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# **East Europe**

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# East Europe

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23 October 1992

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**Minority Paper Lauds Budapest 'Panorama' Program**

*92CH0027C Bratislava SZABAD UJSAG in Hungarian  
29 Aug 92 pp 1, 3*

[Article by Peter Tarics including interview with Alajos Chrudinak, editor in chief of the "Panorama" program of Hungarian Television; place and date not given: "Spiritual Unity, in Practice as Well"]

[Text] The kind reader will perhaps still remember how communist Czechoslovakia reacted to the Panorama programs of the foreign policy editorial office of Hungarian Television in April-May, 1989. In the course of the campaign against Panorama by the "domestic" press, radio, and television, statements were published by politicians, diplomats, and other public figures, as well as by "simple" people, which were full of generalities, obsolete and empty political phraseology, commonplaces, and baseless and malicious mud-slinging.

In the spring of 1989, fabricated statements of political informers were published in PRAVDA, UJ SZO, and RUDE PRAVO, which—on communist command—condemned the activity of Panorama. Written documents and tape recordings prove that there were people who didn't even know that they ever made a statement against Panorama, yet their statement was printed. Today, one no longer needs informers for this purpose, since Panorama can be criticized openly. Of course, it is entirely another matter that this is done groundlessly and without concrete evidence. Many accuse Panorama's staff of creating tension in the relations between countries.

We would like to stress the fact that Panorama does not intend to destroy the relations between any people, nations, and minorities.

We think that Hungarian Television made a correct decision when it gave room to great variety and color in order to discontinue one-track reporting. Mass communications can only have one criterion: the truth! Panorama strives for the truth and for a clarification of the facts, because every journalist, magazine, and television station has a right to seek and proclaim the truth. According to international agreements, this applies to Hungarian Television, as well. Thus, the activity of Panorama is not a sin, but a virtue and an achievement. Its activity must be positively evaluated, in any case, because Panorama has played, and is still playing, a vital role in the life of Hungarian minorities living in middle Central Europe.

Furthermore, we would like to draw attention to the fact that in Helsinki on 1 August 1975, Czechoslovakia also signed the final document of the Conference on European Security and Cooperation, which was intended precisely as a way of supporting freedom of speech and freedom of the press. Thus, it is not Panorama that breaks international agreements, but rather those who monopolize wisdom and freedom of speech, and regard

them as their exclusive right. The harrowing turns of history also justify the activity of Panorama. The war of statements against Panorama did not cease with the fall of communism. On the contrary: The campaign has been revived over and over again. What is the reason for this? The answer is simple: There are, and have always been, "petty monarchs" who cannot bear the truth, the proclamation of truth, and the discovery of facts. The present petty monarch is none other than the president of Hungarian Television, Elemer Hankiss, who in the past two months has spent only a "vacation" in Budapest, because he has been staying in the United States for a long time and will return there in the fall. However, it is not possible to properly direct a large institution like Hungarian Television from America. Or is it possible? It seems so.... But at what price? We can ask: Who is being paid to create conflicts within Hungarian Television? Who is being paid to ensure that even without conflicts there would be conflicts in Hungary? There are many questions, but only a few people know the answers.

All that has just been said relates to the program Panorama as well as to the person of Alajos Chrudinak. We talked to him about Hungarians, the spiritual values and the future of Hungarians, the Third World Congress of Hungarians, and the activities of Panorama.

[Tarics] Why was it important to organize the Third World Congress of Hungarians?

[Chrudinak] Because after so many horrible decades, the opportunity arose for the Hungarians of the world to convene in democratic Hungary. True enough, there are serious political discussions at home, as well, but these could have no influence on the world congress. It is very, very important to establish the spiritual unity of the Hungarians of the world, in practice as well. After so much suffering, defeat, humiliation, after Mohacs, Trianon, and 1956, here was an opportunity for Hungarians within and beyond the borders to meet in this one and indivisible homeland; an opportunity for the Hungarian nation to really arise and play an important role in forming the new image of the Carpathian basin. Hungarians have, and will continue to have, an immense role here. I have always said—and this applies not only to artists—that if one wants to create, one has to suffer first. The Hungarian nation has suffered very much; thus, it has learned to be creative, to survive, and to create a new world. Thus, the time of creation has arrived for Hungarians, as well. And it was a wonderful experience to look at the faces of the participants of the world congress, to perceive the atmosphere, the relationships between people. Hungarians really found each other at this congress, and it is really true that we understand what we want from each others' glances and scattered words. Something in common. Something one and indivisible. Only nationalists label this togetherness a conspiracy. This small Hungarian nation that has such a rich past, and which has such talent, can finally realize its potential. Another very important reason for the significance of the world congress, which incidentally makes me particularly happy and which Panorama has been

fighting for for decades, is that it is indeed our duty to help and support the Hungarian minority population living beyond the borders of the mother country. One must help the Hungarian minority population to achieve autonomy, and to be able to remain Hungarians in their homelands, regardless of which country they are citizens of. The Third World Congress of Hungarians began with a wonderful slogan: "Leave the Hungarians alone!" Incidentally, this has been the title of several programs on Panorama. The neighboring countries must also understand this slogan, because many did abuse and still abuse Hungarians. Not the simple Slovak or the simple Romanian is to blame for this, but the people in power. The extremists who want to make capital of abusing and humiliating Hungarians.

[Tarics] What is your opinion of the relations between the mother country and the minorities, and how do you think these relations can be made closer, more open, and more fruitful?

[Chrudinak] Present-day Hungary and the current Hungarian Government indeed acknowledge that the previous regime committed sins that naturally had an effect on the relations between the minorities and the mother country. It is a historical fact that communist Hungary simply disowned the Hungarian minorities. In this respect, the standpoint of the present Hungarian Government is most impressive. This means that the Hungarian Government regards it as its duty to help and support Hungarian minorities at various international forums, in bilateral relations, and in cooperation with various social organizations. And it does all of this so that the Hungarians beyond our borders will be able to preserve their identity, learn in their mother tongue, and cultivate their culture in their mother tongue. Unfortunately, this is not so simple, and it is not happening as fast as we would like it to.

[Tarics] Panorama and you yourself have been under constant attack for the past 12 years because you are trying to defend the cause of Hungarian minorities. This causes serious conflicts, because faint-hearted people who are incompetent in their professions are afraid of the truth. What is your opinion?

[Chrudinak] This is entirely true. In the course of the past decade we experienced that these troubles are not new. Panorama has always been attacked because we raised our voice in defense of the Hungarian minorities and of Hungarians in general. Now, the present leadership of Hungarian Television achieved what could not be achieved by those formerly in power a few years ago because the system in which they found themselves had grown weak. Now, Panorama has been moved to a later time; they want to suppress our programs, and they have started an offensive, a drive, a campaign of vilification against me. Thus, they are continuing the primitive fight against me which was started a few years ago.

[Tarics] What is the remedy against stupidity, professional jealousy, and injustice?

[Chrudinak] One must fight, day after day, for the noble goal which one has set oneself. This is what I am doing, too. Everything is only a matter of fighting. And suffering hardens people; in order to be creative, one must suffer. I, too, have suffered a lot. Thus, it is my duty to continue to be creative....

**Markus Relected by Matica; Talks About Future**  
*92CH0945A Bratislava SLOVENSKE NARODNE NOVINY in Slovak 1 Sep 92 p 7*

[Interview with Jozef Markus, MS chairman, and Stefan Hanakovic, MS administrative officer, by Margita Kolkakova and Blanka Petriscakova; place and date not given: "Work Must Go On"]

[Text] *The final hours of the general meeting of the Matica Slovenska [MS] were taken up by a meeting of MS administrative officer Stefan Hanakovic and relected MS Chairman Jozef Markus with journalists.*

#### **Jozef Markus Answers Journalists**

[SLOVENSKE NARODNE NOVINY] Mr. Chairman, what are the new elements providing forward motion or giving new meaning to MS activity, of MS sectors, in the new situation following the declaration of sovereignty?

[Markus] Personally, I do not think that MS can close its doors as a result of the declaration of sovereignty, especially of its association chapters, because what it wanted, what it was striving for, was achieved. Nothing, after all, has been finished by the declaration of sovereignty, or by starting on the road to a real and full sovereignty. On the contrary, in order for the sovereign Slovak Republic to have its level of substantiality and quality, much work is needed, and, in our case, especially of the kind of work MS does. And referring to the National Program—here I stress the international dimension, the international direction of our activity, in which MS has a tradition. The challenge will be to bring it to a higher level, and in its internal orientation aim at restoring and reforming man's inner world, restoring his devastated world of values. In that respect, the tasks of cultural education and fostering of cultural standards, as well as MS's national mission, are clear.

When we talk about new motivations, we know that MS is headed for a change of its status as a state institution. It is on its way to becoming an independent public nonprofit institution, which has its nonprofit status guaranteed, naturally, by its associational movement, which in fact historically gave birth to this institution.

[SLOVENSKE NARODNE NOVINY] Mr. Chairman, what were your first thoughts after your reelection?

[Markus] I don't remember exactly what my first thoughts were. But I can tell you what my basic reason for agreeing to run was. It was not because I did not have enough to do otherwise. My reason was my basic motivation. I saw that there was certain work in this field that

was started and not finished, or at least relatively finished. I therefore decided to run. I was also interested in and also gave some thought to those numbers, how many delegates trusted me.

[SLOVENSKE NARODNE NOVINY] Mr. Chairman, how do you assess the impact of the overall atmosphere in the National Assembly on Slovak-Hungarian relations in Slovakia, with respect to a whole series of speeches that were marked by emotional outbursts?

[Markus] In my judgment, I did not encounter any objections at the general meeting. At issue are those ideas that speak about the relationship of MS to nationalities, the fact that we want them to consider Slovakia and the Slovak Republic their real home, we want as much as possible to be accomplished to that end, to cultivate the rights of minorities at a high level. The fact that some delegates, based on their experiences—and I would not call that emotionalism—also said things that sounded harsh, that is something I understand and I see it in a somewhat different light than you do. Of course, some of the ways they put things were overly harsh even for me, but that is, I think, precisely the purpose of the general meetings, one of the purposes, that is—so that we get a certain overview of MS problems. On the other hand, there is actually the problem that there are regions, oblasts, micro-oblasts, and localities in Slovakia where it is to one's disadvantage, or, in order not to sound too extreme, considerably to one's disadvantage, to be a Slovak, to be of Slovak nationality. That is, after all, a paradox that must be eliminated—being to one's disadvantage to be of Slovak nationality in Slovakia. Specifically, I have in mind two concrete areas in all their aspects—when looking for a job, and especially the problem that weighs on us very much, that in some places, for example, there are no Slovak schools. It is amazing that we have money for other purposes that are not as basic, but we do not have enough for an elementary school or Slovak preschool facilities where there are Slovak children, even if only a small number of them. That is a real problem we must resolve.

[SLOVENSKE NARODNE NOVINY] Mr. Chairman, it is, we believe, approximately two years since you had your clashes with Prime Minister Meciar. We would like to ask you how you would describe your relations with the prime minister, not only personal, but also as MS chairman. And how could Meciar's attitude toward MS's work be characterized?

[Markus] The relations are somewhere between conciliatory and good. Personal relations—as far as that is concerned, the prime minister would certainly call it differently, but I see it this way: in his views, after a certain deviation, he returned to honoring national values. It could be also said that he came closer to my views. We have no contacts other than what is known from the media. In addition to those, we met at the most twice since June 1990.

### On MS Cooperation With the Czech Republic

[SLOVENSKE NARODNE NOVINY] Also mentioned in the report on MS activities was the idea of establishing MS chapters in the Czech Republic. The question whether MS will initiate the idea through the government or the deputies of the Slovak National Council, or will apply to the government to have MS chapters established in the Czech Republic, was answered by both the chairman and the MS administrative officer.

[Hanakovic] We have already made the first attempt in Karvina, where there are about 30,000 Slovaks. In that connection we cooperated with the library for national minorities in Karvina. We also invited parents to a meeting on this occasion. After an hour-long discussion we came to the conclusion that this first swallow is very important, if only for the fact that the Slovak children who took part speak beautiful Slovak and want to maintain it. I have not encountered anything like that even in Slovak schools.

[Markus] I don't think that MS should be solving the problem of associating Slovaks in the Czech Republic by exporting the MS idea. It will do what it has to do when it cooperates with those spontaneously formed organizations, and also, of course, when it helps to establish them. Local MS chapters will be established everywhere where they ask for cooperation, and also where they do not feel antagonism toward MS. We also cooperate, of course, with other than Slovak organizations, but that is a different kind of relationship. I myself have already been asked to join, and if not join, at least support other Slovak groups in the Czech lands. I have the impression that they are not working, but when the substance of their orientation was explained to me, I was somewhat taken aback and said thank you. I was told that the aim of the groups is to observe how democracy in Slovakia is being curtailed, and then report on it. I don't think that this is the right purpose of a Slovak society or organization in the Czech Republic. It could be the purpose of a Slovak society or organization that should be located in Slovakia if it wants to observe how democracy is being curtailed.

My second comment concerns the Slovak House in Prague. It originally cooperated with MS and it is making an effort to renew that cooperation. We came to an agreement that there will be cooperation and discussions with MS as well as with others. For the time being the problem is that they insist that their mission is to be a House of Czechoslovak Culture. Our fundamental objection to that is that the differentiation of the specifics of that club should be based on what is in its name. There are, after all, many more organizations concerned with Czech culture, and this one is, according to its name, the only one for Slovaks. It is another matter when they ask if we agree when they want to cultivate Czechoslovak solidarity. That, of course, we want and support, and I personally think that the House of Culture in Bohemia has that mission.

**Filkus on CSFR Property Division Principles**

92CH0972A Bratislava SLOBODNY PIATOK in Slovak  
11 Sep 92 p 4

[Interview with Rudolf Filkus, federal deputy prime minister, by Katerina Perknerova; place and date not given: "Something New Is Being Born"]

[Text] On the agenda of the Federal Government for Wednesday, 2 September, were discussions of the first version of the draft law on dividing CSFR property and successor rights. The direction and coordination of this material is the job of First Federal Deputy Prime Minister Rudolf Filkus. I talked to him about the substantive problems that accompany the drafting of this law.

[Perknerova] The draft law on the method of dissolving the federation is very succinct. Will you succeed in drafting the law on property division with equal legislative clarity and equally to the point?

[Filkus] First of all, I would like to say that both laws will have to be discussed and, above of all, will have to go into effect conjointly. The law on property division will be more extensive than the law on the method of dissolving the federation, but obviously it cannot contain all the details of the division process. In any case, it is essential to try and design it so that it is clear and substantive.

[Perknerova] The law actually consists of two basic parts—inventory of the federal property, and the criteria according to which it will be divided. How far along are you with the first stage?

[Filkus] It is hard to say at this time how much property the federation has. Let's just say for now that its value exceeds 100 billion. I don't want to talk about its value, because so far it is not clear what prices we shall use to evaluate the property. For example, in case of property in foreign countries the difference between the acquisition and the market price is 1:15. The property in budget organizations was not depreciated at all, so that its real value is much less than its purchase value, its book value. All that will have a direct impact on the final sum. The important thing is the way we have divided all the property into categories at this time. There are these categories: federal property and material reserves in CSFR, federal property and material reserves abroad, financial obligations and claims in foreign countries, federal property which became part of the National Property Fund as a result of privatization, currency and division of reserves and foreign obligations of the Czechoslovak State Bank and other central banks, i.e., the Consolidation Bank, the Slovak Guaranty Bank, and the Slovak Savings Bank, equalization of financial and non-financial claims among entities in the republics—short-term current payments, savings and consumer

loans and debts of enterprises, mutual business transactions between entrepreneurial entities, capital movements, tax equalization, exchange rate, and finally division of state administration and restoration of international treaties.

