

INFORMATION REPORT

CD NO.

25X1A

COUNTRY Czechoslovakia

DATE DISTR. 2 MAY 50

SUBJECT A Study of Czech Planning, Industry, and Research

CONFIDENTIAL

NO. OF PAGES 9

PLACE ACQUIRED 25X1A

NO. OF ENCLS. (LISTED BELOW)

25X DATE OF INFO.

SUPPLEMENT TO REPORT NO.

RETURN TO CIA LIBRARY



THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT SO U. S. C., 51 AND 52, AS AMENDED. ITS TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. REPRODUCTION OF THIS FORM IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION

25X1

25X1



25X1

The Transition Period

1. After the liberation of Czechoslovakia in May 1945, the Ministers concentrated their efforts on canvassing for votes, thus tending to neglect their administrative duties. Everyone wanted to be in direct touch with the Ministers, who seemed to approve of the idea that nothing should interfere with their close contact with the people. They stressed this principle in their speeches.
2. At that time there was much confusion about the organization of industry and the theories of socialist planning. In the Ministry of Industry the prevailing opinion was that industry was to be run by direct contact between the Ministry and the works councils. When a professor of the List Technical High School, in a statement to the Ministry of Industry, emphasized the necessity for independence and freedom of decision by industry, Minister Lausman, who was a former student and the closest collaborator of the professor, publicly rebuked the professor, saying: "Professor, don't forget that you are now a member of the general management of an enterprise which is called the Czechoslovak Republic".
3. The corridors of the Ministry of Industry were filled with members of work councils and delegations. After a long wait, these people were comforted with a vague assurance that the government would tackle the problem and try to solve it. Members of the works councils, fearing that they might be discharged and that more radical works councils would be set up, hastened to deliver this message to the workers. In July 1945, the Communist-dominated URO (Revolutionary Trade Union Organization) realized that the national councils in the factories would be deprived of their authority, especially since these councils often did not insure Communist majorities. Subsequently, decrees were issued, stating that works councils were to consist chiefly of workers, who were to be invested with great power.
4. Thereafter, the Communists transferred power to new organizations which they considered were more reliable. During the period from 1945 to 1949, the following units were established: national committees, works councils (some of whose members are elected and some nominated by URO), trade union organizations in factories, social directors, security officials, basic Communist organizations,

25X1

CLASSIFICATION		SECRET			
STATE	<input checked="" type="checkbox"/> NAVY	<input checked="" type="checkbox"/> NSRB	DISTRIBUTION		
ARMY	<input checked="" type="checkbox"/> AIR	<input checked="" type="checkbox"/> FBI	acc X		

This document is hereby regraded to CONFIDENTIAL in accordance with the letter of the Chief of 1978 from the Director of Central Intelligence to the Archivist of the United States. Next Review Date: 2008

CONFIDENTIAL

Document No. 013
No Change in Class.
Declassified
Class. Changed to TS S C
Auth.: HR 70-2
Date: JUN 1978

25X1

47-118727

SECRET

25X1

CENTRAL INTELLIGENCE AGENCY

-2-

25X1A

and "cadre-men" in factories. All the new organizations acquired power from their predecessors which, however, continued to maintain a limited jurisdiction. The "cadre-men", who are one of the latest developments in Communist tactics, are carefully selected and politically-oriented members of the Communist Party; they are directly subordinate to the secretariat of the party. Their rule over the freedom and lives of all factory workers is absolute, and their power extends to personal affairs as well as to management of the factories. Specialists find themselves helpless in making professional decisions. Although the leading officials and not the "cadre-men" are responsible for the economic management of factories, these "cadre-men" are the real rulers of the factories. Fear impels managers and specialists to aim for the highest efficiency and greatest results.

