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Prospects for Price Reform Discussed

92P20041A Tirana PASQYRA in Albanian
20 Sep 91 pp 1, 2

[Interview with Ilia Samsuri, economist in the Directorate for Prices in the Ministry of Finance; place and date not given: "Prices: Will They Rise or Fall?"]

[Text] [PASQYRA] Recently, much has been said about price reform. Can you tell us more about this subject?

[Samsuri] The key factor for beginning and implementing the economic reform on a broad scale is the reform of the whole system of setting and approving prices and of the criteria for their formation. It should be said that price reform cannot be carried out immediately, since the economic subjects have not been used to setting prices and to drawing up contracts and the people are used to fixed and unchangeable prices.

In the beginning, therefore, it was thought that the prices of fruits and vegetables should be liberalized immediately, as well as the prices of the majority of agricultural products intended for export, the costs of repairs and services for the people, etc., which began to be carried out three to four months ago. This caused prices to be two or three times as high as they were in previous years; but this was not a result of their liberalization, but rather because of the low level of production, for reasons which are known now. The increase in production in subsequent years will lead to a drop in the prices of these products because the agricultural producers will sell as many agricultural products as they can in order to buy the industrial articles which they need.

An important step toward the wide-scale liberalization of prices was taken in June of this year with the issuance of the Council of Ministers' decision dealing with competencies for setting prices and costs. This decision stipulates that, beginning 1 October, the main state organs, that is, the Council of Ministers and the Ministry of Finance, are the only central organs which have the right to set wholesale and retail selling prices and purchasing prices for agricultural products and the prices, not for all products, but only for the main agricultural, livestock, and industrial articles, and for other services which are not within the jurisdiction of the two organs mentioned above, will be set freely by the economic subjects themselves, through mutual agreement, according to the market conditions of supply and demand.

With these measures which have been taken, improvements have been made in the direction of the centralization of the control of the main prices in the two organs mentioned above, eliminating all the other links which set prices, such as the ministries and the district executive committees, and further expanding the liberalization of prices. So you can get a better idea of the situation, let me say that, a few months ago, about 7 to 8 percent of the prices were liberalized while 35 to 40 percent of the prices will be liberalized by the aforementioned decision, or, to put it more clearly, about 40 percent of the goods which are

bought by the people will be priced on the basis of liberalized prices, set according to the principle of supply and demand.

[PASQYRA] What is the legal basis for expanding this important reform and what measures or decisions have been enacted recently and what results have they had?

[Samsuri] It should be said that the conversion to a market economy requires parallel movement in two directions: accelerated (but careful) privatization of the state sector and liberalization of prices. The first direction was approved by law, with the issuance, on 10 August of this year, of the new law permitting and protecting private property, free initiative, and privatization, but progress in the second direction has been lagging behind. Therefore, the new law on prices and costs must be approved as soon as possible by the People's Assembly so that the price reform can have a fully legal basis. However, this does not mean that we cannot work for the further expansion of this reform. During the most recent meeting of the Council of Ministers (at the end of August), important decisions were approved and a good part of them have been made public. They include the decision on setting retail prices for electric energy, which provides that the people (the family) will pay about 25 percent less than before, and the decision on setting retail prices for fuels and petroleum by-products, the decision on currency exchange rates, etc.

The most important decision which was approved, first of all, in principle, dealt with the new competencies and the wide-scale liberalization of prices. This decision is expected to result in a more complete liberalization than the previous decision. Of course, the Council of Ministers and, partially, the Ministry of Finance, will retain their competencies in regard to prices for the most important food and non-food articles and the most essential vital prices. Also, the decision calls for the complete liberalization of export-import prices which are connected with the setting of the new currency exchange rate and with the creation of commission enterprises.

[PASQYRA] When will the new decision go into effect, and has it been determined how the price rise which will occur as a result of the wide-scale liberalization of prices will be handled?

[Samsuri] The decision is being reworked and the date that it will go into effect will be determined later, a date which will be set by the Council of Ministers. This is linked to the creation of appropriate conditions in regard to food articles (initially, by means of aid from Italy and the European Community), so that a considerable increase in prices can be prevented. Later, with the increase in domestic production, gradually, a better relationship will be created between supply and demand on the market and, consequently, we think that we will see a reduction in the further increase in prices. We must not forget that it is expected that a price index will be calculated shortly, which will serve as a basis for compensating for the price increase by increasing workers' wages.

New National Representatives Listed

92P20038A

[Editorial Report] Sofia DURZHAVEN VESTNIK in Bulgarian on 25 October on pages 2-8 publishes lists of new national representatives elected on 13 October. The lists are arranged by electoral district, political party, and name of representative. The following abbreviations are used: SDS [Union of Democratic Forces], BSP [Bulgarian Socialist Party], and DPS [Movement for Rights and Freedoms].

1. Blagoevgrad

SDS—Ivaylo Dimitrov Lovdzhiev
SDS—Aleksandur Manolov Pramatarski
SDS—Ivan Petrov Budinov
SDS—Vladimir Stoyanov Dzhaferov
SDS—Emil Biserov Yurukov
BSP—Stefan Ivanov Prodev
BSP—Emil Strakhilov Kostadinov
BSP—Aleksandur Ivanov Marinov
DPS—Svilen Ognyanov Kapsuzov
DPS—Arif Ali Mustakli

2. Burgas

SDS—Mikhail Dimitrov Nedelchev
SDS—Virdzhiniya Kirilova Velcheva
SDS—Stoyan Chilov Raychevski
SDS—Georgi Kostov Kostov
SDS—Stefan Aleksandrov Karadzhev
BSP—Chavdar Yordanov Kyuranov
BSP—Petur Mikhaylov Balabanov
BSP—Miroslav Dimitrov Durmov
BSP—Stoyan Kostadinov Ivanov
BSP—Lyubomir Todorov Nachev
DPS—Ibrahim Tosun Tatarli
DPS—Neva Sokolova Khadzhimateva

3. Varna

SDS—Aleksandur Yordanov Aleksandrov
SDS—Ilko Mois Eskenazi
SDS—Vladislav Zhelyazov Daskalov
SDS—Vladimir Todorov Abadzhiev
SDS—Georgi Benchev Karev
SDS—Margarit Vladimirov Mitsev
SDS—Khristo Yordanov Kirchev
BSP—Velko Vulkanov Ivanov
BSP—Krasimir Andreev Premyanov
BSP—Elisaveta Petrova Milenova
BSP—Stoyko Zhekov Penchev
BSP—Rumyana Ivanova Kurteva
DPS—Suavi Basri Haci

4. Veliko Turnovo

SDS—Elka Georgieva Konstantinova
SDS—Khristo Ivanov Ivanov
SDS—Boris Krumov Borisov
SDS—Georgi Todorov Tsonev
BSP—Dimitur Trendafilov Yonchev
BSP—Milen Ivanov Chakurov
BSP—Khristo Ivanov Atanasov
BSP—Georgi Nikolov Nikolov
BSP—Plamen Dimitrov Denchev

5. Vidin

SDS—Emil Yanakiev Kapudaliev
BSP—Mimi Mikova Vitkova-Petkova
BSP—Nikola Petrov Koychev
BSP—Emiliya Todorova Tomova

6. Vratsa

SDS—Petur Manov Petrov
SDS—Nikolay Ivanov Khristov
SDS—Emil Vladimirov Nedkov
BSP—Filip Georgiev Bokov
BSP—Boris Tsvetkov Bankov
BSP—Georgi Stefanov Tambuev
BSP—Krustyo Paraskevov Trendafilov
BSP—Dimitur Georgiev Dimitrov

7. Gabrovo

SDS—Ivan Nenov Ivanov
SDS—Veselina Khristova Rasheeva
SDS—Radko Ferdinandov Pandurski
BSP—Elena Borislavova Poptodorova-Petrova

8. Dobrich

SDS—Yordan Stoyanov Kutsarov
SDS—Atanas Mateev Mateev
BSP—Savka Nikolova Yovkova
BSP—Todor Yordanov Todorov
BSP—Nikolay Georgiev Kamov
BSP—Fidel Nikolov Kosev
DPS—Ilhan Veli Mustafa

9. Kurdzhali

BSP—Mincho Genov Minchev
BSP—Stefan Vulchev Stefanov
DPS—Ahmed Demir Dogan
DPS—Remzi Durmus Osman
DPS—Hasan Ali Hasan
DPS—Mehmed Osman Hoca
DPS—Huseyin Ahmed Karamolla
DPS—Bahri Receb Omer

10. Kyustendil

SDS—Aleksandur Asenov Dzherov
SDS—Petur Yordanov Markov
SDS—Nikola Ivanov Mishev
BSP—Ivo Purvanov Atanasov
BSP—Veselin Petrov Ivanov

11. Lovech

SDS—Petur Khristov Petrov
SDS—Tosho Kostadinov Peykov
BSP—Nora Krachunova Ananieva
BSP—Ivan Aleksiev Gaytandzhiev
BSP—Yordan Atanasov Roynev

12. Mikhaylovgrad

SDS—Ivan Nikolov Pushkarov
SDS—Svilyana Boyanova Zakhariaeva
SDS—Yanko Kirilov Kozhukharov
BSP—Nedyalka Markova Traykova
BSP—Iliyan Zhivkov Iliev
BSP—Emil Veselov Filipov

13. Pazardzhik

SDS—Blaga Nikolova Dimitrova

SDS—Asen Khristov Michkovski
SDS—Stefan Venkov Bozhilov
SDS—Ekaterina Ivanova Mikhaylova
BSP—Petya Borisova Shopova
BSP—Ivan Georgiev Genov
BSP—Petur Georgiev Bashikarov
BSP—Spas Atanasov Muletarov
BSP—Ilko Ivanov Iliev

14. Pernik

SDS—Nikolay Dimitrov Slatinski
SDS—Charodey Petrov Chernev
SDS—Konstantin Todorov Razmov
BSP—Stefan Iliev Stoilov
BSP—Dimitur Nikolov Mikhaylov

15. Pleven

SDS—Yordan Asenov Vasilev
SDS—Aleksandur Lavrentiev Aleksandrov
SDS—Emil Tsvetkov Tsochev
SDS—Nino Dimitrov Stavrov
BSP—Andrey Karlov Lukanov
BSP—Mariana Simeonova Khristova
BSP—Todor Yordanov Pandov
BSP—Tosho Ivanov Mukhtanov
BSP—Khristofor Petkov Dochev

16. Plovdiv City

SDS—Ivan Yordanov Kostov
SDS—Zlatka Ruseva Ruseva
SDS—Stanko Petrov Stanev
SDS—Garabed Tomas Tomasyan
SDS—Aleksandur Gavrilov Karadimov
SDS—Pavel Dimitrov Shopov
SDS—Ruslan Marinov Serbezov
BSP—Rosen Khubenov Stoilov
BSP—Velislava Ivanova Dureva
BSP—Zhan Vasilev Videnov

17. Plovdiv Region

SDS—Georgi Ilkov Ignatov
SDS—Iliyan Georgiev Shotlekov
SDS—Konstantin Vankov Todorov
SDS—Khristo Markov Markov
SDS—Ivan Penchev Tosev
BSP—Georgi Georgiev Pirinski
BSP—Stoycho Mikhaylov Shapatov
BSP—Donka Stefanova Doncheva
BSP—Kostya Viktorov Karaivanov
BSP—Angel Georgiev Dimov
DPS—Emil Georgiev Buchkov

18. Razgrad

BSP—Georgi Todorov Bozhinov
BSP—Evgeni Ganchev Drumev
DPS—Kadir Celil Kadir
DPS—Serife Ismail Mustafa
DPS—Ziya Osman Disli

19. Ruse

SDS—Edvin Stefanov Sugarev
SDS—Stefan Marinov Stefanov
SDS—Svobodka Stefanova Encheva
SDS—Plamen Atanasov Yovchev

BSP—Svetoslav Kolev Michev
BSP—Krasimir Stanchev Nikolaev
BSP—Georgi Stefanov Popov
DPS—Evgeniy Kirilov Matinchev

20. Silistra

SDS—Velislava Milkova Gyurova
BSP—Georgi Nikolov Nikolov
BSP—Ana Georgieva Milenkova
DPS—Osman Ahmed Oktay
DPS—Ismail Mehmed Ismail

21. Sliven

SDS—Snezhana Damyanova Botusharova
SDS—Neven Lyubomirov Penev
SDS—Vidyo Troev Videv
BSP—Yovcho Marinov Rusev
BSP—Manyo Velichkov Manev
BSP—Zlatimir Stoyanov Orsov

22. Smolyan

SDS—Nikolay Kirilov Vasilev
SDS—Zvezdalin Vekilov Kafedzhiev
BSP—Filip Borislavov Ishpekov
BSP—Todor Mikhaylov Kumchev

23. Sofia City First District

SDS—Filip Dimitrov Dimitrov
SDS—Ventseslav Asenov Dimitrov
SDS—Ivan Ilkov Kurtev
SDS—Vasil Ivanov Zlatarov
SDS—Dimitur Asenov Kumanov
SDS—Georgi Stefanov Panev
SDS—Rashko Angelov Rashkov
SDS—Valentin Iliev Vasilev
SDS—Krasimir Lyubomirov Chernev
BSP—Aleksandur Trifonov Tomov
BSP—Dobrin Spasov Iliev
BSP—Georgi Petkov Bliznashki

24. Sofia City Second District

SDS—Stefan Dimitrov Savov
SDS—Aleksandur Stefanov Yanchulev
SDS—Lyubomir Vladimirov Pavlov
SDS—Yordan Stefanov Todorov
SDS—Petur Stoichkov Kharizanov
SDS—Milen Petkov Stoyanov
SDS—Vasil Nikolaev Mikhaylov
SDS—Yordan Venelinov Ganev
BSP—Doncho Donchev Konakchiev
BSP—Vulkan Ivanov Vergiev
BSP—Yordan Kirilov Shkolagerski

25. Sofia City Third District

SDS—Stoyan Dimitrov Ganev
SDS—Georgi Evdokiev Markov
SDS—Luhezhar Blagovestov Toshev
SDS—Asparukh Asparukhov Panov
SDS—Krasimir Naydenov Stoyanov
SDS—Vekil Vasilev Vanov
SDS—Aleksandur Aleksandrov Staliyski
BSP—Yanaki Boyanov Stoilov
BSP—Konstantin Sergey Adzharov
BSP—Stanka Yanakieva Velichkova

26. Sofia Region

SDS—Khristofor Petrov Subev
SDS—Georgi Stefanov Petrov
SDS—Vasil Stoyanov Gotsev
SDS—Radka Emilova Vasileva
BSP—Sonya Krumova Mladenova
BSP—Nina Lazarova Mikhaylova
BSP—Nikolay Kirilov Dobrev
BSP—Natasha Kirilova Tacheva

27. Stara Zagora

SDS—Dako Neykov Mikhaylov
SDS—Zakhari Dimitrov Raykov
SDS—Valentin Stefanov Karabashev
SDS—Dragiya Zhelyazkov Dragiev
SDS—Sasho Nachev Stoyanov
BSP—Aleksandur Vasilev Lilov
BSP—Yuriy Mitkov Borisov
BSP—Vasil Dimitrov Nikolov
BSP—Metodi Georgiev Tashev
BSP—Stoycho Vulchev Stoychev
BSP—Trifon Dimitrov Mitev

28. Turgovishte

BSP—Zakhari Mikhaylov Zakhariiev
BSP—Boncho Draganov Rashkov
DPS—Unal Said Lutfi
DPS—Vedat Ahmed Sakalli

29. Khaskovo

SDS—Khristo Dimyanov Biserov
SDS—Khristo Georgiev Todorov
SDS—Petko Ginev Petkov
BSP—Klara Vulova Marinova
BSP—Dimitur Velev Dimitrov
BSP—Plamen Vulkanov Vulkanov
BSP—Kosta Todorov Andreev
BSP—Chervenko Krumov Lazov
DPS—Receb Mehmedali Cinar

30. Shumen

SDS—Yani Mikhaylov Milchakov
BSP—Atanas Atanasov Paporizov
BSP—Mariela Nikolaeva Miteva
BSP—Gincho Marinov Pavlov
BSP—Vasil Donchev Kolev
DPS—Ivan Kirilov Palchev
DPS—Dimitur Angelov Sepetliev

31. Yambol

SDS—Dimitur Petrov Ludzhev
SDS—Gospodin Atanasov Atanasov
BSP—Rosen Andreev Karadimov
BSP—Ana Ivanova Karaivanova-Davidova
BSP—Kiril Stoyanov Zhelev

Impact of Diminished U.S. Presence Considered

92CH0085A Prague RESPEKT in Czech 13 Oct 91 p 2

[Article by Zbynek Petracek: "Bush Looks to His Own Home Ground; First Step Toward U.S. Departure From Europe"]

[Text] George Bush, the President who more than any of his predecessors identified his office with foreign policy, gave a clear signal with his disarmament initiative: The United States is beginning to be concerned with itself and is withdrawing from the very thankless role as last resort in all matters. This step, at first glance isolationist, is, of course, entirely natural. The President was not forced to take this step either by financial pressure from Congress, or by pre-election considerations, but precisely by the international situation—in other words, the threatening disintegration of the USSR and the real disintegration of the Yalta system. After all, not even a victorious contestant stays alone on the mat.

At the same time it cannot be overlooked that today U.S. interests are guaranteed institutionally. Just a few years ago it would have been unthinkable that the United States would leave decisions about the defense of Europe to anybody else, depend on special UN commissions, as is the case in Iraq, or take a unilateral step toward disarmament. On the other hand, areas where U.S. foreign policy has been unsuccessful will obviously only gain in disruptive force. In question are primarily "internal affairs" of the civil war or ethnic conflict type—Yugoslavia is a perfect example.

Prevent Nuclear Chaos

President Bush is not a classic isolationist. He saw his decision as one of the last opportunities to come to an agreement with a still passably competent Soviet Union. The "new defense policy" should, in contrast to the "new order" of last spring, prevent a concrete threat, not offer a personal vision of the future. The concrete threat today is the nuclear weapons on USSR territory, that is to say, Russia, Belorussia, the Ukraine, and Kazakhstan. To illustrate—according to Soviet and U.S. experts, the Ukraine is the third largest nuclear power in the world with a greater nuclear potential than China.

Only a short time after the failed coup, the "nuclear" Soviet republics abandoned their initial idea to rid themselves of the burden of weapons of mass destruction, and now are, on the contrary, trying to keep these arsenals under their own jurisdiction. In contrast, Federation Minister of Defense Shaposhnikov insists on keeping them under the central command, whereas Yeltsin came up with a plan to move them to Russia within the next 10 years. Here already are the seeds of conflicts, abundantly nourished by the political maneuvering and ambitions of the republics. From the geopolitical standpoint, two views on the role of nuclear weapons in the disintegrating USSR can be specified. On the one hand, the idea of a deterrent force, a nuclear threshold, only too well known from the 40 years

of the Cold War, but, of course, under the Soviet conditions somewhat alarming. On the other hand, the idea of an entirely real danger, a nuclear chaos in a civil war situation.

Nuclear weapons cannot be lumped all together: One approach is needed for tactical, short-range missiles, another toward strategic missiles. Tactical missiles are easily moved, disguised, and misused. Their advantages were graphically illustrated in the Persian Gulf war (the infamous Scuds from the arsenal of the Soviet Army), the elimination of which was a problem even for the prestigious U.S. Patriots. In a country such as the USSR, where there is any number of fighting units able to secure for themselves even heavy army weaponry, nobody can guarantee the safety of tactical missiles that are placed on trucks. But this equipment can also be easily dismantled. On the other hand, strategic ballistic missiles are installed in concrete silos. It is possible to effectively guard them, but not easily and unilaterally dismantle them and thus leave oneself vulnerable to threats, for example from China.

These facts led President Bush to focus his initiative on tactical missiles. He held out his hand to Gorbachev and Yeltsin, because it is in the interest of the center, Russia, as well as the United States that the disintegration of the Soviet Union does not get out of hand.

Regional Conflicts and "Internal Affairs"

Concerns about nuclear safety and U.S. economic interests are the two main incentives for Bush's initiative. The U.S. President is worried about a Ukraine with nuclear ambitions, much less, however, about "only" a Serbia with ambitions in the Balkans. Since James Baker's unhappy mission to Belgrade, the United States has been making only rhetorical and not at all convincing statements about the Yugoslav conflict. As if it did not realize that Great Serbia could be a model for a Great Ukraine, a Great Russia, or a Great Belorussia. Even the planned meeting—a future Balkan alliance?—of representatives from Serbia, Greece, and Bulgaria (the Romanians pulled out because of domestic turmoil) in Belgrade was prevented by the warning finger of Ministers Michel and Genscher and not by the glum face of President Bush.

Interventions in crises that do not concern the United States directly, in "internal affairs," simply went out of fashion in Washington. It was clearly indicated by the reaction to the coup d'etat in Haiti. Today, the United States will not undertake anything without the blessing of the UN or the OAS, and the era of swift interventions in Grenada or Panama is obviously over.

Similarly, U.S. foreign policy prefers the status quo even in defeated Iraq. Since the February disagreement between General Schwarzkopf and President Bush about attacking Baghdad, nothing has changed at all; under the influence of the Iraq disintegration bugaboo, the Kurds, the Shiite minority, and other bloody pages from the "new order" are being gradually forgotten. Saddam Husayn makes good use of it and is playing a game of chicken with Bush—he retreats only at the last moment. Even when UN experts,

searching for weapons of mass destruction in Iraq, were detained and freed only thanks to a U.S. military gesture, no more than a gesture has ever been contemplated by anybody.

