhat different subject, although related to the one that I have been talking so far. Not all countries of East Central Europe and former Soviet Union succeeded in their privatization efforts. And now, with transition being already five years old in some countries, one can wonder to what extent the failures of privatization have been a threat for transition of the economies, where these failures were present to some important extent. The question is: Are they really all that important? Because you have seen from the Polish case that failures of privatization "from above" can be made up by privatization "from below". So, **the question naturally arises whether privatization is at all that important that everybody thought at the start.**

And the answer would be: In the long run, yes. Because even if the liberal right of establishment and general liberalization of Polish economy, and maybe of other economies following that pattern, would free people's energy, initiative and entrepreneurship, this is – unfortunately – not enough. That is, it may give an i n i t i a l i m p e t u s to the expansion of the generic private sector, but, at a certain stage, old sins of omission will catch up with the private sector. It is not old sins of the private sector itself, but old sins of "unbalanced" transition.

What I have in mind, first of all, is the fact that the generic private sector goes through certain phases in its expansion. Polish private sector, the generic one, is by-and-large in the second phase. The first phase is a start-up phase. Usually at that time it does not matter very much whether the financial sector is well developed, whether there are institutions, *i.e.* private financial institutions, ready to take large risks, (because large risks are always associated with start-ups). This is the case because private sector starts quite often in a classical way, that is the way founders of the Apple Company started. They started in the garage and, really, with a certain amount of family savings or savings of those who jointly decided to establish a new firm that was enough for the short-up phase. So, at the start, these problems of the well-performing financial sector and the wide range of offered financial services does not seem to be all that urgent.

In a Polish case, this relative unimportance has been carried to the second phase for reasons that few post-Communist countries are able to copy. Namely, it turned out that quite a large number of Polish entrepreneurs have been people who worked and lived in the West for a longer or a shorter period, and when the political change took place, they not only brought back their savings and skills but also brought with them their contacts in the West. One of the consequences has been that to the surprise of many analysts, and I must confess that I have been surprised to some extent myself, even after three to five years of the expansion of the private sector, they seem to be able to go by without much resort to the Polish financial sector. Why? First, because through somewhat shady deals within the so-called "gray" economy they were able to use their current production expenditures as the cover for enterprise modernization and expansion (instead of using profits that they would have to share with the state through corporate taxes). These are the gimmicks that in a period of transition, with its rather weak financial rules' enforcement, are easily made and, therefore, quite widespread. And in Poland expanding private sector consistently shows zero to one percent profit rate.

However, there has been yet another way of financing expansion and this way is related to the already mentioned contacts in the West. Many entrepreneurs, have been able to obtain loans or venture capital in the Western financial markets, and in this way they were able to finance their expansion. So, they could continue to expand without resort to the Polish financial sector.

But there comes a phase in the expansion of the firm where the availability of financing investment ceases to solve all problems. The firm becomes big enough to require revolving credits for financing current production. And this means establishing close relationship with local commercial bank(s). I am afraid that Polish private sector may be facing that phase in the not too distant future. And it is here that these sins of omission in the past will be catching up with Polish economy and limiting further expansion of the private sector.

Because if you maintain very large state sector, and if that state sector by its size, its organization, and its links to policy makers, is politically strong, then financial sector will be strongly pressed to channel resources their way to keep those inefficient state enterprises going. And that may mean that when the private sector will need the steady financial flow, this support of the financial sector may not be forthcoming. First of all, because there might have been some neglect of in fostering the development of that sector. And second, even if the financial sector is in place, it may be forced to channel resources elsewhere, that is to politically more important clients.

A question may be asked as to why the relatively shrinking state enterprise sector retains so strong political clout? There is a saying, circulating in Europe for the last two thousand years, that "God is on the side of larger battalions". That is probably not very moral statement, but unfortunately it is, to some extent, realistic, especially with respect to not so much God's decisions, but to humans' decisions.

And this applies to the situation I am talking about. Because all those state mastodonts are very large. There is a striking size difference between the, let's say, state-owned steel-mill or state-owned tractor factory that employ five, ten, fifteen thousand people, and a small private company. Small companies are immersed in their own affairs. Growth is for them the question of life and death. They cope with the daily problems of survival and expansion. They have very little time for, and probably don't even appreciate the importance of organizing themselves in lobbies, institutions that would represent them in public debates. On the other hand the large state-owned enterprises are the mainstay of trade unions. Managers of these mastodonts have contacts in important seats of financial world and government. All this makes state enterprise sector politically much stronger.

So, another lesson would be that reformers **should be aware of consequences of being late with certain aspects of the transition process.** For even if the delays are not painful at the moment, they may become painful in the not too distant future.

Thus, the foregoing would be, by-and-large, the major lessons that I would be ready to draw from East European privatization.

I was also asked to talk about privatization cases, successful and unsuccessful. I will talk about them, of course, but I would like to signal first that **out of the overview of cases also certain patterns emerge.** And whenever patterns emerge, they may also give you some lesson, e.g. as to what is possible in contrast to what has been regarded as desirable at the beginning. I would confine myself to Polish examples that are best known to me, but they should give you, by-and-large, an idea of certain patterns emerging with respect to privatization.

I would mention first two privatization cases that were accomplished *via* purely domestic measures, that is, without involvement of foreign capital. The first case would be the case of the firm that has been in steady growth since its establishment. This has been largely the case of a very energetic, very farsighted manager who has been managing this firm, when it was still a state-owned one, and became a major factor in its privatization, and later one of the major shareholders. So you can see that this has been the case, to a large extent of a management buy-out. This is the case of the Exbud Construction Group. It has started as a small construction company in a provincial town in central Poland, to become now a company listed on our stock exchange, and actually not so much a construction company any more but a conglomerate, largely of firms that are related by their production profiles to the main area of Exbud activity. More recently it seems to be transforming itself into a conglomerate pure and simple. I would be looking at this group's future with keen interest, because **I personally am rather skeptical about conglomerates that gobble up firms completely unrelated to their basic skills, because it means that they are unrelated to their basic comparative advantages.**

But this was certainly a very successful privatization case. However, it was the case of a company that was prospering even under the old system, which was a rare case, indeed. It was a company that already at the start of Polish transition had more than 50 percent of its income coming from abroad, that is from successful export of construction services to Europe and beyond.

Another case is the case of a company that was, for a change, in a very bad financial situation. Actually, many debtors were ready to file for bankruptcy. I mean Szczecin (Stettin) Shipyard. This is the company that underwent very painful, very long financial restructuring process guided by Polish Development Bank. Something like, well, 700 debtors were involved in the process. In spite of all the obstacles, the privatization has been very successful. It has been the privatization through which part of the debt has been converted into equity, and there has been a major management shake-out, major structural change, as well as major organizational changes in the way production was run.

Right now this company is thriving. This company has three to four years long portfolio of ships to be built, which in that industry is quite a feat. The time-spans in which they deliver ships, from the time of signing the contract to the time the ships are delivered to shipowners, are now on a par with the Korean shipyards that are regarded as very, very efficient. And they used to be two and a half times longer at the start of this process!.... And Szczecin Shipyard is now buying other companies, selectively as suppliers of certain critical components, and in this way turning into an integrated conglomerate.

So, these two cases show that you can privatize a company that is in good financial situation and the company that is in very bad financial situation, actually near bankrupt. This is an optimistic statement. **The recipy seems to be in the latter case to go about it in a sensible way, finding what is common between the debtor and their creditors, and finding a good restructuring team that will guide these negotiations in which everybody has something at stake.**

There are also quite a few cases, I would say, of successful privatization *via* direct sale of the majority of shares, or the so-called "controlling block of shares", to foreign investors. I will concentrate on just a few.

I would mention here the International Paper Co., an American firm that bought a Polish paper company in Kwidzyn for 170 million dollars, and invested further 100 million, and they now have a large share of the Polish market. And with the demand for paper being very high on international markets, it's also becoming a supplier to the world market from its Polish

Kwidzyn base.