5. After the 1945 liberation, chaos hit the Czech lands even to a greater degree than in Slovakia. One of the less well-known reasons for this situation was the fact that there was a relatively greater number of educated persons in Bohemia and Moravia. Because of this scarcity of educated persons in Slovakia, the Slovak intellectual had little difficulty in obtaining high positions in the central government at Prague and in the administrative sections in Slovakia; he was also favorably placed in Prague to defend Slovak rights. This situation gave careers to Slovaks who had never expected them, while Czechs were limited by competition. Many qualified persons employed in offices, factories, and other enterprises vainly awaited prominent positions. After the liberation they discovered that positions which were formerly attained by diligence were acquired through left-wing talk or through accusing chiefs of anti-social or reactionary attitudes. As a result, nearly all the leading officials were discharged from their posts or suspended in accordance with "the people's will", and with the encouragement of radical candidates who wanted these jobs. Within a short time after the liberation, nearly all specialists were assigned to new positions and experienced men were wasted on insignificant work. Almost every specialist who voluntarily resigned was released from the works councils.
6. The resultant losses in industry were immense and entirely disproportionate to the advantages that could be realized by regulation of industry. The armament industry sustained perhaps greater damage than any other industry. This was caused by a belief, publicly expressed, that there was no need for arms and that in case of emergency they could be obtained from the USSR. Public discussions were held on a plan to move the Skoda and Zbrojovka armament works, including workers and specialists, to an area behind the Urals in the USSR. This plan did not emanate from the USSR but from the new regime, which was eager to prove itself pro-Soviet. During this period, the Russians were relatively distrustful of the new government.

Creation of National Enterprises

7. After the confused months following the liberation in 1945, disillusionment concerning direct cooperation between the government and the people suddenly occurred. The principle of organizing industry into "national enterprises" on a horizontal basis had been carried out: All factories were grouped according to production, such as mines, mechanics, chemistry, textiles, woods, ceramics, power, etc., and for every group a general management was set up to direct and coordinate.
8. In Slovakia, where Commissioners were appointed according to the Kosice Agreement, area managements with jurisdiction similar to that of the general management in Czech lands were established in industry. These area managements were subordinated to the central management in Prague for some purposes and to the qualified Commissioner of Industry in Bratislava for others. This rather complicated organization did not create any serious difficulties and seemed to satisfy the Slovakian desire for self-administration.
9. It is characteristic of this period that organization of the armament industry along horizontal lines was not carried out. The Ceska Zbrojovka armament factory in Strakonice remained an independent national enterprise, and the armament factory in Povazska Bystrica, which had been a part of the Zbrojovka Brno since its origin, was separated from the main enterprise and became an independent national enterprise destined for peacetime production. No section for the production of armaments was set up in the metallurgical industry, since such production was considered to be a by-product of the national enterprises. Only for the export of armaments was a special section set up. This section was headed by a General Hanus.

SECRET

25X1

SECRET

25X1

CENTRAL INTELLIGENCE AGENCY

-3-

25X1A

- 25X1 10. [] the creation of national enterprises, subordinated to the general management and/or the area management, was a good idea. Difficulties occurred because the administrative organs were crowded and the horizontal division of industry, patterned after the Russian system, was carried out in all industries. The originators of this system did not recognize the essential difference between Russian and Czech industry; the latter had previously enjoyed a good position in the international market and had been organized vertically. Consequently, there was difficulty from the beginning. The iron works and the coal mines at Vitkovice near Moravska Ostrava were closely linked and it was very difficult in 1946 to split them into two general managements, one for the mines and the other for the furnaces. The Skoda plant was producing nearly all types of metal products--guns, heavy machines, automobiles, trucks, tractors, light mechanisms, etc. According to the horizontal principle, this plant was to be divided into several branches, but it was almost impossible to establish several national enterprises in such a plant. A similar situation arose in the armament factory at Fovazska Bystrica, which had its own program in the foundry industry (50 percent of Czech capacity in working brass and aluminum) and its own program in the armament and machine industries. The well-known Bata shoe factories and many textile plants had their own machine factories and foundries.
11. Although the horizontal division of industry is advantageous from the organizational and technical points of view, the benefits that can be derived by the well-developed Czech industry are doubtful. The management of the metal industry overcame its problems by not strictly applying the horizontal principle and by making several compromises.
12. Immediately after the establishment of the general directorates, the government decided to industrialize Slovakia. The objectives of this industrialization were to prevent emigration from Slovakia, to utilize surplus labor, and to arrive at an equalization of social levels between the Czechs and the Slovaks, as was urged by President Benes. Prior to the Two-Year Plan, 1,200 million crowns from a total budget in the Czech metal industry of 3,000 million crowns were designated for Slovakia, although only one-tenth of the metal industry is located there. Besides official support, this industrialization received the support of both the Communists, who tried to use the growing labor force to further their policy, and the Ministry of National Defense, which wanted to transfer important military production to the East. There was no evidence of direct Russian pressure in this respect.