"The results of our inspections in Iraq, most recently the sensational discovery last week, are so fruitful," said one of the U.S. experts, "that any new military strike would only bring a reversal." But what power can make use of these results and turn the danger against the schemers? The surprised commission stated that Iraq would be able to build a nuclear bomb within six months, and that it has already tested suitable carriers; it found proof of this precisely after six months of work on the basis of information provided by an Iraqi defector (the appropriate UN resolution was passed on 3 March).

The speculation that there will be an internal solution did not pan out either. The potential hope of Iraq, Shiite Prime Minister Hammadi, who advocated a policy of pluralism, had to resign in September. According to dissidents, he did not flee the country only because the secret police is holding several members of his family as hostages. In contrast, Saddam Husayn allowed himself to be asked by functionaries of his Baath party to "act as a leader of the faithful in the holy war against the Jewish-Christian enemies." Although George Bush resorted to direct threats to use force, all sides know very well that he does not want to jeopardize "his" Middle East peace conference. The uncertain possibility of future peace is therefore contingent on a kid glove treatment of the Baghdad regime: Look for proof that we were getting ready to wipe you out, but don't you dare take any action against us!

Europe and Us

The United States is slipping out of Europe. Part of Bush's plan is a withdrawal of tactical missiles from Germany, as well as a reduction of the armed forces. The old continent remains secured against danger from outside (links to the United States through NATO), but practically toothless in resolving its own problems. An efficient solution would be to abolish the consensus in the Security Council of the Commission for Security and Cooperation in Europe, with the possibility of using UN rapid deployment units. However, such a decision also requires a consensus, and so the outlines of a vicious circle are beginning to appear.

The United States achieved its self-validation: Its arch-enemy disappeared from the stage, George Bush is considered one of the most successful presidents, and nothing prevents him from helping his new partner—Russia. He no longer needs to look at Czechoslovakia, Poland, and Hungary as a buffer against a military rival which must be supported. Our future is in our own hands.

Weekly Comments on Troika Meeting in Krakow 92CH0089A Prague RESPEKT in Czech 20 Oct 91 p 3

[Article by Petr Janyska: "Central Europe to NATO"]

[Text] "Postcommunist countries face problems too huge for one state to resolve by itself. We must solve them together. To do that, cooperation is essential, especially

economic cooperation. That is what makes our Triangle necessary," said Lech Walesa in Krakow on 6 October. He addressed the heads of state and governments as well as ministers of the Central European Troika, who were here to decide on further joint procedure.

Following the collapse of Moscow's hegemony, East Europe is beginning to boil, and ethnic frictions are escalating. Southern Slavs are shooting at each other, nationalistic demands are being put forth by Slovaks, Hungarians in Transylvania, and potentially also in Slovakia, Turks in Bulgaria, Poles in Lithuania. In this context, the Polish-Hungarian-Czechoslovak rapprochement is "the only regional initiative which is trying to work for rapprochement and cooperation, instead of national isolationism" as Polish politician Adam Michnik wrote on the eve of the summit.

Moreover, among countries which before the war did not feel any particular closeness toward each other.

Together Rather Than Individually

Each of the new Central European democracies at first thought that it would elbow its way into the European Community on its own, that it will be able to do it faster than if it gave consideration to its neighbors. Such thinking was especially strong in Hungary, which progressed the farthest in economic transformation, which is trying to achieve privileged relations with Germany, and, in addition, although it is the smallest of the three countries, is the recipient of more than 60 percent of all Western investments flowing into Central Europe.

But the past two years showed that an independent road does not have much chance, that West Europe considers us as one rather homogeneous whole. For that matter, behind the Krakow meeting there was, according to well informed sources, the unspoken wish of the European Community that this meeting take place.

The leitmotiv of the summit (already the third, following one in Bratislava in April 1990, and one in Visegrad in February 1991) was the will to join West Europe as quickly and firmly as possible. The closing document mentions "the speediest conclusion of discussions about associate status in the European Community (including "full membership in a not too distant future," as was stated straight out by V. Havel). None of the Troika politicians has the intention to make out of Central Europe some kind of special, self-absorbed region, but rather to jointly increase pressure on Brussels.

Treaty With NATO

The greatest surprise of the meeting was the passage in the closing document about our relations with NATO "including their institutionalization," even "in the form of an international treaty." Polish Minister of Defense Skubiszewski did not even rule out a direct membership in the alliance.

But NATO, of course, has until recently been rejecting any formal ties with our countries: Partly because of a certain distrust of the newly minted democracies, partly out of

concern that Moscow would feel threatened by it and might harden its position toward Europe.

The systematic pressure exerted on NATO by some Troika politicians obviously began to bear fruit (in combination with the failure of the conservative coup in the USSR). But the pressure has not been equal in all the countries. The most restraint was shown by Hungary, which played its neutral card until the last moment and tried with all its might to avoid "provoking" Moscow. In contrast, Czechoslovak diplomacy has been pestering the alliance most openly.

This was also clearly illustrated in Krakow. Whereas the Hungarians were at first resisting the inclusion of any mention of the alliance in the declaration (one of the reasons probably is that in the Budapest Ministry of Foreign Affairs many people from the old regime still work, who are quietly boycotting the new policy), the Czechoslovak president at the decisive moment proposed a formulation which speaks directly of a treaty with NATO—and that one was, with a good deal of Polish support, adopted.

It is expected that NATO will consider the Central European request at its summit in Rome next month. It will thus follow up on the important statement by Minister of Foreign Affairs Genscher and Secretary of State Baker of 2 October, in which both statesmen speak for the first time in history about the need for "new institutional relations of the Atlantic Alliance with the new democracies in Central-East Europe and the Soviet Union."

Translated into ordinary language, it means that the politicians of the two most powerful countries in NATO agree that although our countries should not immediately become full members, they should be directly linked to the activities and institutions of the alliance. In the subtext, it also means corresponding security guarantees.

West Shuns Responsibility

Besides the situation in Yugoslavia, the Krakow meeting also discussed a common tactic toward West Europe and the entry into its markets. If the goal, according to Havel, is an "early signing of associative agreements," the sharp tone with which the Polish president spoke of the weak will of the West to become involved in the center of the continent, was a surprise.

"We cannot rely uncritically on the West," warned L. Walesa. "At stake today is the fate of our democracies, the future of Europe is at risk, and the West is fleeing from its responsibilities. It is only reluctantly taking part in the economic transformation of Central-East Europe. That is shortsighted, irresponsible.... We do not need the West's help to close our factories, but to restructure them. So that enterprises produce and provide employment. If we do not succeed in that, countries which follow the same path as we do will face enormous difficulties. If a disaster occurs here, it will affect the West as well."

Concerning the potential supplies of goods to USSR, which would be paid for by the West within the framework of humanitarian assistance (so-called triangular trade), the

Troika countries' view is that these three-way operations "cannot in any way be a substitute for the liberalization of access to the markets of the Community."

Careful on Free Market Zone

Before the summit, it was generally assumed that it would produce a proposal for creating a free market zone among the Troika countries, and perhaps also the establishment of a common bank. Nothing like that happened, however. The political will obviously exists, but the creation of such a zone means to change a host of tariff measures, consult with foreign countries about them, and harmonize the often diametrically opposing business interests of each of the three countries. Poland insists the most on the creation of the zone (according to some sources, perhaps also because it is under strong pressure from the United States to open its market to them), the Hungarian and Czechoslovak economic ministers are more reluctant.

It was therefore agreed in Krakow that trade within the Troika will be freed carefully step by step, in accord with the degree of liberalization with the West; therefore, that free Central European trade will obviously come the day when free trade with the West is introduced. Which tacitly assumes that all three countries will be admitted to the EC together. And that in turn assumes that they will continue their rapprochement and coordination.

Allegations of Plot Against Meciar Examined

92CH0088A Prague RESPEKT in Slovak 20 Oct 91 p 5

[Article by Milan Zitny: "The Kosice Affair; Background of the Alleged Plot Against V. Meciar"]

[Text] For several weeks now a strange drama was being acted out on the political scene of the town of Kosice. The affair, in which the names of prominent citizens of the town have been appearing, began on 6 September with the publication of the announcement by the Kosice municipal council of Public Against Violence [VPN] in the local weekly PIATKOVY VECER. The VPN municipal council informed citizens that some dailies have lately been drawing attention to some unwholesome goings-on in the office of the Kosice mayor. The announcement says that as a result a special commission has been established, composed of members of the VPN municipal council and members of the Kosice municipal government, to shed light on events connected with the activities of some of the closest coworkers of the town's mayor and the legality of their activities. It specifically mentions the gentlemen Rhedey, Kladek, Cuha, and Cabo. In the conclusion of its announcement the VPN municipal council informed citizens that the above named individuals are not members of the VPN movement, or elected representatives of the town, and the VPN municipal council distances itself from their activities. The special commission will inform the public about its final conclusions in the very near future.

As a reaction to this, PIATKOVY VECER also published a press release by one of those named—Gabriel Kladek, assistant to the mayor, and by the mayor of the town district Kosice-Furca, Jozef Krizan, in which they harshly accuse the Kosice VPN of various machinations and

manipulations, and the workers of the Kosice branch of the Federal Security and Information Service [FBIS] of using their function for the benefit of VPN. A positive evaluation, on the other hand, was given to the Kosice municipal police, which intervened several times against unauthorized money changers; VPN, however, protested these interventions and threatened prosecution.

Since that time the conflict between the two sides has been escalating, mainly because of the actions of the coworkers of the mayor of Kosice, Jan Kopnický. Gabriel Kladek, for instance, accused the deputy director of the Kosice FBIS of last year prompting the fabrication of false documents which were to prove that V. Meciar belonged to the KGB. Should that plan not work out, he was supposed to have a plan to eliminate Meciar physically.

All the named individuals, but also the events and facts, that are appearing in the Kosice affair, obviously have one common denominator. Andrew von Rhedey, allegedly a knight of the Order of St. Lazarus, came to Czechoslovakia from Canada at the beginning of last year. Originally called Andrej Adam from Olsany near Kosice, he used to work as an X-ray technician somewhere in Bratislava, and in 1968 as a nineteen-year-old he emigrated to Canada. After his return to the Republic in 1990, he quickly became a major player in the Office for the Protection of Constitution and Democracy in Kosice [UOUD]. Following clashes with his superiors, however, he did not join the Federal Information Service, the successor organization of UOUD. He surfaced in the service of the Kosice mayor where he became the prime mover in creating the municipal police force. In spite of the fact that the municipal government did not sanction this organization (for one thing, an appropriate law for organizing municipal police forces does not exist, and since October of this year Kosice has not even had its own statute), the municipal police force de facto came into existence and functioned independently under his command. Even though its activities, which belong exclusively under the jurisdiction of the Police Force of the Slovak Republic, was illegal, the mayor of Kosice and his colleagues gave Andrew Rhedey their support.

The most frequent cause of political scandals is money in the form of corruption or illegal financial transactions. Although Andrew von Rhedey's municipal police force spent a considerable amount of money, a much bigger scandal is beginning to be associated with his name in Kosice, with possibly great economic and political consequences. Some time ago, Kosice had an extraordinary opportunity to receive foreign investments during the construction of an international transfer airport of European significance. Ardent candidates were two British firms—British Aerospace and British Airways. However, Andrew von Rhedey pushed a certain Canadian firm, Montvest, which was thus given a priority opportunity to work out the necessary design. To this day, nobody saw it. Recently, a confidential report came from some very well informed circles that the international transfer airport project will be realized in Hungary near Miskolc. The investors are to be the above mentioned British companies. And the top representatives of Montvest say that they

know nothing about a contract with CSFR or about a man called Andrew von Rhedey....

The veil of secrecy surrounding this man is sufficiently dense and intriguing that even the law enforcement authorities became interested in lifting it a little. Those concerned know that one criminal prosecution by the military prosecutor general against [St. Lazarus] knight Rhedey is already under way. In spite of that, but maybe precisely because of that, his colleagues put into motion an intensive campaign against the Kosice VPN and the FBIS authorities. The onetime official publication of the Communist Party, the daily PRAVDA, is giving these circles truly exemplary attention and space. As if hidden in the shadow of these sensational revelations, that do not offer any proof, there remains the question why Gabriel Kladek is telling the public about the plot to discredit and assassinate Vladimir Meciar only now, and why he did not do so at the time when the attack threatened. Mr. Kladek, who also used to be an employee of UOUD in Kosice, should, after all, know that if he has knowledge of such a serious matter, he is actually bound by law to report it.

Some explanation of what the coworkers of the Kosice mayor, from whom he is unable to distance himself, were doing at the time, also points out the political aspect of the Kosice affair. The federative structure of our state is enjoying a lot of sympathy in Kosice, and the local VPN is the propagator and guarantor of this model. The VPN municipal council urged the recall of Mayor J. Kopnický because of his many shortcomings, but the Christian Democratic Movement, as the coalition partner, allegedly argued against such a step, on the basis that the Party of the Democratic Left already has its own candidate ready and is only waiting for the opportunity to use a momentarily weakened position of the government coalition. But the Communists together with the Greens made use of precisely this momentary hesitation by starting a petition drive to recall the then mayor. If they were to cash in on this opportunity during the election of a new mayor, they would gain an effective lever for their policies in the easternmost bastion of the federation.

The actors in that strange drama in Kosice are therefore sufficiently well known, and the point of it is also becoming clearer. In view of this situation, but also in the overall context of Slovakia's internal policies, the recent pronouncement of the chairman of the VPN Kosice municipal council and member of the Slovak National Council, Marcel Stryka, in the television program "Udalosti," which was supposed to shed more light on the Kosice affair for the benefit of the viewers, did not, because of its content and excess of emotionalism, sound too convincing. It cannot be ruled out, that contributing to the embarrassing result are mainly the overall exhaustion and weariness caused by the constant exertion of so much energy by VPN members in implementing the adopted government program, as well as the effort to save the common state in face of a constantly increasing pressure from the opposition, which is growing more aggressive and unscrupulous in their attacks every day. Deputy Stryko therefore

asked for personal protection. He just moved his family to the safety of Prague. Behold how "Pragocentrists" are born....

Social Democratic Leader Argues Against Sovereignty

92CH0087A Bratislava NOVE SLOVO in Slovak
26 Sep 91 p 11

[Article by Boris Zala: "For a Modern, European Slovakia"]

[Text] Slovakia is standing at a crossroad. We are facing a decision of truly historic dimensions for Slovakia. There is no doubt that the decisive issue for Slovakia today is sovereignty. But there are several ways to complete the process of self-determination of the Slovak nation.

Proclaiming an independent Slovakia is formally the simplest way. But the tragic consequences for all spheres of our life—the impact on prosperity, cultural-political isolation, halt to our march toward Europe, a considerable decline of the living standard and social certainties of all citizens—would appear immediately.

We must choose a way that will lead to the achievement of Slovak sovereignty together with an increase in the living standard of the people, with a prosperous economy, with protection of the socially weak, one which will ensure the flowering of Slovak culture and a healthy environment.

But such a way does not lead through a solitary, isolated Slovakia pushed to the periphery of modern European civilizations. We must not put our homeland at the mercy of unpredictable power ambitions to the east of our borders (and not only to the east). Slovakia can act as an economic bridge between the West and the East, or as a spiritual bridge between Western and Eastern Christianity, only as a geopolitical component of the current trend in civilization, which we call West European.

Our first task, therefore, is a rapid political, security, economic, social, and cultural inclusion of Slovakia in the European integration stream. But we can enter it only together with the Czech nation. Naturally, our responsibility is to create conditions for entering it as equals. That is the prerequisite for our common course. If it is important also to the citizens of the Czech Republic, they must contribute to the creation of equal relationships between the two republics. We cannot retreat from this demand.

Similarly, Slovak politicians, in the first place Christian Democrats, Social Democrats and liberals, together with their European partners, must push for the entry of Slovakia into European politics as an equal entity.

Therefore the key question will be whether we shall apply our sovereignty and individuality in a modern, humanitarian, and prosperous integrated Europe, or in an isolated Slovakia that will find itself in a bankrupt region in the far reaches of Europe. The patient way is always of more benefit to all our citizens.

Better two stars—Slovak and Czech—on the future European sky, than immediately a single Slovak one in the future East European hell.

Deputy on Future of Federation, Turmoil in Kosice

92CH0087B Prague RESPEKT in Slovak 20 Oct 91 p 5

[Interview with Marcel Stryko, Civic Democratic Union-Public Against Violence, by Jaroslav Spurny; place and date not given: "Waiting for Anarchy"]

[Text] [Spurny] These days there is much talk about the political events in Kosice. But it is rather difficult to get an objective picture of them from Prague. You represent Kosice in the Slovak National Council. Can you tell us what is happening there?

[Stryko] On the Slovak map, Kosice represents a positive civic attitude toward the federation. In the petition drive on behalf of the common state, we receive about 1,500 new signatures every day. That is the real reason for all the attacks by the nationalists, who put into motion a tremendous campaign against all local pro-federation political representatives. They call press conferences every week, where they put out outrageous lies and nonsense. Their goal is perfectly clear—to blacken Public Against Violence [VPN] in Kosice. They are, however, unable to prove their assertions. But they do not even have to, the condition of the Slovak justice system basically ensures that they can act with impunity.

[Spurny] What do you think about the possible adoption of the so-called full Slovak constitution?

[Stryko] I have a feeling that it has only one goal—to bring about chaos in the system of laws in Slovakia. It looks as if such a constitution will be adopted already this year. A dual system of laws will then exist, in which both the Slovak and the federal constitution will apply. It is a situation that is of interest primarily to the armed units. Many soldiers are already preparing themselves for the fact that the army will be subject to laws of both the federal and the Slovak constitutions, and they will naturally respect the Slovak constitution. A treaty is to be signed with the Czech National Council. If our parliament is able to adopt a constitution of an independent Slovakia, nobody will make me believe, and I will certainly not be alone in that, that Slovakia will sign any kind of treaty with the Czech Republic.

People who are in favor of a common state with the Czechs will face a real danger of being called traitors, and it cannot be ruled out that we shall experience political trials. I know any number of people who are capable of bringing them about.

[Spurny] That is a serious accusation. Can you give some specifics?

[Stryko] Recently, Deputy for the Democratic Party Badalova spoke up in the Slovak parliament. She said that her colleagues from the Slovak National Party [SNS] have been talking among themselves about sending us to Leopoldov after the Slovak State is proclaimed. She demanded an apology. Balazik, deputy for SNS, stepped

up to the microphone and said that it was true, but that it will not be Leopoldov but somewhere closer by. After he said that, the meeting continued without anybody making a reference to his statement. The nationalists are already utterly arrogant, and because they are not persecuted for their statements in any way, they elicit fear in people.

[Spurny] You yourself have said that many people in Kosice support the federation. Why do you think the declared majority is afraid? That is not logical.

[Stryko] Yes, the majority of Slovaks are still against an independent Slovak state. But fewer and fewer people in Slovakia believe that the federation will be preserved. They are influenced by the Slovak press, which brings out a feeling of helplessness in them. And that leads to caution on their part. Not only are they afraid to publicly support the federation, they are afraid to support anything connected with it.

[Spurny] But they have to realize that they are acting contrary to their own convictions. What are they afraid of?

[Stryko] I already told you. There is talk about trials, about traitors, etc. The judiciary does not react to it. Nobody believes in justice any more, and so they would rather to act as everybody else. We know such an attitude from the days of the totalitarian regime. For some, for example, buying the pro-federation daily VEREJNOST constitutes a risk: That is already considered a manifestation of "treason."

Many people are put under enormous pressure. My friend Fedor Gal lives in Prague. In fact, he emigrated. It really is beyond belief, this man made the revolution in Slovakia. I don't even know what will happen to me. I simply do not feel safe in Slovakia.

[Spurny] You are allegedly accused of being among the plotters who were supposed to be planning the assassination of Prime Minister Meciar.

[Stryko] No, the Kosice [branch of the] Federal Information Service [FBIS] was accused of that. But that is the telegraphic journalistic style. First they wrote that the FIS [as published] was planning it, then that it tried to plan or was thinking about planning Meciar's assassination. They report that FIS has contacts with Public Against Violence. That is why my name was also mentioned.

The press is attacking the FIS, which cannot defend itself because its members are bound to secrecy. Those who provoke the attacks know that it is possible that an independent Slovak state will come into being as early as this year, and that in such a case any defense of FIS will be ineffective. The authorities of an independent Slovakia will not concern themselves with its defense at all.

[Spurny] Do you think that there is any hope for the federation?

[Stryko] The situation is such that the constitution of the Slovak state will probably be passed by an absolute majority in the Slovak National Council. Immediately after it is adopted, the question will be whether anarchy will ensue.

I talked to the highest constitutional authorities who allow that such a possibility exists. But none of them speaks up on television to point that out to the citizens. I asked the chairman of the Slovak National Council and other politicians to explain to people what the adoption of a Slovak constitution will entail. But nobody is willing to do it. Some features of Slovak politics remind me of fascism. I know that we can find similar elements in Germany or France, for example, but there they do not have as much scope, their society resists and calls it by its true name. But not in Slovakia.

Schwarzenberg Interviewed by Weekly

92CH0078A Budapest HETI VILAGGAZDASAG
in Hungarian 5 Oct 91 pp 39-40

[Interview with Karl Schwarzenberg, chancellor of the Czech and Slovak Federal Republic, by Ivan Lipovecz in Budapest; date not given: "People Are Far More Intelligent Than Politicians Think"]

[Text] Once he controlled ten times the amount of land and forest in Bohemia than what he owns today. Still it was not the drive to recover his family fortune that brought Karl Johannes Nepomuk Schwarzenberg (age 54) back to Prague, but the opportunity to serve by the side of President Havel as head of the presidential chancellery. An enlightened aristocrat, he has been a champion of human rights in Europe in his capacity as the president of the so-called International Helsinki Alliance, a position he has held since the mid-1970's. The liberal-conservative-minded prince was in Hungary last week, on the occasion of the European Movement conference.