Another important case are acquisitions of the ABB, a multinational or, maybe, more precisely: binational Swedish/Swiss firm, Asea Brown Boveri, that has bought a turbine plant in Elblag (Elbing) and a supplier of components in Wrocław (Breslau). They successfully adapted and upgraded these products. And now they are suppliers not only to Polish shipbuilding industry but also from Poland to other shipbuilding companies.

Another good case is a case of the Philips Company that purchased 86 percent of our light bulb manufacturing plant in Piła, in northwestern Poland, and is now poised to buy yet another in Bielsko in southern Poland to become probably a dominant supplier for the domestic market, and, depending on relative costs, probably also a supplier from Polish base elsewhere. In fact, Philips is now thinking of shifting from buying into existing companies, that is from the field I am interested in (privatization), to "greenfield investment," so-called. And you probably know, at least some of you, that they established a joint venture with Matsushita, and will be producing batteries in Poland as well.

I was talking so far about individual cases. But it is also possible to talk about sectoral cases of privatization. This is one of the lessons, by the way, of privatization experience that sectoral privatization is easier, whenever investors, be it domestic or foreign or both, see a high market potential. So, **they are buying not only a productive facility but also an initial market share in a given market** that has been supplied by these facilities. And there is a couple of industries where this type of wide-ranging privatization occurred.

One of the best examples of successful privatization is Polish beer industry. Here you have had very many privatization methods applied in one industry. The outcome has been a very competitive structure, strikingly better quality of the product, and so on. Two major Polish breweries were privatized through the preferred method of the Balcerovicz team, that is, through public sale of shares. I mean Zywiec and Okocim breweries. On the other hand a relatively small producer in northern Poland, in Elblag, was bought by a group of Australian investors, and they soon expanded the brewery into a company that has now the largest share in the Polish beer market. They doubled the output from the time they bought into the company to the present.

There is yet another case of privatization *via* a key investor group, but this time not foreign but Polish: a Polish capital group from Poznan headed by Kulczyk Holding. Mr. Kulczyk is one of the biggest Polish entrepreneurs. Lech Brewery, located in the same city, bought by the group in question is now engaged in a large expansion programme. So, the industry is gearing up for further expansion and the improvement in quality. You wouldn't recognize Polish beer market now, having seen it some 5-6 years ago.

The same story is that of the confectionery (sweets) industry, with various Polish choclatiers bought by major brand names: Nestle, Mars, Cadbury-schweppes and so on. In the latter case, however, you don't have Polish investors interested in coming in. So, it is largely privatization *via* foreign investment. And, interestingly, Pepsico bought the largest and oldest Polish choclatier even if it has not been their area of growth. We will see what will happen in the future, how they will cope with a new area of expansion.

And case of the competitive foreign bidding, so to say, is soaps and toiletries industry. Especially in the detergents market, you have investments by Unilever of about $100 million, Proctor & Gamble over $100 million, and Henkels, a German Soap and Toiletries Company, of almost $40 million. These cases point to one important lesson, namely, to the fact that if the structure of industry is oligopolistic, it means that once you are able to entice o n e foreign investor, then by reasons of oligopolistic rivalry other companies will follow suit. For the strategy of firms in such industry is that they should be in i d e n t i c a l situation *vis-à-vis* other firms in the business. So, e.g., when Unilever bought a Polish company in northern Poland, Henckels and Proctor & Gamble immediately followed suit buying into two other companies producing detergents in Poland.

But, so far I have been talking about industries that have been largely supplying the domestic market, that is, industries in which buying a company also meant buying the initial share of that company in the market.

However, one should also consider at the possibilities of privatization of strongly export-oriented branches. One of such export-oriented branches in

Poland is furnituremaking industry. And there, privatization has been quite successful. Some three to four Polish furniture-makers have been bought by German firms with the intent of making Poland an important sourcing base for their market in Germany. Also, another Polish furniture company, one of the best known domestically and internationally, (Swarzedz), has been privatized through the public sale of shares, without a 'key' (strategic) investor. In its case, after a period of inaction resulting from this type of privatization, because for the time being there is nobody, so to say, holding the reigns, is now moving fast toward the rather steady path of growth.

However, you have probably noticed that I listed those industries, that are not so much high-technology industries. And there, the next question would be whether there are any cases in any country, where the privatization of a high-technology industry succeeded under normal, free market conditions. And I must confess that this so far has not really been the case. Probably electronics, including the consumer electronics, is the best example of the lack of success in this area, because there, Poland and other countries of the former Soviet Block have been producers of low quality/high cost products. So, with liberalization of the domestic market, with the opening up of borders, there has been a major shift in consumers' sentiments, and even in producers' sentiments, given the much higher quality of parts and components bought from outside the former Soviet Block. And most of these companies either went bankrupt or are tottering on the verge of bankruptcy, and there have been only a few cases of successful turnaround or even of survival to date.

In Hungary, for example, the major producer of consumer electronics, VIDEOTON, has simply disappeared from the market. Nine divisions out of ten have been closed, and the tenth has bought by a private investor.

So, probably, it is possible, in the case of a few companies, to become islands of high technology industries left after the shake-up. And however painful it is, I think it is something that should, by-and-large, be expected, because these countries were organizationally and technologically unprepared to develop such industries. Such industries could develop only behind the high protective walls, separating them from the world market. Therefore, once these walls went down, only the best of these companies, meaning: the ones that could adjust to world market conditions, survived. And by stressing the verb "could" I would like to stress that many companies, in spite of their best efforts, simply couldn't because they were unviable from the start. The story of East Getman electronics industry has been even more chromatic than that of Polish or Hungarian industries.

So, these industries may expand again, but it will be a normal market-driven process. The competition in the open economy will be the decisive discriminating factor rather than political will to establish a 'modern' or 'progressive' industry. But for the moment, privatization has been rather unsuccessful because there have been little of market value to be privatized.

However, there are other cases where the opportunity to survive and even prosper have been created by the intervention of the state. Here I would mention the producers of telecommunications equipment. The intervention has been successful (at least in saving these enterprises from extinction...) because we have in all post-communist countries telecom monopolies. Thus, state privatizers put foward a very specific condition to foreign companies competing to supply Polish telecommunication market. The condition has been that a company or companies supplying telecom systems should not only offer high quality equipment but also buy into a selected Polish telecom equipment manufacturer, turn it around and make it an important part of the supplying base for the Polish telecom monopoly.

So, in this particular sub-sector of engineering industry, some firms have been saved but not through market measures, restructuring and adjustment, but by forcing foreign firms to invest their money, time and energy into making these companies viable suppliers. And, so far as I know, the same has happened in Hungary (in the Czech Republic they were thinking along the similar lines).

There have been other problems as well, but they are not easily generalizable. I mention, however, a relatively unsuccessful privatization case because it allows us to look beyond the case itself.

First would be the case of the Fiat investment in Polish factory producing small cars, also on the Italian license. Fiat bought the company, and the outcome for Polish consumers has not been very fortunate. This was due to a combination of two factors: one enterprise-specific and another due to a policy error. Enterprise-specific factor is that the then communist government signed a very disadvantageous contract with Fiat in 1987, actually condemning us to subsidizing Italy-bound production to a substantial extent almost forever. So, obviously, when the negotiations came in 1991-1992, after political change, Polish negotiators were in a disadvantageous position from the start and had to make larger concessions to Fiat than they would have made under different conditions, without past errors tying their hands.

But on top of that I think that the Polish governmental policy with respect to foreign investment is not necessarily the best one in the case of automotive industry and this, I would venture to say, applies to a l l other post-communist countries. The prevailing feeling everywhere is that Poland should be a major producer of autos, and, therefore, we should offer a variety of concessions to automotive firms to entice them to establish automotive factories there. And these concessions (not only in Poland) are a protected market. And this kind of mistake has been made in the case of Fiat. Instead of giving Italians some other concessions, we offered them a protection from competition. There is every year an outcry about Fiat rising prices by more than inflation rate, but, for the time being, it is rather difficult to do something about it.