Planning

13. The central planning organ in Czechoslovakia began to function rather late. Dr. Outrata was appointed General Secretary of the Economic Council immediately after the liberation in 1945, but the Central Planning Office and the Price Office were not placed under him. Among the central authorities, many political and personal struggles grew out of political wirepulling. The nucleus of planning became the Central Planning Commission (ustredni planovaci komise -UPK), which held meetings day and night and was presided over by Dr. Outrata.
14. The Two Year Plan was actually not a plan but only a formulation of what the factories intended to produce. There was little interference from higher echelons with these individual programs, and there was no statistical basis to the plans, especially where they concerned consumption and sale. Nevertheless, the Two Year Plan was psychologically effective when used as a slogan on the factory workers and partly ended the sterile discussions which took place, not only in factories, but also in the Ministries. In a sense the Two Year Plan was more successful than the subsequent Five Year Plan, for which there was issued such a great number of questionnaires, forms, and analyses covering different points of view that neither the factories nor the central authorities were able to comply with them. Because there was no real basis for the plan, a motto such as "the Execution Plan for 1950" was proclaimed, but it was actually a "One Year Plan". The following years were obscured by vague numbers and phrases, and not even the investment plan for 1950 is precise.

SECRET

25X1

SECRET

25X1

CENTRAL INTELLIGENCE AGENCY

-4-

25X1A

15. Production plans for the years 1949 and 1950 were weakened by counter-plans and plans from the so-called planning "from beneath". These new forms of planning were introduced as a result of pressure from the Communist Party, which included such plans in their political propaganda. The party believed that any programs set up by the official management of the factories and by the general management of the national enterprises should be exceeded through the initiative of workers. The official managements would then be proven guilty of cowardice and bureaucracy and even of being reactionary. Such practice is a keynote of Communist policy at the beginning of its rule in all states, and perhaps it is a consequence of the philosophy of dialectical materialism. The USSR abandoned this method during 1928-1929, but the Communist secretariats in Czechoslovakia use it at present even with a member of the Communist Party.
16. Planning has proved to be the most loosely organized of all activities in Czechoslovakia, and it has become the most popular occupation for everyone. National committees, communities, towns, ministries, political parties, the youth federation, and nearly all other organizations have their own well-staffed planning sections. The constant polemics of local planning groups with the central planning authorities provide sufficient activity, however unproductive, for these newly formed planning units. Detailed technical work, supervision of quality of production, development of projects, and other responsible functions of industry do not inspire as much interest as does planning. The chief diversion of persons having a mediocre professional knowledge consists of making lists of worthwhile goals--an activity given importance by socialism. Young people, whose only economic concern is how to spend their monthly salaries, discuss numerous theories with conviction and propose decisions for extensive problems. For instance, how was it possible to reduce the chemical production budget by one and a half billion crowns and to divide this sum between the mines and textile industry in proportions to be determined by a special commission, whose members had fixed the wages in an automobile repair shop the previous week?
17. In the present state of the economy, both blame and praise are conferred without discrimination by anonymous and irresponsible members of the Communist political secretariats. Jurisdiction of even the highest administrative organs is not definitively established. Russian planning experts very rarely appear in Prague, and several lectures given by some of them were not of value. Russian literature on planning is very diligently translated; it does not compare, however, with like writings from Western countries, although it might be assumed that this doctrine of planning would be better defined by a country practicing socialism.

Plants of Military Importance

18. Skoda Works
- a. The Skoda Works at Plzen were damaged by air raids at the end of the last war, and heavy machinery, smelting equipment, and several blast furnaces were destroyed. After the war, the works received no orders for weapons, and the machinery producing guns was at a standstill for some time after 1945. Because of the lowered morale of workers and of the shortage of some raw materials, the plant was not able to produce the required heavy machines, which might have proved of value as exports because of the destruction of German industry. Under pressure of the Ministry of National Defense, production of weapons is to be resumed.
- b. The underground factory of the Skoda Works (sic, probably Plzen) was heavily damaged at the end of the war through the explosion of three freight cars loaded with pentrite. After the war, this section was rebuilt at a cost of approximately 150 million crowns and is now fit for production. Above ground, another building extending over 14,000 sq.m. was added to the other buildings, and a new foundry for heavy castings has also been started. This construction project at the Skoda Works was announced as an urgent one, and "voluntary" labor brigades from all factories in Slovakia were forced to work there in order to speed up construction. During 1946-1948, when this construction was going on, it was intended that the plant be used for peacetime production and a large machine factory was to be established. For this reason, Skoda Works was allotted equipment from a large German machine factory which had chiefly manufactured presses; this equipment was received as reparations. In order