[Lipovecz] I have read in one of the Austrian papers that you had also been held in high esteem by the late Austrian Chancellor Bruno Kreisky, because of your commitment to reconciliation and compromise instead of fueling confrontation at all cost.

[Schwarzenberg] Sadly I cannot ask the deceased chancellor whether or not this was indeed his opinion of me. But if that is what he really said he was greatly exaggerating. For if I must, I do not shun open confrontation.

[Lipovecz] In the speech you gave in Budapest you spoke about the dangers of nationalism. Is this what you consider to be the greatest challenge to the changes under way in East and Central Europe?

[Schwarzenberg] My goodness, you make it sound as if this were some kind of a new phenomenon! But what is particularly terrible about it is that this plague has been haunting us for centuries. Unfortunately there is nothing new in it; it is merely the reheated version of the same old soup.

[Lipovecz] I think many are confused about why you would feel disturbed about the rediscovery of patriotic feelings.

[Schwarzenberg] To me—as I pointed out in my presentation—it is the amount of nationalism that matters. Lord save us from having to live in a Europe without national diversity. It would be unbearably boring. But the degree of

diversity is important: I will gladly have a glass of wine, but that does not mean that I am not against alcoholism. To me there are two indicators that show whether or not the limit has been reached. One is when national self-centeredness reaches the point where it begins to breed injustice towards the country's minorities or neighbors. When we stop guaranteeing our minorities the same rights we enjoy, and even more. The other warning sign—and this is a downright self-destructive phenomenon—is when a people's sense of nationalism leads it to overestimate its own potentials, putting itself in danger.

[Lipovecz] Principles aside, how do you see today's situation from the vantage point of the Hungarian minorities?

[Schwarzenberg] Look, it all depends on what region we are talking about. There is no question that the Hungarians of Transylvania are in a most precarious situation. The conditions there can only be described as tragic. In Vojvodina, on the other hand, the situation of the Hungarian minority—as far as I know—has been basically satisfactory until most recently. They had representatives in the parliament and government of Vajdasag, and they were also able to publish their own papers. Unfortunately, as of late this situation, too, has begun to deteriorate. In Slovakia, there have undoubtedly been things done that should have never been allowed to happen: I am referring, for example, to the scaling back of Hungarian colleges and high schools. Financially speaking, thank goodness, the Hungarian minority today is quite well off, and when I visited there recently, I was happy to learn that they were among the strongest supporters of the federative arrangement in Slovakia.

[Lipovecz] While we are on the subject of the federation, is it also the spirit of nationalism that pits Czechs and Slovaks against one another? Or are the socioeconomic differences between the two parts of the country the main causes?

[Schwarzenberg] These two things always go hand in hand. There is no question that in part for geographic reasons, and in part as a consequence of the industrialization drive of the past decades—I am thinking here about the concentrations of our defense firms there—the economic situation has become especially difficult. No one doubts this even for a moment. But I feel that this only underscores the importance of keeping together the larger market, which a unified Czechoslovakia is able to provide. There is no question that for the countries of East and Central Europe domestic markets continue to be of primary importance. This, of course, will slowly change. Only an integrated Europe can offer a better future for our countries. Hungary, Czechoslovakia, and Poland—despite the extraordinarily difficult conditions they are facing—are, after all, democratic constitutional states, which offers even more hope that they will be able to solve their economic problems.

[Lipovecz] OK, OK, but do people really believe this? How much longer will they tolerate putting up with these hardships? Aren't you concerned that this discontent and bitterness will eventually become widespread and explode into violent acts?

[Schwarzenberg] Look, I believe that people are far more intelligent than politicians think. They know what the former system was like; they know the conditions it left behind and that these conditions cannot be remedied overnight. Naturally, there are certain requirements that need to be met before any change can occur. First of all, we need to be granted access to the West European markets. This will, in turn, bring in a greater influx of capital and investments.

[Lipovecz] It is possible that we are on the right course, but it is not at all certain that we will find an open gate at the end of the road.

[Schwarzenberg] I am convinced that what I have just said is also clear to the statesmen of West Europe. This time they are not moving to block efforts by Hungary, Czechoslovakia, and Poland to move closer to the European Community. Negotiations are continuing, but we need to be aware that these are also difficult and complex issues for the politicians of West Europe. We cannot expect the problems that have accumulated over the past half a century to be resolved within a matter of weeks.

[Lipovecz] The problem is that we are talking about more than just three countries. We also need to consider the Baltic states, and if Yugoslavia should disintegrate, at least another three countries. So what West Europe needs to carefully weigh is whether or not it is prepared to admit nine or ten new member states into the Community. What do you think about the complaints heard mostly from the United States, and recently also from Britain and France, that the current transformation in East Europe serves mostly the economic interests of Germany?

[Schwarzenberg] the question is, who will have the necessary courage and entrepreneurial spirit to become actively involved in our countries. From my experience in Czechoslovakia, and I do not think that it is any different in Hungary, the government, the mayors, or even the working people care precious little about whether the money comes from Paris, Frankfurt, or London. Since none of our countries possess indigenous capital to invest, the question regarding what other sources we should turn to never arises. Our only choice is to pick from among foreign investors. Unquestionably it would appear expedient for us to try to maintain a certain balance in order to prevent any single country from attaining an excessively strong position, but essentially all of this is dependent on the willingness of others to do business here. Not to mention the fact that we cannot escape the reality of our historical and geographic circumstances. To a British firm, investing in Canada or Africa will continue to be a more obvious option than bringing their money to Hungary or Czechoslovakia. While, I assume, just the opposite would be true in the case of a Bavarian firm.

[Lipovecz] You are expecting this capital, we are expecting it, as does the third country. But where in the world is there that much money available? In West Europe after the war countries also had to make an effort of their own....

[Schwarzenberg] We, too, will need to do that. Getting our own share of the work done is a precondition to getting all of the necessary forces united.

[Lipovecz] But your government—just like ours—has often been criticized for failing to provide sufficient support for indigenous efforts.

[Schwarzenberg] I believe that we have no other choice but to open our doors wider. We cannot offer much in the way of financial assistance as it is precisely money that we have the least of. Still what I see here, as I do in our country, is that you continue to have small businesses popping up left and right. Mr. Grundig had started out as a small radio salesman in Nurnberg, in 1946, and has built himself an entire business empire. I am convinced that eventually we will have our own Grundigs in Prague, Budapest, and Krakow.

[Lipovecz] At the beginning of our conversation you denied that you were a man of compromises. But bringing about changes will require working with the same people who have always lived in these countries, and it will be with and among them that the new compromises will have to be reached.

[Schwarzenberg] This is true. Few here can claim to be "holy and untouched." Normal people had entered into normal compromises if they wanted to make it in life or provide a better education for their children. For that I cannot condemn anyone. Fortunately, so far we have been able to avoid taking action against anyone out of revenge or the urge to assign guilt. Those who are willing to play by the new rules will continue to be successful.

Prospects of Contemporary Czech Society Analyzed

92CH0070A Prague PRITOMNOST in Czech No 9, 91 pp 1-2

[Article by Otto Urban: "Timely Thoughts on Czech Society 1991"]

[Text] There is no doubt that Czech society is undergoing one of the most significant and eventful periods in its modern history. In a certain sense, the closed and relatively stable Czech society of recent decades is disintegrating, and the internal conditions of its existence are changing rapidly. Society was opened, creating prerequisites for great and fuller expression of its heretofore latent opportunities. The accumulated potential is applied with the force of spring waters which, next to fresh streams, naturally also have muddy deposits.

In a period producing more questions than answers, it is understandably not easy to orient oneself in the wide river bed. Yet, unless we wish to float passively or cunningly jump on the highest waves, we need to acquire a more comprehensive, albeit far from entirely clear, image of our current situation. More precisely, we should say "images," since under conditions of tolerance and plurality, homogeneous viewpoints would be undesirable. Moreover, our modern period no longer recognizes experts on everything, or polyhistorians; also, analysts of the current image are

more or less guided professionally, i.e., by topics, research methods, and specific comprehension of the subject matter. This fully applies to the very trade of historians. In viewing the present in the broader connections of the last 50 years, they have only one advantage, namely, they know a bit more of past conditions, tendencies and development possibilities; however, in the realm of whether these possibilities are implemented or not, they know as little as anyone else. Utilizing their professional training and methods of assessing the past and present, they really formulate concrete popular positions and opinions. Nothing more, nothing less. A Czech social historian must see how laboriously this society attempts today to discover its own identity, while desperately trying to be included in a broader community. A desirable integration requires entities which are aware of their identities. Formless and vague communities disintegrate with time and lose their reason for existence. Therefore, no one can relieve the Czech society of 1991 of the responsibility to define its image and its place, both at home and in a wider Europe.

The theme "Czech Society and Europe" in our consciousness is still heavily burdened by the ideological vision of a Europe divided, a vision unwittingly black and white. We desire to reenter Europe without realizing that geographically and politically we had indeed never left it. The halving of Europe into the "Atlantic community" and the "Russian orbit" (W. Lippmann, 1944) after the Second World War was the logical culmination of certain all-European tendencies and trends. It did not mean the end of common European history, it merely provided it with a new dimension.

What in recent decades took place in the east of our continent was equally "European" as what was happening in the west. It is enough to recall the authentically European source of all theories and ideologies of "social experiments" after 1917. Scientific socialism was not invented by a Russian muzhik, it was rather the theoretical product of European philosophical, political, and social thought, as well as one of the concepts of modern society. This fundamental reality is not essentially altered by "non-European" practices, nor occasional ideological "additives" from other civilizations and cultural areas. After all, was not the Nazi "social experiment" exclusively a European phenomenon? The terribly costly experience with various totalitarian incarnations of "real socialism" from Nazism to Stalinism, represent a common European experience, an indelible part of common European history. If we wish to assign responsibility, then, albeit in differing measure, it must be borne by Europe as a whole. In this respect, we are all returning to a new Europe, i.e., a Europe which will discover its new image of positive moral and cultural values. Only this type of Europeanism has merit, provided it avoids expressions of empty, haughty, and useless Eurocentrism.

Most of us realize that totalitarian political systems continue to be incompatible with free societies, as well as, in direct contradiction with the principle of citizenship. Yet, we sometimes overemphasize the significance of such a system, without differentiating between its direct impact

and the actual development of society in its full dimension. To date in history we have not known an ideal "open" society, nor a hermetically "closed" totalitarian one. Forty-five years of a dual Europe did not and could not mean complete severance of all ties. In both parts there existed and developed, even though possibly in different forms and intensity, humanist and democratic traditions, along with opposing trends. It would be inappropriate and undesirable to overlook that—despite all the negatives—recent decades in East Europe also created a number of material and cultural values which represent an enormous deposit in the European treasury. Our task is to recognize and clearly define these values. Much of today's complaining of the "failures of socialism" transparently recalls the negative dependence on those who for years trumpeted nothing but its "successes." In identifying a political system with society, we cavalierly devalue the efforts of countless people only because they worked within the framework of a certain "system." These efforts indeed have value, even though "successes" were attributed to the political establishment. During the past four decades, Czech society had changed dramatically, and inability to differentiate between the positive and the negative facets of these changes, could lead to a moral hangover, making the determination of whatever identity extremely difficult. Is the Czech intelligentsia making full use of the unique opportunity of free speech to present thoughtful and independent views, side by side with the inevitably slanted positions of governing politicians?

A differentiated quest for and clarification of an approach to Europe and Europeanism, along with examination of our own recent historical experiences, are essential prerequisites for discovering the identity of Czech society in 1991. From these emanate the more concrete, special, and practical problems which richly fill our political scene and daily occupy politicians, journalists, and the unfortunately more or less kibitzing public.

The problem is much more complex and serious than a mere search for identity, because the historically instituted Czech society is, in fact, disintegrating. If almost a million-and-a-half citizens in Moravia no longer feel like members of the Czech society and represent a Moravian one, it is a fact of monumental significance and wide-ranging possible consequences.

Disintegration of the Czech society seems to go hand in hand with the process tending to put an end to Czechoslovak statehood. In this we find profound historical and sociological roots, the clarification of which might lead to better understanding. Modern states are no longer an end in themselves, they rather express in an outward form the existence of a national society. The political representation of Czech society before 1914 strove for generations toward the acceptance in principle of Czech statehood, even though it recognized the reality of the Danube confederation. These efforts were crowned in 1918 by the birth of a Czechoslovak, rather than Czech, state, which inherited in many respects the aspirations of the latter. Czech superiority stemmed quite naturally from the entirely different conditions of the two state components in the 19th century, and was felt in all spheres of society. Nonetheless,

from the start it offered Slovak society better conditions for future development. From the point of view of emancipation aims, the common state of 1918 was beneficial to both national societies. Today, it appears as if the Czechoslovak statehood concept had exhausted its historical role and is becoming a hindrance to the genuine aspirations of Czech and Slovak societies.

Political changes within a state have never been a routine occurrence, and were seldom in history resolved in a peaceful and thoughtful fashion. In current Czech-Slovak relations there is a daily escalation of tension, and a serious political and sociohistorical problem is frequently turning into tragicomic theater. Both sides argue pro and con future coexistence in a common state, and the fundamental question is easily lost in an endless cacophony of contradictory voices, namely, that the question of a common state is a matter of principle, while everything else is secondary. Slovak representatives have been clearly expressing, even though with different nuances and intensity, their desire for political and state emancipation, and there is no reason to doubt the seriousness of such views. The right of self-determination and entry alone into the newly forming Europe cannot be denied Slovak society by anyone. This is not a matter of some "invention" of yesterday, but rather a serious historical tendency which in a free society will find fruition sooner or later.

We live in a very difficult time of state juridical and legal uncertainties, which is being ever extended by the Czech-Slovak question. We have no basic blueprint for a constitution from which ensuing legislation would evolve, and in which internal certainties and international relations would be anchored. This game of tug-and-war is certainly expensive and causes lassitude. More and more we see irrational expressions of "unrequited love," "bruised egos," "sentimental nostalgia," but also open hostility and more or less concealed parochial interests.

The question, or questions, is in what manner to arrive at the separation of Czech and Slovak societies. While it would be possible to opt for the "Baltic" or "Yugoslav" way, the most desirable is our own Czech-Slovak way. Its prerequisite is mutual recognition of the self-determination principle, plus thoughtful, realistic good will. The necessary external prerequisite is Europe's willingness to accept and guarantee this change. This is not a simple matter, even though we do not wish to echo those who—in the interest of postponing a truly principled resolution—warn that foreign countries do not desire discord. It is true that Europe—for a number of understandable reasons—desires calm and order in the center of the continent, but precisely for this reason, it should welcome a change leading to stability. In any event, should we not at last shed the curse of timorous fear of what others will say?

The world around us is also undergoing change. All of Europe stands at the dawn of an obviously lengthy process of structural change. Along with integration trends, there are regional tendencies to loosen communality in the major historic European states. These trends respond to citizens' right of self-determination. The ideal, though

impossible to implement, political organization of Europe would mean turning the continent into a "federation of independent citizens." Yet, the trend, in its own way, is quite natural. Realistically thinking, the Europe of the future is one composed of smaller, orderly, and functional regions, united not on the "middle level" or as a link within great national states, but rather on a continental scale. Thus, the tendency toward loosening present structures need not necessarily reflect nationalism of the traditional type, since national sovereignty can be joined with modern understanding of Europe's future structure. Simultaneously, we must, of course, ask whether we are overestimating the maturity of the integration and regional processes, whether our continent is sufficiently prepared for the new arrangement, or whether it must yet undergo further complex trials. Open attempts to obstruct already initiated processes and maintain control, only make sense if they are not based on indecision or lazy ignorance.

The resolution of the Czech-Slovak problem could even serve as a model or example. The time has come during recent weeks to ponder realistically, without fear, the existence of Czech and Slovak societies in independent states, to ponder whether this arrangement—devoid of current legitimate or baseless accusations—would not gradually change the climate in mutual relations. The two states would be constituted next to each other as two new constructive elements in a Europe of regions, without severing already functioning and mutually beneficial economic, cultural, and other ties. Following the logic of this arrangement, Czech society—which we are primarily concerned with here—could without difficulty constitute itself in an independent "Czechia" or as a federated state of Bohemia, Moravia, and Silesia. This solution would honor the Moravians' right of self-determination, without harming a united Czech society. Without taking sides, it should be said that a Czech state with Czech citizenship, Czech official language and national symbols, could be integrated into the European Community on the same principles as any other eligible state. We are not forcing this alternative, yet if this is what the future has in store for us, we should realize that we need not be afraid of it even before it happens.

The tension and lack of clarity in Czech-Slovak relations is closely linked with uncertainty in Czech relations with Germany, which constitute the second important consideration for the future in Czech society's blueprint for foreign relations. Before the state treaty with Germany is signed, we note here that Czech-German relations are so historically burdened today that they could almost serve as a textbook example of how relations between civilized societies ought not to be conducted. These relations, of course, cannot simply be presented solely as struggle, hostility, and intolerance, they also had their lighter, mutually beneficial moments. Nevertheless, their political and ideological trends were headed toward confrontation. I emphasize the past tense, for today we have perhaps reached a great historical crossroad and a unique opportunity to exchange confrontation for cooperation. This means relinquishing the past, since anyone looking back for agreements on current forms of relations, is consciously

or otherwise heading back to confrontation. The great misunderstanding in certain current debates is that they usually focus on one single period torn out of history, which only produces problematic conclusions. Self-flagellation is as useless in this respect as is constant enumeration of mutual grievances. Emotional approaches only cause festering and disorientation.

If Czech society is opening to Europe today, it is principally to Germany. This contact has many inspirational elements in it. German society rose after the Second World War from ashes and ruins, from a moral and spiritual morass, and in one decade managed to achieve something which deserves respect. For Czech society it is a great historical challenge which merits to be emulated, to reach a similar level in economics, culture, as well as politics. In close proximity to one of the most advanced societies in the world, a "developing" society has little prospective chance to become an equal partner. Although it sounds paradoxical, in order to preserve its own identity, it must become more like its own advanced neighbor. This does not mean turning Czech society into some sort of Czech-speaking German society; what I have in mind is rather that it must develop the same self-confidence as is plentiful in contemporary Germany. If Czech society is unable to constitute and define itself by its own effort, we can hardly expect that someone else will consider it as such.

Without regard to the past, we should create conditions (among other things, through the anticipated Czechoslovak-German treaty) in which Czech and Slovak societies—despite greatly differing conditions—would quite naturally respect each other as representatives of their political life. This should take place simultaneously at the level of state treaties and agreements, and in daily life of citizens as well. The latter is even more important, since official Czech-German relations are becoming part of the all-European future. The historically motivated fear of Germany is actually fear of one's own insignificance. Let us rid ourselves of this inferiority complex, and we will no longer need to fear becoming guest workers in our own country.

Along with the German question, there is for Czech society the traditional Russian one. It too affects the Central European region, as a sensitive spot and center of gravity in modern European history. It represents a key to the building of a historically feasible type of European unification. We must underline here the implications of recent events in the USSR.

Russia, a Eurasian power, with its enormous, albeit not fully developed, material and spiritual potential, represents the most natural "bridge" between individual regions of civilization. Like the fall half a century ago of integrating visions of "Europe into Germany," so failed efforts to place "Europe into Russia." While the German question has been resolved in principle by its integration into Europe, the Russian question is only now being addressed, and the manner in which it will be achieved will greatly affect future decades of European development. What applies to Russia, applies equally to Germany, namely, if democratic, prosperous, and naturally integrated with Europe and the world, it is a blessing; if it should develop

in the opposite direction, it threatens us all. The calls for "help Russia and you will help us," but equally "help Russia and we will help ourselves," are increasingly valid.

To find a realistic balance and get rid of both inferior and false price complexes, means, above all, to abandon complexes of the past. Relations between Czech society and Russia were anything but "normal" in recent history. Throughout the 19th century they were dominated on our side by illusory expectations and unsubstantiated visions. Only in the early 20th century did they acquire more realistic features, thanks largely to Masaryk and his insightful studies on Russia and Europe. The expected revolution in Russia which was to help society to become part of a democratic Europe, did take place, but Russia and the other nations of the newly built USSR became victims of the unfulfilled fiction of a "world revolution." The national socialist "world revolution" in Germany helped for a long time to strengthen the prestige of the authoritarian system in Russia and the USSR. The more or less voluntary tilt of most countries east of Germany toward Moscow in 1945 was not caused by a temporary disorientation, it was rather a backlash reaction to the experiences with Nazism. As such, this tilt affected Czech society more than any other in East Europe.

Afterwards, the manner in which for four decades Russia and the USSR were officially eulogized, seriously deformed the spiritual welfare of Czech society, especially after 1968, when it made genuine "normalization" impossible. Only the present situation when Russian society strives for similar goals as the Czechs, offers an exceptional historic opportunity to redefine our approach to Russia. Czech-Russian ties must also avoid the pitfalls of the past, and must be built on a new, pragmatic, foundation. This also is a task going beyond the realm of official treaties and agreements.

Even here we see the validity of the complex, yet simple saying "a Czech becomes a European only if the Czech has self-assurance." As we know, self-assurance stems from knowing oneself, in the good, as well as the bad.