[Perknerova] Where do you see the most difficult problems in this inventory?

[Filkus] There are many of them. Let's look, for example, at the National Property Fund. According to the data from the Federal Ministry of Finance, its assets consist of properties of organizations privatized in the first wave of coupon privatization, properties of organizations sold at public auctions, and the assets of the fund itself. The total value of its property is 11.4 billion Czechoslovak korunas [Kcs]. It was used for various purposes. For example, for the Center of Coupon Privatization, Kcs8.6 billion. Then there is the contingency fund for restitutions, losses from the liquidation of Pragoinvest, and the sale of FINOP shares to strengthen bank capital. The remainder in the fund is Kcs0.24 billion. And that already represents a big problem, because the question comes up what should actually be divided. There will also be difficulties in dividing the debts of enterprises. Here it is becoming obvious that everything would be simpler if we first started by clearing them of debt even before privatization. A real problem will also be the cost of renegotiating international treaties. The federal property in foreign countries, you see, has a concrete property dimension and extent of property rights. Those are based on the terms of the leases. We have to expect that when they are renegotiated, they will no longer be made on the basis of the market prices agreed upon 10 years ago, but will reflect current prices. All that will mean higher expenses.

[Perknerova] Is there no possibility, then, of choosing some rational procedure which would minimize the losses?

[Filkus] A number of suggestions has been put forward on how to deal with this problem. For example, there is the suggestion that there should continue to be a single subject of international law here, which would figure in the issues of leases and property rights even if there were two states. But for that political will would be essential. Then some kind of temporary coordinating committee could be set up which would represent both republics in foreign countries. We would gain much economically that way.

[Perknerova] How far are you with a complete inventory of the federal property?

[Filkus] The material I submitted to the government has a total of 32 pages. Each of the categories I mentioned is documented by numbers, particularly from FZM. But this is not a complete analysis by any means. We started making the inventory already in June, so that the data will gradually become more precise. But this is no great tragedy, because we mainly need to get the law as such to the government and the Federal Assembly. But it must

be emphasized that anyone who thinks that the federal property will be divided by the end of the year is under a simple illusion.

[Perknerova] Who will cause the most problems—the Ministry of Defense, Foreign Affairs, Economy?

[Filkus] I am glad you asked that question. The first working draft of the law does not concern the Ministry of Defense, because the latest political agreement between the Civic Democratic Party [ODS] and the Movement for Democratic Slovakia [HZDS] says that we shall have common defense even after 1 January 1993. There will be great complications in making an inventory of property in foreign countries, particularly in expressing numerically and receiving a settlement of the federation's claims abroad, especially in Russia. In this case it will obviously not be possible to use the generally established criteria for the division, but transfer all responsibility and method of solution to the entrepreneurial entities in question, even if the original bilateral trade exchanges were made on the basis of state agreements.

[Perknerova] Isn't there some danger of the federal property being "pared down" even before the law on its division goes into force?

[Filkus] In this connection I would like to point out the initiative of the Slovak Government, which in its resolution of 18 August approved the draft law on managing CSFR property. This is the draft of a law that would prevent the danger of the federal property getting away.

[Perknerova] Let's now talk about the problem of the criteria for dividing the property.

[Filkus] That is certainly not a simple matter. To adopt a single criterion, let's say, according to the population numbers, is absolutely out of the question. They must be differentiated, even with respect to the material content of the individual categories which are the subject of the inventory. In some instances the criterion 1:2 can be used, for example in the case of property in foreign countries, but that will not be possible in case of the National Property Fund. There, for example, the territorial principle comes into play. In other cases the parity principle will be applied. In the law we shall have to say explicitly which criteria will be used in which instance.

[Perknerova] What will be done about enterprises which, let's say, grew in Slovakia thanks to subsidies from the federal budget?

[Filkus] If you are thinking about the oil pipeline or the gas pipe, it will be obviously necessary to solve that question even before this law is passed, and not include them in it at all.

[Perknerova] The division of the property could become one of the subjects of the so-called catastrophic scenario of separating the federation, a cause of hostile relations between the two successor states. You are responsible for drafting the law, and by coincidence you presented the material to the government on your 65th birthday,

although in one press conference you said that this work is not causing you any joy. How do you plan to discharge this task with honor?

[Filkus] It definitely is not something one can celebrate, something that would give one pleasure on the occasion of one's birthday. It is a fact that the problems of the state setup could come to a head precisely on the issue of property division. It is like a situation in a failing marriage. But I believe that after the latest negotiations between ODS and HZDS our state no longer has the character of a quarrelling family, because we already found a common interest. It is called good coexistence of the Czech and Slovak Republic. My subjective view is that we are presently at a stage when the state is not breaking up in the first place, but when it is mainly a matter of something new being born, on the basis of a common desire to have good relations and to cooperate. My theory of a roof is, it seems, at last coming into play. The primary importance of a common economic sphere will obviously assert itself in the deliberations of the key political entities. In such case not even the division of the property need make our future cooperation impossible. From this point of view, the statements of Prime Minister Klaus concerning customs and currency union or common defense are very reassuring. On the other hand, I consider the reports about a possible currency reform to be irresponsible and politically dangerous. I totally reject it as adventurism and an economically senseless and unsubstantiated scaring of the public.

[Perknerova] Are you of the opinion, then, that the division of the property, including the final solution of the question who owns what, and who is paying for whom, could actually improve mutual relations between the republics and lay a foundation for their positive cooperation in the future?

[Filkus] Yes, it will make it possible to verify one's economic strength and to what extent each of the republics will be able to establish itself on the world markets. The problem is that we may pay too high a price for this verification. But we must consider it as a tax paid for a natural emancipation process. The phenomenon of the property division, which in itself is a disintegrating element, thus could mean much for a future integration process. The law on property division and successor rights thus does not have to become a bone of contention, but precisely the opposite. When we realize how economically strong we, one as well as the other, are, maybe than we shall fully realize that we cannot exist without each other.

**Government Hesitant To Start Bankruptcies**  
*92CH0989D Prague HOSPODARSKE NOVINY  
in Czech 22 Sep 92 p 4*

[Article signed (MAD): "Bankruptcies...?"]

[Text] The board of the Union of Industries discussed the problem of bankruptcies with the Czech Minister of Finance Ivan Kocarnik. The Union represents roughly

700 firms, among which are the largest Czech companies such as CKD [Ceskomoravska Kolben-Danek], Skoda Mlada Boleslav, and others. The minister explained the reasons why the Czech Government intends to postpone the implementation of the law on bankruptcies by six months. According to the opinion of some of the participants, the Czech Government is uncertain how to resolve the insolvency crisis and not cause the economy to collapse at the same time.

Minister Kocarnik mentioned as one of the reasons for the delay the fact that originally it was assumed that the first stage of privatization would be finished by the middle of this year, which did not happen. There are indications that commercial lawyers will continue to act as administrators of the estate in a number of companies. Foreign companies are waiting for the bankruptcies! In case of mass bankruptcies by the debtors, banks would not recover their claims and would become bankrupt as well. Mass bankruptcies would mean a halt to privatization, because a company under liquidation cannot be privatized. There is fear of mass unemployment.

The law on bankruptcies is a liquidation law, the administrator of the company under liquidation only has the task to sell it off. But the national economy needs the products of a number of companies. If all companies that are ripe for bankruptcy were to be closed, it is a question who would replace their production.

One of the ideas discussed was to appoint trustees for a given period. That is the way it works in Western countries.

In further discussion it was mentioned that insolvencies have reached such proportions that they can no longer be solved by administrative methods, for example, by offsets of mutual claims. The only possible solution is bankruptcies, but the government needs time to prepare a controlled wave of failures. In Minister Kocarnik's view, the initiation of bankruptcies should not be a

matter for commercial banks, but should take place under the supervision of the government.

The national share of the debts allegedly cannot be determined in all the claims, but the government is ready to pay off at least those items which are definitely to be charged to its account.

As far as assets frozen in the countries of the former Soviet Union are concerned, there is not much hope, according to Minister Kocarnik, of recovering them through official channels, and the companies will have to rely on themselves.

The discussion was interrupted prematurely because of the minister's busy schedule, but Ivan Kocarnik showed interest in continuing it.

We asked Eng. Zdenek Trinkievitz, member of the CR [Czech Republic] Industrial Association board of directors VP for administration of CKD Holding Prague, what the Association thinks of the government's sudden willingness to discuss the industrial subjects in which it did not show interest just six months ago.

Eng. Trinkievitz said: "I think that they suddenly came to their senses. They probably no longer hold the view that the Union of Industries is an association of the old management that has been impeding the reform." He considers the government's plan to support large companies a total reversal of their previous philosophy "the large conglomerates must be broken up, and the small ones supported."

Eng. Trinkievitz commented on the explanation of Minister Kocarnik that the government needs the six-month delay to prepare the bankruptcies by saying that "they had a whole year to do it and nobody made any preparations, although it is true that it was another government."

"Remember what they promised us this spring, that the Czech Government will enact some specific measures to cover the insolvencies. Nothing was done," said Eng. Trinkievitz.

#### Current Large Credit Balances

|                                      | First Round   |
|--------------------------------------|---|
| Participation in the First Round:    | 271 companies                                       |
| Viable:                              | 133 companies                                       |
| Freed of debt:                       | 85 companies, i.e., 63.91 percent, 31.37 percent    |
| [Total] debt forgiven korunas [Kcs]: | 53 million  |
|                                      | Second Round  |
| Participation in Second Round:       | 505 companies                                       |
| Viable:                              | 399 companies                                       |
| Freed of debt                        | 387 companies, i.e., 96.99 percent, 76.63 percent   |
| [Total] debt forgiven Kcs            | 539 million   |
| Total identified:                    | 600 cycles of average length of 12 links [in depth] |
| Longest cycle:                       | 43 links  |

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**Current Large Credit Balances (Continued)**

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|                               |   |
|-------------------------------|---|
| Number of dual credits        | 34 in the amount of 22.9 million                    |
|                               | Third Round   |
| Participation in Third Round: | 460 companies                                       |
| Viable:                       | 385 companies                                       |
| Freed of debt:                | 339 companies, i.e., 88.05 percent, 73.70 percent   |
| [Total] debt forgiven Kcs     | 278.6 million                                       |
| Total identified:             | 611 cycles of average length of 11 links [in depth] |
| Longest cycle:                | 43 links  |

The fourth round is currently under way—collection of data will be concluded by 21 October 1992. Then the fifth round will start—collection of data will be completed by 16 December 1992.

[Note: "cycles" and "links" may relate to overlapping credit (cycles) among the companies.]

Source: CR Industrial Association

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### Chief Negotiator Defends EC Agreement

93CH0034A Budapest FIGYELO in Hungarian  
1 Oct 92 p 19

[Article by Dr. Endre Juhasz: "The EC Agreement and Enterprise Interest Representation"]

[Text] The National Assembly is scheduled to begin debate in October or November over the ratification of the European Agreement consummated with the EC and its member states. This explains the multitude of statements and writings that have appeared recently, commenting on the Agreement on Association. These writings include an article entitled "Lost Illusions" by Gyorgy Farkas, published in the 17 September 1992 issue of FIGYELO. The head of the Office of European Affairs responds to that writing.

Although it is not my intent to reflect solely upon the article referred to, I do not deny that it was that writing that prompted me to share some information and a few thoughts with the readers. I feel compelled to do so because I served as chief of the Hungarian delegation throughout the negotiations on becoming associated with the EC. Although the writing to which I respond does not name the public officials or state organs criticized, due to the division of labor that prevails in the government I must, regretfully, regard myself and the delegation I headed as the subjects of criticism. A reaction is also justified by the position held by the person who wrote that article: He is the deputy executive secretary of the Hungarian Economic Chamber. I am unable to remove Gyorgy Farkas's writing from the office he holds.

#### No Mirage

Detailed reports have been prepared concerning every facet of the negotiations, including all recommendations. Accordingly, in this respect, we have recorded "history" quite well. Therefore, we now have accurate knowledge of what our original goals—illusions! if you will—were, and how much of those we accomplished.

The first issue I would like to deal with is whether illusions were created, whether "mirages" were painted. Who raised illusions, who painted mirages for society? I believe that no one did. I am not aware of any government statement that could be regarded as raising illusions or painting mirages. Anyone who has followed the negotiating process from close up would know that we reported on every phase of the negotiations, endeavoring to reflect reality, concealing nothing, and underscoring the difficulties. The agreement is the result of compromises and of the clashing of interests, and it is not an embodiment of a certain general intent to obtain assistance. I could, possibly, agree with the author of the article in this regard. The agreement must be judged from this vantage point and no other.

Quite naturally, it would be necessary to present the contents of the agreement accurately. As the author of

the article states, the agreement contains asymmetry not only as a matter of formality, but also in a real sense. One simply has to read the agreement to figure this out. The deadlines shown in the agreement indicate that the dismantling of trade barriers in Hungary really begins only on 1 January 1995, while a majority of the benefits provided by the EC go into effect immediately, or in the foreseeable, near future. Anyone calculating the extent of agricultural benefits (the reduced burden resulting from the measures contained in the agreement) could recognize the huge disparity that exists in favor of Hungary. These should not be regarded as mere formalities. And I would be really curious to find out in which sectors—"in several important sectors," according to the author—the promise of asymmetry has backfired. There is no such sector.

#### Instead of Miracles

It is possible, of course, that certain entrepreneurs and enterprises are going to be disappointed if we faithfully report the contents of the agreement and evaluate its effects realistically. Moreover, some may feel that the agreement is harmful from their own standpoint. Such cases exist and the concern may be justified. Aside from situations like this, there also exists a view that demands full and unlimited access for Hungarian products to the EC markets, but at the same time regards the maintenance or intensifying of Hungarian protectionist measures as necessary. This view is unacceptable to me. This approach would cleverly combine liberal trade policy with protectionism: It asserts that markets should be open on the other side, and protected in Hungary. Well, in any event, we can be certain that the agreement could not and did not want to realize this peculiar combination, moreover: miracle. If illusions of this kind still exist, they should be dispelled quickly: The agreement is not based on protectionist trade policy. If this is still not clear: The agreement is the foundation and means for Hungary to integrate with Europe. We are the ones who wish to integrate ourselves with the EC, and not the reverse. Integration would be impossible and inconceivable without realizing the four fundamental freedoms contained in the Treaty of Rome that established the EEC. These are the free movement of goods, services, labor, and capital. Even among these the free trade of goods comes first. It is public knowledge that the agreement intends to fully accomplish this regarding all industrial goods—i.e., including the textile and steel sectors regarded as sensitive product categories—by 31 December 2000. The agreement has no fixed date for now regarding the free trading of agricultural products, it "only" provides opportunities for preferential market access. Well, we incorporated in the agreement asymmetric timing and special protective clauses, but these serve only as delay mechanisms and brakes, and there is no doubt that Hungary, too, must fully open its markets by the year 2000. Anyone who does not like this arrangement should openly join those opposed to the agreement. This would clear the air and organize ranks. The agreement expresses national interests, and I am convinced

that it represents the interests of a significant majority. Satisfying every special interest was not and could not have been the goal, because this could not be accomplished anyway.

Gyorgy Farkas dealt heavily with relationships and cooperation between the government, businesses, and their interest groups while the agreement was being prepared, and now, when it is being implemented. In this regard he makes the following summary and distressing judgment: "The EC agreement is reminiscent of the veterinarian's horse. The development and enforcement of the agreement, and the related—still unresolved—disputes and complications amount to no more than a series of actions by state personnel who think in terms of mere ideologies and offices without bothering to consider in whose interest and toward what goal an agreement was/is necessary, and with whose participation they want to implement it."