SECRET

25X1

SECRET

25X1

CENTRAL INTELLIGENCE AGENCY

25X1A

-5-

to familiarize the workers with the production of shaping machines (obrabací stroje), about 2,000 of these machines were manufactured. With the political changes in 1948, however, the Skoda Works were ordered to return to war production. The actual production program is not known, but it is assumed that guns and artillery ammunition will be made there. Furthermore, reconstruction work must still be completed in the valley where the works are located.

- c. A branch factory of the Skoda Works at Dubnica is to be built at Banovce for the production of artillery aiming apparatus required under the Five Year Plan. The investment plan of 1950 designates a certain amount for this construction.
- d. The Skoda Works at Adamov were not damaged during the war, and they are now renewing their military production of artillery ammunition.

19. Zbrojovka Brno

- a. After the war Zbrojovka Brno stopped the production of rifles and machine guns, export demands being filled from stocks on hand. The factory was converted to the production of Zetor tractors. Although nearly all the top personnel were discharged, the remaining employees succeeded in preserving the good reputation of the factory by continuing research. Engineers who had been formerly engaged in arms research proved their competence in constructing textile machines, tractors, labor-saving devices, ball bearings, polarimeters (Hejrovsky-Nejedly system), presses, measuring instruments, etc. The Brno factory is also to be converted to the production of all types of weapons.
- b. Holec Brothers produced a hunting rifle and an automatic pistol which, however, were not successful in a Czech competition; this was won by a pistol which was made in the Strakonice armament factory and which was successful as an export to Egypt. A new automatic rifle constructed by Kautsky is good but expensive to produce. Development of rockets did not make progress, and a competition on the "Bazooka" was lost by the armament factory to one furnished by Prokop from the Military Technical Institute. The 30-mm. machine gun has two models, one from the Brno armament factory and the other from the Vsetin armament factory. The Vsetin model is constructed by Ing. Cinka and is better in principle. The Brno model is constructed by Kautsky and has some defects, yet it is not undergoing further development.
- c. The "Tichy" system of anti-aircraft aiming devices is being further developed in the Vsetin armament factory. The original construction, although theoretically interesting, is not advantageous. The optical aiming apparatus on a similar principle is a better one.
- d. The great capacity of the Vsetin armament factory to produce machine guns of large caliber (12.5 to 30 mm) was not utilized after the war. The factory, which had not been bombed, made badly needed textile machinery, sewing machines, and measuring devices for workshops. Recently, conversion to military production has been planned for this factory, but it is not believed that the type of weapons to be produced has been determined. The only persons who had knowledge of the weapons, Col. Brada and Col. Zelinka, are now dead. Col. Brada complained about the Russian technical missions in that they were distrustful and revealed nothing to the Czechs. Despite two years of negotiations, not even the question of a common caliber for the infantry was settled. The same complaint was made by those who negotiated to obtain the plans of a Russian tank to be manufactured at Hrabovce in Slovakia. A rail line connecting Vsetin with this factory was built during the war.
- e. Since 1949 the armament factory (sic, probably Brno) has been headed by Ing. Novotny, who is a commercial engineer, a former inspector of the Control Office, and an aggressive Communist. Novotny knows nothing about arms, and because of his antipathy to them, he speedily had production shifted to peacetime goods. Consequently, exports to twenty-five countries, where the ZB machine guns have been used since pre-war days and where there is a lack of spare parts for these guns, were delayed. Novotny was appointed general manager of the national enterprise, Czechoslovak Precision Machinery Industry, for his contributions to the coup d'etat in February 1948. His technical deputy, Dobrenysl, is an industrious and educated person but is unable to hold an important position. The manager of the Brno armament factory is Ing. Mach. After the war he was imprisoned for being a collaborator but he was pardoned when he proved his Communist convictions and his loyalty to the Communist regime.

SECRET/

25X1

CENTRAL INTELLIGENCE AGENCY

-6-

25X1A

f. The First Machine Factory (Prvni Brnenska) in Brno was in chaos after the 1945 liberation. All leading personnel were released, and the plant is now headed by a worker. Production continues only because of the efforts of some specialists who succeeded in retaining their positions in the construction section and in the workrooms. The sections manufacturing equipment for breweries, sugar factories, and refineries are relatively successful.