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Antisemitism in Slovakia Seen in Perspective

92CH0069A Prague MLADA FRONTA DNES in Czech
8 Oct 91 p 7

[Article by Alena Pavlova]

[Text] In Myjava no one liked the Jews, and Milan and Verona Smycka were also not fond of them. To this day they call them Yids. When asked why, Milan Smycka shrugs: "Well, the Slovak nation is a tough one." "They are somehow different," whispers his wife, "and they had more money than we did...."

There is a large picture of the Virgin Mary on the wall, a smaller one of Stefanik, and in the corner a framed calendar panorama of Prague Castle. In a clean little house near Senice, it is the man who speaks, the woman seems apologetic but keeps quiet, as she was taught by her mother. "Over there on what we call Chlebovy vrch, I was stopped by a small man, shorter than me. In town it was known that anyone hiding Jews would be shot by the Germans or the Guard. The man told me that the farmer who had hidden his family, changed his mind and wanted to report them. So, they slept in the fields with the children. It was fall of 1944. 'I can't shelter you,'" Milan Smycka shakes his head, "'I have a young wife and three children....'"

A few days later, the Slovak Guard began arresting Jews who had stayed at home. "I watch as they toss them in vehicles like so many bales of straw, as if they didn't believe in God," sighs the old man. "I go down the street to where dentist Gross, a Yid, lived. But a German was already there and shouted 'get away' at me. I walk on and run into that guy Gabor who had asked me at Chlebovy vrch to shelter his family. 'Couldn't you let us stay one night?' he begged, 'it won't be for nothing.' 'Come with me a way,' I told him. His wife, the children, parents, and sister marched in single file behind him like wild geese." "Like rats," his wife suddenly interrupts, "they followed their noses straight into our house."

Fifty years ago, the first Jewish transports began leaving the territory of the former Czechoslovak Republic. First to Lodz, then to the Theresienstadt ghetto. Some 300,000 Czech and Slovak Jews fell victim to mass extermination. Those who survived and returned home in 1945, were greeted by a pogrom in Trencianske Teplice.

"You did not want to shelter the Gabor family?" I ask Mrs. Smyckova. She smiles and shakes her head: "I was raising three kids, and for hiding Yids there was the death penalty. All the time we read how miserable and scared they were, but I was trembling too...." "Let it be," the husband interrupts. "You know, at first I didn't even tell her they were here," he winks conspiratorially. "I took them up to the attic near the chimney, and then I went out, forgetting to tell Verona not to light a fire. She got it going and they almost choked, thinking we did it on purpose." "The children wanted to eat, what could I do," the woman defends herself.

"They were half dead," Smycka goes on, "so I said 'make some coffee, wife.' All seven of them were sitting downstairs, my wife eyeing them. 'They'd better be out by morning,' she ordered." At that moment, Milan Smycka, who had never been fond of Jews, refused to chase the Gabor family away.

"He beat me because I would send them away," whispers Mrs. Smyckova. "Beat you?" I ask. "And how...." Milan Smycka gestures angrily: "Well, what else, you like life, do you think they don't? They are people like yourself. Everyone has the right to life. She threatened to go to the Gestapo. 'Don't you dare,' I shouted, 'They'll come and kill us all, you, me, and the seven in the attic. If you want

to betray your husband, I'll kill you myself right now." "Would you really have gone to the Gestapo?" I ask. She shakes her head: "No, I was only pretending. When my husband wanted to go to America, I also threatened that I'd take the ax to the children. I certainly didn't mean it."

Early this year, someone desecrated the Jewish cemetery in Nitra. Some weeks ago, the same happened in Trencin. Slovak officials claimed, among other things, that the Jews had done it themselves to attract attention. Antisemitic leaflets circulate in Bratislava, officials make light of it. Nothing new under the sun.

Thus, the small house of tinker Smycka had seven strange tenants at the start of the winter of 1944. "There is work to be done," Smycka said, "you must build your own nest." The Gabor family began digging a pit. The soil was carried up to the attic. They remained on straw in a 4x4 meter hole for eight months. Once a storm destroyed the sides of the hole and the Jews almost drowned in fertilizer. Milan Smycka brought some tin plate and reenforced the hole. He could do no more. If the neighbors or Germans ever suspected anything, it would have been the end for them all. "At a town market," Smycka goes on, "a friend once warned me of a planned roundup of partisans. I asked him if he thought I was stupid enough to have some at home. And all this time I had seven Jews there. I asked my brother who was in contact with the partisans to take the Jews into the mountains. He refused, saying that the Russians had ordered them to avoid such baggage. So, I told Gabor about the situation and he asked what I could do for them. I said 'Nothing,' and he said 'Do your best.' So, during the worst time, I put them in the chimney, covered the hole with slats and smeared dirt over them."

What did the Gabor family live on? From time to time, Milan Smycka went to Nove Mesto to see furrier Svehla with whom hatter Gabor had left his sewing machines. He also bought fowl on the black market, since orthodox Jews refused to eat any other meat. Once he was stopped by a

German patrol and questioned about the turkeys he carried in a sack. "I am taking them to one of your German kitchens," he explained, and they let him go. Gabor's brother who roamed the countryside on his own, used to bring cigarettes, for which one could barter many things. "Did Gabor's brother survive?" I asked. "No," both Smyckas replied, "they caught him on the street."

"What I most resent," rushes on Mrs. Smyckova, "is that they never rewarded us in any way. I carried out their pails, cooked for them, and they never did anything for us." "Not true," shouts Smycka, "when they were here, they paid for the food, and when after the war I was without a job, Gabor gave me one with a place to stay." The wife protests further: "But those who were with the miller, bought him a car afterwards." "Be quiet," says the husband severely, "when they were moving to America, they asked me to go with them, saying I could make some money there and return." Pointing to his wife: "But she wouldn't let me go."

When asked by the Group for Independent Social Analysis (AISA), "In your opinion, which forces represent the greatest danger for our political future?" in January of this year, 20 percent of polled Slovaks responded "Jews." In this they were ahead by 5 percent of the Poles, and by 15 percent of the Czechs and Hungarians. According to research of November 1990, 30 percent of polled Slovaks did not wish to have Jews for neighbors.

"After the war, they were sitting here," Mrs. Smyckova says, looking down. "A neighbor came, got upset at seeing the Jews, and spread the story over the whole neighborhood. Our children were then beaten and called Judases, Yids, rabbis ... my God!" "They beat them because you saved the Jews' lives?" I ask. "Yes, that is so," she nods. When asked why, she looks up and shrugs, even though she knows very well why.

At the gate, Mrs. Smyckova asks quietly: "When you write about us that we sheltered Jews, will people be harming us again?"

Study on Trade Unions: State Impedes Reform

92CH0074A Budapest NEPSZAVA in Hungarian
1 Oct 91 p 7

[Interview with sociologist Laszlo Thoma by F.S.; place and date not given: "Is There a Way Out of the Trade Union Crisis?"—first paragraph is NEPSZAVA introduction]

[Text] The crisis plaguing the trade unions is growing increasingly acute. Neither the government, nor the parties, nor the trade-union power centers appear to have an interest in getting to the bottom of the situation in an open and realistic manner. Only the strengthening of basic organization, regional, professional, and branch interests over the current struggle among union hierarchies for power and wealth can lead us out of this crisis. These are some of the conclusions of a study conducted by the Social Science Institute, the details of which will be discussed in the middle of October, in Dusseldorf, by German and Hungarian union experts, and which will serve as the basis of supplemental instruction materials to be published by the Fredrich Ebert Foundation for Hungarian Trade Unions.

We have asked one of the three authors of the study, sociologist Laszlo Thoma, to tell us why, in his opinion, Hungarian trade unions were in trouble, and whether or not he saw any chance of strengthening support for the protection of employee interests.

[Thoma] One of the key requirements that has surfaced as a result of the political changes in East European is the need for the trade unions to also undergo a radical transformation. Only in Hungary, however, has renewal meant the destruction of the old trade unions; in Czechoslovakia, the trade union movement has remained strong, and at a series of congresses they have managed to replace all former leaders of compromised integrity. In East Germany, after the reunification the "self-disbandment" of the FDGB [Free German Trade Union Federation]—their equivalent of SZOT [National Council of Trade Unions]—were initiated by the branch trade unions themselves, who were also unmasking their corrupt leaders. Shortly thereafter, the East German branch trade unions merged with their Western counterparts, hence the "salvaging" of interest protection went off without a hitch. The German Federal Government and the employers were negotiating with the branch trade unions in the East from the beginning, but neither the government, nor parliament took it upon themselves to interfere with their internal affairs; they simply ignored the top-level leadership of the FDGB. In Poland, following Solidarity's rise to power, the former OPZZ [All-Polish Trade Union] has once again become the largest trade union organization in the country as it has been able to renew itself, and its leaders have learned from the events of 1980-81. In Hungary, on the other hand, so far there has been no "trade union system change," for which the new political leadership, especially the government, is primarily to blame.

[F.S.] How would you characterize the government's strategy and tactics in dealing with the trade unions?

[Thoma] What we have in Hungary today, essentially, is a policy that blends the institutions of free-market capitalism with the centralized and bureaucratic system of management and organizational leadership inherited from the party state. The emphasis placed on the sanctity of private property, on business and the freedom of economic competition is nothing more than a fig leaf designed to cover up the movement of the former statist bureaucracy into management positions, and the consolidation of the new elite's power. Privatization of state property is East Europe's "big adventure" from which the present wielders of political and economic power in our country obviously intend to exclude millions of employees. As the primary line of defense against such efforts would be a network of strong interest protection organizations, logically it is in the fundamental interest of both the government, and the former and new management not to have a unified trade union movement in Hungary. This is why during the past year the government has done everything in its power to frustrate the creation of a genuine arbitration mechanism by keeping the trade unions of "party-state origin" under constant political and propaganda pressure, and by consistently boycotting arbitration efforts at the middle-echelon and branch levels. This has resulted in a split within the trade unions: the center of genuine organizing work and interest protection has shifted back to the work place, where the abandoned basic organizations have been forced to wage a desperate, and for the most part unsuccessful struggle of self-defense against enterprise managers of virtually unlimited power. At the same time, we have rival trade union centers fighting it out at the top, with the government and the party fueling the conflict among them. On the other hand, with the establishment of the Arbitration Council, the government has passed on half of its own responsibilities to the trade union centers. According to the Arbitration Council's rules of procedure, in the absence of a consensus among the three sides in discussing a government recommendation, the government's original proposal stands; in other words, the trade unions are asked to accept a part of the government's responsibilities without the government having to really take their positions into account.

[F.S.] It appears, however, that in Hungary the government is not the only entity that is not "pro-trade union" in its outlook; nor are the parties, political organizations, the public opinion or even the majority of wage earners....

[Thoma] Unfortunately what most parties and the public have failed to notice so far is that the various programs purported to "bring justice," the constant threats made against those accused of hindering the system change, and the attacks on the freedom of the press are all links in the same chain that includes the anti-union laws passed this summer, the employment statutes and the draft labor code prepared by the government. Both in parliament and among the public there are many political and ideological prejudices towards the trade unions. It is a crucial mistake, in my opinion, for people to limit their attention to the confederation of trade unions and the political infighting among its leaders at the top; after all, employees belong not to confederations but to professional trade unions. The

unquestionably acute crisis of trust—which is also reflected in a considerable, albeit by no means tragic decline in membership—the weakness of top-level power centers competing according to party rules and detached from the membership, and the unprecedented interference by parliament into union affairs do not hold out much promise for employees hoping to renew and strengthen syndicalism in Hungary. One thing that may offer some reason for hope is that the large-scale turnover of union membership has lent new legitimacy and strength to our professional and branch-level union organizations. In terms of importance this turnover weighs the same as would the results of an interunion election; holding separate interconfederation elections, in my opinion, is a waste of effort as it will be the branch-level and specialized organizations that will ultimately decide what kind of kind of a leadership body they wish to create and maintain. The future of the confederations is dependent strongly on the branches and professions, while the future of the branches and professions depends only on their membership. This is why it is necessary to shift the center of interest protection and arbitration to the mid-echelon, branch and regional levels before the pace of privatization picks up and the pauperization of millions of workers becomes irreversible.

Military Industrial Plant's Successful Conversion

*92CH0074B Budapest NEPSZAVA in Hungarian
5 Oct 91 p 7*

[Interview with Dr. Tivadar Maschek, general manager of Gamma Works, by V.Cz., place and date not given: "Below Assessed Value; People at Gamma Are Hopeful but Dissatisfied"]

[Text] Few of the former defense industry enterprises have been able to weather the period of political transformation. One which—it appears—has succeeded to stay on its feet is Gamma Works. I have asked General Manager Tivadar Maschek about their secret of survival.

[Maschek] In the past, military orders accounted for one-quarter of our total production. We used to manufacture anti-radiation and chemical protective devices, and under a CEMA cooperation program various other kinds of equipment for the Czechoslovak and Polish markets. Production of the latter continues, although at a significantly reduced scale.

[V.Cz.] My guess is that you are working to reorient the production capacities thus released toward the production of civilian goods....

[Maschek] Most of the increase has been in the production of nuclear medical diagnostic instruments and automation systems. Although the liberalization of imports has not favored us, the fact that our products are considerably cheaper than comparable Western equipment (costing one-fourth or one-fifth of what they are selling for), and that we have a well-established service network in the former socialist countries, has enabled us to preserve our positions and even boost our export revenues by 15 percent.

[V.Cz.] Gamma is one of the first 20 enterprises scheduled to be privatized. How are you preparing for the transfer of ownership into private hands?

[Maschek] The State Property Office has commissioned Financial Research, Inc., to work out and oversee the privatization process. The concept is ready to be implemented; our provincial plants will be separated and sold, and our central factory will be reorganized. In accordance with our various profiles, we will organize so-called divisions. An American firm has completed the property assessment, which bidders will use to make business offers.

[V.Cz.] Do you have any prospective buyers?

[Maschek] Quite a few. From one we have bought a license once, others we have cooperated with for decades, while still others have been buying components from us. These Western firms have all expressed interest in us. What they each want, of course, is the profile that most closely matches their respective product lines.

[V.Cz.] You have mentioned that the property assessment has been completed. How great is the discrepancy between your firm's traditionally computed balance of holdings and the values assessed by the foreign experts? (The latter, as is well known, also include the firm's *imago*, the trademark of its products, the know-how of its expert staff, the innovations it has implemented, etc.)

[Maschek] We, too, were a little surprised that the latter figure came in at less than one-half of the enterprise's Hungarian-assessed value. The reason why we believe that it is too low is because in our opinion our share of the Soviet market in the sale of nuclear medical diagnostic equipment is significant. The service network we have built up over the past 30 years—ensuring the uninterrupted functioning of our apparatuses in several hundreds of hospitals—is respectable even by international standards, yet this is not factored in as a part of Gamma's assets.

Credit Bank President on Policies, State Control

*92CH0073A Budapest MAI NAP in Hungarian
4 Oct 91 pp 12-13*

[Interview with Hungarian Credit Bank President Arpad Bartha by Miklos Miskolczi in Bartha's office in Budapest; date not given: "When It Rains, the Banker Wants His Umbrella Back"—first paragraph is MAI NAP introduction]

[Text] Arpad Bartha, Hungarian Credit Bank president and general manager, concedes that banks and bankers these days are not too popular. And he knows the reason why. According to his original analogy, a banker is someone who lends you his umbrella when it is sunny out, but immediately asks for it back when it starts raining. How can a guy like that be popular?

The bank president's quarters on the second floor are neither special, nor spacious. Period furniture, original paintings on the wall, a desk without drawers. It is late afternoon, and with his jacket off MHB [Hungarian Credit Bank] President and General Manager Arpad Bartha calls

for a coffee. He offers me a Havana cigar. He himself does not light up. We begin our conversation, surrounded by pleasant cigar smoke.

They Are Not Very Popular in the West Either

[Miskolczi] What role do banks play in a modern economy?

[Bartha] The same role as the heart.

[Miskolczi] Enabling them to love their clients?

[Bartha] Not quite. More like serving to pump money to the right places. The reason why people are probably angry at us is because there is not enough money to pump.

[Miskolczi] And not because here and now the banks are better off than any of us? Show me a single producing enterprise, for example, that can boast of 9 billion forints in year-end profits last year, as the MHB can.

[Bartha] Let us add right away that this return was earned on a total balance of 290 billion forints, amounting to barely more than 3 percent, and with a staff of 4,600 employees at 94 different branches.

[Miskolczi] For some reason banks in our country have had a shady reputation. One needs only to recall that in 1947, the banks were the first to be nationalized.

[Bartha] It will take a long time for us to reverse this negative image, but it should be pointed out that banks are not any more popular in the West than they are in our country.

[Miskolczi] What do you think is the reason behind this?

[Bartha] The answer is simple: A banker is someone who lends you his umbrella when it is sunny out, but immediately asks for it back when it starts raining. Seriously though, the money trade is a strict business in that we only give money to those from whom we know we can get it back. Those who are turned down are naturally angry at us.

[Miskolczi] What is more difficult these days: To find a good source of money, or good customers to lend money to?

[Bartha] Both are equally difficult. Money sources and credit-worthy businesses are both scarce.

[Miskolczi] So the biblical tenet "ask and you shall receive" does not apply to the banking business?

[Bartha] Not by a long shot. The clientele of the Hungarian Credit Bank includes 38,000 private businesses and 14,000 enterprises and cooperatives. Every year, several thousands of people turn to us for credit. Lucky if one-third of them get approved. Some get less than what they requested. Half of our applicants leave empty-handed.

[Miskolczi] What are the criteria for credit eligibility?

[Bartha] Applications are evaluated on an individual basis. For strong clients our interest rate cap is 36-37 percent. We seldom give money anymore to enterprises that offer to pay 42-44-45 percent interest.

[Miskolczi] Did I understand you correctly to say that you prefer to lend at lower rates of interest?

[Bartha] Yes. Those who are in such a bind that they are willing to accept any condition just to get a loan should never be approved, as they will never return our umbrella.

[Miskolczi] Is it fair to set lending rates approximately at the level of inflation, while keeping rates on deposits so far below that level?

[Bartha] If you are a depositor then you may take offence to this, but if you come to us as a credit applicant then you tend to be more content.

[Miskolczi] The problem is that the depositor and the credit applicant are usually not the same persons. The small depositor loses, while the big depositor wins. This to me is a clear case of income perfusion.

[Bartha] Indeed, that is what it is. This kind of a credit policy used to be supported by certain social arguments. Namely, that those who are in need of credit must be helped, while those who are so rich that they can afford to save can have some of it taken away.

[Miskolczi] This sounds pretty scary in the fall of 1991.

[Bartha] Today the argument is different. If we were to pay the inflationary interest rate on every deposit, adding on top the 15 percent bank reserve which we normally do not lend out in order to ensure the safety of deposits, in other words the money which does not earn us any return either, and if we figured in our operating costs and fair bank profits, that would push credit interests to around 44 percent. This would result in inflationary pressures that would force us again to raise our deposit interest rates.

One Plus Eight-Hundred Owners

[Miskolczi] With its 38-percent interest Treasury Bill and new State Bond, the central bank is right up there with the commercial banks.

[Bartha] More precisely the state, represented by the central bank. Obviously they would like to use the depositors' money to finance the budget. This, of course, would require a budget that has the support of our citizens, and has already undergone the necessary reforms. Unfortunately, we do not yet have such a budget.

[Miskolczi] How much of the MHB is owned by the state?

[Bartha] Forty-nine percent. The other 51 percent is owned by 800 shareholders.

[Miskolczi] Is this a good arrangement?

[Bartha] It is not bad, but I would prefer to have a proprietary structure made up of several tens of thousands of citizen share holders, with state ownership limited to 25-30 percent. Even that much would give the state enough leverage.

[Miskolczi] Why is the state so bent on peaking into the cards of the commercial banks?

[Bartha] Because they are conduits for much of the country's exports, imports and internal financial transactions,

and the state has not parted with its old desire to control these processes by itself. On the other hand, bank investments are usually profitable in the long run.

[Miskolczi] You have also worked at the Hungarian National Bank. What is your opinion about all the wrangling over allowing the central bank to become independent?

[Bartha] An independent central bank would not be vulnerable to direct political pounding, hence it would help stabilize the economy.

[Miskolczi] What kind of a fall are the bank meteorologists forecasting? A hot one?

[Bartha] I cannot connect the problems of the economy to any particular season, particularly now when I see two new tendencies taking shape. Our foreign equilibrium, i.e., our balance of trade and balance of payments are unbelievably strong, inflation is also lower than was expected, while on the other hand, declining exports to the East have forced previously prominent enterprise consortiums into bankruptcy and layoffs; the liberalization of imports is also expected to cause several Hungarian enterprises to go under. Together with all of its consequences, the polarization of the Hungarian economy and society has begun to accelerate dangerously.

[Miskolczi] Having money coming in is natural, but does the Hungarian Credit Bank also have social problems to face sometimes?

[Bartha] As individual problems, no. They are, however, reflected in the concerns of our credit customers. I believe, for example, that our balance of payment surplus should be used already this year to alleviate social tensions.

[Miskolczi] This from a banker, whose only stake, after all, is in reserve building and accumulation?

[Bartha] Yes. It would help greatly if the citizen could also experience some of the benefits of our clearly noticeable economic accomplishments.

[Miskolczi] Would we have the means to do this?

[Bartha] Not only would, but we actually do.

Five-Hundred-Million Forint Problem

[Miskolczi] We have our poor, but banks are still the world of the rich. Are there many wealthy people in Hungary?

[Bartha] Certain Hungarian entrepreneurs have already amassed considerable fortunes. The problem many face is finding places to invest their cash holdings of as much as 100-200-500 million forints.

[Miskolczi] Can a Hungarian citizen invest abroad?