I think this is the worst type of concessions you can offer to foreign investors. This has already been experienced by Latin America since the 1940's to 1970's. They also decided to industrialize *via* protectionist concessions to foreign, largely Americans companies. And these companies went there and built a lot of small-volume production facilities, manufacturing at high costs behind protective walls. And behind protective walls they were not very interested in upgrading products technologically. So, after some years Latin American countries had all the possible disadvantages (high cost, technological obsolescence) without really achieving a lot. And it seems to me that East European countries, especially in the case of automotive industry, seem to be repeating the same error.

Now, probably, it is time to look at privatization outcomes in comparative perspective. I have in mind Polish and Czech privatizations. In Poland there are many more cases of successful privatization in Polish industry, then in the Czech industry. Why? Because, in Poland we privatized rather little, but in most cases what was privatized was privatized successfully, in a sense that there has been a key investor usually from the start.

However, in the Czech case, it's very difficult to show the successful cases of privatization, apart from (most) cases of foreign investment. Why? Because their type of privatization makes it possible to privatize many more state enterprises but requires more time in each individual case to operate efficiently. In the so-called voucher privatization within company for the time being things change only a little. A company is f o r m a l l y private, because a majority of shares is privately-owned, some directly by citizens, most managed by investment funds, but until one or another investment fund emerges as a key investor, privatized company does not operate in a manner typical for a private enterprise.

And the Czechs are at present at this intermediate phase. However, most enterprises have already been privatized in the Czech Republic, in contrast with Poland, where privatization has been completed only with respect to something like 3 to 4 percent of all state enterprises (in the Czech Republic it is 70-80 percent). But there have been much fewer cases so far of emerging key investors. Consequently, the reconcentration of ownership did not occur yet on a significant scale. But it is worth reminding at the same time that this intermediate stage is the stage at which something like 70-80 percent of all ex-state-owned enterprises finds itself.

So, everybody should judge what is better. Whether it is better to have a few show-cases, or to move more slowly and through a kind of spontaneous self-selective process, but once the process is accomplished you suddenly see not a hundred but a few thousands of enterprises performing quite well.

So, the foregoing would complete the second part of my presentation. And now I would turn to the third one, because I was also asked to reflect on possible roles of international donor community and international financial institutions, such as European Bank for Reconstruction and Development or International Finance Corporation in supporting privatization in Eastern Europe. And it is in this context that I would like to remind you what I said before about two types of privatization, privatization "from above" and privatization "from below", that is assisting and nurturing the expansion of the generic private sector. Because it is in this context that I would try to frame my answer to this query.

I would being by saying that just as the attention of politicians and the general public in post-communist countries, as well as financial and organizational resources, have been concentrated upon the privatization "from above", so the resources of international financial institutions and donor countries were to a very large extent a l s o concentrated on this privatization "from above". Let me add immediately in order to dispel any doubt that **there have been good reasons of doing** so. First of all, there has been a political reason. If East European governments have concentrated their attention on privatization "from above", it's quite obvious that international financial institutions and donor governments were to a large extent following the wishes of the governments they were willing to assist. They conformed to what were then the preferences of post-communist governments.

There has been also a **self-interest reason** that also pushed donor countries in that direction. One of the important methods was privatization through direct sale to key investors. These key investors were more often than not foreign companies. Consequently, consultancies, feasibility studies, and foreign lending (including that through financial institutions) facilitated these firms' entry into Eastern Europe.

And there has been yet another reason that I would call "marketing reason" that also prodded donor countries and international institutions in the same direction. Because **privatization "from above" is, so to say, more glamorous.** It makes reports to national governments look better. Because if you sell or assist in privatizing a major company whose assets are valued at millions of dollars or even hundreds of millions of dollars, if that company employs thousands of workers, the privatization case looks very well in the report. Your agency or your bank gets involved it pays for consultancy, it pays fees for a feasibility study, but there is something to show in the report for the money spent. The report looks much better than in the case of a small private company applying for a loan or offering an equity stake, where you also need to involve consultants, you also have to make a feasibility study, but the ratio between costs of these "inputs" to "output" is much less advantageous. The costs are somewhat smaller but not p r o p o r t i o n a l l y smaller. So, it's not only more glamorous, more easily shown in the report, but it also seems to be cost-efficient in terms of using donor country taxpayers' money.

Venture capital arrangements with, say, maximum equity stake or loan not exceeding, say, 50 or 100 thousand dollars or a quarter of a million at most, are neither glamorous nor, apparently, cost-effective. The same applies to loan guarantee schemes for small businesses or other ventures of that sort. In fact, there is very little to show in the reports, when you, let's say, get involved into co-financing loan guarantee scheme for a small business. Because the best you can show is that the loan guarantee scheme didn't involve any payments for failed loans. It means that the loans were paid back, but it is not very much that can be shown in the reports.

And yet, the future of the capitalist market economy in these countries depends, to a quite large, maybe even decisive extent, on the healthy expansion of the generic private sector. The Polish experience in the first five years of transition proves the point.

And this brings me to quoting in this context my own experience at the European Bank for Reconstruction and Development. There, the bias toward "show cases" was also visible. I remember that at our Board meetings, one loan after another to a major bank from a Western country has been approved of, and these major banks have, then, established their subsidiaries in East European countries.

I, then, suggested, alone at first, but later I was joined by quite a few colleagues, that, the EBRD should get involved with small, domestic, privately-owned banks that emerged only at the start of the transition process.

And the answer of Bank experts was: "these banks have no track record".

Of course, in banking it is very important, that a bank has a track record, has not registered cases of failure of oversight, or of a package of bad loans, etc. However, more imagination is necessary in the case of post-communist countries. I was pointing out that **the whole transition has no track record** because it started only very recently. This should not be the decisive argument against getting involved with small domestic banks. I suggested that we should try to select the most promising from these banks, using the sound banking criteria.

And I must admit that there has been a positive change, and, over time, they shifted their attention to privatization of state-owned banks and strengthening of small privately-owned banks. So, two privately-owned banks were assisted by EBRD in this manner, two banks in Romania, two banks in Hungary, and one in Czech Republic, at least until the time I left the Bank at the end of 1993.

And, therefore, I would stress here what are the patterns of thought that prevent you from looking at important issues the way it is necessary to understand an area that belies your traditional experience. If you are a banking expert, you think in terms of a track record of the bank. But if you are entering an area where no private banks existed at all just a few years ago then you should look at those criteria somewhat differently, and adjust them to local conditions. And this is, I think, one of the recommendations that could be drawn from my own experience in the European Bank for Reconstruction and Development. It is important to look at developments in the context of particular region, taking into account its legacy from the past.

If the economy did not get as a part of its inheritance a developed financial sector, and especially a privately-owned one, then your criteria of judging what is good for these economies -- in the context of building the financial sector -- should be somewhat different, and caution should be exercised in applying certain standard and approaches.

There have been improvements in the performance of the EBRD, but major international institutions are like big ships. You are at the steering wheel of a big ship, and you are trying to turn it, and then, a mile is travelled, two miles, three miles, before the ship starts turning a little. And, therefore, another lesson I drew myself from my experience in the European Bank is that impatience should not overwhelm you.

So, just like with privatization in those countries, you needed to build alliances in favour of a particular solution. So, the same, I think, applies to international financial institutions. There, too, if good ideas are to prevail, you need time, you need patience, you need good guidance, you need good argument, good data, and you should not be impatient. I understand that politicians in countries in transition, moving from one system to another, are impatient. However, impatience is not advised.

QUESTIONS AND ANSWERS

QUESTION: What links are there, if any, between privatization programs & prospective admission of East-Central European countries to European Union? And a more difficult question: the differences between private enterprises & privatized ones?

WINIECKI: The link is tenuous and indirect at best. However, I think that what is important for all actors, political and economic, in East-Central Europe is the importance of having in mind that we will have to conform to certain general rules applicable in the European Union. And in this way, a constant pressure may be exercised on sometimes reluctant authorities, or on even more reluctant state enterprise management. We can always say in Poland: "Well, listen, you are now acting on a protected market. You are aware that the government we have now is very protectionist. But remember, that in 1997 we will have to eliminate barriers to intra-European Union trade, in other words on trade between European Community and Poland." If you do not adjust you will find yourself defenseless afterwards.