This charge is grave; it is hoped that the attacked party is justified in seeking somewhat more space to present its defense, and apologizes to the reader for going into detail that might be regarded as excessive.

#### Silence at the Chamber

We entered into the agreement in the interest of Hungary, the Hungarian economy. In assessing our interests there was no need to communicate with specific enterprises in every instance, because statistical data, economic analyses, professional literature, reports from our foreign offices, and information provided by a number of other sources permitted us to draw appropriate conclusions. Despite this, we have actively kept in touch with a number of enterprises and interest groups. Undoubtedly, these were not channeled to us by the Hungarian Economic Chamber. This occurred despite the fact that in the course of our negotiations we assigned a central, moreover privileged, role to the Chamber. We forwarded every report concerning the preparations and the various phases of negotiation to the Chamber, periodically requesting that they express their views. Our files still contain seven letters addressed to the chairman or vice chairman of the Chamber, bearing the following dates: 9 October 1990, 4 March, 18 April, 9 May, 8 July, 5 August, and 3 October 1991. The Chamber expressed its written views altogether in one instance (12 March 1991), stating its full agreement. My statement about the lack of written reactions should not be regarded as criticism, because we had consulted verbally many times, and regarded the lack of written responses as the Chamber's agreement with the contents of our reports and with the direction we followed.

The role of the state indeed arises as an issue when it comes to providing information, explaining, and facilitating the implementation of the agreement, and of the temporary agreement giving force to the trade-related provisions of the agreement. There should be no doubt that I regard the development of international conditions and the implementation of the consummated

agreement by way of governmental action as my primary function. There is no dispute over this; our responsibility is clear and there are no ifs, ands, or buts about it. In this framework, however, "information provision," or, as the article states, "support by the executors" could only be given within the limits of opportunities given to us, i.e., within the available time, energy, and staff. Despite this situation, to enumerate the times when I provided information to the various media (newspapers, radio, television), and occasions when I made presentations to various audiences—including at functions organized by the Chamber—would result in an extremely long list. And the same was done by the minister of international economic relations, the administrative state secretary of the Foreign Ministry, several officials at the office I manage, and a number of government officials. By coincidence, thanks to the courtesy of the Chamber, I received the other day photographs taken at the opening of the Budapest International Fair on 20 May 1992; they show a panel at a conference organized on the fair grounds. The agreement was the topic at that conference, and the conference was convened by the Hungarian Economic Chamber. (The persons shown on the picture, from left to right, are: Ministry of International Economic Relations [NGKM] Executive Secretary Dr. Endre Juhasz, the author of this article; Hungarian Economic Chamber Deputy Executive Secretary Gyorgy Farkas; NGKM division director Frigyes Banki; EC Committee Budapest Mission Chief Hans Beck; and Foreign Ministry Administrative State Secretary Dr. Janos Martonyi. I find it hard to believe that this picture could serve as proof of noncaring by state officials [picture omitted].)

I would like to dispel yet another misconception. From time to time, interest groups state their own desire to personally participate in the negotiations and at interstate functions. Gyorgy Farkas also complains in his article that "the meeting of the Council on Association in the middle of the year took place in total disregard of the entrepreneurial sphere" (as an aside: the Council on Association did not meet; only a joint committee met, and this difference amounts to more than just the difference in the designation of these bodies). As proven by the publicized minutes of the joint committee meeting, we considered specific proposals made by enterprises to a maximum extent. Insofar as personal participation was concerned, this was not possible, and is not going to be possible in the future either. Regardless of references to the influence exerted by EC interest groups, I can assure everyone that in the course of two years of negotiations I have not met a single representative of an interest group in the EC delegation, either in the conference room or in the corridors. I believe that the separation of state and nonstate functions at the EC is entirely clear-cut.

The issue of initiatives for cooperation between the state and interest groups also arises. I am certain that neither Pablo Benavides, the head of the EC delegation, nor any other EC official in authority has sent circulars to

interest groups within the EC to express their views regarding certain issues. At most, they might have read views expressed to them, then considered those to the extent that they felt those views were appropriate. I believe that this approach is also valid in Hungary: Interest groups truly wanting to advance their members' interests, and truly having something to say, should make an initiative, present their views in writing, and hand the writings to the negotiators. I might add: They should do so in as specific as possible terms, and as consistently as possible with established conditions for interstate relations.

Experience gained thus far in applying provisions of the agreement is encouraging. With or without assistance, more than 10,000 EUR1 certificates have been issued to exporters, i.e., the provisions of the agreement have actually been applied. Between January and August 1992 Hungarian exports to EC member states have increased by 21 percent as compared to the same period in the previous year, and despite the recession in Hungary. It is too early to claim that this increase is a result of the agreement. Nevertheless, during the same period our exports to the EFTA countries—with which we have not yet succeeded in reaching free trade agreements—have increased by only 1.3 percent. (The growth index of all our exports is 11.5 percent, and the increase of exports to OECD countries amounts to 13.2 percent.)

#### Vital Issue

The agreement is of decisive significance to Hungary, it might not be an exaggeration to say that it represents a vital issue. Debates concerning the agreement must be conducted at a professional and ethical level commensurate with this significance. Our cause is going to be enhanced if we act on the basis of the majority view in a uniform and coherent manner, and if we can be accepted as predictable, serious partners.

I hope that a national consensus is going to evolve regarding Hungary's integration with Europe. In any event, based on statements made thus far, and on personal discussions with certain opposition representatives in parliament during the negotiations, I feel that there is a good chance to accomplish this.

#### Growing Trade With Independent Republics

93CH0034B Budapest FIGYELO in Hungarian  
1 Oct 92 p 4

[Article by R.B.: "How Much Longer Will the Independent Republics Grow?"]

[Text] Economic data for January-August 1992 remain unchanged insofar as Hungary continues to have the fastest growing trade with the Soviet successor states, and within those, with the Russian Federation, accounting for five-sixths of all trade with the independent republics. Almost \$900 million worth of exports are offset by about \$1.2 billion worth of imports.

Accordingly, it seems that agreements between banks, which had a slow start at the beginning of the year due to the unexpected introduction of the retention system in Russia, proved to be operational. Based on these agreements Russian firms exporting to Hungary would leave 50 percent of 62 percent of their foreign exchange revenues derived from sales to Hungary in Hungarian bank accounts for 30 days. These firms are mandated to pay the remaining 38 percent of their foreign exchange revenues to the Russian government. If, during the 30-day period, these firms find some needed merchandise in Hungary that is on the indicative list, they are free to use the foreign exchange deposited in the Hungarian banks to pay for the goods purchased. Funds remaining in the Hungarian banks beyond the 30-day period are transferred back to Russia. One should note, however, that this arrangement applies only to products included on the indicative list, and the ratio of these within the total export value of \$900 million barely reaches 10 percent, according to NGKM [Ministry of International Economic Relations] estimates (mainly because after Hungary had reached an agreement with Russia in November 1991, interbank agreements had not functioned under the system altered by the Russians. They managed to settle disputed issues only in April 1992).

Surprisingly, the ratio of barter trade as part of all trade does not exceed the 30-40 percent level, according to the NGKM. Therefore it is fair to raise this question: What guarantees do Hungarian enterprises have when they make deliveries to firms in the independent republics, whose ability to make payments is weak, to put it mildly? According to NGKM estimates some 30-40 percent of the trade is transacted through third-party, Western intermediaries. It is an open secret that Russian exporters have transferred and continue to transfer a significant proportion of their foreign exchange revenues to Western banks. No estimates exist as to the extent to which all this increases the cost of trading. (Hungarian enterprises claim that in some instances Russian entrepreneurs sell their goods at lower prices through Western intermediaries than when they make direct sales.)

We may have justified concerns based on the composition of Hungarian exports; one wonders whether the planned \$3 billion total trade volume with the independent republics—\$1.5 billion in exports, and \$1.5 billion in imports—is going to materialize by the end of the year? The bulk of Hungarian exports consists of grains, meat, buses, vehicle parts, and pharmaceuticals. During the first half of the year we delivered a substantial amount—more than 2 million metric tons—of wheat and corn. Considering the low crop yield this year, it is more than doubtful that the volume of previous deliveries can be maintained in the upcoming months. This is also suggested by the fact that the growth rate of exports to the independent republics as compared to last year's exports has dropped from 50 percent during the first six months in 1992 to 27 percent. A repetition of last year's trade volume also predicted by NGKM leaders—about \$1.2 billion in exports and \$1.5 billion in imports—sounds more realistic.

This is no small accomplishment if compared to the more than 50-percent drop in 1991 trade below the 1990 trade volume.

### Csurka Treatise: More MDF, Smallholders Views

#### Opponents in MDF Comment

92CH0992A Budapest 168 ORA in Hungarian 8 Sep 92  
pp 5-6

[Interview with MDF parliamentary representatives Istvan Illesy and Istvan Bethlen by Eszter Radai; place and date not given: "Life-Threatening Outlook on the World; MDF: How Many Stand Behind Csurka? How Many Stand Up Against Him? Tracking the Time Wasted"]

[Text] *Views differ insofar as the Csurka study is concerned; why, even the MDF's [Hungarian Democratic Forum] national board said that the writing could contribute to the development of the party's long-range political strategy. Eszter Radai conversed with two members of the MDF parliamentary faction, Istvan Illesy and Istvan Bethlen.*

[Radai] Were you, as a member of the MDF parliamentary faction, surprised by this writing? Has Jozsef Debreczeni's initial writing, which stated his position, created a new situation?

[Illesy] It created an entirely new situation, of course, even though this study had some antecedents. An incredibly poisoned ideological atmosphere exists in which stigmatizing and simplifying goes on. The fact that no coherent ideology had been published before created news, although both sides had a lot of ideological debris that served only to aggravate and provoke the other side. An ample amount of this kind of writing has been published. The study itself represents a separate chapter in all this, of course. It reflects a closed view of the world, complete with the necessary language that does not tolerate contradiction; what flows from all this is that neither the language nor the outlook on the world provide an opportunity for possible arguments. Typically, this is the kind of ideology one either believes in, or not.

#### Who Are the People?

[Radai] Should this be understood to mean that it is not even worthwhile to attempt to present counterarguments?

[Illesy] One must try, but the details cannot be argued; instead, the whole thing must be rejected, as is.

[Radai] How? Without presenting arguments?

[Illesy] Most of the arguments have already been presented to the Hungarian public. But let me give you an example of how deceiving this language is. The central thought of the entire work is based on the people. It is simply impossible to tell on the basis of the text whom

Istvan Csurka regards as the "people." He talks about the problems of the Hungarian people at least on four conceptual levels. By calling them conformists and old, he deals with the people in disparaging terms, which I regard as unacceptable. Then he says that the "true people" are actually those engaged in agriculture—a segment that constituted about 51 percent of society in about 1945—but he does not mention the incredible extent to which this segment of society was varied. Accordingly, Istvan Csurka says that the people must constitute the basis of society and that we must reach as deep down into this stratum as possible. At the same time he is unable to deal with the disadvantaged, and multiple-disadvantaged strata, because he says that within those strata the forces of natural selection do not operate. As you can see, I must reject the whole thing the moment I begin to analyze only one concept—the one that actually serves as the central concept and upon which the entire study is built.

[Radai] And what do you do with those who feel that the study is filled with truths and that Csurka is stating some very important things?

[Illesy] I believe that the range of critique accorded provides appropriate arguments for rejection to persons not inclined to accept this kind of ideology.

[Radai] And how about those who are inclined to believe such things?

[Illesy] People like that will probably believe in this kind of ideology, but these people cannot be convinced of the fact that this kind of ideology does not work.

[Radai] You, as a sociologist, would know: Are there many people like that?

[Illesy] I do not believe that this kind of ideology has a truly large following in Hungary. At the same time, however, the past 45 years could not be erased from the mind of Hungarian society either, because a closed ideology of a kind that had provided patterns in many significant fields of life had been working here....

[Radai] Are you saying that if someone completed a quick course in Marxism and Leninism he felt that he had an understanding of the whole world?

[Illesy] Yes, this idea could have easily occurred to such persons.

[Radai] Does the Csurka study resemble that?

[Illesy] Naturally, because this is a philosophy of history and who knows what other kind of world view that can be digested easily, and infinitely simplified with ease, in which there is only black and white and "we" and "they." Typically, this is a world that has been made into mythology, one that can easily be accepted, but one which at the same time is life-threatening precisely for that reason.

**Closed Ideologies**

[Radai] Why is it life-threatening?

[Illesy] Because it has its consequences. This is an ideology with a leading principle, in a sense a totalitarian ideology. In other words, once I begin to believe in it I must cast away my autonomy, my critique, and my questions, because the world is a given and everything I must do is also given.

[Radai] To what extent is the MDF membership or the party's parliamentary faction susceptible to accepting this study? One hears all kinds of ideas, some people say that as a result of the counterselection of the past months or year, the MDF stands behind Istvan Csurka virtually as one man, even though there are a few liberals whose voice can only be heard very weakly thus far, and then there is Jozsef Antall, but one cannot tell who and how many others belong to this center.

[Illesy] I find this to be an infinite oversimplification of the issues. The fact that the MDF is not an ideological party is of the essence, and the other important thing is that the MDF functions in a democratic way. For this reason I find this kind of program or this kind of closed ideology inconceivable from the standpoint of the MDF. I cannot imagine a situation in which anyone accepts this ideology, except that certain base which supports it, of course.

[Radai] But you were the one who said that this was a party that operated on the basis of democratic principles, and if the majority finds that these ideas are important from the standpoint of the program, then these ideas are going to be incorporated in the program.

[Illesy] These are the exact issues that must be made the subjects of future debate, in the course of preparing for the national meeting. I am conversing with you in order to provide some publicity to the cause, and to prevent a situation in which Csurka's study could become the starting point for preparing a program.

**Calling Them Jewish Bankers**

[Radai] How does the Western, the international, world of money react to a study like this in your view, MDF Representative Istvan Bethlen?

[Bethlen] I am absolutely certain that thought processes like this are not helpful in the international arena. I believe that Ivan Szabo is very correct when he says that it becomes somewhat difficult to negotiate with IMF representatives when a person—not exactly of an insignificant stature—calls them Jewish bankers and plants all kinds of negative thoughts and perceptions in their minds. Simply put, this kind of thing harms Hungary and Hungary's international prestige. The fact that this writing attacks organizations which thus far have manifested good will toward Hungary—and I say this based on my own experience—is very harmful. It attacks, for

example, the IMF, the World Bank, and countries which are most friendly to us, such as the United States and Germany.

[Radai] What do you think of the study's impact in Hungary?

[Bethlen] I need not add much to what the prime minister said in parliament, and what Marton Tardos, the leader of the largest opposition party, talked about. I would like to add only one thought: The article was published on 20 August, on Saint Stephen's day. The truth is that for a thousand years, ever since Saint Stephen, true Hungarians have accepted, not excluded, people. I do not understand why certain parts of the nation's body must be artificially excluded. We are proud of the fact that the Croat Miklos Zrinyi, the Serb Janos Damjanich, the German Otto Herman, the Jew Antal Szerb, and I could go on and on, were all outstanding representatives of the Hungarian people, and at this point I am mentioning only those who became famous.

Hardly any Hungarian in this country could claim that his family had indeed entered the Carpathian Basin with Arpad at Verecke. Integration, not exclusion, was always the strength of the Hungarian people; the latter is a harmful concept; it was not espoused by Saint Stephen, and it was not a Hungarian idea.