[Bartha] Officially, no. It is a different issue how many actually do take their capital abroad in the form of hard currency.

[Miskolczi] The same number, perhaps, that brings hard currency in from abroad?

[Bartha] Not yet. Foreign interest is still greater.

[Miskolczi] The money is more, too, or just the interest?

[Bartha] Sometimes only the interest. Only a few of our partners are like General Electric which thinks in terms of the long-term picture, planning to reinvest the profit generated here in our country. Suzuki, General Motors, and a few firms from South Korea, Taiwan, Israel, and England are also good partners, unfortunately they are not typical.

[Miskolczi] According to DER SPIEGEL, 80 percent of the foreign capital invested in Hungary is managed by the MHB. I think this is probably a good place to ask this: what is the typical foreign investor like?

[Bartha] The typical investor would be one who comes with little money, trying to buy a certain share of a preselected enterprise below value. He always insists on having the right of control; in many cases he uses the trick of retaining commercial distribution rights, in other words, he sells the product to himself at low cost, realizing his profit in sales rather than in production.

[Miskolczi] How can one defend against them?

[Bartha] We must not lose control of our senses at the first sight of a foreign investor. He is not coming here because we want to privatize, but rather because he hopes to put his money to work at a greater rate of return.

Branches in the Neighborhood

[Miskolczi] Last year, MHB ranked 493rd among the world's banks.

[Bartha] This year, we will drop to 523rd, because of the mergers of many small banks abroad.

[Miskolczi] Will we be able to return among the top 500?

[Bartha] We must return. Shortly we will begin construction of an international financial center, which will be one of, if not the most modern financial institutions of Central Europe. According to our strategy, by 1995, the MHB will be providing European-standard service to all of its customers, including those banking at our branches to be opened in the neighboring countries.

[Miskolczi] Some 30 years ago, an old fortune-teller woman in Naples had predicted that Arpi [diminutive of Arpad] Bartha would some day become a bank manager. As you have told me, back then you thought this was completely out of the question. What prediction would be both inconceivable and a cause for joy to you today?

[Bartha] If someone predicted that I would celebrate my 60th birthday here, in this chair, at the head of a European-size bank.

[Miskolczi] How old are you now?

[Bartha] Forty-two.

Problems of Balancing Budget Discussed

92EP0044B Warsaw GAZETA BANKOWA in Polish
No 40, 6-12 Oct 91 p 11

[Article by Halina Binczak: "The Balance Does Not Want To Reach Zero"]

[Text] Theoretically the government should be happy. Its dream has come true: it has won the right to make decisions about budgetary expenditures freely, provided they do not exceed the deficit prescribed in the revised statute—26 trillion zlotys [Z]. However, this is meager consolation, because at the same time the Sejm became obliged to pay retirement pensions under new conditions. But this requires the allocation of an additional Z6 trillion, even according to the most modest accounts. The fact that two important statutes are incompatible is less of a problem than the fact that there is nowhere to get the money.

The Budget of Wishful Thinking

The hole in the budget appeared even before the budget was ratified, and actually it was evident almost from the beginning of the year that what the Sejm had adopted was not an honest accounting of the state's income and expenditures, but in large part the legacy of the wishful thinking of the treasury and the budget's clients. The IMF's experts paid attention to this, too, while negotiating the three-year agreement with Poland, and the discontent of this institution with our economic situation has now manifested itself all too concretely in the suspension of the financial aid that was to be extended in the fall. It is fitting to recall that the critics of the government's budgetary calculations did not take into consideration the passage of a retirement statute in the form the Sejm adopted last week: income did not agree with expenditures even without the statute.

It seems that the former chairman of the ZUS [Social Security Agency] thought of the retirement bombshell only after a delayed reaction. He consciously resigned his post having left in his former office—I hope—a "communist" project to equalize all retirement pensions to a million. It may happen that this idea, for which Mr. Topinski took quite a licking, will soon be necessary.

A dark budgetary reality emerges from the statistical data covering the period through the end of September. It is especially distinct when one takes into consideration that eight months is two thirds, or 66 percent, of the time that we have at our disposal this year. At the same time the income realized in the budget amounted to barely 45 percent of what was planned, and at the end of July revenues from income tax—one of the two most important sources for funding state expenditures—made up barely one fourth of the preliminary sum. Revenues from mandatory dividends were equally low in relation to the time-flow indicator. The ability of the budget to function was the result of taxes on above average growth in salary. These taxes were four times higher than planned in relation to annual income. Theoretically, one need not worry about how enterprises earned the money they pay—as long as they pay! At the same time, however, arrears are largest, both in absolute and relative terms, from the tax on

abnormal growth in pay. It is therefore doubtful whether the inflow of money from this source in the last quarter of this year will even partially make up for the reduced income from other sorts of taxes.

Only payments from the profits of the NBP [Polish National Bank] and from customs, which contributed somewhat more to the budget than planned at the beginning of the year, have taken place in accordance with the transitional standard.

Also, on the part of expenditures, the interest indicators are as a rule lower than the time-flow indicator. The only situations that look different are the situation of supplementary payments for communal and apartment management and that of expenditures for social insurance. In the latter case, the plan was executed in July ahead of time. Despite savings in many areas and rigorous principles of expenditure, September ended with a deficit in the amount of Z20.1 trillion (together with the balance of foreign turnover), which amounted to about 15 percent of the planned budgetary income.

It has therefore been evident for a long time that a correction is needed, and probably the matter has dragged on primarily because the calculation of real income for the final months of the year turned out to be exceptionally difficult.

New or Real?

Discouraged from taking responsibility for budget cuts, the departing Sejm decided not to go into details in their legislation, but rather to give the government a free hand, provided it did not exceed the deficit level, which after all is two trillion larger than anticipated in the amendments to the bill that were proposed toward the end of September. According to expectations at the time, state income would amount to nearly Z230 trillion before the end of the year. It will therefore be about Z60 billion less than anticipated in February.

The government assumed that a tax reduction would embrace nearly all entitlements (especially investment) and that protection in the form of less than proportional cuts would apply especially to social services, the payment of salaries within the budgetary sphere (without fixing their value), and payments on the foreign debt.

These are roughly the same assumptions that the government has been following in practice for several months. Moreover, towards the end of the year it has already turned out that the sums allocated for supporting the Social Security Agency are near the assumptions for the entire year.

The deputies' authorization to manage the budget is not free of restrictions, although statutory wording was removed that would have required that average pay in the budgetary sphere this year comprise 103 percent of the average in the five sectors of the economy. The government decided to suspend wage setting in the budgetary sphere beginning with the third quarter of the year. Meanwhile, the Sejm initially intended to shift payments for the

April-August period to the first quarter of 1992, suspending wage setting only in the fourth quarter. At the same time, the deputies were to submit to the government—ultimately this was not done—a series of recommendations defining the conditions under which the freedom of managing the budget was to be realized.

Recommendations on the expenditures side would limit the activities of the government to a certain degree. However this would constitute a difficulty that is out of proportion to the cost of implementing the retirement statute, which was passed the day after the budget was amended. If the Senate ratifies it in the form adopted by the Sejm, it will cost the budget an additional Z6 trillion this year (those are the Ministry of Finance's calculations), and next year, from Z26 to Z33 trillion, depending on the rate of growth in wages. Taking the situation in the fourth quarter into consideration for the moment, the necessity of giving the ZUS an additional Z6 trillion in aid would force cuts to be made in other areas—cuts that are significantly deeper than the government assumed in September, and that is provided that income will turn out to be in agreement with the Ministry of Finance's estimates.

It was already being said at that time—by the Supreme Chamber of Control among others—that the income calculations adopted in the government's proposed amendment were burdened by the sin of excessive optimism.

According to the NIK [Supreme Chamber of Control] the income that can be counted on is approximately nine to ten trillion less than the Ministry of Finance estimated (some deputies believed that the NIK also sins here with optimism), but the sum adopted in the government's proposal was purely the result of the projected growth in sales of more than 11 percent in the fourth quarter. This "uncritically accepted and purely inflationary" (in the opinion of the NIK) growth in sales would have led to a 32 percent increase in income from turnover taxes according to the ministry. The NIK believes that the actual income from this type of tax will be about five trillion less than the government estimates. "Excessive optimism" is also supposed to apply to the government's estimates of the drop in material consumption and employment, which would enable enterprises to improve their profit indicators. I suppose—although the NIK report says nothing about this—that one can have similar reservations about the income from privatization, which was calculated at Z7 trillion annually. In February estimates reached as high as Z15 trillion.

A Difficult Year's End, an Even More Difficult Beginning?

The budget situation arises from the economic situation, and it does not look like it will be possible to rely on positive developments in the last three months of the year. In the budgetary correction it was assumed, for example, that industrial production for the year will be a little more than 11 percent less than last year, which would mean that growth will be necessary in the last three months. The forecasts of the CUP [Central Planning Administration]

indicate that such a situation is unlikely and that, rather, we should count on a drop in productivity that will reach 18 percent annually.

The CUP's forecast to a large extent confirms the NIK's gloomy outlook as to the level of tax revenues from state enterprises.

The information supplied by the GUS [Central Office of Statistics] about September's drop in export dynamics calculated in convertible currencies does not bode too well: it was barely 0.6 percent higher than a year ago. In previous months, surpluses reached as high as 20 or 30 percent. The increase anticipated in customs revenues—even assuming a fundamental growth in the efficiency of collection—may prove to have been too optimistic with respect to the slackening rate of import growth.

Consequently, even without the retirement statute, the chances of keeping the budgetary deficit at a level close to three percent of gross national product seem highly doubtful. The growth in the deficit—although, at four percent of GNP, it did not diverge markedly from "the international average"—indicates not only difficulties in the functioning of many areas of life, but, simultaneously, the threat of a return of inflationary phenomena stronger than last year.

In my opinion, this is a result of the fact that the budget gets into debt not only with commercial banks, thus curtailing credit opportunities for businesses, but also sought direct financing from the NBP. In an interview with RZECZPOSPOLITA, Minister Misiąg, to be sure, argued that this will not cause an influx of hollow money, but one cannot have complete certainty in this regard. Even if this were so, the cost of credit in commercial banks will place a burden on next year's budget in the sum of at least several trillion zlotys. However, the economic situation then will not—according to the exceptionally harmonious forecasts of the government and its critics—be better than this year. In the most pessimistic variant, it is accepted that the eastern market will not open up, the financial misery of enterprises will preclude them from making essential modernization investments, the possibilities of functioning "on endurance" will undergo final exhaustion, and the expected growth in private investment and the influx of foreign capital (if it takes place) will bring effects only after some time. Simultaneously, the inevitable reduction in employment will place larger social obligations on the budget, more particularly as the phenomenon of falling behind in payments to the ZUS that was observed this year will most likely intensify.

Consequently, the current budget problems seem only to herald what may await us next year. The budget bill should be introduced in November, but even though the new parliament and new government will surely not feel obliged to the old administration, their field of maneuver is unusually narrowly delineated. The chances of continuing cooperation with the IMF also looks uncertain, particularly as the institution's experts are especially sensitive to the lack of equilibrium in state expenditures.

Postal, Telecommunications Services Separate

92EP0055B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 8 Oct 91 p III

[Article by Wieslawa Mazur: "Before a Divorce From Telecommunications, the Postal Service Is Asking for Alimony"]

[Text] The postal service is agreeing to a divorce from telecommunications. There is no other way anyway. The Law on Communications which was adopted by the Sejm on 23 December 1990 and took effect on 16 January of this year, ordains that, effective 1 January 1992, the PPTT [Polish Posts, Telegraphs, and Telephones] will split, spinning off "two independent economic entities: the Polish Postal Service, a public service enterprise, and Polish Telecommunications Incorporated," which in the beginning will be a single-person partnership of the state treasury.

Therefore, at present the PPTT may discuss at the most, the terms on which this separation will occur. Deputy PPTT General Director Kazimierz Demski, who supervises the postal service and transportation, agreed that "technological processes both in the post office and in telecommunications have gone so far that continuing the marriage makes no sense, and this is a worldwide trend." On this occasion, he recalled that the enterprise was created during the Second Republic, and that telecommunications emerged, after all, within the framework of the postal service.

The Condition of Waiting

However, postal employees do not deny that these origins do not influence the opinion of customers who are unhappy with the enterprise whose operation primarily connotes lines and waiting around for a letter carrier who shows up much less frequently than he should. In the PPTT, they try to attribute this to the fact that the postal service is being impoverished. In their opinion, the standard of services is considerably higher in rural areas "where the condition of waiting for customers prevails" than in large urban communities where personnel problems must be addressed. The people are not eager to work in the post office despite unemployment. A girl from a postal window in Warsaw explained, "[the land] is not going to flow with honey for this kind of money; it is impossible."

In the first half of this year, the deficit of the postal service came to 220 billion zlotys [Z]. The post office increased rates in September. However, they informed us at the PPTT that the enterprise has only been trying to keep up with growing costs unsuccessfully; this is why the quality of services has not changed after the raises either "because this was not the object of these raises." In addition, it turned out that customers frequently not only fail to let the postal personnel make money when they use postal services but even cause losses. By sending small amounts through the post office, we not only fail to generate profits for the PPTT but we would have also brought about the certain demise of this respectable enterprise had it not been for the money it makes off those who operate with millions.

Unprofitable Small Transactions

If we look at details, studies made by the postal service in 1990 indicated that the payment of Z98,000 at the postal window constitutes the threshold above which the fee collected (much higher than at a bank) offsets costs. Small payments prevail in the structure of payments made at the post offices, unlike those made at the banks. Collecting 0.5 percent of 10 million is a completely different undertaking compared to collecting the same 0.5 percent of Z1,000.

The enterprise has lost and continues to lose money on delivering letters and packages. If it resolved to, for example, cover the actual costs of delivering out-of-town letters they would cost Z2,500 rather than Z1,500 (they informed us at the PPTT that they will not so resolve). Only in this case would the postal service turn a small profit. However, in the opinion of postal specialists, rate increases accomplish nothing because in this case "the volume of services comes a cropper," specific costs go up, and so on, and so forth.

In keeping with a provision of the law, the postal service is a public service enterprise. This means that it does not have a right to pick and choose, and it cannot refuse to provide its services, unlike its competitors appearing in the market who are making a vigorous entry. Private operators deliver packages within 48 hours; the postal service, in theory, must deliver them within 72 hours. Private operators are faster and more efficient, but there is nothing they have to do. They may select an area for themselves and "skim the cream." The PPTT has 25,000 "delivery regions with varying difficulty and access characteristics." The state operators reach clients by cars, mopeds, and bicycles, and until recently, they went to the clients on horseback. This is an expensive and unprofitable service.

Fears of High Seas

The postal service pays horrible rents for about 500,000 square meters of space which it leases (from Z40,000 to as much as Z120,000 per square meter). It received no funds for development this year. Postal employees have justified apprehensions as to what will happen next on the eve of going to the high seas of independence. The number of postal offices is dropping. Quite recently, there were 8,200 of them; there are 7,900 now. The company, which will soon be "on its own," does not want to go to the budget hat in hand. They are thinking vigorously about ways to avoid this. They say that in the future, the postal service will be able to cope without subsidies. They recall at the enterprise that they have not always been poor beggars: Between 1975 and 1990, they gave \$180 million for the development of other sectors, mainly for the needs of the tele-electronics and telecommunications industries.

Going back to self-financing, the postal specialists maintained that it is realistic. Despite failing to give us a specific prescription, they maintained that they would like to follow the example of our German neighbors who split

the enterprise up into three parts: a postal bank, telecommunications, and the postal service, establishing through legislation that the postal service will continue to receive financing from telecommunications which is to be phased out by 1994, and later will resolutely switch to its own coffers. However, this will not happen overnight. The postal service will have time to develop techniques for standing on its own feet while using "the phased-out alimony" received from telecommunications.

At the PPTT, they argue that the Law on Communications should specify in more detail the systemic "position of postal operations in the forthcoming period of transition; unfortunately, there is a gap in it." The expected deficit of the postal service amounts to between Z200 and Z300 billion, i.e., it is a drop in the bucket of the needs of telecommunications which come to \$12 billion. The "phased-out" amount transferred by telecommunications to the postal system could be a tax write-off for the former.

The postal specialists believe that there is nothing to prevent telecommunications from meeting the requirements of the World Bank even given the "phased-out alimony." As is known, the Bank required that telecommunications separate out their own economic account in order to make it clear what the financial performance of telecommunications is and how the loans granted are being invested.

For now, the postal system is in need of money in order to survive and maintain the paltry status of assets to date—one office per 4,500 inhabitants.

Recent Changes in Banking Law Summarized

92EP0044C Warsaw GAZETA BANKOWA in Polish
No 40, 6-12 Oct 91 p 11

[Article by Maciej Urbaniak: "Lots of Changes"]

[Text] On 20 September, the Sejm at last passed the long-awaited changes in the banking law and the statute on the NBP [Polish National Bank]. We have already written a number of times about the successive versions that arose during the government and parliament's work on these bills. However, the final version demands detailed discussion. (The text will certainly not make it into the hands of our readers until after the Senate session has ended, but the Senate—so it seems—should not introduce any restrictions into the Sejm's text.) Issues of *DZIENNIK USTAW*, however, appear only after a very long delay, and the announced official texts will certainly not appear before the end of the year.

The amendments to both statutes are serious. Despite that, they are of a transitional nature. As we have already reported several times, the NBP and the Ministry of Finance are working on a completely new packet of acts that will regulate banking problems, widely conceived, in a manner consistent with European and world standards.

The NBP in the Role of Decisionmaker

Today, however, one may already speak of a considerable rise in the position of the Polish National Bank and its chairman within the hierarchy of state institutions. The

chairman of the NBP has gained authority that counterbalances the advantage that the minister of finance has had up until now in the area of monetary policy. But if one considered the introduction of a term of office for this post and a guarantee that the person occupying it would not be removed, one would be able to speak plainly of the NBP chairman's decisive role in the formation of long-term monetary policy in Poland. This would have been possible had not a certain change been introduced, almost at the last moment, into the already-prepared text of the statute.

According to the new wording of Art. 49 of the statute on the NBP, "the chairman of the NBP is appointed and recalled by the Sejm on the motion of the President of the RP [Republic of Poland]." The chairman's term of office lasts six years, and this same person may not hold the office for longer than two terms. In practice the chairman of the NBP can be recalled during his term of office when he himself submits his resignation or when he is sentenced following a valid verdict of a court or the State Tribunal.

It should be added that the chairman of the NBP (and the deputy chairmen), who receives pay according to the same schedule as other persons that occupy governmental management positions. However, the basis for calculating his salary will not be the average salary in the economy, but the average in the banking sector. The advantage of this difference could not be plainer.

The statute on the NBP gives extensive authority to the chairman of the central bank, both in the design of the country's financial policy and in its execution. He gives his opinion on the proposed budget and on the plan for the nation's balance of payments. He presents opinions on these matters both to the government and to the Sejm. At the same time, he is the author of the principles of national monetary policy. According to the original proposal, this document was to be publicized within the Sejm and the government. At the last moment, the Sejm decided to change this principle. It adopted wording in accordance with which the principles of monetary policy, along with the budgetary law, will be passed each year by the chamber.

If a stable parliamentary majority exists in the next session of the Sejm, this solution should not threaten to create any complications, because this majority would appoint both the new chairman of the NBP and the government. However, the serious squandering of mandates should be taken into consideration. In such a situation the post of the chairman of the NBP and the shape of the national budget will be the subject of deals every year. The principles of monetary policy, which its designers intended to be a point of reference for the remaining financial documents of the state, were reduced to a rank equal to that of the budget or the balance-of-payments plan, and not releasing the chairman of the NBP from executing a resolution adopted by the Sejm threatens him with being brought before the State Tribunal.

Credit Ceilings in Accordance With the Law

Following the change in law, the controversy over the legal basis for the establishment of so-called credit ceilings by the chairman of the NBP was put to an end after more than

two years. Credit ceilings are currently one of the most essential instruments for blocking the influence of credit on the market. Until now such decisions have not had a substantive statutory basis. The current wording of Art. 20, Par. 3, authorizes the chairman of the NBP to introduce limitations "on the magnitude of monetary resources that banks can put at the disposal of recipients of credit and loans." This limitation can occur in "the event of a threat to the realization of monetary policy." However, it cannot disturb agreements that banks entered into before the law came into existence.

The chairman of the NBP will continue to set the level of mandatory bank reserves, the level of interest for refinance credit, and the maximum commission that can be taken. The statute, in contrast to the former legal arrangement, explicitly obliges the chairman to publish orders on these matters. The discount rate for foreign exchange will be established in the same way. However, the level of refinance credit will be a matter for the NBP's board of directors to decide. Fixing the level need not take the form of an order.

Interest-Bearing Reserves—But Not Right Away

The mandatory reserve drawn off by the NBP will bear interest (it has not until now) on the part exceeding 10 percent of the monetary resources accumulated in the account set up for the mandatory diversion of reserves. The interest level will be established by the chairman of the NBP in an amount not lower than 50 percent of the discount rate for foreign exchange, on the understanding that prior to June 30, 1992 the NBP will transfer this interest to a foundation for restructuring agriculture and reducing its debt.

The chairman of the NBP will be able to acknowledge that maintaining a definite cash reserve in bank coffers is synonymous with diverting funds to reserve accounts.

Bank Regulation Without Revolution

The possibility of the NBP chairman requiring a bank to hire an independent national organizational unit to conduct analyses of the balance of a bank is a novelty in bank regulation. The amendments to the banking law are bringing changes in this area. Within the framework of his supervision, the chairman of the NBP will set standards that are binding on the banks: standards of liquidity, standards for backing assets with the bank's own funds, norms of acceptable risk, and, in addition, procedural rules for making cash deposits and for informing state organs in the event that circumstances are uncovered indicating that monetary resources deposited in the bank may have their origins in criminal activity.