By invoking this threat you may be forcing unwilling management, as well as trade union leadership and workers themselves, toward desirable privatization solutions. Thus, you can use the fact that we are heading in that direction to exercise pressure, to move privatization in the right direction. In fact, you know, to move it at all.

The second question, of course, is, as you yourself mentioned, much more difficult to answer. When I was saying, in fact, throughout this presentation that it is maybe more important to nurture the growth of the generic private sector, in other words to support privatization from below, I really implied what you said, namely, that in those enterprises, such issues as, e.g., labour relations, and incentives for management have been largely set right from the start, while in privatized companies the situation is not always the same (to say the least). The difference is even greater in the case of Poland, where there has been a long tradition of workers' militancy. Trade unions, both the one associated with communists and the "Solidarity" trade union, exercise very strong role.

So, in most privatization cases, especially in more recent cases, one finds those employment clauses, that is, obligation of the buyer of the enterprise to maintain employment for a year, for two years, for three years even, and this, of course, means that there will be a lot of redundant labour within firms.

There may be exceptions. In some firms, all those who want to work for better wages, who worked better for better wages, to put it that way, will find jobs. Elbrewery from Elblag the expanding company bought by Australian investors, is a good case. They doubled production, increased employment above the level they inherited from the state-owned company.

But this is not always the case. Sometimes you need to adjust, and this is often painful. And it means that, for the time being, the improvement in productivity may just come about as a result of shifting people within enterprise, while still bearing in mind that part of that labour is redundant anyway. And, more often than not, it will be dismissed after this protection period ends. So, there, the situation is more difficult.

However, from country to country situation is different. For example, there has been a lot of criticism of Czech privatization exactly on this ground, namely that in Czech enterprises, nothing really changes, and, therefore, there is low unemployment in Czech Republic (the lowest in the whole post-Communist area).

But when I studied the problem more closely, it turned out to be not the case. Because although the management there finds itself in this *interim* situation of weak exercise of ownership rights and lack of key investors, "leisure on the job" for the management is not so visible at the plant level. There, the attrition of labour in the industrial sector does not differ from the level of attrition of industrial labour in Polish industry, which means that without bankruptcies in Czech industry employment restructuring has been going on. The industrial labour in the post-state sector is now about 20 percent lower than it was in 1990, that is, before the Czech transition programme began (because it started a year later than in Poland and in Hungary).

Another feature characteristic of the Czechs, and not of Hungarians or Poles, has been the willingness of workers to accept real wage cuts. In Poland and in Hungary, there was a strong pressure to maintain real wages, and as a result employment fell, and sometimes firms went bust. In Czech Republic they were ready to take deep labour cuts, while maintaining employment, which shows greater flexibility.

So, again, the adjustment depends on many factors, sometimes related to given country's history, and sometimes not. In Poland and in Hungary, the unemployment benefits have been very generous. In Poland, that has changed a bit, but they are still very easy to get. In Czech Republic, they have not been encouraging unemployment in this manner. Their level of unemployment benefits and the period during which they are paid are substantially shorter than in Poland or Hungary. This probably also has something to do with the low level of unemployment. It simply does not pay to be unemployed.

So, again, I think that although the problem is general for all post-state enterprises, it is probably solved differently from country to country depending on history, politics, structure of incentives, and so on.

QUESTION: I am a development specialist in industrial management.

I had been working in Poland during this March to May, and I had learned a lot about your privatization. But I had many questions at that time. But some of my questions you kindly just gave me the answer. So, I could really understand about the policy situations for the privatization.

In fact, at first I observed that the entrepreneurship in the state-owned company is much stronger than the late privatized enterprises. So, the late privatized enterprise' managers, I felt, did too much human oriented management;—they preferred to do it. Of course, the Japanese management characteristics is the humanoriented management. So I was very happy to see, but too much. Their labour cost is more than 30 percent as compared with the total production cost. So I wondered how long they could just survive it.

And my question itself: Just taking into account such a situation, I feel, to encourage the entrepreneurs, which Professor just explained to us, fostering such entrepreneurship is very important from the non-existed industries like food industries or furniture or detergents, and so on and so forth. And I felt there are some small enterprises just coming up, and their management is very very enthusiastic to enlarge their operation.

However, as Professor has just explained to us, the very big entrepreneurs, very big enterprises from outside countries are just going into Poland, like a detergent. So, if such a worldwide, big enterprise came, such a small enterprise just come up, I feel, they can't survive; they can't compete with them.

And to solve that matter, I feel the government must, the Polish Government must just encourage to just foster such small enterprises, and especially the linkage with the Polish entrepreneurs outside Poland.

Now, I was told that the second biggest city for Polish people is Chicago, not Krakow or any other place. So, then you have; --- I was very surprised to see the Businessweek; Polish edition you have. It means that there are so many entrepreneurs outside Poland you have. So, are there any possibilities to encourage these people to come back or to have some linkage with some small entrepreneurs in Poland?

That idea itself is very important to just generate your own industries, especially in the consuming industries, like detergents or food industry.

WINIECKI: I see two different issues that you kindly raised. The first issue is one of finding ways in which these entrepreneurs who expand are supported in their future expansion. Your position is actually supportive of what I was saying all along in my presentation, namely, that there has been too much attention directed at and resources going to privatization, and too little to the generic private sector. And maybe we should combine the two, namely, trying to find ways in which entrepreneurs would be helped in buying state-owned companies.

Of course, it's very difficult for an entrepreneur who has a company that employs, say, one hundred people to buy a company that employs 500 people. Quite obviously, the capital needed for that venture exceeds probably the financial resources of a given private firm.

So, there should be some schemes, let us say, for selling state enterprises on installment basis to Polish generic entrepreneurs. I have been, in fact, suggesting, such schemes in Poland for years. However, so far, nothing came out, though.

Similar schemes were proposed in Hungary by Professor Kornai and others concerned with the same issues you are concerned. There they have some financial support for private entrepreneurs, but it is not regarded as sufficient, and therefore there have been few cases of assisted privatization of that sort in Hungary as well. I am afraid we are still in the phase of the search for solutions. But I agree with you 100 percent that this is what we certainly should be doing.

Now, about this "diaspora factor". Diaspora factor is important. Mr. Fujikawa has also been a witness to what our EBRD colleague, Ron Freeman, was saying on the reasons why there are fewer Japanese investors than American investors in Poland (or Hungary or Czech Republic or Russia). He is fond of explaining that there are few Japanese businessmen who have a Polish grandfather...

This is exactly the issue you have raised. With very large diaspora of Poles, Hungarians, Czechs, Russians around the world, but concentrated in some countries, we should expect that they play an important role in transition. And they do. In Polish or Czech transition, for example, a major inflow has been of people who lived in Western Europe, largely in West Germany; now coming back establishing own firms there, or joint ventures, or just repatriating their savings and finding interesting jobs in Poland or the Czech Republic.

This has been less true about the American diaspora because American diaspora has been longer rooted in the United States. They are largely descendants of the XIX century emigrants. These Americans of Polish or Czech descent are more strongly anchored in the States. So, there is little movement of people of Polish descent from the United States. This is, e.g., in contrast with the case of Ukrainians from Canada. The latter are new, post-Second World War emigrants. So, they have closer ties to Ukraine. So, this is certainly an important factor.

But "old" emigration is also important but in an indirect way, namely, because of their knowledge of Poland that they bring into their dealings in Poland, either as representatives of American firms involved in Polish privatization buyers, or consultants, or bankers financing the deals.

Thank you very much, everybody, for your attention and interest in the lecture. Thank you.