[Radai] I saw you standing up and walking over to the opposition side before parliament undertook its morning business, and you conversed with a few members of the Alliance of Free Democrats [SZDSZ]. I understand that you assured the SZDSZ of your cooperation with them in every respect, in contrast to Istvan Csurka, who said that he was not willing to cooperate with Marton Tardos, i.e., the Free Democrats.

[Bethlen] But my person is not at issue here. I am talking of the MDF as a whole, as it is. I am still unable to get over the fact that a member of the Hungarian parliament shouts at another member of parliament—who, on top, is the leader of the largest opposition party—that he is not willing to cooperate with him. While in a democracy one could assert that he did not want to cooperate at any price with another political force or its representative, it has been a basic rule of parliaments ever since parliaments have existed in the world that one has to cooperate in the interest of the country despite the most heated debates. If someone truly believes that he is unable to work with a certain political force or its representatives elected by the nation to serve in parliament, we should really give thought to the question of whether such person should be working in parliament at all. For if that is the case, that person's understanding of parliament differs with the essence of that institution, and if that is the case, that person probably believes that the time he spends in parliament is time wasted.

**Additional FKgP Views**

92CH0992B Budapest 168 ORA in Hungarian 8 Sep 92  
pp 4-5

[Interview with Smallholders Party leader Sandor Olah by Eszter Radai; place and date not given: "When Is the Government Going To Fail? A Coalition No Longer Exists! The Csurka Study Represents National Irresponsibility"]

[Excerpts] [Passage omitted]

[Olah] Insofar as the contents of the Csurka study are concerned, I regard the study as clearly anti-Semitic, and at present, when every responsible politician should strive for national unity, one might say that the exclusionary principle is contrary to the nation's interests, it is anti-Hungarian. [passage omitted]

[Olah] I cannot judge the hidden intentions of the government, because it does not have hidden reserves to favorably influence the public and to attract public support. In the present situation of the government in which no results are being produced and which is hopeless, I feel that the government's MDF members also need a situation in which the party slides out from under the weight of the government. I would not be surprised if in the final five to six months before the elections an expert government were to function in Hungary under the leadership of Jozsef Antall, and if the parties were to sever their relations with the government during the preelection period, at least as a matter of formality. If this is the case—because all these things are assumptions, of course—then the Csurka study could be only a first step in that direction. [passage omitted]

[Olah] This is not going to have any serious practical effect on the coalition. Let me tell you why: Because from a practical standpoint there is no coalition. By now, the coalition of three parties has become embodied by the three parliamentary factions, without having parties in the background; the way I see it, what characterizes the Smallholders Party [FKgP] is slowly going to characterize the other parties, too. [passage omitted]

**Official on 'Soros Empire'**

92CH0992C Budapest 168 ORA in Hungarian 8 Sep 92  
p 12

[Interview with Ministry of Culture spokesman Janos Havasi by Gabriella Lantos; place and date not given: "Termites Devour the Nation"; Ideological Partisan Warfare; Zacsek Followed Csurka"]

[Text] *In recent weeks the Soros Foundation has come under concentrated fire on the pages of MAGYAR FORUM. Last week the newspaper presented the writing of an MDF representative entitled Termites Devour the Nation, or Thoughts on the Soros Course and the Soros Empire. Gabriella Lantos interviewed Ministry of Culture spokesman Janos Havasi.*

[Lantos] In last Friday's NEPSZAVA you said that those who attacked Gyorgy Soros would be better off if they first reviewed the list of beneficiaries and the kind of support they received. Would you try to provide some details as to what this country should be thankful for to Gyorgy Soros, and the money provided by Gyorgy Soros?

[Havasi] I would, by all means, like to state that my NEPSZAVA statement reflected my personal views, because the ministry has already conveyed to the public that it did not want to take a position regarding the attacks on Gyorgy Soros, because doing so would not be the ministry's business. We continue to hold the past activities of Gyorgy Soros in high regard; what has evolved appears to be a political struggle in which the ministry does not intend to participate. Insofar as my personal view is concerned, as a journalist and as a reader of newspapers I can say that virtually every part of Hungarian public life and of Hungarian cultural life has received some kind of support from the Soros Foundations during the second half of the 1980's. I will note here that contrary to statements to this effect, neither Minister Andrasfalvy, nor Alajos Dornbach, the vice president of parliament, have received any kind of scholarship from the Soros Foundation, and have never requested any for themselves. Neither because having done so would be something to be ashamed of, nor because I found it necessary to underscore this fact for some reason; I am mentioning this only as a matter of fact. But I will return to your question as to why we find this campaign a bit unfair. The list includes demographic and populist functions, a series of grants provided to clubs that research the Hungarian national background; accordingly, one cannot make a summary statement to the effect that the Soros Foundation had provided support only to opposition politicians and opposition organizations.

[Lantos] Even less so because Foreign Minister Geza Jeszenszky has also been a member of the board, and Sandor Lezsak was a beneficiary of this scholarship. Why did Gyula Zacsek follow in the footsteps of Istvan Csurka and call Gyorgy Soros the funding sponsor of the cosmopolitan-liberal-bolshevik conspiracy?

[Havasi] I do not think that this is surprising insofar as either Istvan Csurka or Gyula Zacsek are concerned. The specter of a united international effort that threatens Hungary has recently evolved in their views. What I am concerned about is the possibility that after such initiatives Gyorgy Soros is indeed going to support only the opposition, because this would be an entirely logical step on his part. As a result of such action the Hungarian budget would have to fund all the projects abandoned by the Soros Foundation. I wish to stress something that is also reflected in the ministry's position: I find it necessary to review the previous agreement, because the conditions under which the 1989 agreement came about have changed. But thereafter it is by far not necessary to

start a political campaign, or to present the amendment to the agreement as the necessary or unnecessary sequel to the political campaign.

[Lantos] Don't you think that the ministry's amendments to the agreement have helped encourage Istvan Csurka, Gyula Zacssek, and who knows whom else, to present Gyorgy Soros in this light?

[Havasi] I believe that the Soros Foundation became a sore point in Istvan Csurka's view much earlier. Well, let's say, not really that early, because in 1987 he, too, applied for support, but I can only repeat that amending the agreement was necessary, because the close entanglement of the state budget with a private foundation was inappropriate. Irrespective of the person involved, whether that would have been Soros or some other capitalist, it would not have been appropriate to continue maintaining such close cooperation.

[Lantos] As you just said, you were afraid that henceforth Gyorgy Soros would indeed support only the opposition. I have an even greater concern: Are you not concerned that all those Hungarians abroad who would have provided some financial support to Hungarian culture are going to think twice before making contributions, and that far less money is going to flow into the country as a result, not only from Gyorgy Soros, but also from others?

[Havasi] This threat undoubtedly exists, but I hope that the government's and the prime minister's statements are going to halt this process on time, and that international public opinion is going to accept the fact that the views of Istvan Csurka are not dominant in Hungary. Incidentally, these gentlemen should by all means give thought to the question of whether it was worthwhile to start a partisan war along ideological lines in the framework of the given European constellation, based on where the stars point in international politics.

[Lantos] I believe that they have thought of it and have decided that, yes, it was worthwhile.

[Havasi] Probably because they think that a partisan war could move large crowds. Despite this, I still hope that they are going to listen to some to whom they are not listening at present, and that they are going to find out that the path they have taken leads nowhere.

[Lantos] Do you regard as conceivable that Istvan Csurka or Gyula Zacssek change their views not only about Gyorgy Soros, but also in regard to that international conspiracy?

[Havasi] I can hardly perceive such a situation, and the truth is that a core of truth exists in their view, just as in any other view. Undoubtedly, the financial world is a closed world. They are mistaken if they think that this closed world—and I wish to strongly emphasize, that this world is by no means closed on a racial, national, or nationality basis—this world which cooperates well, and which, indeed, is organized in an exemplary fashion, can

be influenced or brought to its knees. Accordingly, these kinds of statements do not make sense even from their own standpoint, even if we disregard some far more grave aspects of this case: statements which imply racism and dictatorial endeavors. Statements contained in those writings undoubtedly point in the direction of dictatorship and are unacceptable in 1992.

### Csurka's Son Dismissed

92CH0992D Budapest HETI KIS UJSAG in Hungarian  
11 Sep 92 p 4

[Unattributed article: "Csurka's Son Dismissed"]

[Text] Ministry of Agriculture Political State Secretary Laszlo Sarossy has relieved of his duties Endre Csurka, the son of Istvan Csurka. The state secretary said that the decision was timely and that it had nothing to do with the writing of Istvan Csurka published in MAGYAR FORUM. Despite this, the state secretary did not provide any detail as to the reasons for the suspension.

### Anti-Csurka Signatures

92CH0992E Budapest HETI KIS UJSAG in Hungarian  
11 Sep 92 p 4

[Article by "OPRA": "Signature Drive Against Csurka"]

[Text] The Hungarian branch of the Interparliamentary Council Against Anti-Semitism has issued a statement concerning Istvan Csurka's study entitled "A Few Thoughts..." The statement has already been signed by more than 15 National Assembly representatives from every faction seated in parliament. They include Janos Szentagothay (MDF [Hungarian Democratic Forum]), Peter Meszaros (MDF), Janos Gyurko (MDF), Laszlo Kovacs (FKgP [Smallholders Party]), Tamas Lukacs (KDNP [Christian Democratic People's Party]), Tamas Raj (SZDSZ [Alliance of Free Democrats]), Judit Csehak (MSZP [Hungarian Socialist Party]), Gabor Fodor (FIDESZ [Federation of Young Democrats]) and Kristof Kallay (Independent).

The statement indicates that "We cannot remain silent in regard to Istvan Csurka's study because it

"questions democracy and constitutional statehood;

"upsets the internal peace of Hungary by inciting a mood adverse from the standpoint of certain minority groups, and opens the path to adverse discrimination among Hungarian citizens;

"makes the lives of Hungarian people beyond the borders more difficult; and

"causes immeasurable damage to Hungarian foreign policy particularly with the absurd statement according to which an invisible international conspiracy is the cause of our troubles."

The statement holds that instead of providing a remedy, Csurka's ideas represent poison insofar as the troubles of

Hungarian society are concerned. The signatories call upon every citizen of the country to jointly and firmly reject these kinds of fallow ideals, and not to permit false prophets to endanger the country's peace, the success of the transformation and our future.

### Debreczeni's Ethics

92CH0992F Budapest HETI KIS UJSAG in Hungarian  
11 Sep 92 p 4

[Article by Boldogkoi: "Debreczeni's Morals To Be Examined"]

[Text] As reported earlier, Jozsef Debreczeni, the National Assembly representative from Kecskemet and also the press spokesman of the MDF [Hungarian Democratic Forum] parliamentary faction, has been the harshest critic of Istvan Csurka's study, which whipped up a great storm. Jozsef Debreczeni—a key figure of the national liberal wing of the largest coalition party—reacted almost instantly after the appearance of the Csurka study, and termed certain ideas of the screenplay writer—twice the winner of the Attila Jozsef Prize—as "Nazi" in his study written in simple, noble terms and published on the pages of NEPSZABADSAG. Debreczeni's article also whipped up a storm, and several individuals—mostly supporters of Csurka—have reacted strongly to Debreczeni's ideas. It appears that as a result of such reactions, the board of the Kecskemet organization of the MDF is launching an investigation of Debreczeni's ethics. The board has distanced itself from the ideas of Debreczeni, a founding member and past chairman of the MDF Kecskemet organization, published in NEPSZABADSAG.

At the same time Debreczeni falls short of understanding this action, because he has not received an official notice of the board's decision; he learned of this decision only from the daily newspaper published in Bacs-Kiskun County. Debreczeni said that the decision itself was not saddening because he was willing to face such an investigation; saddening was the fact that the decision had been made behind his back.

### Christian Democrat Explains 'Internal Opposition'

92CH0996A Budapest 168 ORA in Hungarian 8 Sep 92  
p 10

[Interview with Christian Democratic People's Party parliamentary group leader Bela Csepe by Zsolt Bocskay; place and date not given: "New Christian Democratic Model; Internal Opposition to the Government; Deep-Seated Reasons for the People's Suffering"]

[Text] *It is strange, but within the government coalition there is no written agreement between the Smallholders and the Christian Democrats. Only the MDF [Hungarian Democratic Forum] concluded such an agreement with both parties. Zsolt Bocskay talked to Bela Csepe, leader of the parliamentary faction of the Christian Democratic*

*People's Party, about what it means to assume the role of opposition within the coalition.*

[Bocskay] Mr. Csepe, are you now a politician of the governing party, or of the opposition?

[Csepe] I can give you a definite answer to this question: of the governing party. You are obviously asking this question because in its statement about the meeting which took place one and a half weeks ago, the executive committee of the Christian Democratic People's Party declared that we will assume the role of opposition within the coalition. We do not want to loosen the coalition; our fundamental conviction is that political stability and the faint chance of economic recovery, which is slowly developing, are in the country's vital interest. They must not be endangered, and this is why we do not want to leave the coalition. Well then, what does this formulation mean, because it does contain the word "opposition"? Well, what it means is that we intend to criticize the government with the intention of improving it, from our own ideological platform, when and to whatever extent it is necessary, but at any rate more decidedly than we have done up to now.

[Bocskay] Don't be angry for the comparison; I don't want to hurt either you or your party, but the reform communists were saying something similar during the years before the change of regime: We would like to change things from the inside, because the opposition is incapable of operating as a real opposition. Your role is similar, isn't it?

[Csepe] It may well be similar, but I don't think it is correct to look for an equivalence between the two. At that time, after all, there was a totalitarian system in which the intent of improvement has blazed a trail. These were the reform communists. Then, the time came when they actually encouraged the political change that subsequently occurred. Now, however, we have democracy, so the objective of our movement can in no way be compared to their objective.

### Imre Konya Accepted It

[Bocskay] Still, in a democracy one imagines a slightly different setup. There are governing parties which have formed a coalition, and which actually agree on everything. At least, this is the way the outside observer sees it. Then there is the opposition, the task of which we also know. But you have undertaken something unusual. Why did the Christian Democratic People's Party take on this role? What led you to this path?

[Csepe] Contrary to public opinion, namely, that we agree on everything, the matter is not so simple, because there is plenty of criticism even within the MDF. Why should there be none among us? Basically, the reason why we floated this formulation in the consciousness of the public is that we are worried about the country's situation.

[Bocskay] When you met your fellow faction leaders in parliament last Monday, what did they say about this new standpoint? What did Imre Konya or Jozsef Antall say, if they said anything at all about it?

[Csepe] I personally did not talk about this with the prime minister, but I did talk to Imre Konya. He also asked what we really meant by this opposition within the government, and I told him basically the same thing I told you. Konya then accepted it.

[Bocskay] The Christian Democratic People's Party is perhaps the party that could be a partner in a new, different coalition, and could participate in either a liberal or a socialist regime. Isn't the reason for this internal opposition that you want to become closer to the real opposition?

[Csepe] Not at all. We are conducting our politics on the basis of a Christian ideology. We are trying to remain in the center and conform to the wishes of the masses who want peace and quiet and no extremism. This is very important. Thus, we are not trying to get closer either to the left or to the right. This is what we are trying to accomplish.

#### **Ideological Purity**

[Bocskay] This kind of ideology does not preclude your forming a coalition with any party.

[Csepe] A priori it does not preclude us from it, but it depends on many things. When I emphasize the significance of a Christian ideology, which is obviously decisive with us, the fact of the matter is that even within parliament there are many parties—and who knows who else can still get in—which are strongly opposed to this ideology. Thus, in principle I cannot say that anyone is excluded, but we have certain requirements, and we will only form a coalition if we can preserve our ideological purity.