Within the regulatory framework, the chairman of the NBP will also be able to recommend to banks that they raise the resources necessary to restore liquidity, that they increase the level of their own funds, and that they abandon particular forms of advertising. He will also have the authority to suspend a board of directors from activity, to limit a bank's range of operations, and even to withdraw

his consent from a banking operation. The charter capital of the NBP will be increased from 500 billion to two trillion zlotys [Z].

On the controversial question of the NBP's transfer of accounts of legal entities and natural persons to other banks for further servicing (including foreign exchange and currency service for the public), a resolution was adopted ordering the banks assuming these accounts to maintain them further. Consequently, the NBP will not require that the bank account agreement be terminated in every instance and entered anew with the other bank. Of course, clients will be able to terminate these agreements at any time and such a termination will be considered executed "for important reasons." The entire operation of transferring accounts is to be finished by 30 June 1992.

In Telegraphic Abbreviation

The changes in the banking law are so extensive that detailed discussion of them would exceed the columns of this piece. In telegraphic abbreviation, we present the following:

The requirements for creating new banks have been heightened. It will not be possible for the bank to have derived its own capital from loans or credit. The minimum level of capital is to be fixed through an order of the chairman of the NBP in agreement with the minister of finance. The time period for the decision-making process in the NBP has been lengthened from one month to three, and in exceptionally well justified cases this procedure can last as long as six months.

In deciding whether to approve the creation of a foreign bank, the chairman of the NBP determines that portion of the profit which a foreign person may transfer without a separate foreign exchange permit. This portion cannot be less than 15 percent of the profit paid to the foreign person. This convertibility in relation to the general principles of the law on joint ventures is surely dictated by the special character of profits obtained by the banking (purely financial) sector and by their current level.

The NBP will gain control over changes in ownership in banks through joint-stock companies. The bank is obligated to obtain the consent of the NBP for each and every transfer of shares, if as a result of the transfer, one stockholder would have at his disposal a packet of shares that give him the right to more than 20 percent, 33 percent, 50 percent, 66 percent, or 75 percent of the votes at a stockholders' meeting. Similarly, every current (or future) stockholder is obliged to inform the NBP of his intention to purchase shares if along with the shares he already owns they would give him the right to one of the above-mentioned percentages of votes. If he does not fulfill this obligation, he will have the right to just 10 percent of the votes at the stockholders' meeting, regardless of the number of shares owned.

The chairman of the NBP, in agreement with the minister of finance, gained the right to issue licenses to commercial businesses to execute some banking activities (excluding

such activities as accepting savings deposits and investments, issuing commercial paper, and issuing bank sureties).

The duty of economic entities to preserve resources and conduct financial operations exclusively through the intermediary of bank accounts was cancelled from the statute.

The banking practice of putting a lien on a vehicle as security for credit extended by the bank lived to see statutory ennoblement. In accordance with the given Par. 2 of Art. 30, such a lien will be noted in the vehicle's registration documents.

The statute introduces a prohibition against excessive concentrations of credit and other outstanding debts. The sum of credits and loans and outstanding debts from bank guarantees, sureties, and letters of credit as well as other from other obligations incurred at the request of a client when dealing with another entity or group of entities that are related to one another in terms of capital or organization cannot exceed 15 percent, and the value of the outstanding debts resulting from one agreement cannot exceed 10 percent of the bank's own funds.

By the way, what should be understood by the wording "the bank's own funds" has been defined as follows:

- in a state bank, the charter fund, the reserve fund, and the surplus fund,
- in a bank in the form of a joint-stock company, stocks and bonds as well as reserve and surplus funds of all types,
- in cooperative banks, equity, reserve, and surplus funds.

In today's realities, however, these funds are too small in individual banks. Therefore, a solution has been adopted for the transitional period in accordance with which the chairman of the NBP will be able to allow portions of the resources accumulated in bank accounts to be treated as the bank's own funds. With the consent of the chairman of the NBP, banks will also be able to treat time deposits deposited for a period longer than three years as a part of their own resources. For banks that are united with one another in terms of capital and organization, the their joint funds may also be taken into consideration.

Essential changes were introduced into the regulations on bank secrecy. The duty of the banks to impart information about the state of bank accounts and their clients' transactions to "other state organs" has been abolished, except with respect to the courts and the public prosecutor. The latter are permitted to impart information only if there is a criminal or criminal-treasury proceeding in progress against the owner of an account, or if proceedings have been initiated for crimes committed as part of a range of activities of a legal person or organizational unit that is not a legal person but which is owner of the account.

The General Inspector of the Treasury Control Board is to possess a similar authorization (to demand information) on the basis of the statute on the control of the treasury which was adopted by the Sejm in the week following passage of the amendments to the banking laws.

At the same time, banks were obligated to provide access to information on the state of accounts of economic entities to area branches of the NBP, and through them, to other banks.

The statute provides a legal basis for transforming state banks into joint-stock companies and for their privatization. The authorizations envisioned in the privatization statute for the Ministry of Ownership Transformation to "make shares available" will, however, be executed by the minister of finance.

The statute orders the BGZ [Food Industry Bank] to be transformed from a state-cooperative bank into a joint-stock company.

From the moment the statute comes into existence, conducting banking activities or the using the words "bank" or "savings" in the name of the firm without permission will be punishable by deprivation of freedom for three years.

There are so many changes that we will impatiently await the official texts of both statutes. Without them, it will be difficult for the banking sector to work normally.

Privatization of Meat Industry Profiled

*92EP0055A Warsaw GAZETA BANKOWA in Polish
No 41, 13-19 Oct 91 p 8*

[Article by Stanislaw Brzeg-Wielunski: "The Meat Industry in Poland; Privatizing 'the Peasant Woman Selling Veal'"]

[Text] It is estimated that about 1,700 individuals, companies, and state enterprises engage in slaughtering cattle and processing meat in Poland, whereas the number of cattlemen is put at 2 million.

The private owners of butcher shops are facing a difficult situation because they depend on the deliveries of meat from the state enterprises which control as much as 72 percent of the wholesale distribution of meat and processed meat. This division of the market does not facilitate the development of specialized animal husbandry in agriculture. Local producers are "assigned" to the local meat-packing plant which is owned by the state and is not too interested in improving the quality of products and reducing self-cost.

In an effort to determine the future of this industry from the point of view of sectoral privatization, the Ministry of Ownership Transformations commissioned the renowned Ernst and Young company to analyze prospects and dangers for the meat industry. These studies were carried out with the participation of Polish experts. However, the emphasis was mainly on opportunities for competition by the domestic meat industry in the world market, which was evaluated for the most part by Americans with the benefit of distance. Based on data collected by Ernst and Young, the total sales of state enterprises in 1990 were calculated to be 20.7 trillion zlotys [Z] (the average sales per company amounted to Z356.5 billion).

Poles Like Pork

This is evident from the breakdown of meat consumption in Poland if nothing else: We favor pork and pork products.

In 1990, the statistical Pole ate 62.9 kilograms of meat, out of which pork and processed pork accounted for as much as 58.5 percent of all meat consumption.

Meat consumption in Poland is smaller than in the EEC countries. It has trended downward since 1989, when procurement prices were decontrolled, and retail prices for meat products soared sky-high. For example, last year, 1.2 kilograms less meat [per person] was eaten in Poland than in 1989. This was associated to a considerable degree with restrictions on the state subsidization of meat prices, which increased in the first half of 1990 by 3,400 percent!

The national meat market is still nonexistent since the enterprises sell more than 50 percent of their products in the regions in which they are located. Other state companies still remain the only threat to major state-owned players. There is no network of meat wholesalers in Poland, which is all the more surprising because wholesalers are present in other economic sectors. This is why as much as 80 percent of all sales are shipped directly from the enterprises to retail outlets.

What About Exports?

The internal convertibility of the zloty caused Polish exports to the United States (mainly those of canned ham) to drop by as much as 45 percent. The volume of exports declined by 31.3 percent last year; this trend persisted in the first half of 1991. This is why the unusually low share of exports in total sales, which barely comes to 6.4 percent, should not come as a surprise to anyone.

Animex continues to be the main exporter to Western markets. However, renowned companies such as PEK-POL, Baltona, and an entire host of lesser known private companies are increasingly closing the gap. Along with the traditional markets of the United States, the EEC, and the Middle East (mutton), the significance of the Soviet market is growing.

The Technological Status Quo

The technological standard of the meat industry enterprises is average. The bulk of equipment dates back to the 1970's, though a majority of production facilities and shops have frequently seen more than 65 springs, and fewer than 15 percent of them are less than 15 years old. A total of 26 enterprises enjoy the right to produce for the U.S. market. However, only nine Polish companies can meet the most exacting technical standards which apply in the EEC countries.

Paradoxical as it is, there is still a shortage of high-grade pork and beef for Polish enterprises. Excessive differentiation of hogs is the reason. The lack of meat breeds in the country is the reason for the poor quality of beef which is offered in the market.

To their amazement, the Ernst and Young experts found that the quality of processed meat produced in state

enterprises was decidedly superior to that in private pork-butcher's shops (also from the point of view of hygiene).

Unfortunately, lower demand for meat products gives no incentive to cattlemen to introduce new varieties and breeds of animals. All of this is reflected in the low rate of capacity utilization at meat-packing enterprises, which is the lowest in shops producing canned ham and shoulder. Given the one-shift operation, this capacity is used considerably less than in the West where companies of this type operate on a two-shift schedule.

The Polish meat enterprises have advantages which make it possible for them to successfully compete with similar U.S. and EEC companies because:

- raw material costs in Poland are considerably lower than in the West,
- cheap labor is available to Polish companies,
- raw material acquisition and the price of labor and materials account for the greatest shares in the self-cost of Polish producers, which is a much smaller burden than in U.S. and European companies.

Significant weaknesses of the Polish enterprises are as follows:

- excessive consumption of energy,
- low productivity of labor,
- a large segment of the equipment pool is technically worn-out,
- paradoxically, the increment of proceeds is allocated to covering the growing costs of energy, management, and so on, instead of new technologies.

Regardless of the negative trends, the profitability of Polish enterprises increased in 1990 solely due to the gigantic increases of meat prices after their liberalization in the summer of 1989 by the Wilczek-Rakowski tandem. For example, in 1990 gross profit accounted for 23.7 percent of total sales, and net profit before taxes for 14 percent, which frequently indicates the undeserved high profit margins of Polish companies. Fortunately, a large segment of the companies used greater funds to pay off interest-bearing loans and to balance the levels of reserves and amounts due. Of course, the situation of the Polish meat enterprises in 1990 was exceptional, and it is unlikely that it will recur in later years. It is already envisaged that the costs of materials procurement, amortization, employment, and so on will come close to Western standards which will impair the competitiveness of the Polish companies in the world markets.

How To Privatize the Sector?

Proceeding from the Ernst and Young report, the Ministry of Ownership Transformations resolved to classify the companies of the meat sector on the basis of the criteria of efficiency and opportunities for maintaining high profit margins in the several years to come. To this end, six large groups of Polish enterprises slated for privatization were distinguished:

- companies of strategic significance to the economy and the industry, from among which companies suitable for immediate privatization were selected, as well as companies which will be ready for this after the issues of rights to land and buildings are clarified, and enterprises, the privatization of which will be difficult for noneconomic reasons,
- enterprises tied to particular regions through supplier networks, or those located in large industrial centers,
- large and medium-size enterprises with temporarily good economic performance, though in the long term they will create unnecessary competition to the leaders in procuring raw materials and acquiring markets for sale,
- small and medium-size state companies,
- enterprises in which privatization will not be possible without the implementation of restructuring,
- enterprises undergoing reorganization under instructions from their parent agencies.

According to Western investors, it is worthwhile to take over some of the enterprises because the growth of the real income of the Poles in the future means the growth of the potential of the domestic market with 40 million consumers. Polish companies enjoy a good reputation in the markets of the United States and the EEC; at the same time, they have cheap and skilled labor and are based on cheaper domestic raw materials. Following recent customs measures, the protectionist treatment of Polish producers may be expected in the future. It is already possible to predict that Western investors will be interested the most in companies exporting to the West, such as Krakus, Yano, Polka, and others.

On the other hand, the Ernst and Young experts take a pessimistic view of opportunities for a considerable increase of Polish exports in view of:

- competition on the part of subsidized exports from EEC countries,

- the expected changes in regulations and new import quotas of the EEC planned for 1992,

- the fact that the demand for beef in the EEC and U.S. markets has stabilized, and has recently even trended downward which is due to both the demographic "changing of the guard," and to healthy foods being in vogue.

The poor quality and small selection of the cheaper local raw materials (pork and beef) compared to meat in the EEC, and the mounting competition among Polish companies fighting to survive, mainly in the domestic market, are other unfavorable phenomena in the Polish meat industry which discourage Western investments.

Summing up the advantages and disadvantages of the Polish meat industry, the American experts see an opening for it in entering the markets of Soviet republics while using Western technologies and capital. To date, an enterprise in Opole has been privatized, and companies in Ostorleka, Torun, and Poznan are being readied. An enterprise in Gdynia has already been converted to commercial operation. A meat enterprise in Inowroclaw which is 100 percent employee owned is a sensation on the scale of the country. For this reason, the possibility of using employee-held shares, in keeping with the British variant, is under consideration in the case of small companies. In general, the Ministry of Ownership Transformations is leaning toward retaining partial state ownership of a large number of companies while using [expert] managers to streamline their management, for example, on contracts. Of course, a considerable number of these enterprises would have foreign investors with shares on the order of 20 to 45 percent.

At present, investors from Denmark, Germany, Italy, and the United States are interested in investing in the sector the most. However, the Ministry of Ownership Transformations also expects a great interest in Polish meat enterprises on the part of Korea, Japan, Hong Kong, and other countries which have, since recently, been considered developed.

Opposition Columnists Analyze Miners' Riots

Roman's Ouster Iliescu's Doing

92BA0061A Bucharest ROMANIA LIBERA
in Romanian 2 Oct 91 pp 1-2

[Article by Sorin Marculescu: "The President's Putsch"]

[Text] What are we to understand? I watched the parading columns of miners. I was worried; the memory of the still open wounds of 13-15 June is tormenting. Then, with the elections coming up, I was surprised and pleased by the mates' radical turnabout: "Let Iliescu and Roman live underground" and "Down with Iliescu," a call that was also imposed on the FSN [National Salvation Front] Parliament members [MP's] who, willing to enter a pact with the devil in order to pass the hurdle, were seemingly busy chanting it, except that, wouldn't you know, the Television lost precisely the tapes on which this moment of ultimate bravery was recorded.

I won't comment on the unacceptable nature of such violent raids, which the authorities, as their initiators and instigators are not qualified to censure, but, upon more careful reflection, I realized what was the new maneuver of the nostalgic Communists, which was tolerated and thus encouraged and represented by Ion Iliescu: They took advantage of the justified dissatisfaction of the miners and used them to their own advantage in order to smother or halt the democratization process. The coup was fairly subtle and well organized. While in June 1990 the deliberate and minutely prepared invitation of the FSN-blinded miners was designed by the regime to destroy the opposition, now the purpose of this fresh communist forcible coup was to exploit the rebellion of the same miners in the other direction, so that, at their threat against the regime itself, the latter will purge itself of its more innovative elements or secure a more honorable partial retreat. That the miners were wanted in Bucharest is certain, but this time they were not allowed to come nonviolently: from the start their path was strewn with a well studied string of compromising acts of vandalism. Otherwise there is no explaining why they couldn't have been stopped in the Jiu Valley.

Equally inexplicable in that case was the unacceptable silence and inaction of President Ion Iliescu. And as inexplicable was, among other things, the similar inaction—more exactly the "betrayal," as an FSN MP rightly said—of the Interior Ministry (Petre Roman praised it in his Sunday night interview!), a gradual betrayal to which the prime minister also suspiciously contributed by his perhaps not cowardly, but calculated refusal to talk to the miners while they were still peaceful. Victoria Palace was left exposed and uncovered for as long as was required for the government to "fall," while the Parliament was not even perfunctorily defended, as if the assumption that it may also come under attack was too subtle for the minds of the great strategists and career patriots at the Interior and Defense Ministries. And thus Parliament, too, this precarious institution where a vote to ban communism was laboriously being prepared, realized how easily it could be

intimidated or pulverized, and that precisely with shouts of "down with communism." Most strangely, however, the miners, who were hotly pursuing President Ion Iliescu's resignation, failed to find their way to the Cotroceni Palace until the final scene of this fresh criminal farce; but if their antipresidential outburst was genuine (and I think it was!), the first thing to do should have been to call at the residence of the person in question. However, the directors of the bloody spectacle were interested in a different plot. Any arguments to the contrary are superfluous, especially since Ion Iliescu himself repeatedly—and to all appearances, ridiculously—stated that he did not fire the government under pressure from the street.

This time I tend to believe that this monumental claim was not the outcome of his well-known communist obtuseness, but an indiscretion, because the street pressure was used to ensure the government's exit from the stage in preparation for future electoral regrouping. The street pressure was indeed a skilfully used tool. Consequently, it seems to me that the country's president is merely the visible tip of a monstrous iceberg within which the darkest extremist national-communist forces are laying in wait. Among other proofs of that are the endless embarrassing maneuvers undertaken by the visible third of the iceberg, which have become so predictable that they seem to bore even their own authors: The ridiculous diversionist episode of the Transylvanian government in exile was deflated and by now its authors are probably lining up before the cashier of our democratized Securitate. As for our vanishing prime minister, as a politician he suddenly decided to climb on the high horse of the national problem! Lots of other unforeseen surprises must be in store for us...

But to go back: How are we to explain another enigma, corroborated by Ion Iliescu's silence on the first day, namely, the utter absence from the public scene of SRI [Romanian Intelligence Service] chief Magureanu and his troops, so faithful to and so well controlled by the country's president? In whose shade were they sitting? Along this line we may also consider the hyperqualified councils of possible KGB instructors who, undaunted by the Moscow fiasco, are continuing the destabilization work exactly at the periphery of the not quite former Soviet empire (see Yugoslavia, Tadjikistan, Azerbidjan, Georgia, Bessarabia, and now Romania...). As usual, all the above was helped along by the disinformation agency of the Television, where gross lies, perfidy, arrogance, aggressive ignorance, and servile triumphalism have reached a level that is as unbearable as it is useful to the regime.

In conclusion, what is the balance sheet of these fresh days of guided nightmare? The first and most important outcome to those who still believe in the future is that in spite of everything, the communist coup failed! We know or we can guess what the object was and we will oppose dictatorship at any cost. However, Romania's international isolation has once again deepened. The liabilities of the current rulers have also grown: The public is even more exasperated; violence, cultivated as a political weapon, is further deepening the social wounds; the list of crimes begun on 22 December continues to grow in length, and

the electorate is increasingly distancing itself from the ghosts of the FSN promises. Petre Roman's strategic withdrawal from the race does not, however, absolve him of joint responsibility with the other members of the team of continual participation in the string of lies begun in December 1989. It seems to me that his hopes for a rebound in the political arena under the armor of a wronged hero and armed with the slogans of ROMANIA MARE and Vatra Romaneasca are not grounded in reality.

But what about our future? Still uncertain, still fraught with danger, but I am convinced, irreversibly on the good path. Let us not lose hope, not allow ourselves to be lied to and manipulated, and let us have faith in truth and demand it. The recent neocommunist putsch by President Ion Iliescu's team ended in a happy failure. Once again it was seen that the West and the democratic public opinion in Romania can no longer be duped. The maneuvering space of Securist neocommunist is becoming more narrow day by day, while the economic factor is acting as a steamroller on the most abject political calculations. For the time being the communist iceberg is still floating in our waters, but the fate of ice is to melt in the warmer waters of European detente and of democracy. Therefore, let us preserve our hope and sanity. And especially, I hope never to hear anyone again saying that it was better under Ceausescu; I hope they will tell themselves that if now it is bad, that is precisely because the great absolute evil of that time is still present in our souls, in our daily lives, and in the soiled minds of those who used fraud in order to gain the power of decisionmaking without having any real competence. Consequently, the demolition and banishment of communism and of the Securitate mafia are still top priorities. Only then will good be able to work unimpeded.

Roman Removed To Save the FSN

*92BA0061B Bucharest ROMANIA LIBERA
in Romanian 2 Oct 91 p 3*

[Article by Sorin Rosca-Stanescu: "Roman Has Budged, Iliescu Is Still There"]

[Text] Chased away with tear gas, clubs, and boot kicks, hungry and exhausted, the miners returned home counting their victims and thanking the people of Bucharest for "cowardice." The bell tolled on the Metropolitan Cathedral. The round was won by the communist-Securist faction of the regime: Iliescu and Magureanu, Birladeanu and Martian, and of course, those fiery men in uniform, ready at any time, especially at night, to slap around the man in the street. Let us calmly consider the circumstances in which the events occurred and their political consequences. Although prompted by genuine dissatisfaction, which was once again well grounded, the miners were manipulated. In fact, Mr. Virgil Magureanu himself let the bird out of the cage and cannot now get it back in. How could the trains start off and cut across an entire country without being sidetracked by the fiery defenders of original democracy? Is it possible that the SRI [Romanian Intelligence Service] didn't know about the miners' intention to visit Bucharest for the fourth time? Let's be serious! Through Mr. Cosma the miners were guided to Victoria

Square by people interested in doing so, people whom even the ex-prime minister knows very well. Inept and corrupt, the Roman government, which sooner or later had to clear out anyway, managed to place the credibility of the FSN [National Salvation Front] as a whole in serious danger. But the representatives of the executive power had to be urgently removed from the center of power for a much more important reason. A reason that counts a lot with Mr. Iliescu: Roman's team had gone to an unacceptable length toward the West in the view of the Communists, having even several times denounced the practices of Parliament and even some of the president's intentions. The reform itself, despite all the aberrations in its implementation, was threatening to the Communists. Petre Roman had to be removed, but not in just any way. For Iliescu it was indispensable to create the impression that he was giving in under a powerful pressure from down up. Not for the sake of democracy, but out of fear. (The fact that this was a case of account-settling between accomplices emerged even from the detail that the government members were unloaded without being temporarily ordered, as would have been only natural, not to leave the country so that the due investigations can be carried out into the abuses, misuse of resources, and responsibilities for Romania's disastrous situation).