資　　料

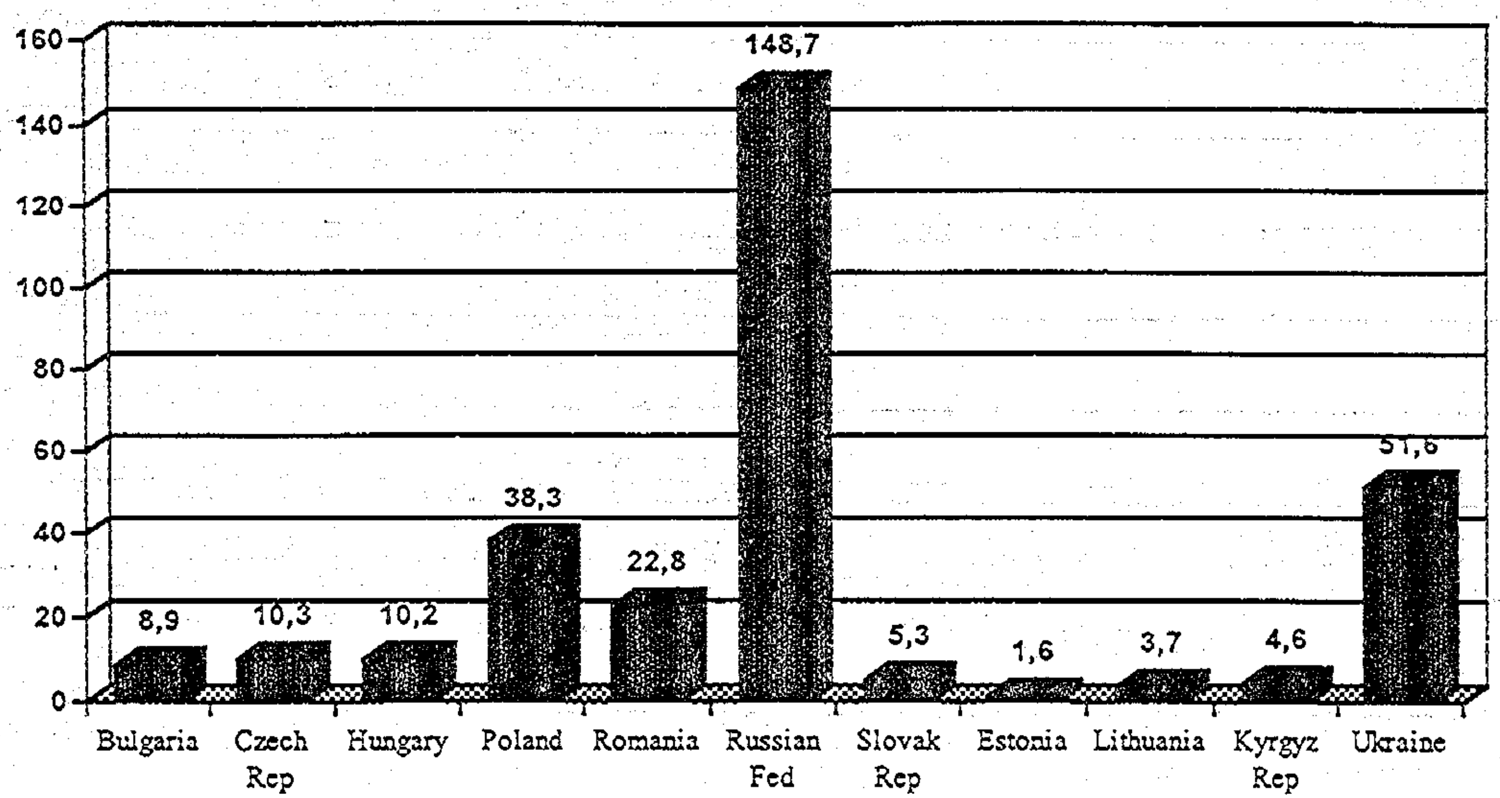
	Population	GDP	GDP per capita	Import	Import /GDP	Direct investment *	Invest/GDP	Direct investment	Invest/GDP
	in millions, mid 1993	in millions of US Dollars	in US Dollars	in millions of US Dollars	per cent	in millions of US Dollars	per cent	in millions of US Dollars	per cent
Bulgaria	8,9	10 369	1 165	4 301	41%	62	0,60%	55,4	0,53%
Czech Rep	10,3	31 613	3 069	13 341	42%	606	1,92%		
Hungary	10,2	38 099	3 735	12 630	33%	2200	5,77%	2339	6,14%
Poland	38,3	85 853	2 242	18 748	22%	350	0,41%	1697	1,98%
Romania	22,8	25 969	1 139	6 922	27%	48	0,18%	87	0,34%
Russian Fed	148,7	329 432	2 215	34 400	10%	1100	0,33%	900	0,27%
Slovak Rep	5,3	11 076	2 090	6 224	56%	160	1,44%	133,9	1,21%
Estonia	1,6	5 092	3 183	968	19%	122	2,40%	145	2,85%
Lithuania	3,7	4 335	1 172	2 045	47%	40	0,92%	60	1,38%
Kyrgyz Rep	4,6	3 915	851	505	13%				
Ukraine	51,6	109 078	2 114	15 320	14%			50	0,05%
China People´s Rep	1178,4	425 611	361	103 950	24%			23115	5,43%

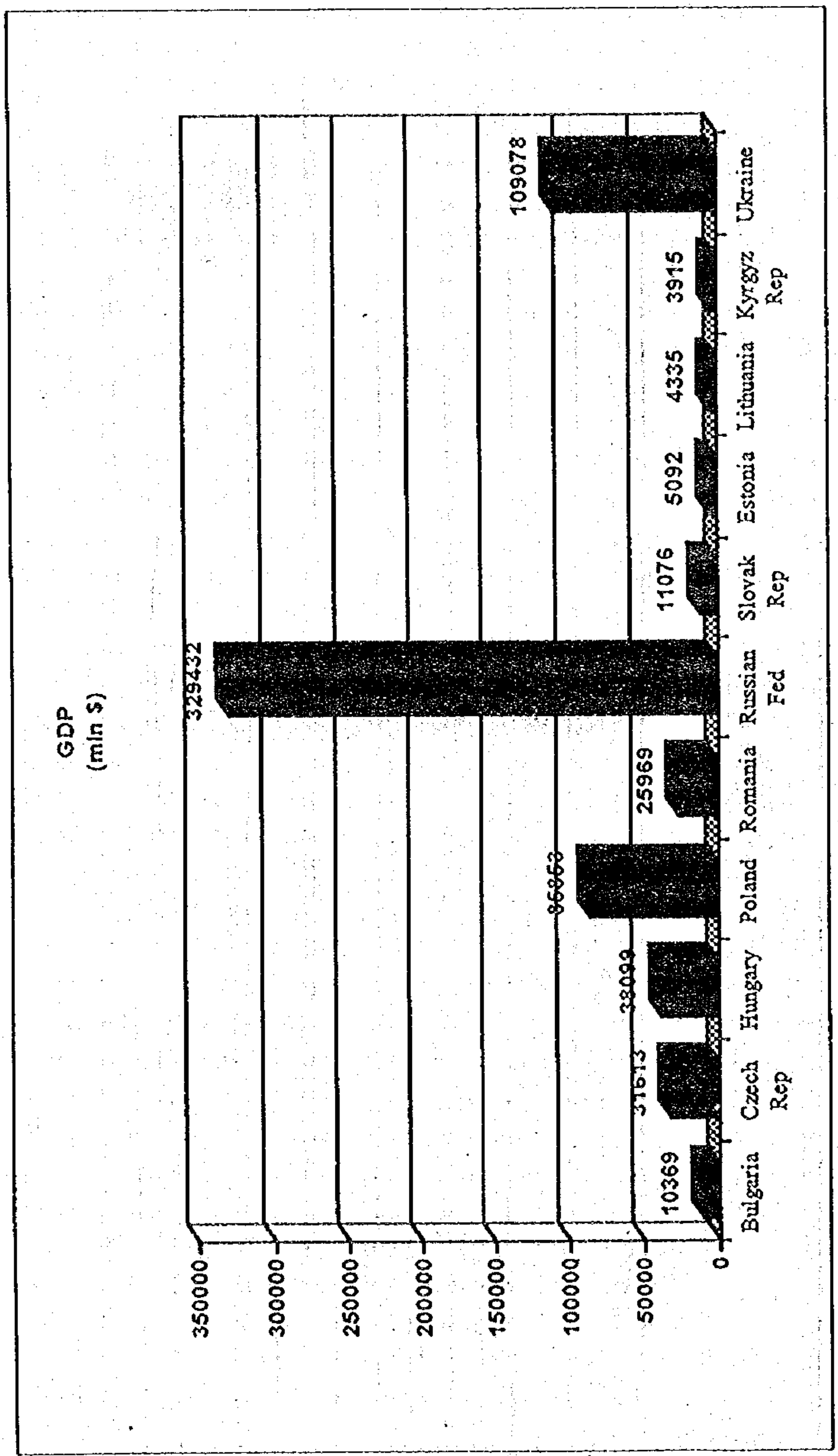
Population, GDP, GNP per capita - World Development Report 1995, World Bank , Oxford University Press 1995.
Imports, - Trends in Developing Economies 1995, The Word Bank Washington, D.C.
Direct investment* - Transition report, October 1994, European Bank for Reconstruction and Development.
Direct inwestment (estimate 1993) - World Table 1995, World Bank The Johns Hopkins University Press, Baltimore and London.