[Bocskay] At the time you published your ideas, we had just witnessed the publication of the Csurka essay. One might think that one reason for formulating your new role could have been that you didn't like what Csurka wrote.

[Csepe] No, there is no connection here. Of course, the party members and representatives are dealing with the issue and our faction will also reveal its standpoint, but I cannot say anything about it yet, because we will only discuss it on Monday.

[Bocskay] Thus, it is certain that your faction will state its opinion, but you don't want to talk about it beforehand?

[Csepe] I don't want to do it because I have not coordinated it with the faction. On my part, I completely agree with the analysis the prime minister gave in parliament.

[Bocskay] If you allow me, I will try to translate this: The leader of the parliamentary faction of the Christian Democratic People's Party does not like the Csurka essay?

[Csepe] I cannot accept this translation just as it is. I consider it very good that Csurka described the great suffering of the Hungarian people, which can be summed up concisely by the fact that everyone who sees the developments day after day regrets that a real change of regime has not taken place, and Csurka pointed out the deeper reasons for this. However, it is not good that he drew conclusions which are harmful for the country, and his essay unfortunately does contain such conclusions. This is why I cannot identify with any of his conclusions which, for instance, endanger our impending negotiations with the IMF. My basic tenet is that political stability is a vital issue; it is connected with economic matters, with our relations to the international world of finance. And these relations are definitely harmed by conclusions in this essay. Thus, I don't say that I reject the Csurka essay in toto. I wholeheartedly agree with many of his statements, but there are things which I definitely do not agree with.

#### **Poll Shows Minority Aware of Coalition Composition**

*AU1910152992 Budapest MAGYAR HIRLAP  
in Hungarian 16 Oct 92 p 8*

[Correspondent's report on results of an opinion poll carried out by Median Ltd. between 16 and 23 September 1992 using a sample of 1,200 people representing Hungary's adult population: "People Continue To Misinterpret the Situation in Parliament—Increased Demand for Change in Government"]

[Text] According to Median Ltd., there was no change in the people's evaluation of their government this summer, but followers of more radical changes are now in the majority. People continue to misinterpret the situation in parliament.

The proportion of people who regarded the government performance as weak or very weak has practically not changed in the last three months. However, this does not mean that some people and groups have not changed their opinions: Followers of the Hungarian Democratic Forum [MDF] criticized the government more in September than in June, and followers of other political parties criticized the MDF less. Thus, the differences between the opinions of various voters decreased.

Most of the people interviewed, 67 percent, thought that, in its decisions, the government did not pay much attention to the people's opinions; 24 percent thought that the cabinet paid some attention to the people's opinions, and only 3 percent thought that the government paid much attention to the people's opinions. Opinions on this issue depended on people's political

affiliation: As opposed to people less interested in politics, people more interested in politics thought that the government was considering the people's opinions.

The number of people in favor of new elections increased slowly but steadily between March 1991 and June 1992. This number increased in September 1992. At the same time, there has been a drop in the number of people who would welcome a coalition government made up of the governing party and the opposition parties. Thus, the followers of more radical changes now form the majority.

The percentage of people urging new elections increased between March and June, especially among socialist voters. This change took place among voters of the Federation of Young Democrats [FIDESZ], the Alliance of Free Democrats [SZDSZ], and the Smallholders' Party [FKgP] between June and September. Some 44 percent of the socialists' supporters, 40 percent of FIDESZ followers, 36 percent of the SZDSZ followers, and 32 percent of the FKgP followers would favor new elections now. At the same time, the percentage of FKgP followers who favor the current government also increased (24 percent).

Among opposition voters, the percentage of people preferring a grand coalition also increased. The followers of the Christian Democratic People's Party [KDNP] and the MDF followers took different roads: The former were closer to the idea of a grand coalition, while the latter distanced themselves from this idea.

The supporters of a grand coalition would prefer to see the FIDESZ in the government: 18 percent of all the people interviewed mentioned this party. The SZDSZ was the second most frequently mentioned party (14 percent), followed by the MDF and the Hungarian Socialist Party [MSZP] with 12 percent each. Only 8 percent of the people mentioned the KDNP, and only 6 percent mentioned the FKgP.

Some 10 percent of all the people interviewed would include all the six parties into the coalition; 7 percent of the people would couple the MDF with the three opposition parties; 6 percent would consider the two liberal parties, and another 6 percent would prefer the FIDESZ and the MSZP as possible coalition partners for the MDF. Some 17 percent also mentioned opposition parties, although most of these people are aware of the distribution of roles among the parties.

It is a fact that most citizens continue to misinterpret the conditions prevailing in the Hungarian parliament. Some 38 percent of the people interviewed in May 1991 were able to name all the three coalition parties and 39 percent were able to name all the three opposition parties. Today, 42 percent of the people can do that. Some 33 percent of the people interviewed in May 1991 were aware of the composition of the coalition and of the opposition. Today, 38 percent are aware of this composition.

### Pending Police Corruption Investigation Viewed

92CH0997A Budapest TALLOZO in Hungarian  
10 Sep 92 pp 1,733-1,734

[Excerpts from unattributed news reports published in ESTI HIRLAP, MAI NAP, and KURIR: "Policing?"]

[Text] *On well-founded suspicion of misuse of authority, the chief of the Criminal Investigation Department [CID] at BRFK [Budapest Police Headquarters] as well as other officers are under investigation. According to some sources, criminals informed against Lieutenant Colonel Gyula Illes after an intensive crackdown by Budapest detectives on organized crime. But the CID chief is not the only one on the black list. Budapest Police Commissioner Janos Bodraczka is also on it. Mr. Illes's crime is merely that he founded a limited liability company together with a person who was under criminal investigation; moreover, he also secured an unlawful advantage for that person. With the sister of a criminal, Bodraczka allegedly entered into a contract for the sale and purchase of a motor vehicle.*

### According to the Criminal Code

The Criminal Code defines misuse of authority as dereliction of duty or the exceeding of authority in order to secure an advantage for, or cause a disadvantage to, someone. The factors constituting a crime exist when, for instance, a policeman does not give a receipt for the fine he collects on the spot and pockets the money instead. Or when he enters the home of another person and forces him to pay what he owes a third person. For misuse of authority, the court can impose a sentence of three years' imprisonment. The person who misuses his authority to abet and aid a criminal in evading arrest and prosecution is an accessory after the fact through misuse of authority. He can receive a sentence of up to five years' imprisonment. (From a news report entitled "Accessory After the Fact, Misuse of Authority?" in ESTI HIRLAP, 3 September.)

### Difficult To Foresee

It is difficult to foresee how large an avalanche has been started by a series of squeals from the underworld. On the other hand, it is a well-established principle that a chief is accountable for the misdeed of a subordinate who has become corrupt, to the extent that the chief should have known of the subordinate's "inclination" or of its indications. Furthermore, the question arises as to how the Police Internal Security Service might be spending its time, since specifically it has been assigned the task of protecting the reputation and upholding the honesty of the force and its members. If neither the chief nor the undercover agents knew anything about the case, they can hardly be equal to the standards of their profession. But if they knew something and failed to take action, the appropriate conclusions can quickly be drawn. The question is whether it is really true that only squeals from the underworld can shed light on the "private affairs" of policemen? Or has it come to warfare

of sorts between loyalists and insurgents within the police force? (From a news report entitled "Illes's Cart Is Stuck in the Mud" in MAI NAP, 3 September.)

### The Moor Can Go

What the powers that be have allowed us to learn so far is as follows: First, that disciplinary proceedings have been instituted against "several senior officers" at Budapest Police Headquarters. Then the name of Gyula Illes, the CID chief (and the Budapest police commissioner's designated deputy for criminal investigation) was being mentioned with increasing frequency. And to keep this from becoming too much of a one-man case, it was added that disciplinary proceedings have been instituted against several staff members as well. On one occasion there was also mention of "a very highly placed" individual. Since there are not too many such top cops at Budapest Police Headquarters, and there were leaks also from other sources, it turned out that Police Commissioner Janos Bodraczka was the target.... Presumably for political reasons, General Bodraczka was able to occupy his chair in the first round only with some delay. Although if one considers the path of his career, he and also Colonel Illes could have been among the first ones to head the force. Knocked out first by the communist, and then by the skirmishes during the change of political systems, Budapest Police Headquarters has gradually recovered in recent months. Now that elections are again approaching, those in power are attempting to hold on, while those aspiring to power would like to attain it. Members of the old guard who helped to change the political systems, in whatever area, are no longer important. The Moor has done his duty, now the Moor can go. That they are trained, experienced, and reliable professionals? So what! Let our own followers come, who will support us if we remain in power, and who will trip up those who gain the upper hand, if we have to go after all! That is probably how those now in power are brooding. And those from among the "accursed" who switched sides to join the reformers, but are still far from retirement, will add a shovelful to soil and inform on others, just so that they themselves are not tossed out for good. Indeed, they might even get a consular post, if they provide a successor loyal to the political system. (From a news report entitled "Battle Between Cops and Robbers" published in KURIR, 4 September.)

### Privatization Data for Budapest Reported

93CH0034D Budapest FIGYELO in Hungarian  
1 Oct 92 p 25

[Report by Budapest Deputy Mayor Gabor Szekely to the Budapest General Assembly: "Budapest Privatization; More than 600 Million Forints Thus Far"]

[Text] The actual amount of revenues collected by the Budapest local government last year and during the first half of this year from privatizing commercial and service organizations established by the Budapest government

exceeded 600 million forints. Deputy Mayor Gabor Szekely recently reported to representatives at the Budapest General Assembly about the status of privatization.

Forty-four industrial, commercial, and service enterprises founded earlier by the Budapest Council existed when the Budapest Autonomous Local Government was established. Since these enterprises were not public utilities, they did not become the property of the local government as a result of either the 1990 local government law, or by virtue of the 1991 property law. A peculiar legal situation arose in which the Budapest General Assembly exercises the founders' rights over these state-owned enterprises.

Meanwhile 11 of these enterprises converted into stock corporations or limited liability corporations, and nine enterprises are now being liquidated. As a result of these changes, 24 of these enterprises are being privatized, and from among these, 21 are pursuing self-privatization processes. Preparations for conversion have not commenced at only three enterprises: the Junior Hospitality Industry Enterprise, the Budapest Brush and Broom Manufacturing Enterprise, and the Budapest Handicraft Enterprise. The latter two employ mainly handicapped workers.

The privatization of enterprises established by the City of Budapest began in 1989 pursuant to the corporate law: Most of Harmonia, Edessegbolt, Cipobolt, Szivarvany, Keravill and Patyolat were transferred to self-established stock corporations and limited liability corporations, leaving behind the enterprise headquarters as property managers, or, as these are called by the profession: as vacated enterprises. The enterprise headquarters were placed under state administrative supervision by the State Property Agency [AVU] between 1990 and 1992, and enterprise commissioners appointed as heads of these enterprises now privatize whatever parts of the former enterprises remain, or liquidate these firms.

Since the effective date of the 1989 law on transformation 11 enterprises were converted into stock corporations or limited liability corporations based on that law, but only two of these were privatized: Fofoto had been purchased by Porst Holding AG, while the enterprise workers had purchased the Gas Appliance Repair and Installation Enterprise. When converting these enterprises, the City of Budapest is entitled to receive a business share (stock) worth the value of inner-city land as shown in the enterprise's balance sheet, and second, 50 percent of the proceeds materialized as a result of selling the enterprise (in Fofoto's case this amounted to 260.5 million forints.)

Finally, the 1990 preprivatization law affected 340 plants of 16 enterprises, including 37 shops of the Budapest Clothing Service Enterprise, 36 stores of the Thrift Shop, and 29 Aranyok outlets, most of which were located in downtown Budapest. Based on this law the AVU withdrew from the enterprises the shops slated

for sale, and exercised the state's ownership right over these stores. The AVU sold the ownership or lease rights to these stores at auctions. If payment was made in cash, privatization expenditures were deducted from the selling price of these stores, and the City was entitled to 50 percent of the remaining amount. If bought on credit, the city was entitled to half the amount of down payment immediately, but the rest of the amount due to the city was to be paid in installment over several years.

Shops sold in the course of preprivatization realized 91.7 million forints for the Budapest local government in 1991, and 100.5 million forints during the first half of 1992, including arrears from 1991. In addition, the full or partial privatization of three enterprises (Fofoto, Gas Appliance Repair and Installation Enterprise, Csepel Hospitality Industry Enterprise), and the sale of Azurinvest stock produced more than 430 million forints in revenues.

A countless number of contradictions were revealed in the course of privatizing enterprises in Budapest. Some of these resulted from the ever increasing number of legal provisions related to privatization, the way these change, and resultant variations in interpretation and practice.

City Hall regards as a contradiction that while the Budapest local government exercises the founders' rights and is interested in obtaining privatization revenues, its authority in the privatization process extends only to commenting, since it has lost its ownership rights. Moreover, legal provisions related to privatization do not even mandate enterprises to inform the founder, or to reconcile issues with the founder in the course of privatization. The relationship between the enterprises and the founder amounts to a formality, it can only be based on old relationships between colleagues, that has "worked well" in the past. The local government finds out the kinds of documents and certificates it needs to legitimately obtain its preprivatization revenues the same way. No legal provisions govern this matter, while preprivatization is entirely in the domain of AVU and the interested banks.

In the report presented to representatives of the Budapest General Assembly the deputy mayor also complained—as did other local government leaders and representatives in the pages of this newspaper—about the one-sided practice the AVU had developed in calculating the amount of the business share corresponding to the value of inner-city land. In calculating this value, the AVU does not use as a basis the ratio of inner-city land as part of the basic capital, but instead it also considers the outside sources of the enterprise (loans taken). AVU determines the value of the business share by projecting the ratio of the inner-city land value as part of the value of all assets, upon the amount of assets owned on the source side. The use of this method places local governments at a significant financial disadvantage.

[Box, p 25]

#### The Forty-Four

Budapest Mineral Water and Ice Enterprise;  
Budapest Photo Enterprise;  
Budapest Fine Mechanical Enterprise;  
Budapest Laundry Enterprise;  
Budapest Clothing Industry Enterprise;  
Budapest Mixed Industry Service Enterprise;  
Budapest Printing Enterprise;  
Budapest Watch and Jewelry Enterprise;  
Budapest Lumber and Exposition Building Enterprise;  
Budapest Artistic Artisan Enterprise;  
Budapest Clothing Service Enterprise;  
Budapest Synthetics Enterprise;  
Budapest Cleaning Enterprise;  
Truck and Vehicle Repair and Installation, and Maintenance Enterprise;  
Furniture, Wood and Carpeting Repair and Installation Enterprise;  
Ujpest Housing Maintenance, Repair and Installation Enterprise;  
South-Pest Building Machinery Repair and Installation Enterprise;  
Central-Pest Repair and Installation Enterprise;  
General Repair and Installation Enterprise;  
Buda Repair and Installation Enterprise for Building Machinery;  
Gas Appliance Repair and Installation Enterprise;  
Housing Renewal Repair and Installation Enterprise;  
Construction and Specialized Industry Repair and Installation Enterprise;  
Budapest City Council Industrial Organizing Institute (Tanorg);  
Centrop Combustion Technology Service;  
Budapest Food Stores Enterprise;  
Harmonia Commercial Enterprise;  
Thrift Shops Enterprise;  
Aranypok Commercial Enterprise;  
Shoe Store Enterprise;  
Szivarvany Commercial Enterprise;  
Keravill Commercial Enterprise;  
Budapest Candy Stores Enterprise;  
Roltex Commercial Enterprise;  
Commercial Construction and Service Enterprise;  
Csepel Hospitality Industry Enterprise;  
Pest Area Hospitality Industry Enterprise;  
Pest-Buda Hospitality Industry Enterprise;  
Vibeg Hospitality Industry Construction and Service Enterprise;  
Budapest Foreign Tourism Enterprise;  
Budapest Brush and Broom Manufacturing Enterprise;  
Budapest Handicraft Enterprise;  
Budapest Bakeries Enterprise;  
Junior Hospitality Industry Enterprise.