The arrival of the miners was accompanied by a string of violent acts instigated by "persons unknown" precisely in order to allow the body of repression to once again consolidate its position. You see, we need as many dappled uniforms as possible to ensure that our heads are not broken and our store windows remain intact. We need the reactionary wing of the Army and its right to load their guns against the people in order to protect the state institutions and maintain stability in the country. In the absence of a more intelligent idea, an old script was once again staged.

However, a hitch unforeseen by the SRI psychologists occurred in the Victoria Square. Miron Cosma lost control of his mates. Once again they sensed that they were on the point of being taken in and, together with the people of Bucharest and the workers who had come from Timisoara, they headed for the Cotroceni Palace. The public denunciation of the regime as a whole had begun. The miners' leader overtly hesitated several times, at a loss to choose between faithfulness to Iliescu and credibility among the miners. On Friday the Cotroceni Palace was threatened by the boomerang effect. Having broken out of control and turned into a powerful political protest, the miners' dissatisfaction could swiftly spread throughout Bucharest and throughout the entire country. That might have been the beginning of the Romanian revolution. At that point, a few factors intervened and rearranged the pieces on the chessboard in Iliescu's favor. Although the miners were demanding the resignation of the president, their leader was negotiating...a change of government with him, which had been already decided. Although the parliamentary opposition also demanded the immediate resignation of the president, its representatives implicitly recognized him and agreed to have talks with him. The public no

longer knew what to believe. That was the psychological moment at which the forces of repression came into play, as usually striking out at the citizens during the night. It was not the people of Bucharest who betrayed the miners. The latter must realize that the first to do so was Miron Cosma himself. Mr. Ion Iliescu and his supporters won. That's all very well, but didn't the president come out of this confrontation a little worse for the wear? Yes, he did. But he doesn't really care. Not even about the international effects of the Bucharest events, which this time may prove fatal to Romania. All that matters is that the power should be preserved at any cost. And ironically, while the miners alit in Petrosani chanting "Long live King Michael," the Front demanded early parliamentary elections. Why? Currently the FSN has a powerful national network of influential agents: prefects, mayors, policemen, and SRI members. This network would be obviously shaken if local elections took place first. Mr. Petre Roman fell back in order to consolidate his position as NSF leader; he carefully threatened the president in veiled terms (Mr. Roman knows a lot, a whole lot of things), and it remains to be seen how and when he will react. Will the helm be taken by a new FSN government with a few stooges from the fake opposition? Or by a military prime minister who may mark the beginning of an original dictatorship? Are we to expect a long litany of electoral promises? Will there be a period of political calm, an indispensable respite for the Securist-communist faction of the regime to consolidate its power? This time the denouement may actually be decided in Parliament, where the storm is already raging....

Antireformist 'Fossils' Plot

92BA0061C Bucharest ROMANIA LIBERA
in Romanian 5-6 Oct 91 p 1

[Article by Stefan Aug. Doinas: "A Possible Scenario"]

[Text] Prime Minister Petre Roman—who, along with his ministerial team is (so far?) the only victim of the riots that visited Bucharest in the past few days—at some point said that the "fourth miners' epic" was in fact "a plot." In an attempt to answer the legitimate question: A plot by whom? I will try to compose a new possible scenario of the recent events in this "country of every scenario."

The first proposition of the political analysis is an obligatory comparison with the Moscow putsch. At the end of September, like over there in August, was this not an attempt to halt the democratic reforms, to remove from power the factors in charge of implementing these reforms, and to maintain in key positions and even to reactivate the nuclei of the old "communist apparatus," some of whom cannot fathom giving up their privileges, while others want to regain them? So that, if there was a "plot," it could only have been staged by our political fossils. In contrast to the Moscow putsch, which failed, the Bucharest plot succeeded. Thanks to it, the elements in the forefront of our political stage are first of all President Ion Iliescu as the—naturally, legitimate—referee of the political game preceding the formation of a new government; Parliament—to the extent that it is indeed represented by

Alexandru Birladeanu and Dan Martian—as the controlling forum of any future government; in the third place, the retrograde, communist, and antireformist faction—present both in Parliament and outside of it—of the majority FSN [National Salvation Front] party, that extremely heterogenous political group; and finally (last but not least), the Securitate and *nomenklatura* structure working from the shadows, made up of an equal, if not greater number of political fossils. Those were undoubtedly the ones who gained from the plot.

As for the victims (whom I nevertheless cannot describe as scapegoats because they are far from the innocence and naivete implied by that term), they are, on the one hand, the government team and on the other, all those who, one way or another, were involved in the reform movement of the executive power, either as active decisionmaking factors, or as passive beneficiaries, or as representatives of the new emerging class. No doubt the fossils' plot most severely punished the attempt of the executive power led by Petre Roman to separate from its own origin by means of two very responsible actions: On the one hand the economic reform, and on the other, redressing the political life by removing the old communist structures from decisionmaking positions (even though the latter is still only a promise). The fact that the government was the target of this plot compels me to think that the measures taken or merely promised by the executive power indeed held a threat for the shadowy communist mafia. The same fact prompts me to ask myself: In this "fourth miners' epic," what were the real roles played by its overt beneficiaries, in other words, as I wrote before, by the "long verified old bolshevik troyka," Iliescu-Birladeanu-Martian? It has been said in Parliament that as speakers, the last two attempted to send their members of Parliament walking precisely on the eve of those dramatic events. What are we to conclude from that?

The scenario I propose also highlights additional aspects. Thus, the thousands of miners who came to Bucharest to make justice for themselves armed with clubs, axes, iron bars, and chains were—in my opinion—merely the maneuver material whose powerful social complex was skilfully exploited by its manipulators. This description of the miners cannot possibly surprise anyone: The miners never were anything else. They are only the political guinea pigs on whom (on whose subconscious) Ion Iliescu experimented his ability to create a "conditional reflex." This complex is well rooted in the subconscious of these people, who labor at an exhausting work: Whenever it will be suggested to them that they, the miners, must settle accounts with someone, the black mates will pick up their weapons, climb on trains, and come to Bucharest. The FSN authorities did absolutely nothing to make an example of censuring their antisocial, antidemocratic, and antinational impulses. The fact that these poor mates are manipulated by shadowy (and not so shadowy) forces clearly emerges from their entire behavior, beginning with Petrosani and Craiova and all the way to Bucharest: The fact that they armed themselves (when according to their leaders they had only professional demands); came up drunk (although, if we are to believe them, they were

coming only to "talk"); came by the thousands (would a mere delegation not have been enough?), ransacked railway stations and private stores; demanded that the prime minister come to "talk" on the grass in front of the government building; attacked that building; went first to Parliament and then to Cotroceni with shouts of "Down with Iliescu!" and immediately entered a transaction with the president (I wonder what transaction, since their demands had been fully met by the government?); completely took over, of their own account, the aggressive acts and slogans of those Bucharest citizens who had infiltrated their ranks (an infiltration action with which we were familiar from last June, and of which we know to what diversions of responsibility it can lead!); listened to the Doina Cornea speech at the meeting and innocently appeared at the PNT-cd [National Peasant Christian Democratic Party] congress at the National Theater; obeyed the chaotic, if not contradictory orders of their leader, Miron Cosma—all these facts undeniably show that the miners did not exactly know what they wanted, that they were blown one way and another by promptings from the underground, and that they primarily followed their own vague belief that they could carry out any act of violence and be certain of getting away with it. In fact, did anything

happen to them? Didn't they ask the president to charge the bill for the damages caused by their own vandalism to the government? Another thing highlighted by those events was the almost complete paralysis of the forces of order. Although the unfolding of the current scenario clearly seemed to have been a xerox copy of last year's scenarios, the responsible factors at the Interior and Defense Ministries appeared surprised; their excuse was that they didn't have a unified command, that the forces of order were outnumbered, etc. I'm willing to believe them, but certainly not to exonerate them. And what about the SRI [Romanian Intelligence Service]? Did it really know only as much as Mr. Magureanu admitted?

Another obvious thing, which did not surprise me, was that certain politicians are showing a pressing desire to occupy a few ministerial seats as soon as possible. By their entire political behavior, these zealous subjects of ambition belong, if I am not mistaken, to that faction of the opposition that's sitting in the bosom of the FSN like in a kangaroo pouch and can thus maneuver freely. How much faith do you think we should put in the declarations of these ministerial hopefuls that they will continue the reform begun with greater wisdom and competence?

Details of JNA Plan To Occupy Bosnia
92BA0080C Sarajevo OSLOBODJENJE in
Serbo-Croatian 2 Oct 91 p 2

[Article by Zoran Odic: "Constitutional Occupation of Bosnia-Herzegovina"—first paragraph is OSLOBODJENJE introduction]

[Text] A well-informed military expert claims that the operation to occupy Bosnia-Herzegovina was rehearsed in the staff maneuvers by the Uzice corps in February 1991.

Ljubljana, 1 Oct—"Whereas the 'Bulwark' 1, 2, 3, and 4 plans represent the redeployment of the entire JA [Yugoslav Army] to the area of Bosnia-Herzegovina and Croatia, the 'Frame' plan represents the extension and purging of that area from within, and the establishment of a linkage among the Serbian enclaves in that area," we were told by a high-level military analyst in the JA general staff, a doctor of science who agreed to an interview by our newspaper with a request that we not mention his name. He did consent to our revealing it when he completes an extensive military-expert analysis of the causes and goals of the present civil war in Yugoslavia, which we will publish soon.

According to our interlocutor, everything began in February, when the "Frame" plan was prepared. The assumption for its implementation is that the activity of Yugoslavia's state leadership has been paralyzed and that the country's constitutional and institutional system has ceased to function; this would be the occasion for the Army to carry out a "quiet" coup d'etat. The coup was carried out by having then president of the SFRY Presidency, Borisav Jovic, submit and then withdraw a resignation from his position; at that time the JA Supreme Command Headquarters was established and began to function. It can only be established in a situation when the SFRY Assembly declares a state of emergency in the country. The Assembly did not do so in the spring, and since then has no longer functioned, and so the Supreme Command Headquarters has taken all state activities into its own hands.

Cetnik Iconography

The final goal of the complete "Frame" operation is the creation of a Greater Serbia and a Community of Serbian States, which our interlocutor claims were mentioned in talks between Slobodan Milosevic and the country's military leadership. The transformation of the former JNA [Yugoslav People's Army] into a "mercenary Serbian army," as our interlocutor claims, is already evident from the decision to renounce Tito's legacy and to eject its commander in chief from all its installations, as well as the behavior of reserves from Montenegro and Serbia on the territory of Bosnia-Herzegovina, and the iconography with which they are adorned, without the JA officers doing anything to prevent such behavior and the wearing and displaying of those symbols.

"Bosnia-Herzegovina will be occupied constitutionally," our interlocutor claimed, and corrected himself: "It has

already been occupied." The JA's de-Titoization is only "proof that depoliticization has been interpreted in a Balkan manner."

"During the present phase of extending the borders of Greater Serbia, a special role has been assigned to the Titograd and Uzice corps and to part of the Sarajevo corps. The ostensible purpose of the units' arrival is 'protection of the unarmed Serbian people in eastern Herzegovina against extremist attacks by western Herzegovinians.' Only, it is completely clear to those who know Yugoslavia, those who have noted several scandals over the illegal arming of Serbs in eastern Herzegovina, that the Serbs in that area cannot be endangered at all, because in that area they constitute more than 80 percent of the population, and in any case there have not been any interethnic conflicts there. The goal of that first operation has been completely achieved—the arrival of the reservists with all of their iconography, their Chetnik insignia, and the three-finger salute, and deliberate provocation have driven the Croatian and Muslim populations into refugee camps. The second stage of this operation is that the JA, under the pretext of protecting people against the drunken Chetnik army, will transfer the reservists to the Bilec, Mostar, and Trebinja barracks. People in Bosnia-Herzegovina are claiming now that Kadijevic is a peacemaker, because this has already been done, but in fact, this is only a regrouping of forces so that the Army, whenever it wants to, can occupy the entire coastal zone from the mouth of the Neretva to the Montenegrin border, with all of the southern Dalmatian islands, including Dubrovnik, which it has already started to destroy today.

"The goal of these operations is to incite ethnic conflicts in Herzegovina, and to consolidate the position of the five newly formed SAO's [Serbian Autonomous Opstinas] as soon as possible. On the other hand, with the assistance of the supporters of Greater Serbian policy in the political and state forums of Bosnia-Herzegovina, the goal is to prevent a declaration of this republic's sovereignty. Everything indicates that if these plans are carried out, Bosnia-Herzegovina will fall part politically very quickly," our interlocutor told us.

The Exchange Equals Bosnia-Herzegovina for Kosovo

"The process is not stopping there. After the territorialization of the five SAO's and the collapse of Bosnia-Herzegovina, southern Dalmatia will be occupied, after which—and that situation was simulated in the staff maneuvers by the Uzice corps in February 1991—new forces will be brought across eastern Herzegovina from Kosovo and southern Serbia. Their goal will be to link up the eastern Herzegovina SAO and the Krajina SAO, and to establish physical control of western Herzegovina and Dalmatinska Zagora. That is why the Mostar armored mechanized brigade was recently sent to the Kupreg plateau. In that area, the forces of the Uzice and Knin corps will be merged, while the Herzegovina brigade will prevent flank attacks by self-organized units from the area of Bugojno and Travnik. When the entire area is physically occupied, the Mostar brigade will deal with Split."

This is the "Frame" plan. Our interlocutor believes that there will be a prolonged war, lasting several years, as he said; and he expected "Vietnamization." The reason for this is simple—regardless of who prevails in the military conflict, the defeated side will organize and continue guerrilla warfare.

Europe and the world, in his opinion, are powerless to prevent this process. The only way out is "quarantine Greater-Serbian policy, because the peace processes initiated by the European Community are ineffective. The old, military Europe has turned into the Europe of the CSCE. Its military structures have been destroyed, and NATO cannot be expected to intervene because it cannot operate outside of the borders of its member countries, while the United Nations cannot intervene with peacekeeping forces because it is an internal conflict. Intervention would be possible only if there is recognition of the international sovereignty of Slovenia, Croatia, Bosnia-Herzegovina, and Macedonia. That cannot be expected for the following reason: For many years the West's goal has been to link the Adriatic and the Black Seas. Greater Serbia can make that possible for it; it is willing, for the sake of becoming Greater Serbia, to make the following concessions, which have already been agreed upon:

"Serbia is willing to give up part of Kosovo and turn it over to Albania, so that the new southern border would follow the line of Serbian Kosovo and Albanian Kosovo. The price for Kosovo is Serbia's demand that Bosnia-Herzegovina be annexed to it."

Because of this, our interlocutor claims that the most important thing is for Bosnia-Herzegovina to speak out, either on its statehood and sovereignty, or on whether the occupation will be a fait accompli: "They are already conducting a mobilization, without asking and listening to anyone; they are engaging in conflicts across Bosnia-Herzegovina, and claiming that they are only passing through; they are consolidating themselves on the borders of the SAO's and protecting them—Bosnia-Herzegovina has been constitutionally occupied."

Serbian Communal System Excludes Krajinas

*92BA0066B Zagreb VJESNIK in Serbo-Croatian
1 Oct 91 p 6*

[Article by Vlado Rajic: "Mechanism for Communal Administration in Serbia: Milosevic's Ciao to Serbs in Croatia"—first paragraph is VJESNIK introduction]

[Text] In the register of government affairs for the Republic of Serbia there is not even a mention of the so-called krajinas; 14 districts with exactly drawn boundaries do not cross existing republic borders, a sign that Milosevic has used Serbs in Croatia and then rejected them.

If politics is the wrong way for convincing Serbs in Croatia how much Milosevic is "backing" them by claiming that the destruction in Croatia is a "defense" of both their lives and property, then it's worthwhile to give a warning about the government affairs of the Republic of Serbia, in whose register there is not even a mention of the so-called krajinas. At the end of last week, Belgrade newspapers

reported the concept of organizing the Serbian state at lower levels (which under the old jargon would mean the mechanism of communal administration). VECERNJE NOVOSTI is even publishing a map of the republic with exactly drawn boundaries for the 14 districts into which the territory of Serbia is divided. District leaders will be appointed by the end of September. The whole mechanism is prescribed in an orderly fashion under appropriate acts of the Serbian government and limited in an orderly fashion to the existing borders of Serbia. The organization of the Serbian state thereby completely erases the alleged affiliation of the krajina areas in Croatia and Bosnia-Herzegovina with the "mother country." This regulation about the establishment of districts as levels of state power, that map confirming that the scope of regulations has been softened by the recognition of the republic border as the state border, would have to be a sign primarily to Serbs in Croatia that Milosevic used, rejected, destroyed, and took a dislike to them, and then erased them, not only from the map of the area on which he is the legitimate leader, but from the circle of his leadership interests.

The Guardianship Exhausted

Indeed, Serbs in Croatia and Bosnia-Herzegovina are thereby receiving a basic message, not from some other sources, but from a source most closely tied to "their" Serbian government: ciao, there isn't any more. It should probably be clear after this that the war in Croatia and the defense of Serbian interests in areas of "Serbian lands" are only a cover for the foolish game of Milosevic and the Army at the expense of others. So it's precisely the Serbs outside Serbia who will pay the highest price. That something like this would happen was already clear when the most obedient Vojvodina assembly refused to place recognition of the Knin "SAO" [Serbian Autonomous Region] on their daily agenda. The great guardianship for the Serbian question in Croatia was exhausted exclusively with their incitement to clash with the republic powers, sending fraternal assistance with weapons and ammunition and the endlessly dirty propaganda which "fixed" its weaknesses with military assaults on radio and television transmitters and on stopping trucks carrying newspapers.

Milosevic is clever. He will continue to hold Serbs in Croatia over a roaring nationalistic fire and use their "krajinas," with the help of tanks, as a negotiating position for establishing peace. It is clear, regardless of all the diplomatic sloppiness of Europe, that nothing is coming of it. It is sad that the "krajina people" in Croatia don't realize this. Not even when Milosevic quite clearly shows them that the deadly cold one is organizing a Serbian state without them.

Former Croatian Defense Minister on Resignation

*92BA0080B Zagreb DANAS in Serbo-Croatian
8 Oct 91 pp 14-15*

[Interview with former Croatian Defense Minister Luka Bebic by Darko Pavicic in Zagreb; date not given: "Why I Resigned"—first paragraph is DANAS introduction]

[Text] The former defense minister explains why the Croatian army received the cease-fire order 15 hours too early, what he concealed, and what someone else did.

After President Tudjman's press conference upon his return from Igalo, it was clear that someone's political career would go downhill. This was also known by then Defense Minister Luka Bebic, who heard about the president's anger while the latter was still on his way from the airport to Banski Dvori, and so handed in his resignation even before he had been officially asked for it. The public was already aware of what was going on, and so the magical formula that he was submitting his resignation "for health reasons" was out of the question.

Luka Bebic left his position as defense minister under mysterious circumstances, however, because it became apparent later on that the order he had issued was not inconsistent with previous ones, and that it did not mention lifting the blockade of the barracks, but only a repetition of the warning that the Croatian side would not shoot first. His mistake was that he showed too much "independent initiative" (although he did not do anything without the knowledge of Prime Minister Greguric and the "participation" of police minister Vekic). Of course, the public was not aware of the facts because of which Bebic had to resign, but in view of which he could possibly even have remained.

And thus, Bebic is leaving in a clash of absurdities: he supposedly ordered the lifting of the blockade, but actually did not, and then it really took place, but 15 hours later. If it is correct that the first order was five minutes too early, since that is allegedly how long it would have been until the fall and surrender of the Borongaj barracks in Zagreb and the command of the Fifth Military Region, on the other hand, in view of the fate of the cease-fire that had aroused hopes, the order could not be said to be either too early or too late.

Luka Bebic has ceased to be the fourth Croatian defense minister, while at the same time it really does not matter whether one is speaking of Bebic or anyone else, since it seems that the same fate is intended for all of them.

We spoke with Luka Bebic in his office in the Assembly's Chamber of Opstinas, at the height of the accelerated preparations for the 8 October Assembly session.

[Pavicic] The public is convinced that it was actually you that ordered the "lifting of the blockade and the cease-fire" during the negotiations in Igalo. How did that actually happen?

[Bebic] Neither the Ministry of Defense of the Republic of Croatia nor the Command of the ZNG [National Guard Corps] has never, to date, given an order to attack barracks or any other military installations, but has instead responded to attacks where they have taken place. That means that no one could have given an order to cease fire, since there has never been an order to open fire.