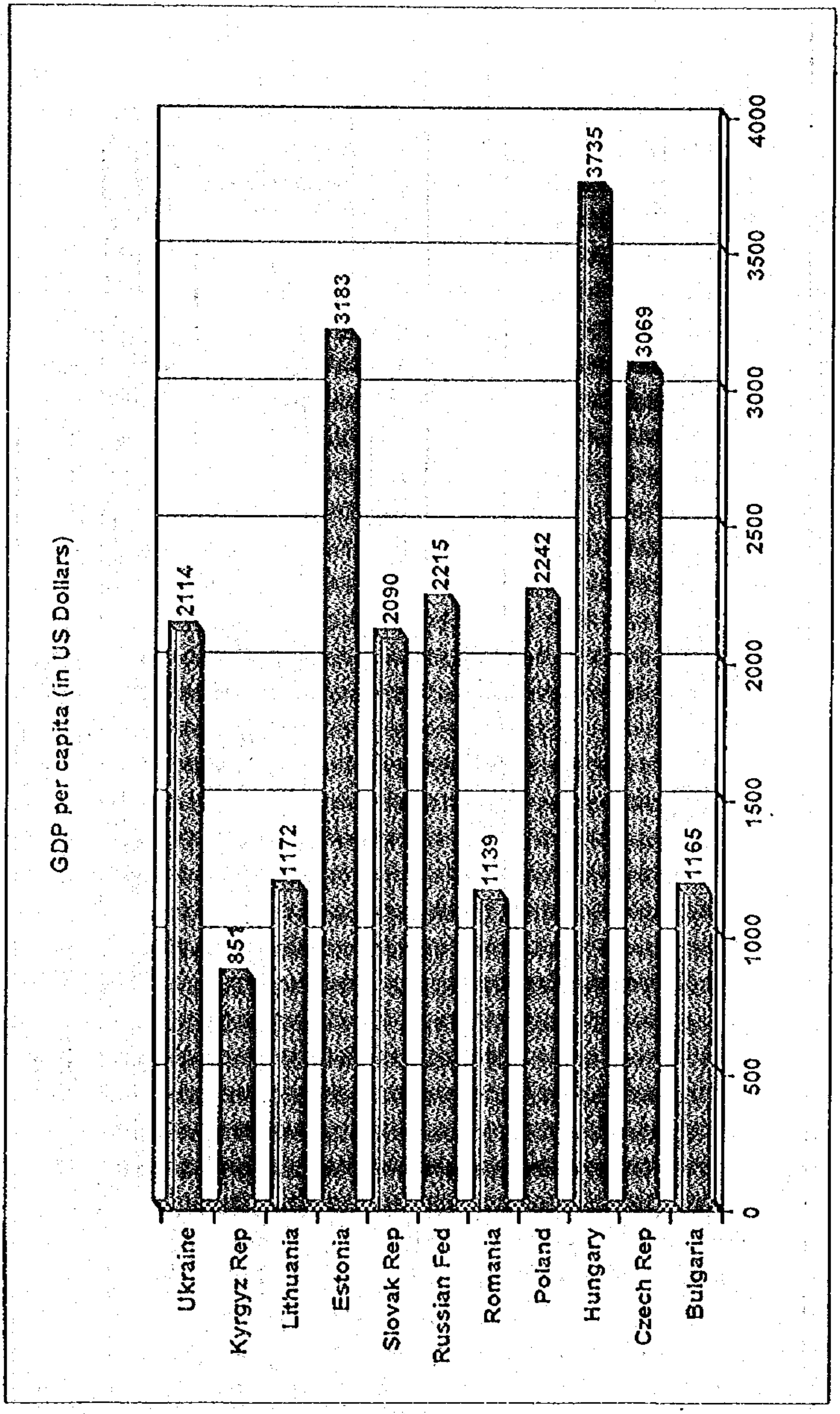
	Population	GNP*	GNP per capita	Import	Import /GNP	Direct investment •	Invest/GNP	Direct investment	Invest/GNP
	in millions mid 1993	in millions of US Dollars	in US Dollars	in millions of US Dollars	per cent	FDI in millions of US Dollars	per cent	FDI in millions of US Dollars	per cent
Bulgaria	8,9	10 146	1 140	4 301	42%	62	0,61%	55,4	0,55%
Czech Rep	10,3	27 913	2 710	13 341	48%	606	2,17%		
Hungary	10,2	34 170	3 350	12 630	37%	2200	6,44%	2339	6,85%
Poland	38,3	86 558	2 260	18 748	22%	350	0,40%	1697	1,96%
Romania	22,8	25 992	1 140	6 922	27%	48	0,18%	87	0,33%
Russian Fed	148,7	347 958	2 340	34 400	10%	1100	0,32%	900	0,26%
Slovak Rep	5,3	10 335	1 950	6 224	60%	160	1,55%	133,9	1,30%
Estonia	1,6	5 092	3 080	968	19%	122	2,40%	145	2,85%
Lithuania	3,7	4 335	1 320	2 045	47%	40	0,92%	60	1,38%
Kyrgyz Rep.	4,6	3 915	850	505	13%				
Ukraine	51,6	109 078	2 210	15 320	14%			50	0,05%
China People´s Rep	1178,4	577 416	490	103 950	18%			23115	4,00%