#### MNB To Discontinue Export Prefinancing

93CH0034C Budapest FIGYELO in Hungarian  
1 Oct 92 p 11

[Article by Becsky-Sebok: "Export Prefinancing; Who Should Provide Credit?"]

[Text] Entrepreneurs were alarmed by a report conveyed in the form of a position taken by the Federal Council of the Hungarian Economic Chamber, according to which the Hungarian National Bank [MNB] would discontinue the refinancing of export prefinancing loans as of 1 January 1993. Moreover—the position states—commercial banks no longer accept credit applications of this kind for next year.

As it turned out, however, the report was not entirely accurate, because no final decision had been reached in this regard. As we learned from MNB Deputy President Sandor Czirjak, however, the central bank firmly supports the termination of this kind of credit arrangement; the amounts financed have been steadily declining. Commercial banks are capable of providing export prefinancing by using primarily their own foreign exchange resources; moreover, they can do so at a lower cost than before. Instead of the originally scheduled 1 October deadline for termination, the MNB is going to discontinue financing these short-term credits on 31 December, to allow time for commercial banks to prepare themselves for the new situation. MNB refinancing credits already granted will remain in force, of course. With respect to medium and long-term export financing the central bank is going to continue to lend foreign exchange to commercial banks, until they are able to obtain such funds from the international money market or in the form of investments.

On the other hand, considering today's liquidity concerns and the lack of operating capital, a majority of entrepreneurs are able to finance export transactions, to be settled within a few months, only by borrowing funds. Entrepreneurs claim that the significance of export prefinancing loans has increased in recent years because the profitability of exports has significantly decreased due to differences in inflation rates between developed countries and Hungary. Termination of prompt payment requirements and the transition to settlement in dollars further increased the demand for export prefinancing loans. Exporters now fear that the MNB's decision to discontinue granting such refinancing loans at far more favorable terms than money market interest rates (11 percent, plus 0.5 percent for commercial banks = 11.5 percent interest) threatens the future of the presently 20 billion forints' worth of predelivery refinancing loans. After the central bank discontinues the practice of providing these loans, commercial banks could grant prefinancing loans only from their own resources, and exporters fear that as a result of this they certainly would have to pay higher interest rates to finance their production. This in turn could obviously lead to less profitable exports, and ultimately to a decline in exports.

On the other hand, experience shows that the prospects are not that bad, thanks to an already existing variety in the Hungarian banking system, to increased competition, and other factors. For example, at the Hungarian Foreign Trade Bank—a bank that has taken little advantage of central bank refinancing—officials feel that they are going to continue to be able to satisfy their clients'

export prefinancing needs from their own foreign exchange sources or from funds borrowed at the international money market, and that interest rates are not necessarily going to be higher, but perhaps lower than the 11.5-percent interest rate charged on loans refinanced by the central bank. Accordingly, concerns would arise not on the source side, but as a result of clients' lack of credit worthiness, and only if a large number of new, from a credit standpoint unknown, exporters would seek such loans from the bank.

Export orders backed by letters of credits or drafts constitute rather good credit risks however, officials at the Hungarian Credit Bank [MHB] claim. Thus, even in the absence of central bank refinancing, export production financing is expected to become an important and growing business line for commercial banks.

Mostly along with central bank refinancing, the MHB has loaned significant amounts for export prefinancing thus far, even though the 0.5-percent gap in the interest rate has not made this form of lending economical, to put it mildly. But the MHB has also prepared itself to use other sources. Considering momentarily prevailing interest rates at international money markets, however, all they are able to promise to their clients is that export financing is going to be possible at interest rates not much higher in the average than the present 11.5-percent rate (i.e., 14-15 percent), but under favorable conditions they could also offer loans at rates close to the presently prevailing interest level.

Thus the liberalized opportunity to borrow foreign exchange from abroad and foreign exchange sources in Hungary provide a market mechanism for borrowing funds to prefinance exports, while these same mechanisms force banks to compete in the conveyance of funds borrowed abroad—thus replacing the previous central bank refinancing mechanism that had a state administrative character—and force exporters who want to borrow funds to observe international money market conditions.

Quite naturally, nothing prohibits commercial banks from financing export production from their domestic forint sources. But an arrangement like this could not compete at present with foreign exchange loans because of the prevailing high domestic interest rates (e.g. the lowest interest rate on loans maturing in one year is presently 28 percent at the MHB). Nevertheless, enterprises could also count on forint sources in the longer term, because banks have been struggling with excess liquidity for quite some time due to a lack of reliable outplacements. And perhaps guarantees for repaying export prefinancing loans will carry enough weight, and this could persuade the banks to significantly reduce interest rates on such loans, if they wish to deal with such loans at all, as hoped for, or, in a broader context, if the banks want to make a living. Nevertheless, taking advantage of foreign credit sources to a greater extent than

before, and the start of the Hungarian foreign exchange market make a significant decline in present interest rates likely.

In addition to all this, the functioning of the Export Guarantee Corporation provides even more opportunities; the government decided last year to establish that corporation with the proviso that it must also perform export credit refinancing functions. But lacking the authority needed to operate as a financial institution, the corporation has not started its operations; or, to be more exact, with 2 billion forints of capital stock, it had already partly taken over the export insurance function, providing protection against political risks. Once the required authority is established, the Export Guarantee

Corporation is going to be able to grant export financing loans to commercial banks or directly to enterprises by using funds borrowed at the international money markets, or even by issuing bonds in Hungary, the way banks do.

Manifesting a lack of trust in the market mechanisms of the Hungarian banking system, the Economic Chamber argues that until the corporation acquires the authority to act as a financial institution, it is going to be necessary to have a credit arrangement, at least as efficient as the present system, to continue to support exporters, an arrangement in which risks and losses are shared in some way by the state budget and the commercial banks, and (as we, the authors of this article add) by the enterprises.

**Climate Needed for Foreign Investment Examined**

93EP0004A Warsaw GAZETA PRZEMYSLOWA I  
HANDLOWA in Polish No 38, 20-27 Sep 92 p 5

[Interview with Stefan Lewandowski, chairman of the Chamber of Industry and Trade of Foreign Investors, by Andrzej Mrozinski; place and date not given: "Trends Rule Poland"]

[Excerpts] [Mrozinski] It is widely believed that Poland is an economic El Dorado. However, it happens more and more that foreign investors not only complain about Poland but simply leave it. Is it true that foreign investors are worried and disappointed?

[Lewandowski] I myself and my colleagues from the Chamber of Foreign Investors have clearly seen that problem from the very beginning. Therefore, we did not succumb to the euphoria surrounding the Balcerowicz plan three years ago. Being experienced entrepreneurs ourselves, we realized that the Polish economy could not be straightened up in three months. To be sure, we knew that several issues—salaries, prices, exchange rates, subsidies, and work relations—would have to be addressed quickly so that an investor could do his economic calculation. But we were skeptical about the Polish economy's ability to adapt itself to the market system. Having the first hand knowledge of such problems as the replacement of technology, the work force training, as well as the preparation of equipment, marketing concepts and the whole factories for the new economic environment, we were skeptical about the concepts of a fast privatization of the Polish economy. We knew already then that privatization might take as many as 20 years.

[Mrozinski] What then should have been done to alter decisively the character of our economy? And what mistakes have been made in that process?

[Lewandowski] The decline of demand in our domestic market has been a crucial matter. If the authorities had attempted to improve the weak sectors of the Polish economy, i.e., is should they pursued the policy of solving problems through the development of economy, the level of demand in the domestic market might have been maintained. In that case, privatization of economy could have been much faster, provided that a liberal approach to this issue had been taken. However, a concept of straightening up economy by the way of letting it go through a deep recession has been chosen instead. Those responsible for that had apparently assumed that the economy would suffer major difficulties because demand for goods and services was to decrease, which in turn would make it less and less profitable to engage oneself in economic activities. And what has happened next? The private sector's interest in taking over the state enterprises is declining because they have become extremely unprofitable. In addition, some of the companies which have been privatized will go bankrupt nonetheless, which makes the private sector even less interested. Besides, a related idea of having

very high interest rates practically makes the restructuring of the economy impossible. Another silly idea has been the rigid setting of the exchange rates for too long, followed by their sudden sky-rocketing, followed by another period of the rigidly set exchange rates. This has made exports unprofitable. It has come to a point where companies would export goods for any price, just to obtain means to pay their employees. All that has amounted to a tremendous waste of time.

[passage omitted]

[Mrozinski] What are the major obstacles which a foreign investor faces in Poland?

[Lewandowski] I would not like to overemphasize the legislative mess which still exists at this juncture, for example when it comes to buying the land property, wherein the owner's rights supersede the landholder's rights, etc. Still, in my opinion, the legislation pertaining to foreign capital has been completed, despite mistakes made by the successive governments. To be sure, I do not approve of the government's taking back the investors' licenses to run casinos (although I do not like companies making profit on gambling) or restricting licenses to import and/or trade fuel, not to mention its keeping foreign firms away from that trade altogether. But what bothers me the most is the fact that Poland is largely ruled by people who do not have any economic experience. As an investor who has been doing serious, long-term, multibillion businesses in Poland since 1978, I feel that the government neither supports my work (even subconsciously), nor that it considers my work good for economy. I must say, unfortunately, that entrepreneurship, quality, and the long-term business activities are still not respected in this country. People are still not aware of the fact that one builds up a company over many years, by adding one small brick every day to this construction which may become a giant one day (it is just like putting together small Lego building blocks). In one word, economy is not respected in this country. As a chairman of the Chamber of Investors I have only one dream—to quit. Because I am too ashamed to apologize to foreign investors for Poland and her successive governments. I agree completely with the mass media's opinion that Sejm is nothing more than a bunch of talking heads. I would suggest that those gentlemen choose one day every now and then, and devote it exclusively to solve economic problems. After that, let them feud again, although it would be nice if television did not broadcast that spectacle live. This is too upsetting for those who live in Poland and those who would eventually invest in that country.

[Mrozinski] How do foreign investors evaluate the wave of strikes threatening Poland at this juncture? Would that slow down foreign investments in Poland?

[Lewandowski] The current wave of strikes is a price which Poland has to pay for having its economy adjusted to the conditions of the free Western economy. I have to come back to the three-year-old Balcerowicz plan, which

foreign investors evaluated very skeptically. One of the reasons for which we considered that plan unworkable was our worry that people simply would not be able to bear it.

The strikes are a result of mismatching intentions and potentials. When the reforms begun, the government should have said openly that we would have to tighten our belts for ten years so that later we might do better, instead of saying that it would take six months to solve Polish economic problems. If one puts oneself into the Fiat motor company's shoes, the strike in the compact car plant in Tychy is totally unjustified. Having invested their know-how, experience and capital, the Italians are facing losses now. I am afraid that Mr. Agnelli [Fiat's chairman] will pull back in this situation. The cautious foreign investors might become even more cautious from now on.

[Mrozinski] Foreign investments are widely believed in Poland to be the best way out of the current crisis. Do you think that there is a realistic chance to increase these investments in Poland, despite unfavorable circumstances?

[Lewandowski] A cautious foreign investor, who is watching the Polish scene, will not invest here until the Poles themselves begin investing in their country. If they do not invest themselves, this means that it is unprofitable to invest here. In addition, a foreign investor follows closely the plight of those who had invested here before. If he sees that they have been taken their business licenses back after a year or a year and a half, he will not follow in their footsteps. Furthermore, one cannot count on foreign investments as the sole cure for the Polish economy. They could only catalyze and/or accelerate indigenous processes. The Polish economy should be a sum of the Polish toil and thrift, enriched by good cooperation with foreign capital. In my opinion, it happens all too often that a Polish factory is brought to bankruptcy as a result of many mistakes, and then a foreign investor is invited to build a new factory right next door. All that in a situation where only a fraction of these construction costs would be enough to restructure the existing factory and modernize its production. I do not think that foreign investors will invest more in Poland, given the mess we are in. Our Chamber has spoken out about that numerous times, but the Polish politicians thought they knew it better. When we opposed the amendment to the 1990 bill and the liquidation of the hard currency accounts (which gave the foreign companies a sense of security), no one listened to us, although the bearing of this type of accounts on the whole economy was minimal.

[Mrozinski] It was supposed to be an anti-inflation measure, according to the authors of that legislation.

[Lewandowski] Please remember that zloty is a foreign currency for foreign investors. Therefore, I have to repeat that the hard currency accounts would give them a sense of security. The foreign investor wanted to have

some stable, constant points of reference against the background of tremendous changes which Poland has been going through. You have to remember that foreign investors do not always comprehend fully what is going on in Poland, not to mention the fact that some of those changes are irrelevant to them. The hard currency accounts would have been that constant point of reference for them. Therefore, to close them down was a major psychological mistake. Another mistake, made this time by the Bielecki government, was the elimination of the three-year tax-free period for foreign investors. I think that smart tax breaks ought to be applied in the existing situation. They should be available to every businessman, whether he is a domestic or a foreign investor, provided that those breaks would be related to the actual costs of investments, instead of being granted for a certain period of time. For example, if I have spent one million dollars to build a factory in Suwalki, I should not pay tax on that one million. The tax exemptions should not be applied if I bought and sold gasoline, made a pile of money, and then tried to get a break to avoid paying any taxes. We are not talking about breaks like that. We are talking about tax reductions and exemptions pertaining to money actually spent on investments. This would be particularly advantageous for Poland when a foreign investor wants to re-invest his money here.

[Mrozinski] Is the limit of two million ECU's [European Currency Unit] enough to attract investors?

[Lewandowski] Minister of Finance can exempt from taxes only those businesses that had invested at least ECU2 million. The exemption itself cannot exceed the amount of money invested. Optimists—liberals—explained that this would apply only to projects finished by the end of 1993. In addition, they thought that businessmen from around the world would flock in droves in order to meet this deadline. This is a perfect example of their lack of experience in managing economy.

[Mrozinski] The Polish mass media have not always favored foreign investments. The press, radio and television have often not only criticized the privatization process but also created an unfriendly atmosphere around foreign investments, haven't they?

[Lewandowski] They have unnecessarily spread panicky news and depicted foreign investors as someone of whom people should be afraid. This has directly contributed to a poor assimilation of foreign investors in Poland. The media would allege that employees of the state enterprises are incompetent, and that only a foreign investor could clean that mess by firing a half of the employees. In this way, both, the manager and the employees were antagonized at the same time. In my opinion, television should show programs which would depict the Japanese investments in the United States, or the American investments in Germany, or the German investments in Switzerland, etc. People ought to know that the richest countries in the world have the most

foreign investments—they themselves encourage the influx of foreign capital, for example when the Americans give tax breaks to the Japanese. It would be transparent against that background how shockingly little we have done in Poland to attract foreign investors. After all, there have been situations where a foreign investor virtually saved a Polish company, provided people with jobs, and thus improved their lot, but these examples have not been publicized.

[Mrozinski] You have lived abroad for many years. Is your knowledge acquired in Sweden—the world's top welfare state—applicable to Polish conditions?