20. Povazska Bystrica

In 1948 the Povazska Bystrica armament factory was producing ammunition at one-third capacity. It has been ordered to cease all peacetime production by 1950 and to convert to military production. The section making artillery ammunition of all calibers is already producing at one-half its capacity. It is generally known that conversion of production cannot be carried out until the end of 1950 because of a lack of machines and of prototypes for arms. No suitable building to house the present production of motorcycles and iceboxes is available. Production of cartridges had been approximately one and a half million units, including caps, daily. Since a large portion of the workrooms was devoted to the peacetime production of motorcycles and iceboxes, the capacity was cut in half. Part of the ammunition machinery is being stored. Recently the plant changed its name to the "Klement Gottwald Plant".

21. CKD Works

- a. The CKD Works (Ceskomoravska Kolben Danek) in Prague was in constant confusion after the liberation because the old experienced directors had been expelled. As a leader in the factory, Sidlik was appointed to head it, but he was later under arrest for a period of time because of personal controversies in the factory. Real leadership of the factory was held by the Communists. Dostal, the manager, was imprisoned for a longer period than Sidlik. Recently, Dostal was employed as an inspector of the heavy metal industry in Slovakia. Ing. Gause, who became a professor in the Technical High School and whose son is in the United States, was arrested recently. Ing. Wasserbauer, a fine technician, was placed in an unimportant position. Production is maintained through the help of the plant archives which are rich with drawings.
- b. The arrest of Sidlik is only one of like cases of arrests of leading personalities in the industry in spite of their membership in the Communist Party. As examples can be mentioned the arrest of the former manager of the Skoda Works at Dubnica and of Ing. Soucek, the deputy to the general manager of the Skoda Works. Ing. Soucek was a radical Communist. The reason for his arrest was allegedly that he did not meet the terms set for fulfillment of Russian orders, but rumors have it that he was engaged in espionage. Soucek appealed to Zapotocky, the present Prime Minister, who obtained the records of this case from the Ministry of Interior. Zapotocky then stated that there was no reason to impute blame to Soucek, and it is said that Zapotocky was very much aroused by the methods used by the police and the Ministry of Interior. Thereafter, Soucek was released from prison, after having served four months. Apparently there is a secret organization within the Communist Party and within the Ministry of Interior that makes arrests even without the consent of the Government. There are many cases of arrested persons who do not know the crimes with which they are charged, even after their release.
- c. The CKD plant at Blansko did not suffer any damage during the war and has not been expanded. It manufactures turbines, mill machinery, cranes, compressors, large refrigerating arrangements, etc. The equipment and the machinery in the plant are antiquated. No funds for improvement of the factory have been allotted in the Two Year Plan, and only costs of depreciation are provided for in the Five Year Plan.

SECRET/

25X1

SECRET

25X1

CENTRAL INTELLIGENCE AGENCY

- 7 -

25X1A

22. Semtin Factories

The Explosia and Synthesia factories in Semtin were not damaged during the war, and personnel changes there were not so drastic as in other plants. Production was increased to include the manufacture of artificial substances. The quality of powder for guns and rifles was reduced. During the war gunpowder that caused a much smaller flash than ordinary gunpowder was produced.

23. Optical Industry

- a. The following optical device factories were amalgamated into the national enterprise Meopta: Optikotechna at Prerov, SRB and SRS at Prague, a factory in Trnovany, the Kolar, and several smaller factories. The chief manager of Meopta is Ing. Pasek, an engineer expert in production but not qualified to be chief of such an enterprise; this job was always held by a specialist in physics and research. The specialists in the optical device industry were Ing. Polak, recently employed with Bata in Canada, and Ing. Javlinec, recently employed with the Goerz firm in Bratislava. The theorists in this field disputed with each other, and the leaders did not succeed in applying their knowledge to production. For this reason, the industry missed the opportunity to dominate in the field of cameras and projection apparatus and was soon surpassed by Germany industry. The optical factories in Czechoslovakia had been relatively well equipped, and if developmental work had kept pace with capacity, export possibilities might have been great.
- b. Dr. Hrdina was engaged in an interesting invention: a device in which a ray of light caught after reflection by a selenium cell makes a noise which informs a blind person of objects in front of him. Color photography is being worked out in detail by Lindner, a specialist in the Techna factory at Nove Mesto nad Vahem.
- c. The military program of the optical industry is so well advanced that it is not necessary to import optical devices except for scientific and measuring instruments. Meopta can manufacture all types of binoculars, telescopes, distance measuring instruments, periscopes for tanks, cameras for aviation, etc. Meopta could be used for radar work, which has been neglected in Czechoslovakia.
- d. The Germans built an optical factory in Trnovany during the war in accordance with their policy of dispersal of industry. The machines from this factory were to be moved to Slovakia, but only about 4,500 of them have been actually transferred for use of the Slovak metal industry. No machinery or equipment in this factory was replaced because the total capacity of the optical industry was found to be too high. It is intended to remove this factory to Slovakia, but no decision has yet been made. The region near the Tatra mountains or near Zvolen is under consideration.