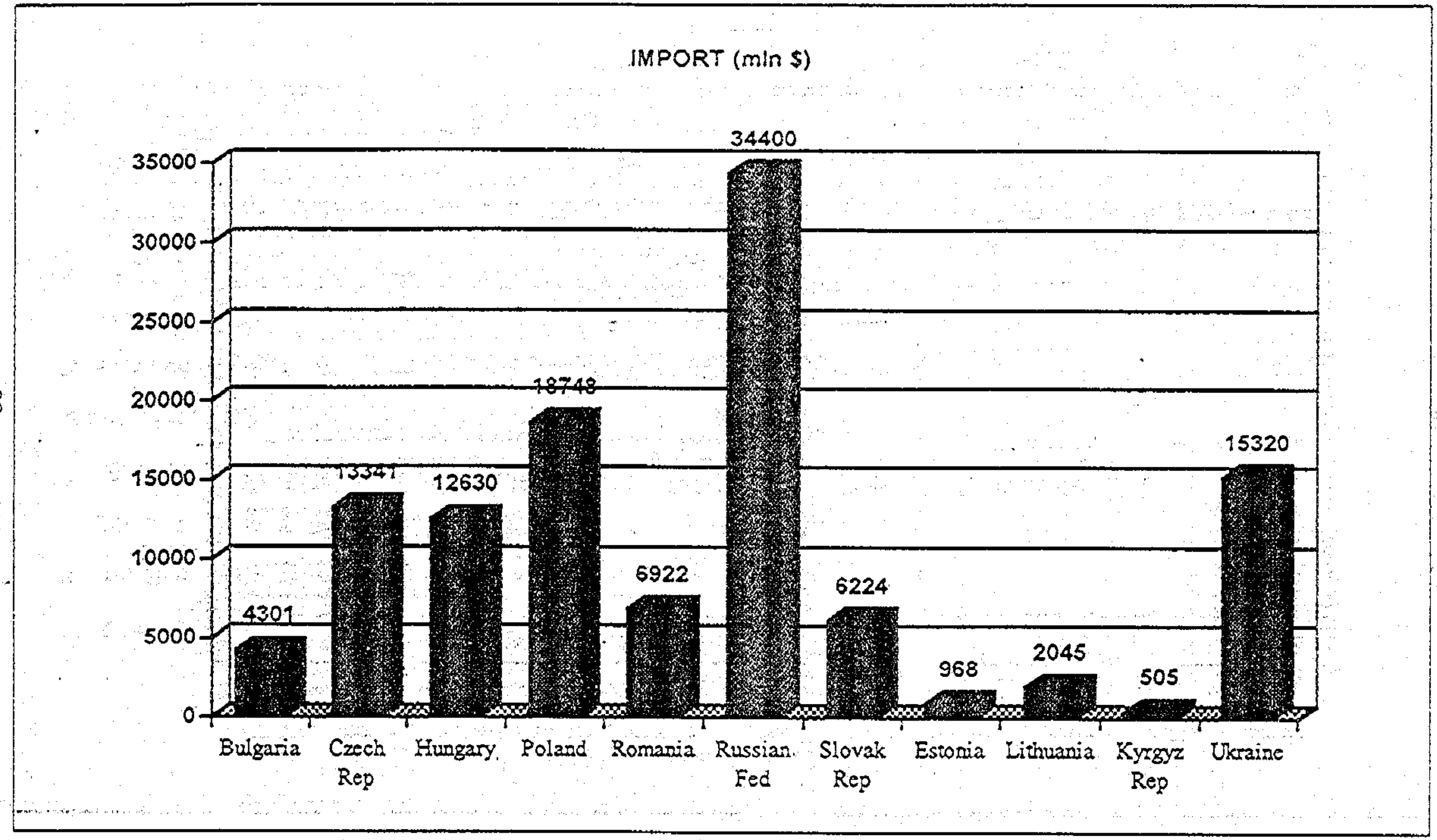
Population, GDP, GNP per capita - World Development Report 1995, World Bank , Oxford University Press 1995.
Imports, - Trends in Developing Economies 1995, The Word Bank Washington, D.C.
Direct inwestment* - Transition report, October 1994, European Bank for Reconstruction and Development.
Direct inwestment (estimate 1993) - World Table 1995, World Bank The Johns Hopkins University Press, Baltimore and London.

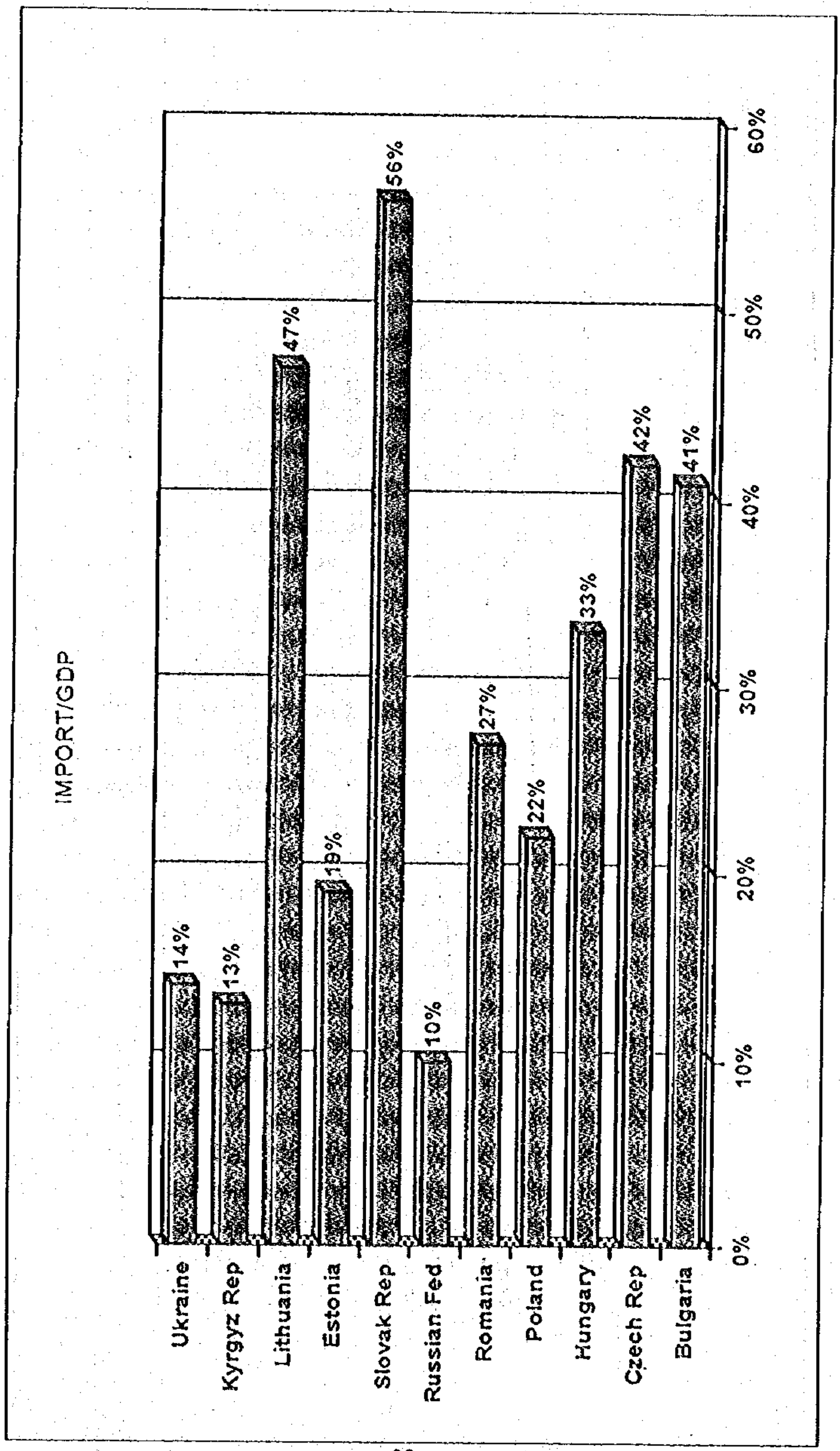
POPULATION
(in millions)