[Lewandowski] One could be envious of the Swedes' ability to solve problems. When they run into problems, they just sit at a table, discuss the matter, and come up with a solution. Let's take the issue of the housing shortages in Poland, for example. I dare to say that the current official policy in that realm will only increase that shortage. In normal economies, a shortage of some commodity creates an opportunity to make a profit. Apartments are just as good a commodity as anything else.... When I arrived in Stockholm in 1966, the waiting period for an apartment in that city was 15 years. But what the Swedish architects and the construction crews did in the next four years was incredible. The whole apartment complexes grew up like mushrooms after the rain. It is interesting—why the then Swedish minister of finance did not prohibit these investments, justifying this (as it has happened in Poland) by the growth of inflation? The world is not made in such a way that there is no room to maneuver between inflation and recession. That is where knowledge useful for economic development can be found. And how was it that despite such a great construction boom in Sweden, the inflation in that country was cut down? Perhaps we should ask the Swedes themselves. I think that we still utilize inadequately the experience and knowledge of countries which have solved their economic problems. But, as I have noticed, trends rule Poland. Right now it is very trendy to follow the American example. However, in my opinion, we should take a closer look at the Scandinavian and German experience.

Whatever we do in the process of transforming the enterprise ownership and creating capitalism and the market economy, we have to act in a social-democratic way, given the type of societal consciousness that is still prevalent. In my opinion, it is impossible to introduce the "Panamanian" style of capitalism in Poland, lest something will break and explode at some point. If you ask me, that explosion has already occurred. I have long measured the state of affairs in Poland with the index of labor productivity. That productivity has been constantly declining in the last three years. I will change my opinion about the successive Polish governments if the index of labor productivity improves. As of now, however, my experience tells me that there are no reasons to believe that the situation will improve any time soon.

[Mrozinski] What then one should wish for foreign investors in Poland?

[Lewandowski] One should wish that the Polish official declarations supporting private economy be followed by concrete decisions. One should wish that the debt reduction program include private enterprises, among them foreign, which have been led into the same debt trap. One should wish that a foreign investor must not change his business plan every time the Polish government changes. Finally, one should wish that a foreign investor, just as a Polish entrepreneur, not be burdened with unplanned costs, resulting from the endless meandering of the Polish economy.

[Mrozinski] Thank you for the interview.

## Status, Future of Refinery Industry Described

### Specifics Outlined

93EP0001A Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 7 Sep 92 p V

[Article by Anna Wielopolska: "Thick Smog Over the Polish Petroleum Industry"]

[Excerpts] [Passage omitted]

### Oil Civilization

Because we have very small quantities of our own production, we are forced to import oil, which comes from three directions: by the Friendship pipeline from the former countries of the Soviet Union; by the sea from the Persian Gulf region; and by the sea, from the North Sea, North Africa, and elsewhere.

### Extraction of Oil in the World in 1989

|  | Total Extrac-<br>tion (Millions<br>of Metric<br>Tons) | Extraction<br>(Kilograms per<br>Resident) | Percentage of<br>World Produc-<br>tion |
|--|---|---|--|
| USSR<br>(Decrease in<br>extraction<br>within the ter-<br>ritory of the<br>former USSR<br>is estimated at<br>15 to 25 per-<br>cent) | 607   | 2,123                                     | 20.8                                   |
| United States  | 383   | 1,540                                     | 13.1                                   |
| Saudi Arabia   | 260   | 1,856                                     | 8.9                                    |
| Iran   | 148   | 2,731                                     | 5.1                                    |

In 1990, the total consumption of oil in Poland was 16.7 million metric tons, which represented only 14 percent of the supply of primary energy. Import from the former USSR represented 57 percent; our local output covered only 1.2 percent of the need, equal to 160,000 tons. Three companies are equally responsible for import and delivery of oil: CIECH-Petrolimpex; the Oil Pipelines

Exploitation Enterprise (PERN); the Administration of Tank Exploitation within the Petroleum Industry Center; and also private importers.

Production of gasoline and fuel oils in our country is established on the level of about 54.3 to 56.7 percent of the entire oil manufacturing industry. Heating oils are used mostly in metallurgy and represent 16.3 to 22.3 percent of the entire production; lubricating oils and other special kinds represent 3.1 to 8.2 percent. Road and industrial asphalts constitute a high proportion of production: 7.5 to 8.2 percent; oil resources for the petroleum industry which are used for production of artificial materials, caoutchoucs, synthetic fibers and for many syntheses also constitute a very important group. The chart shows the structure of usage of oil products.

#### Structure of Oil Products Usage in Poland (in percent)

|                        |      |
|------------------------|------|
| Transportation         | 33   |
| Agriculture            | 12   |
| Construction           | 12.5 |
| Energy industry        | 7    |
| Steel mills            | 7    |
| Petrochemical industry | 7    |
| Motor vehicles         | 9    |
| Other industries       | 7.5  |
| Other                  | 6    |

#### The Profitability of Refineries Decreases

Oil is refined in seven Polish refineries, of which Plock refinery has the greatest production capacity: 12.2 million tons every year; Gdansk refinery produces 2.7 million tons a year. Along with those two giants there are five southern refineries with a refining capacity of 1.3 million tons a year: Trzebinia, Czechowice-Dziedzice, Jedlicze, Jaslo, and Gorlice. The exploitation of the refineries machinery came during last two years to more than 70 percent. The technical status of the machinery varies quite a bit: the newest, the Gdansk refinery, was built in 1975; the Plock refinery is older by more than 10 years. The southern refineries, which specialize in production of oil specialties (about 350 different kinds of small tonnage products, very expensive in the West), were built at the beginning of the century. Despite the repairs and modernization, the technological level decreases constantly.

A high level of amortization of the property, as much as 54.6-61.3 percent in 1991 (in 1985 it was 44-49 percent), speaks about the condition of the refineries. The modernization actions have led to a decrease of exploitation of energy and water inputs during the last five or six years. The refining process also needs usage of other sources of energy, such as coal, natural gas, and electricity. [passage omitted]

Within the last few years, the profitability of the refineries has dropped significantly. In 1990 it was 33 to 49

percent; last year the numbers were 4.8 to 12.8 percent. The results come from increase of the external obligations, especially from the increase of prices of raw materials and payments, and also from foreign competition.

Similarly, profits have decreased: from the level of 119-148 zlotys [Z] per every Z1,000 of income in 1990 it dropped to Z35.2-60 per every Z1,000 of income in the last year. Profitability (calculated as a relation of gross income to the cost of production times 100 percent) in each refinery is shown in the chart below.

|            | 1985 | 1990 | 1991 | 1992 |
|------------|------|------|------|------|
| Plock      | 10.9 | 48.4 | 4.8  | 8.4  |
| Gdansk     | 12.7 | 45.9 | 8.3  | 9.7  |
| Czechowice | 6.8  | 40.8 | 2.7  | 1.1  |
| Trzebinia  | 4.6  | 33.9 | 25.3 | 5.6  |
| Jaslo      | 14.3 | 28.0 | 8.6  | 6.4  |
| Gorlice    | 12.2 | 33.4 | 12.8 | 4.7  |
| Jedlicze   | 17.1 | 87.1 | 37.9 | 17.2 |

Taking into consideration the total production of these enterprises, the productivity for each refinery was calculated as follows:

—production in million zlotys per employee;

—net income in million zlotys per employee.

|            | 1985  | 1990    | 1991    | 1992    |
|------------|-------|---------|---------|---------|
| Plock      |       |         |         |         |
| a          | 35.42 | 2,081.5 | 2,760.5 | 4,079.5 |
| b          | 0.77  | 262.7   | 27.6    | 164.5   |
| Gdansk     |       |         |         |         |
| a          | 43.41 | 2,656.9 | 4,222.5 | 5,968.6 |
| b          | 0.81  | 337.7   | 52.1    | 147.2   |
| Czechowice |       |         |         |         |
| a          | 23.92 | 884.1   | 1,133.5 | 1,395.9 |
| b          | 0.47  | 115.6   | 6.8     | 2.6     |
| Trzebinia  |       |         |         |         |
| a          | 26.80 | 766.6   | 1,039.9 | 1,108.1 |
| b          | 0.55  | 115.3   | 98.2    | 31.7    |
| Jaslo      |       |         |         |         |
| a          | 8.28  | 373.1   | 562.1   | 808.1   |
| b          | 0.27  | 44.4    | 19.8    | 19.8    |
| Gorlice    |       |         |         |         |
| a          | 11.90 | 383.2   | 914.0   | 986.0   |
| b          | 0.37  | 78.7    | 56.8    | 21.7    |
| Jedlicze   |       |         |         |         |
| a          | 11.18 | 759.5   | 874.6   | no data |
| b          | 0.71  | 200.4   | 119.2   | no data |

From the chart above, one can see the profitability of production of oil specialties. One should add that the value of those products which were produced in southern refineries and sold abroad in 1991 was about \$200 million.

#### Oil-the fuel of the economy

The major consumers of refined products are transportation and motor vehicle users. The petroleum industry needs only 7 percent of those products. Most of the oil is refined to gasoline and fuel oils. In 1990, there were (including imports) 33,219,000 tons of engine gasolines; 950,00 tons of pyrolysis gasoline; and 4,800,000 tons of fuel oils.

The major deliverer of most varieties of liquid fuels and lubricants is the state refinery industry. Polish production covers the demand for leaded fuel, 86 octane, entirely; in the case of other kinds of fuel, state production covers needs to varying degrees at different times. In the first and fourth quarters of the year, 100 percent of leaded fuel 94 comes entirely from Polish refineries; in the summer, it is necessary to import about 20 to 40 percent. Unleaded fuel is produced in quantities that guarantee 50 percent of the market demand; fuel oils are supplemented by 30 percent imports in the third and fourth quarters. Leaded fuel of 98 octane comes entirely from import.

The structure of the participation of each enterprise in the sales of engine fuels in 1991 is shown in percentages below:

| Total                     | Engine Fuels | Engine Gasolines | Fuel Oils |
|---------------------------|--------------|------------------|-----------|
| Petroleum Products Center | 65           | 75               | 56        |
| Refineries                | 20           | 7                | 31        |
| Other Enterprises         | 15           | 18               | 1         |

The only export product produced in Poland, besides the specialized products of the southern refineries, is heating oil. The size of this export is holding steady at the level of 600,000 to 1 million tons a year. Unfortunately, because of a low level of technology, Polish heating oil is sulfurized; as a result we must import a small but necessary amount of low sulfur oil. [passage omitted]

#### The Future: Money, Money...

To lower the dangers that are posed by old technology, it is necessary to invest serious money. This will be forced anyway by the development of motor vehicle usage, and by the greater demand for fuel which follows from this. It is expected that in 1995, the amount of refined oil will reach 26 million tons a year. At this moment, Polish industry is not prepared to accept such a huge quantity of raw materials. The development of refineries, along with pipelines, tanks, and distribution networks, is necessary.

The most important investment tasks within the refinery industry (not including the petroleum industry) will be the modernization of already existing refineries during the next five to eight years; costs are estimated to be about \$210 million. It is also expected that a new refinery in Blachownia will be built, as part of the creation of the "South" refining and petrochemical block, together with the five refineries already in operation. The cost of the project could reach at least \$560 million. Modernization of the pipelines, tanks, and infrastructure could cost \$130 million; the greatest financial sources will be needed to increase the shipping capacity of the North Port, and for modernization of the Gdansk refinery and construction of the Gdansk-Blachownia pipeline and necessary infrastructure. The estimated cost is about \$3 billion.

The expected development of the refinery industry creates the possibility of achieving a sufficient base for the petroleum industry, and for production of gasoline and heavy components of pyrolysis, aromatics, etc. Besides for pyrolysis and related installations of artificial materials, the construction of a styrene complex in Oswiecim is anticipated; production of styrene would reach 150,00 tons a year. Further tasks would be a polyurethane complex, created on the basis of elements produced in Bydgoszcz and Brzeg Dolny. After the year 2000, it is expected that another enterprise using pyrolysis technology will be opened. Altogether, the costs are estimated to be about \$800 million.

Increase of the production efficiency of basic branches of the refinery and petroleum industry in a natural way would add to the increase of production of artificial materials; this would lead to the use of less energy and capital-intensive steel production.

#### Petroleum Sector Viewed

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[Article by Anna Wielopolska: "Still Unknown: Restructuring of the Oil Industry"]

[Text] The oil industry in Poland, which includes the refinery and petroleum industries and the system of retail sales, has lately been the subject of many discussions. Two ministries, the Ministry of Industry and Trade (MPiH) and the Ministry of Privatization (MPW), have prepared two programs for the restructuring of this sector.

Within the sector seven groups of enterprises were identified:

- 1. The Petroleum Industry Center (CPN) and the Management of Tanks Exploitation (state enterprises);
- 2. The Plock refinery (a state enterprise);
- 3. The Gdansk refinery (a one-person corporation of the State Treasury);

- 4. The southern refineries (state enterprises);
- 5. The Exploitation of Oil Pipelines Enterprise (PERN) (a state enterprise);
- 6. NAFTOPOINT (a joint venture with limited responsibility whose share holders are the Sea Trade Port, the Gdansk and Plock refineries, PERN, and the Petroleum Industry Center;
- 7. The Import-Export Center for Chemicals and Chemical Equipment (a joint venture with limited responsibility whose share holders are chemical and refinery enterprises and the State Treasury).

For both modernization programs, the most important point is the system of retail sales of liquid fuels, which belongs to CPN. The enterprise itself is going to be transformed, in both versions, into the Polish Joint Stock Oil Company, which will keep the company CPN trademark and some of the gasoline stations. The proposal of the Ministry of Industry and Trade says that the Polish Joint-Stock Oil Company will keep 40 percent of the gasoline stations; the rest will be transferred to refineries, chiefly those in Gdansk and Plock. On the other hand, the Ministry of Privatization anticipates that 60 percent of gasoline stations are destined for auction sale.

The difference between the two proposals is in the different treatment of the Polish refineries. For the Ministry of Industry and Trade, the major goal is to maintain the development of the Polish refinery industry; the Ministry of Privatization wants natural, not formal, financial connections. The MPiH proposed that refineries will be connected with those gas stations which CPN would transfer in exchange for shares in the refineries. The MPW noticed that this way the distribution of liquid fuels will be monopolized by the Polish

Joint-Stock Oil Company which will have 40 percent of the old system, and, through shares in refineries, will have control over the remaining gas stations which are transferred to the refineries. Moreover, the idea to attract foreign capital, is, according to the MPW, contrary to the MPiH project, as not many investors are interested in investing money in connected refineries and gas stations. It is easier to sell gas stations separately from shares in refineries.

According to the MPW, 60 percent of present CPN inventory of retail sale stations must be sold by auction sales. Three categories of sales were proposed: 40 percent of the stations will be sold on the basis of price privilege for the winner in an auction for shares in refineries, or on a first-come, first-serve basis; 15 percent will be sold in limited auction, not open to investors in refineries; and 5 percent is predestined for small-business holders in this sector.

The restructuring also includes changes in the ownership of each enterprise. The Polish Joint-Stock Oil Company is going to be, according to the MPiH, the keystone of the whole oil industry. It will encompass the Wholesale Fuel Distribution Company (including storage and transportation), shares in refineries, and the Import-Export Center for Chemicals and Chemical Equipment. The southern refineries will gain the status of capital corporations; control of the state is expected in the case of corporations such as NAFTOPOINT and the Directory of Tanks Exploitation; the pipeline-exploitation enterprise will depend entirely on the State Treasury.

During a meeting in July, the Economic Committee of the Council of Ministers initially accepted the proposal of modernization proposed by the Ministry of Industry and Trade. The final decision about completion of the proposal was not reached, and the discussion on the advantages of both proposals still continues.