24. Kurim Factory

Kurim near Brno, a large and modern factory for producing shaping machines (obrabecni stroje) and extending over 60,000 sq. m., is again in operation after having sustained much damage from air raids during the war. It is headed by a very well qualified manager, Ing. Lukas. Ing. Frikryl left this factory and is now employed in the central management of TOS (United Machines Factory--Spojene tovarny obrabecnich stroju). Special products from this factory are precision boring machines and additional parts for these machines to allow other uses. The factory equipment is very modern; 3,500 persons are employed there.

25. Podmokly--Rockets

At the end of the last war, various types of rockets, model V-1 and V-2, had been developed by the Germans. As the developmental institutes in Germany, such as Peenerunde, were constantly attacked by air, they were transferred to Podmokly. After the surrender by Germany, a great developmental center for V-1, V-2 and other rockets in unfinished state was found at Podmokly. A Russian commission took some of the material to the USSR. The factory was directed by the Military

See
pg. 36

SECRET

25X1

SECRET [REDACTED]

25X1

CENTRAL INTELLIGENCE AGENCY

-8-

[REDACTED] 25X1A

Technical and Aircraft Institute (VTUJ), which was represented by Lt. Col. Motycka. Many disputes regarding the jurisdiction of the factory were had, since the factory wanted its independence. The Army has a great need for engineers who could continue in construction work independently. Ing. Odstrcil was appointed as technical adviser and Prokop as a constructor. The material stored in the factory held much promise, but there are few persons available to work on it and continue the development of rockets. Special interest is given to anti-aircraft rockets directed by short wave to the target. Some theoretical suggestions have been made, but these rockets cannot be expected to materialize in the near future. The Podmokly Institute is to be moved to Slovakia also, but no appropriation for this has been made in the Five Year Plan.

26. Pribam Experimental Center

During the war, an experimental institute of the Waffenunion was established at Pribam, where a developmental center for the Skoda Works, the Brno armament factory, and the Sartin explosives factories was to be concentrated. About 150 engineers, doctors of technical sciences, and mathematicians were employed there; they were engaged in theoretical work but they achieved no practical result. Engel, the chief of the institute during the war, hinted that a new "Wunderwaffe" would be created. This institute has been abolished.

27. Podbrezova Factories

- a. The production of artillery ammunition was stopped at Podbrezova during the Slovak revolt in the autumn of 1944, and then contact mines were produced for use of the revolting army. After the war, the factory produced woodworking machines, as did the Pisok factory which had been making bridges. No military orders have been received by the Podbrezova factory up to the present time. The foundry activities at Podbrezova consist of the production of cast iron and metallic tubes and plates, totalling about 100,000 tons a year. Large amounts were designated by the Two Year Plan to expand production at the factory. During the past twenty-five years, production has been constant and the factory has sustained yearly losses of 20 to 30 million crowns. Reconstruction of the foundries will be finished in 1951. A new workroom for the production of woodworking machines was built in 1948, and a new bridge factory was completed in 1949.
- b. The total production program for Brezno in 1950 was fixed at 30,000 tons of heavy structures, such as bridges, cranes, and iron structures for factory buildings. During wartime this factory can produce gun-carriages and parts of tanks. Hronec has electrical furnaces for the production of cast iron and steel.

28. Kladno Factories

The original plan of the Czech General Staff to set up production of quality steel at Prakovec was not realized. The Poldina Hut at Kladno transferred this Prakovec factory to the use of the Slovak metal industry, and production was changed to saws for metal cutting, "Ajax" hammers, vises, etc.