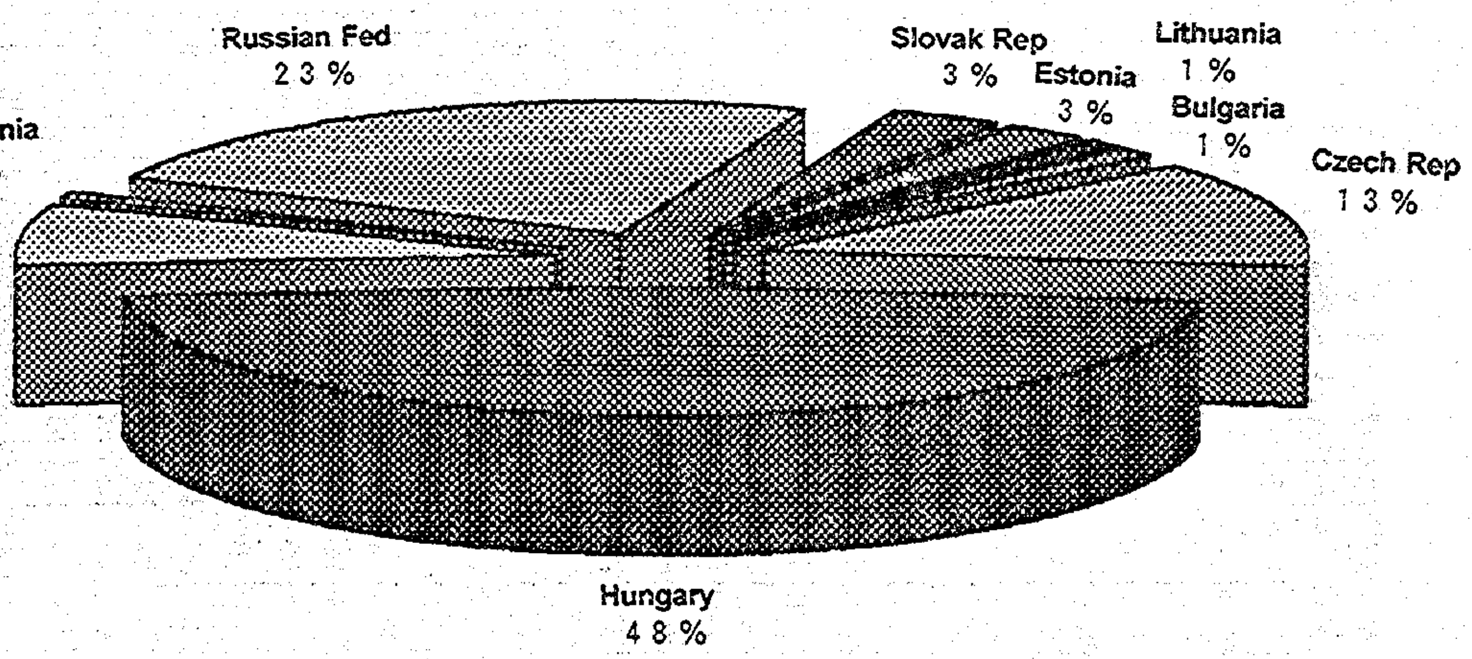

GDP
(mln $)
350000
300000
250000
200000
150000
100000
50000
0
10369
31613
38099
86863
25969
329432
11076
5092
4335
3915
109078
Bulgaria
Czech Rep
Hungary
Poland
Romania
Russian Fed
Slovak Rep
Estonia
Lithuania
Kyrgyz Rep
Ukraine


GDP per capita (in US Dollars)
Ukraine
Kyrgyz Rep
Lithuania
Estonia
Slovak Rep
Russian Fed
Romania
Poland
Hungary
Czech Rep
Bulgaria
2114
851
1172
3183
2090
2215
1139
2242
3735
3069
1165
0
500
1000
1500
2000
2500
3000
3500
4000


IMPORT (mln $)
35000
30000
25000
20000
15000
10000
5000
0
4301
13341
12630
18748
6922
34400
6224
968
2045
505
15320
Bulgaria
Czech Rep
Hungary
Poland
Romania
Russian Fed
Slovak Rep
Estonia
Lithuania
Kyrgyz Rep
Ukraine


IMPORT/GDP
Ukraine
Kyrgyz Rep
Lithuania
Estonia
Slovak Rep
Russian Fed
Romania
Poland
Hungary
Czech Rep
Bulgaria
14%
13%
47%
19%
56%
10%
27%
22%
33%
42%
41%
0%
10%
20%
30%
40%
50%
60%

DIRECT INVESTMENT*



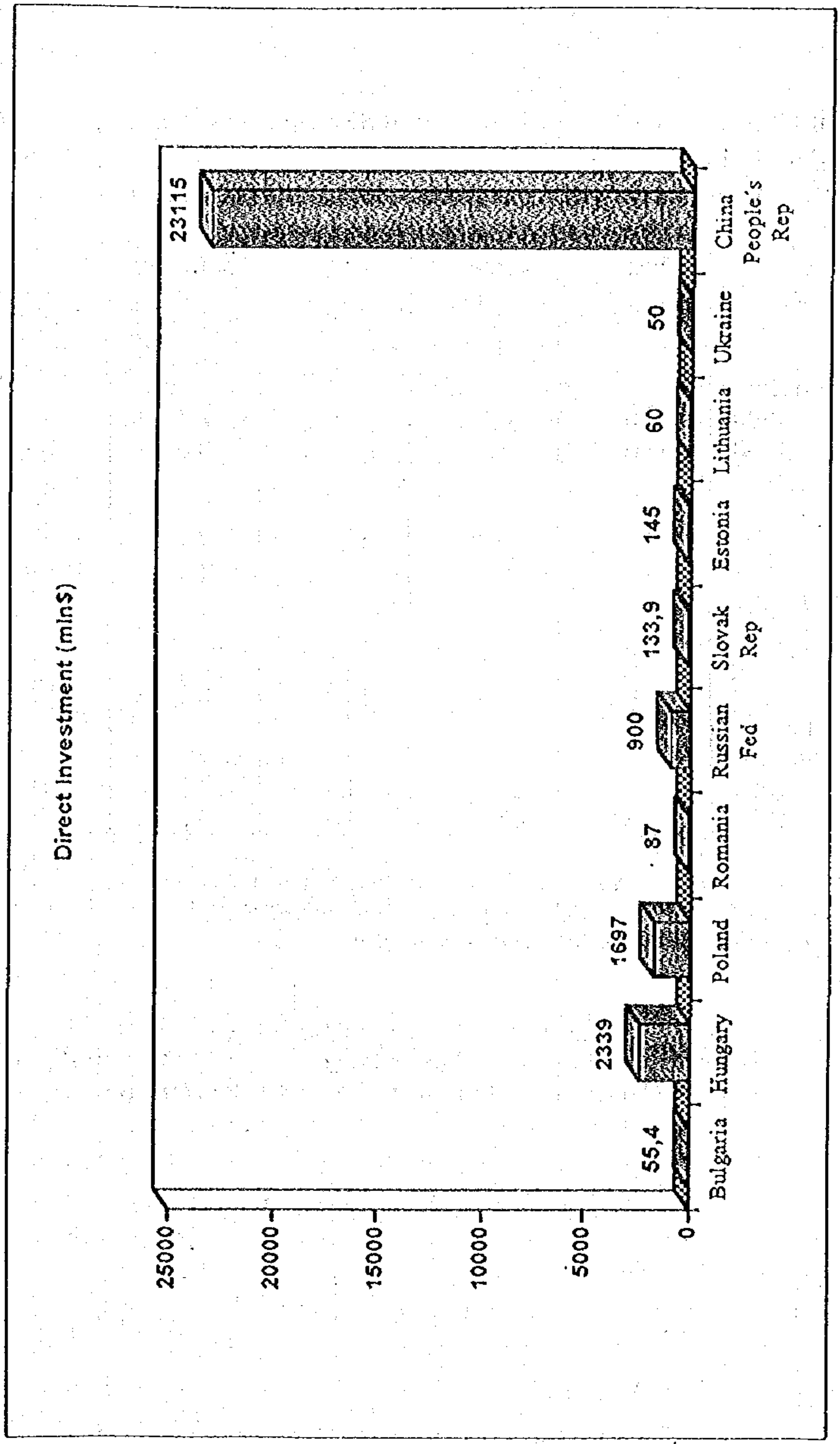

Direct Investment (mln$)
25000
20000
15000
10000
5000
0
55,4
2339
1697
87
900
133,9
145
60
50
23115
Bulgaria
Hungary
Poland
Romania
Russian Fed
Slovak Rep
Estonia
Lithuania
Ukraine
China People's Rep

Table 4

The Share of Private Ownership in Selected Sectors of Polish Economy in 1989 and 1993 (in %)
As measured by the share in total output.

Sector/ Year	Public Sector	Private Sector Total	*of which:* Generic Private Sector	Co-op Sector *a*	Privatized Sector
Industry					
1989	84.8	15.2	9.6	7.7	0
1993	62.6	37.4	29.6	3.8	4.0
Construction					
1989	67.3	32.7	30.0	2.7	0
1993	13.2	86.8	73.0	1.1	12.8
Transportation					
1989	91.0	9.0	6.3	2.7	0
1993	54.8	45.2	44.3	0.8	0.1
Retail Trade					
1989	40.5	59.5	4.8	54.7	0
1993	11.3	88.7	79.0	9.7	0

a Under the communist system, co-operatives were classified as a part of the 'Socialized sector'. After systemic change it was reclassified as a part of the private sector

Source: J.Chmiel i Z.Pawlowska, Rozwój sektora prywatnego w Polsce (Expansion of Private Sector in Poland, 1990-1993), Adam Smith Research Centre, Warsaw, September 1994, mimeo (in Polish)

JICA