**Prime Minister on Economic Reforms**

PM2010071092 Paris LE MONDE in French 17 Oct 92  
p 4

[Report of interview with Theodor Stolojan, prime minister of Romania, by Sylvie Kauffmann in Bucharest; date not given]

[Text] Bucharest—After being reelected president by a large majority but handicapped by his party's inadequate results in parliamentary elections, which did not give it a majority in parliament, Ion Iliescu has once again brought out the solution of a government of "experts" headed by a "neutral" prime minister. The man for the job has yet to be found....

Theodor Stolojan, the 48-year-old outgoing prime minister, has the required qualities; but he rules out the possibility of repeating the experience of the past year as head of the government: "Here," he explained to us last week, "we need to build a democratic system and not merely survive from one day to the next. This system must be established. For that we need a strong government that enjoys clear support in Parliament. And then, the transition will take a long time, we need new faces."

Mr. Stolojan, head of a government formed in the middle of a crisis, "with a mission to lead the country into elections," is throwing in the towel—temporarily at least—with bitter memories. For instance, "when I had to reduce certain subsidies on 1 September, the trade unions and the political parties united to attack that measure. I was alone in defending it—and you do that once not twice. You know, transition is rather like war, and you do not fight a war without support."

Alone in the evening in his huge office in the government building, the lights already out in the corridors, Mr. Stolojan gives the impression of a man tested by the ferocity of the battle and at the same time convinced of the need to fight it. With his plain suit and piercing blue eyes, he has a strength of conviction reminiscent of other architects of the postcommunist transition—Leszek Balcerowicz in Poland, and Vaclav Klaus in Czechoslovakia. It was by teaching at the university under Ceausescu about "public finances in nonsocialist countries" before becoming head of the international department at the finance ministry that he was able to familiarize himself with the nature of market economies and then closely observe attempts at economic reform in Poland and Hungary in the final years of communism.

Now, he said, it is up to the political parties to work and above all to mature a little: "They must learn to form alliances and make compromises. In the transition from a centrally planned economy to an economy based on private ownership, there are compulsory stages. For

instance, we have planned to introduce VAT [Value Added Tax] on 1 January 1993: We must do it no matter who wins the elections! We do not have 36 alternatives here, the path to be followed is very clear."

**Shock Treatment**

In postcommunist Europe, Romania, the only country to have experienced a violent break, is a separate case. "Here," Mr. Stolojan remarked, "the question of 'shock treatment' or a 'gradual transition' does not arise. In Romania, we must simply very quickly build market economy mechanisms because the whole system collapsed in December 1989. We must now build a system based on freedom. And for that there is only one policy. In Poland, or even in Czechoslovakia, they have a little more time; they could send students to learn abroad, we could not. Do not forget that here, even the expression 'private enterprise' was banned!"

We must therefore move forward as quickly as possible. "If we do not carry out the necessary structural reforms, the standard of living will drop increasingly rapidly. If we do implement them, we at least have hope of improvement!" Mr. Stolojan said. "The problem is not whether we risk a return to the past, but whether we waste one, two, or three years. If our political parties do not reach a compromise, we will lose one year, as in Poland. Do people want to slow down? Fine, but that will cost us dearly."

However, does President Iliescu not take a different line? "I have worked well with him," the prime minister replied. "Each time I had a decision to make that I knew would have a major impact, I went to explain it to the president, to the speaker of the Senate, and the speaker of the Assembly...." "We had seven hours of discussions on the final stage of the convertibility of the leu" with Mr. Iliescu. "After seven hours, he agreed. The same happened with the reduction in subsidies. He understood, while knowing that it would damage his election campaign. But nonetheless I had to lower my targets."

Of course, there are limits to society's resistance and that is why Theodor Stolojan devoted a great deal of time to the trade unions from which he secured industrial peace a year ago. "Nobody believed in October 1991 that we could hold the economy for a year without an explosion. To achieve my goal of keeping wage increases below prices, I can play on different factors. At present, the unemployment rate is 7.6 percent; we can now relieve the pressure somewhat on cutting staffing levels in enterprises, and place the emphasis on wages. The trade unions are urging me to guarantee a minimum wage and I must not fight them constantly. I think that in Romania we need a tough monetary policy for one more year. After that, we will be able to ease the pressure a little."

**Arab 'Mujahidin' Leader in Bosnia Interviewed**

92AE0650B London AL-SHARQ AL-AWSAT in Arabic  
10 Sep 92 pp 1, 4

[Article including interview with Abu 'Abd-al-'Aziz, leader of Arab mujahidin in Bosnia, by As'ad Taha in central Bosnia-Herzegovina; date not given: "Arab Mujahidin"]

[Text] The hands of my watch showed midnight, and none of the features of the road that we followed could be distinguished, except that it cut through some fields abandoned by their owners, or who were forced to abandon them by Serbian shells, which do not differentiate between a house, school, or hospital.

The trip took nearly one-half hour from the darkened town, from which we departed, to one of the town's buildings in which the Arab volunteers live, who are fighting at the side of the Bosnian forces and who call themselves "mujahidin." I walked into the building, and was confronted by a large banner on which was written: "There is no God but God; Muhammad is the Prophet of God."

The leader of these forces met with me on the first floor. He warmly welcomed me, as if he had known me for a long time. We sat in the light of a small lamp, and I immediately took out a tape recorder. He began by saying, "Relax; we have plenty of time."

When he let me pose my questions, which were many in this late hour of the night, they found clear answers from this man, who was the leader of a group of "mujahidin."

[Taha] Your name?

['Abd-al-'Aziz] My surname is Abu 'Abd-al-'Aziz.

[Taha] From which Arab country?

['Abd-al-'Aziz] My nationality is Islam.

[Taha] Other details?

['Abd-al-'Aziz] Married, nine children.

[Taha] In light of the shortage of arms with plenty of manpower, do you think that there is a pressing need for Arab mujahidin in Bosnia-Herzegovina?

['Abd-al-'Aziz] First, I would like to correct this name "Arab mujahidin" to "non-Bosnian Islamic mujahidin" because with us are a Briton, a German, a Turk, and an Albanian as well as those from Arab countries. We came here to defend Muslims; we have no other goal. When we learned that our brothers here are fighting only because they are Muslims who say our lord is Allah, I came to offer my spirit, as did my brothers. It was a personal judgment for all of us; it did not come from any association, party, or government.

[Taha] What is the profit to the people of Bosnia-Herzegovina themselves from you being here?

['Abd-al-'Aziz] It has had a great effect on their souls, since they see that their brothers have left their countries, wives, and children in order to defend them. This has considerable meaning for them. It has given them enthusiasm. For example, in this area, many young people are coming to learn about weapons and to fight on behalf of God. For 40 years, as Muslims they were forbidden to hold weapons. Therefore, we have prepared training courses for them.

In any event, the people of the area here have accepted us extremely well. They bring us food every day, despite the difficult circumstances in Bosnia. Even children cheer us and shout "Allahu Akbar" when they see us.

[Taha] What is the nature of the relationship between you and the Islamic forces here? (These are non-Bosnian forces.)

['Abd-al-'Aziz] The truth is that the people of Bosnia-Herzegovina have never prepared for this encounter, which was forced upon them. They were surprised to face an army armed to the teeth. Therefore, they joined together in the Bosnian Defense Force. Most of it is Muslim, with a few Croats. There is also the HOS [Croatian Defense Force] militias, most of which are Croats, along with some Muslims. In both cases, they are not compelled to apply Islam in their daily lives, as a result of 50 years of communism, which was eager to keep the people far away from religion, any religion whatever. These armies have begun to fight, but there is a small group of young Bosnians particularly, who have graduated from Islamic universities in Arab nations, as well as others who graduated from the Islamic University in Sarajevo. They have found that this was not fighting on behalf of God, so they formed groups and squads, under the command of one of these graduates of Islamic universities.

Many committed Bosnian Muslims have joined these groups. Each squad has 100 to 200 members. Nearly a month ago, the leaders of the nine squads that have been formed met and decided on their commander. He is Mahmud Karlovitch, a graduate of the Islamic University in Medina, College of al-Hadith. Two days ago, I received a report that the number of squads now totals 13. Whenever I asked the leaders why this small number for each squad, and whether there was reluctance among the youth, they said that it was just the opposite. "You can look for yourself at the ranks of youth who stand at our doors, asking to join up. However, the reason—simply—is the scarcity of our resources. We cannot yet buy military uniforms for them, or feed them adequately, nor do we have enough weapons for them."

I can give you an example of one combat operation. I suggested to the commander that he send 15 persons from us (non-Bosnian mujahidin) to take part in this operation. However, he said: "I would be pleased to mix Bosnian blood with the blood of Muslims of the world, but I must tell you, without embarrassment, that I

cannot feed them, nor provide them with arms." However, praise be to God, we had the resources to pay their expenses. In any event, these forces have been recognized by the country and, consequently, they are not private forces, but official forces. We operate under their leadership.

As in Afghanistan, we don't want leadership or any position for ourselves. We only have one goal we are committed to, i.e., either victory or death. When this matter is finished and victory achieved, we will leave our places to our brother Muslims of the Bosnian people, as we did in Afghanistan.

[Taha] Does that mean that most of the Arab youth who came with you participated in the war in Afghanistan and have combat experience?

['Abd-al-'Aziz] I must repeat that it is not correct to limit the talk to Arab mujahidin. I must emphasize that there are other nationalities besides the Arabs. Yes, most of them came from Afghanistan and have combat experience.

[Taha] Is having combat experience a condition for the mujahidin that come here?

['Abd-al-'Aziz] I prefer that the person have a good background in the use of weapons, because events happen fast here. We don't have the time to open training camps to absorb the numbers coming here, as happened in Afghanistan. On the contrary, we need the expertise of those who can train others. However, we have no conditions, except a general familiarity with the political and general situation of this crisis. The volunteer must not be less than 15 years old. We don't stipulate a specific period of time. The person can stay with us two or three weeks, if the circumstances of his life will not allow more than that. I am speaking for my group. As for those who come here for relief operations, this is another matter. Each organization or committee has its own conditions and ideas. I would like to add that the presence of non-Bosnian Muslim girls here, and their carrying out missionary and relief activities, has had a tremendous impact.

[Taha] How can you overcome the problem of the weapon shortage?

['Abd-al-'Aziz] We still suffer from this, because there is no one channel through which we can purchase arms, except by means of a few individuals. A person who has one rifle or one bomb comes to you and sells it to you. Perhaps, you have money, but you can't buy anything. It is not like Afghanistan. You went to a place on the

Pakistani-Afghan border and bought what you wanted. However, so far, we have been able to provide our forces with the necessary arms, and some of the Islamic forces as well.

[Taha] How do you anticipate the course of events will go in the near future?

['Abd-al-'Aziz] In my opinion, the Serbs are waiting for winter, because they know that weapons, food, and clothing supplies are reaching the Bosnian people now. But, when winter comes, the snow will close the roads. That will make it impossible, especially because the roads pass through forests. They are unpaved roads. Therefore, they are waiting for winter to strike their blow. At the present time, we are making intensive efforts to obtain arms and ammunition, in addition to carrying out many operations designed to drive the Serbs out of various areas. We have succeeded in many of these, under the leadership of the Islamic forces.

[Taha] Do you expect a repetition of Afghanistan in terms of disputes among the various mujahidin factions?

['Abd-al-'Aziz] As mujahidin, we must never think about the consequences, because they are in God's hands. We must submit to God now, and strive on His behalf. As for the fighting and what will happen later, this is not our business. As for what happened in Afghanistan, my advice to the youths here is not to get into it, especially since there is no comparison between Afghanistan and Bosnia. Each country has its own realities and special circumstances. [end 'Abd-al-'Aziz]

In the morning, the building's features became clear to me. Signs were everywhere (No God but God; Muhammad is the Prophet of God). There were young people, in the prime of life. All the signs of determination and resoluteness showed on their faces, and an air of assurance, rarely seen in peaceful cities, cloaked everyone. The dawn call to prayer came; everyone performed ablutions with icy water, and we went to the nearby village mosque. After prayers, one of the Arabs spoke, and I translated his words for the village people, who were eager to take part in the five prayers.

At 0900, it was time for breakfast. Everyone gathered in circles and began to serve the food: crusts of bread, an egg, and a piece of cheese. Cheerful conversations filled the air, as if we were at a summer picnic. After a few minutes, all were finished. A group prepared to go to the front line to take part in a combat operation.

Those who had been laughing a few moments ago were ready to go to achieve one of their goals: victory or death.

**Kosovo Muslims Said To Face Serb Attack**

92AE0650A London AL-HAYAH in Arabic 6 Sep 92 p 7

[Article by 'Abdallah al-Haj: "Kosovo Muslims' Situation Deteriorating; Danger of All-Out Serb Attack"]

[Text] The head of the Islamic sheikhdom in Pristina, capital of the Kosovo region of the Serbian Republic, Dr. Rajab Buya, expressed his concern at the deterioration of security conditions in that area, which is demanding its independence and the removal of Serbian forces. In a telephone conversation with AL-HAYAH from his headquarters in Pristina, he said that Kosovo, which is located southwest of the Serbian Republic, is the home of 2 million Albanian Muslims (93 percent of the region's population) who are suffering from very bad living conditions and from the terrorism to which Serbian forces subjected them, in order to subjugate them.

Buya said that the Serbs, immediately after gaining control of Kosovo in 1989 and canceling its constitution, ousted 150,000 Albanian workers from their jobs. Since then, the situation has worsened and, now, 500,000 Albanian workers are unemployed, as a result of Muslim workers constantly being fired and replaced with Serbian workers. This has led to widespread hunger and poverty in the region.

Buya confirmed that the Serbs have seized all economic, administrative, educational, and security facilities. This has led to Kosovo's residents fleeing and seeking refuge in Western Europe. As of now, the number of refugees totals 700,000. Then, the Serbian authorities shut down Pristina's university, which had 70,000 students.

That was followed by closing the secondary, preparatory, and elementary schools and, consequently, approximately 420,000 pupils and students have been thrown out of educational institutions. Moreover, 6,000 Muslim teachers have been thrown out of work. The Serbian

authorities have forbidden instruction in the Albanian language and have shut down local newspapers and radio stations.

Buya stressed the deterioration of health conditions, since "the last three years have seen the dismissal of nearly 1,000 Muslim doctors and nurses from the health centers and hospitals. The death rate among children in Kosovo has risen, after they had enjoyed the highest rate of births in Yugoslavia. This is because of the deterioration of the health situation, in light of Serbian authorities forcing Muslim doctors to flee. The Serbs have done all this to the people of Kosovo, of which Muslims form 93 percent of the population, in order to force Muslims to submit to them, or migrate abroad."

Buya noted that "the situation in Kosovo is no better than the situation in Bosnia-Herzegovina, except that here, in Kosovo, blood is not flowing. However, the situation is on the point of exploding."

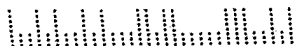
He called on the Islamic world to unite and take up the cause of Kosovo, like the issues of Bosnia-Herzegovina, Palestine, Afghanistan, Kashmir, and other problems of the Islamic world. He anticipates the situation exploding at any time, and he said that the people of Kosovo would be subjected to atrocities and massacres worse than those from which the Muslims of Bosnia-Herzegovina are suffering, because he knows that the Serbs are determined to hold on to the region. He stated that the burden of defending these people rests on the Islamic and international community.

Buya demanded that the Islamic governments recognize Kosovo's independence as a sovereign republic, and support its demand, which it has submitted to the European Community, based on the recent referendum conducted in the region. He also implored these governments to send urgent financial assistance, provide food and medical supplies, restore the old mosques, of which there are more than 50, and take actions to prevent the Serbian authorities from carrying out their plans to displace the Muslims of this region.

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