Heavy Machine Industry

29. The Five Year Plan aims to expand the heavy machine industry. Objections have been raised, one reason being that there is little iron in Czechoslovakia. In addition the prices received for one kilogram of products in heavy industry are many times lower than those realized in the precision machine industry. For this reason, the mechanical and precision machine industry would offer greater gains in foreign exchange.
30. The greatest obstacle to fulfilling the plan for heavy industry is a lack of skilled workers. Workers are recruited from those who were employed in other industries. Highly skilled workers are required, sometimes even against their wishes, to hold political and administrative posts in the "dictatorship of the working class". Personnel engaged in construction must be very experienced because defects in construction are costly. Present workers have been trained only in cycle production. One night in 1948, a worker spoiled three crankshafts valued at 1.2 million.

SECRET [REDACTED]

25X1

SECRET/

25X

CONFIDENTIAL

CENTRAL INTELLIGENCE AGENCY

-9-

25X1A

31. The leading personality in heavy industry is Dr. Fabinger, who has many problems to solve. Plants for the heavy machine industry are to be built in Slovakia, according to plans for expanding Slovak industry. They are to be built in Turciansky Svaty Martin, Kosice, Brezno, Levice, Hrabovce, Snina, and near Zilina, which is to have a blast furnace with a capacity of 700,000 tons yearly.
32. The General Staff controls the selection of strategic locations of heavy industry plants. They prepared maps dividing Czechoslovakia into several zones from the strategic point of view. The territory of northern Moravia, near Moravska Ostrava and below the Tatra Mountains, is considered to be the most important. The second area extends through Slovakia from east to west between Nove Mesto and Trencin. These maps are kept in a special room and are accessible only to higher officers, who inspected them during conferences, held under the direction of the recently retired General Kasalicky, on the location of heavy industry.
33. The region south of Kosice is not considered secure, but the region in northern Moravia near Moravska Ostrava and in Slovakia has been approved. Nove Mesto nad Vahom was selected as the seat of Techna only upon condition that it would be the developmental center for civilian use. Military development was to be located more to the north. Although these strategic areas were chosen by the officers on the General Staff, it is possible that they were approved by the Soviets. The lines were drawn to form circular areas which are to be defended if enemy armies should penetrate the southern section--an unimportant area from the point of view of industry. Such an industrial fortress is evidently intended for the coal basin surrounding Moravska Ostrava and Karvina, including the adjoining Polish coal mines and furnaces.

Research

34. Modeled after Russian research, a great net of experimental institutes in all fields and subordinate to the Research Council is planned. Research is to be financed by appropriations from the government, and a law concerning research has been introduced. At present, specialists are spending most of their time at conferences or procuring statistics and filling out complicated forms and questionnaires. The Research Council is now occupied in obtaining information on what plants and developmental sections are doing.
35. The main purpose of the proposed law, however, is to create a legal basis for the nationalization and control of private laboratories and experimental workshops. The majority of the paragraphs in the Law contain only legal titles for nationalization, i.e., expropriation of private property. Like other nationalization decrees, this law provides for compensation for nationalized properties, although practically no compensation has been previously paid.
36. The Documentation Center, headed by Ing. Medonos, is a good source for industrial information. It makes excerpts from foreign "professional" writings and records the results achieved by nationalized industries. Any nationalized plant can obtain information from this center.
37. Not even such important and technical work as research and experimentation was saved from interference by the Communists and demagogues. The real scientists, researchers, investigators, and construction experts were either not organized politically or were conservative in thinking. Those who did join the Communist Party usually refused to follow the orders of the secretariat and thus were in disgrace or considered suspect.
38. The Communist Party substituted for real progress the so-called "movement of improvers". Such a club was founded in every factory. Theoretically every employee can participate in this movement, but actually only workers are allowed. Many cases occurred in which a worker agreed to pretend authorship of an improvement or invention so that the responsible technician could receive remuneration. Even the chief of the plant may not know the real author of an invention. This "movement of improvers" has its own magazine.
39. Nothing of importance has been done in the fields of atomic energy and bacteriological science. Many theorists and mathematicians dealing with atomic energy exist, but without laboratories they can arrive at no results. The Soviets are speeding up the mining and transporting of uranium from Czech uranium mines to the USSR; the exact destination is not known, however.

SECRET/

CONFIDENTIAL

25X1