When the bombardment of Lucko began, when a multitude of bombs began to shower upon all the larger cities, when the Yugoslav Army used the heaviest weapons,

long-range cannon and multiple rocket launchers, it was felt that those assault activities had to be stopped. In order to understand that, one must know that on 13 September the Ministry of Defense issued an order to all ZNG units and to all crisis headquarters, according to which, on the basis of a decree from the president of the republic and the supreme command, the implementation of appropriate measures was initiated. These included turning off all municipal services and the supply of fuel to the Yugoslav Army, and the passive blocking of barracks, storage depots, and all routes used for movements of the enemy; commanders in the field were also to undertake appropriate actions if this became necessary. That is the basic order that was issued and forwarded on 13 September.

Since military activities intensified on 17 September and the air force bombarded Lucko and other areas of the republic, we had to make some decisions at the appropriate level—since the president of the republic was absent that day, in Igalo—to clarify the 13 September order. These were that assault activities were to cease, but that units were to remain in place and maintain the blockade of everything. And really, nothing was withdrawn anywhere. The intention, in fact, was to show in some way and prove that we were not the ones who were provoking the attacks, but were only ensuring the blockade that had been ordered. Since there was firing from the barracks, we answered that fire, never first, but only when we were challenged. There was nothing unclear about this, but since that order was broadcast on television, there were considerable repercussions.

As to why the order was broadcast, that is exclusively my responsibility, because I allowed it to be broadcast, whereas what Mr. Vekic ordered (not the identical text, but the same meaning) was not broadcast on television. We received an order to do so, but later it was determined that the instruction was not completely given.

[Pavicic] What does "competently given" mean?

[Bebic] It means that the person who gave the order to cease those assault activities if we were not being shot at from the barracks was not competent to issue such an order, even though we thought that everything was all right.

[Pavicic] Consequently, such things are under the jurisdiction of the commander in chief?

[Bebic] Yes, such things are under the jurisdiction of the commander in chief, who was then in Igalo, but we did not know whether contact had been established or not, and whether that was in the agreement or not, but we assumed that everything was all right and we issued that order, which did not change anything in the sense of lifting the blockade of the barracks, because such an order was not given; it simply repeated the order that we were never to be the first to attack.

[Pavicic] That means that in effect, it was a supplement to the 13 September order?

[Bebic] It was a repeated order, but you see, it was broadcast on television, which perhaps was not well

received, because people did not listen to the content very carefully. I only explained later on the radio that it did not involve lifting the blockade and ceasing our activities. The effect of this among the public was probably negative, because at that time we were in the ascendant, the blockade was yielding results, barracks and storage depots were surrendering, and this did not sound the way it should have. In the meantime, we also heard about the decisions in Igalo, and so we thought that there was agreement and that the Igalo agreement was going into effect immediately. This is that small gap that occurred.

[Pavicic] And so your resignation took place?

[Bebic] There were discussions of whether I had exceeded my authority, which I accepted, but I did not exceed it—that is clear. The decision was mine, however, and so was the permission to announce it on television, and I fully accept the assessment that the responsibility in this respect is mine, and everything else is a matter of political technology.

I submitted my resignation exclusively and only because I did not have complete permission for the order that was issued. It was accepted adeptly and, I would say, as if it had been expected. And that shows that my action was considered a big mistake. Vice Prime Minister Tomac also hurried to confirm that.

[Pavicic] It was heard that in addition to you, Prime Minister Franjo Greguric also submitted his resignation. Is that correct?

[Bebic] The prime minister did not publicly express such an intention to his ministers. I do not know of any such plans. But when a prime minister submits his resignation, then the whole government falls, and since this is a multiparty government of democratic unity, founded in a situation that is difficult for Croatia, the unity of all parties is needed, especially in defense. We need strength and unity, and not a government crisis, and so even if there were such plans, I think that it is good that they did not happen.

[Pavicic] In the public announcement in which you explained your resignation, you mentioned the case of the siege and the lifting of the blockade of the Borongaj barracks in Zagreb and the Fifth Military Region Command. You say that the lifting of the blockade was ordered at 2130 on 17 September, i.e., 15 hours before the beginning of the cease-fire that was agreed upon. Who issued the order for that lifting of the blockade?

[Bebic] That afternoon order was unauthorized, but this one was quite certainly authorized, and we carried it out. That is all that I can say.

[Pavicic] While you were defense minister we shifted from the defensive to the offensive, and a strong reversal was perceived in the defense of Croatia, whereas now it seems that a certain stagnation is in effect again. How do you interpret that?

[Bebic] The government and the president of the republic have functioned very closely in the organizational system, and they were very effective in carrying out the decision to

blockade the barracks and recover the weapons and ammunition that the Army took away from the Croatian Ministry of Defense and the Ministry of Internal Affairs, and that process has been taking place from 14 September up until the present day. I must say that the government and the president of the republic, as the commander in chief of the armed forces, insisted on this with the desire of returning our weapons to our forces from as many of those storage depots as possible, as soon as possible, and to a considerable extent we did this.

It must also be stated that during that period there had been extensive development of the production of our own weapons, a large number of mortars, rifles, grenades, antipersonnel mines.... Nevertheless, we still do not have enough modern weapons to effectively oppose the Air Force, even though we have had considerable success in that area, especially in eastern Slavonia and Sibenik, as well as in Banija. We also do not have enough lethal means of antitank defense, although in that respect as well we have achieved extraordinary results with what we had. That Army's enormous strength is in equipment, whereas in terms of morale and everything that goes with it, the Army is becoming increasingly weaker every day.

I think that now Serbian policy no longer has any option but to wage war. Croatia will quite certainly win, however, but I am afraid that there will still be many casualties. Even when the Army's present strong striking power is blunted, there will be problems, for example, with cleaning up Cetniks and terrorists.

[Pavicic] As the former minister of defense, how do you interpret the cease-fires that are being signed? Are they good or bad for Croatia?

[Bebic] The cease-fires in all those struggles, even when they are not proclaimed, are becoming a cyclical trend in waging war when it is not possible to maintain a high offensive trend—regrouping and reorganization, and reinforcements in equipment and personnel are necessary. In those cease-fires, we have tried to reorganize and reinforce the reserves, especially in a situation when we did not have enough weapons. In some cases it appears that the enemy gains from those ceasefires, but along with his harshness and strength, the use of equipment and people, our resistance also grows, even though one cannot see the extent to which our commitment is greater because their forces are large. For my own part, I can say that I have never believed in the sincerity of those cease-fires signed by Milosevic and Kadijevic. I think that for a long time now Kadijevic has not had the authority to guarantee a cease-fire. For a long time now he has been a "side mechanic" for Milosevic and Adzic.

[Pavicic] At one time, you said that the role of the defense minister was much greater than people assumed, since in such conditions he combines a multitude of functions. What is the autonomy of the defense minister's work like?

[Bebic] One must realize that defense is not conducted just by issuing orders to units. Giving orders to units should be left to generals, admirals, and colonels, those who are

trained and educated for this, and who do it best. Everything else is logistics—organizing the entire state for the purpose of defense efforts; to a great extent, it has to be organized, or rather coordinated, by the Ministry of Defense. Naturally, in these circumstances all the other ministries also have their own place in this.

In World War II, an English fleet with tremendous tonnage transported war materiel to Northern Africa and elsewhere, even though numerous German submarines were trying to prevent this. A large part of the cargo reached the fronts, however. They persistently did their work, they transported, and the Germans kept sinking them. Those parts of the country that are not at war and where production is possible must not be neglected, because their effort is almost equally as important as the one in the trenches, even though it is in bad taste to make comparisons of this.

[Pavicic] What is the relationship between the Defense Ministry and the Ministry of Internal Affairs like?

[Bebic] The police are an organization that continues and that has its own history, its own obligations and tasks both in peace and in war, but part of the police can be used for armed battles, as we have done. So that we would abide by certain legal norms, in the beginning we had to organize as part of the Ministry of Internal Affairs the National Guard Corps, which I might call a "gendarmerie." Now, these have been new people, people who are not policemen by profession, from different professions, and have applied voluntarily. But that was our army, with all of its good and bad sides. There have also been disagreements in the field, because the two groups had different views. The police also had some weapons, because they were not disarmed, but later there were also problems in organizing the procurement of new weapons. Because of the lack of a unified chain of command and frequent disagreements, we also established crisis headquarters. Now there is also the Main Staff, ten or so people who have graduated from military schools, i.e., generals. Today we have such people that we could fill any general staff in Europe. This was also a particular concern of the commander in chief, who is a general himself, and thus has a very good understanding of all this.

And as far as the autonomy of the defense minister's work is concerned, I made an effort to be loyal and useful, to say honestly what I thought, and not what I was possibly expected to say.

[Pavicic] At one of the press conferences, you talked about the great difficulties in procuring weapons, and about how Croatia was forced to buy weapons at a high price on the world market. Has that necessity declined with the capture of the military storage depots? How many weapons were actually captured in those operations?

[Bebic] I think that it is necessary to continue buying weapons, even though the blockade has been renewed. We will never be able to forgive Europe for allowing us to remain without adequate weapons, and according to them we would be left without any. In any case, we should not rely too much on Europe, and in particular we should not expect direct assistance. Let them sell us weapons at

market prices. We will do the rest ourselves, and free our Croatia. We will achieve recognition of our own capabilities, and restore the long-suppressed awareness of our glorious past, and we will bring the younger generations freedom through the strength and heroism of Croatian men and arms, and we will not be in debt to anyone for that gift.

We have captured storage depots, and filled some of our requirements, and our production is growing. Perhaps a large part of that production will be canceled when all of this is over, but now we need it. These weapons that we have captured in the storage depots are not yet sufficient for us to turn the situation around, and for that reason we still have to import. Nevertheless, there is no longer that extensive need, the "insatiable hunger" for weapons. And that is a result of extensive action, and the involvement of a large number of people. At the same time, we have narrowed the room for those whose presence we have naturally detected, those who wanted to turn Croatia into some sort of El Dorado by smuggling weapons.

[Pavicic] How would you comment on this: Defense Minister Spegelj was replaced because he wanted to strike against the barracks, and after his replacement that was actually done. You resigned because of the "order" about lifting the blockade, and then that lifting of the blockade actually happened after your departure.

[Bebic] Popular wisdom says: What a sheep sees while lying down is not far off. Perhaps I cannot see all the causes and consequences as they are seen by someone who has more information and more profound insight. If I had more facts and other elements important for an assessment, perhaps I would have made a similar decision. History will quite certainly make an unbiased assessment of what could or could not, what should or should not have been done.

Historical Perspective of Bosnia-Herzegovina *92BA0066A Sarajevo JAVNOST in Serbo-Croatian* *5 Oct 91 p 9*

[Interview with historian Dr. Tomislav Kraljacic by Kolja Besarovic; place and date not given: "Bosnia Has Never Been Internationally Recognized"—first paragraph is JAVNOST introduction]

[Text] The processes that are now evolving, in essence, represent a repeat of processes from the 19th century. Austria has waged a long-term policy of creating a Catholic majority in Bosnia-Herzegovina.

Doctor Tomislav Kraljacic, professor of general modern history at the Sarajevo College of Philosophy, belongs among those most knowledgeable about our recent history, especially the period of Austro-Hungarian occupation of Bosnia-Herzegovina. Aware of the fact that many of today's current problems cannot be clearly examined without a knowledge of that period, we asked Professor Kraljacic to present his views, in a conversation with JAVNOST, on our recent past.

[Besarovic] Professor Kraljacic, do you agree with the statement that the current Bosnian-Herzegovinian crisis, or Yugoslav crisis, represents in some way a repeat of history, specifically, the resolution of problems that were not solved earlier?

[Kraljacic] The processes that are now evolving, even in their substance, represent a repeat of processes from the 19th century, and even from an earlier period. This statement applies equally to what is happening inside Bosnia-Herzegovina and to the influence of the external factor, which is present in one respect and differs very little from an earlier period.

[Besarovic] The Serbian people, just as at that time, are again surrounded by hostile peoples and states. Many hope for the establishment of some sort of Austro-Hungarian union, and there are increasingly numerous arguments for the claim that the "Balkan question" is again current....

[Kraljacic] One thing is certain: Serbia entered the center of European interest back at the time when the first Serbian uprising broke out. The major powers of that period showed great interest in events in Serbia, because that uprising represented the first revolution in Europe after the French bourgeois revolution. The Serbian uprising set in motion a series of problems directly tied to the resolution of the "eastern question," and at the same time revived the aspirations of certain countries in this area. The greatest interest was demonstrated by Austro-Hungary, on the one hand, and Russia, on the other, but one should not ignore the ambitions of Great Britain, which feared that with the weakening of Turkey's situation, Russia would break through to warm seas and thus weaken Great Britain's positions in the colonies. Because of this, London was extremely interested in the continuance of the Turkish czardom—that "sick person" on the Bosphorus—and on the other hand, with the Serbian revolution, a new factor began to appear in the resolution of the "eastern question": the factor of national movements and peoples in the Balkans. All those who were interested in these movements attempted to direct them toward their interests or utilize them for themselves.

Here Austria clearly made a calculation, since, as a multinational state, it feared the possibility that Serbia, liberated from the Turks, would become the embryo of a strong Slavic state in the Balkans. Such a Serbia would be attractive for the numerous south Slavic peoples who lived within the framework of the Habsburg monarchy; the survival of Austro-Hungary as a nation would be directly threatened by this. Vienna therefore attempted, at any price, to prevent the development of Serbia in this direction and it did not change this policy until the breakup of Austro-Hungary in 1918. With the aim of implementing this policy, the occupation of Bosnia-Herzegovina, a central south Slavic land, was carried out, because the monarchy did not want to permit the establishment of a strong state around Serbia and around Montenegro. Since it was important to make a piedmont role for Serbia impossible, it was normal for this policy of Vienna's to continue even

after the occupation of Bosnia-Herzegovina, not only in relation to Serbia, but also in relation to the Serbian people in Bosnia-Herzegovina.

[Besarovic] Wishing to prevent a connection between Serbia and Montenegro and later a union between them, Austro-Hungary occupied the Sanjak. A perfidious Kala-jevo policy for creating a so-called Bosnian national identity was carried out in Bosnia-Herzegovina. Doesn't it seem to you that these tendencies are present even today, somewhat modified, to be sure, under the new historical circumstances?

[Kraljacic] The relationship with the Sanjak stemmed from the Austro-Hungarian Balkan strategy. Vienna not only wished to prevent a union between Serbia and Montenegro, but also attempted to create a lasting split between them, taking advantage therein of the dynastic opposites and some other factors which it skillfully "stirred up." Because of this, Austria stationed its army in the Sanjak, making it impossible for this area to become affiliated with Serbia and Montenegro right up to the Balkan wars.

As far as Bosnia-Herzegovina is concerned, Austro-Hungary attempted to stop all trends that could connect this region with Serbia and Montenegro. Toward this aim, strong military garrisons were built on the borders with Serbian lands, economic flows were cut off, and attempts were also made to establish a special type of Serbian identity in Bosnia-Herzegovina that would differ from that of the Serbs in other lands. Efforts by the Serbian people toward unity and the creation of their own national state would thereby be cut off, or at least it was planned this way. Measures by the government were also aimed at preventing rapprochement between Muslims and Serbs, because the fear existed that in case of the creation of an absolute majority of advocates of union with Serbia, this possibility could be more easily realized.

Bosnia Was Not an International Subject

[Besarovic] In order to prevent this, the occupying powers forced Catholics, of whom there were few even then in Bosnia-Herzegovina....

[Kraljacic] Austro-Hungary imposed the Catholic Church and Catholics, although it had another relationship with Croats as a national identity with regard to relations between Hungary and Croatia. It is also interesting that the powers feared that Serbs, who accounted for a relative majority among the population and were the strongest economically and intellectually, would exercise a strong influence on Muslims and tie them to themselves. In order to prevent this, the government did everything to create a gap between Serbs and Muslims....

[Besarovic] To what extent did it succeed in this?

[Kraljacic] I think that it mostly succeeded in this. Another long-term tendency also existed—the catholicization of Bosnia-Herzegovina, or the creation of a Catholic majority that would permanently tie this country to Austro-Hungary. The leading Austro-Hungarian officials in Bosnia-Herzegovina had an idea how to achieve this. The Habsburg monarchy was a state with a great tradition and

extensive political experience, and it never carried out its policy openly, in an un concealed manner, or drastically. It attempted to carry out its measures, at the time when they were being implemented, in such a way that they were least visible, and one could discern its long-term goals with difficulty. So, for example, as to Muslims, it was considered in Vienna that Muslims, from the religious standpoint, should be obliged to the maximum extent until the time ripened for them to switch to the Catholic faith themselves in a newly emerging situation. In other words, a type of policy was implemented that was to influence Muslims to let down their guard and not see a greater danger from Catholicism; after this, the process would be sharply accelerated. Because of this, the Austrian powers even clashed sometimes with ardent Catholics and with Archbishop Stadler of Sarajevo himself, who was carrying out a policy of proselytism. The clashes did not occur because of a difference in aims, which were the same, but because of different means of achieving them.

[Besarovic] Let's return to the Kalajevo policy. To what extent was it successful during this period, and how do you assess the current, indeed somewhat modified, version of "Bosnianism," which is present—and how—in this areas?

[Kraljadic] Certainly the aim of the Kalajevo policy of "Bosnianism" was an attempt to separate Bosnia-Herzegovina from Yugoslav areas, especially from the Serbian area. There existed a certain historical tradition among Muslims, while this policy completed failed among Serbs. However, I must say that Muslims at that time did not accept the Kalajevo plan in expected numbers because their traditional ties with Turkey were very strong. Moreover, "Bosnianism," as a secularized ideology, was not appropriate for the Muslim world, which was primarily religion-oriented. Although this idea did not succeed then, it nevertheless left deep traces, and today it has again been actualized under new conditions and is certainly showing specific results.

[Besarovic] In Muslim political as well as scholarly circles, claims can often be heard today about an alleged national continuity of Bosnia-Herzegovina, where the decisions of the Berlin congress are cited as one of the "regal proofs." To what extent are these claims indeed historically based?

[Kraljadic] I think that Bosnia-Herzegovina has never been an international subject, so nothing can be said about its international recognition. During the middle ages, but also at the time of Turkey, it was an Ottoman province that represented a territory within the framework of the monarchy at the time of Austro-Hungary; therefore, it has never emerged as an international subject, or as a factor for decisionmaking in international relations. In the final analysis, it has never had any institutions that could represent it in international relations. It was first an occupied territory, and then an annexed territory, and its Assembly has had very limited interference.

[Besarovic] We live in a time where we are reminded of crucial historical decisions, and one of them is, without a doubt, the act of unifying or creating Yugoslavia in 1918. There are opinions that the leading Serbian politicians at

that time (primarily King Aleksandar and Pasic) committed a catastrophic error in accepting unconditional unification without a prior designation of Serbian territories in that new country?

[Kraljadic] In 1918 Serbia came out of the war as a victorious force but with huge losses. There existed certain illusions about the possibility of life in common with Croats, and that feeling was also present in certain Croatian circles. We should remind ourselves that Serbia had announced its wartime aims back in 1914. The immediate aim was the unification of all Serbian lands, and the broader or maximum aim was the creation of a common nation of all south Slavs.

The Dictatorship Did Not Create the Gap

[Besarovic] The Allies then offered Serbia what some politicians and scholars cite today—a Serbian nation with western boundaries on the Karlovac-Virovitica-Karlobag line....

[Kraljadic] Serbia was offered Bosnia-Herzegovina and parts of today's administrative Croatia. One should know that the great victorious powers of that time strove to create a nation that would correspond to the newly developed situation in the constellation at that time. A nation that would preserve the balance established and neutralize German and Hungarian revisionism in the Balkan area. That was the interest of Europe, and to the extent this was a realistic and plausible solution, another question....

[Besarovic] There are also opinions that these very same major powers compelled Serbia to accept the maximum solution, or unification with Croats and Slovenes....

[Kraljadic] Serbia was certainly able to carry out a minimal program, but it nevertheless opted by itself for a Yugoslavia.

[Besarovic] Yugoslavia was conceived as a united state, and Italy and Germany, which were previously united through the joining together of different small states, were taken as a model?

[Kraljadic] Correct. If the unification of Italy is examined, it can be said that the antagonisms there were greater at the beginning than is the case with us. It is certain that with us the factor of religion has made integration difficult and impossible, and has created a gap that increasingly deepened later.

[Besarovic] Did the 6 January dictatorship and the policy of an integral Yugoslavism contribute to this?

[Kraljadic] The 6 January dictatorship has been much emphasized but, in my opinion, did not contribute a lot to this, because the gap was large even without it. But then it has contributed to the fact that Yugoslavism is identified with greater Serbianism, although both Serbs and Croats who did not accept this authoritarian type of rule were equally persecuted during the dictatorship.

[Besarovic] From the historical viewpoint, can the Banovina Croatia, established with the agreement between Cvetkovic and Macek in 1939, represent a basis for the

current demands by Zagreb to "remove" territories primarily settled by the Serbian people from Yugoslavia?

[Kraljacic] It's difficult to say that, because it is known that the creation of Banovina, or the inclusion of Croatian territories here, caused great dissatisfaction in Bosnia-Herzegovina, as well as among Serbs. The majority of the population in the territory of Banovina was Croatian, but that was not the case in certain areas.

[Besarovic] Does this mean that ethnic principles were not taken as the only criteria upon the establishment of Banovina?

[Kraljacic] It was basically ethnic, but it could not be fully implemented for some parts of Bosnia-Herzegovina in which a mixed population lived.

[Besarovic] History has been a "servant" of official ideology with us for a long time, and younger generations have "big holes" in their knowledge of history, especially that of their own people. What can be done to change that situation and what role can historians play in all this?

[Kraljacic] First of all, a revision of educational programs in schools must be carried out and more space given to Serbian tradition, the positive tradition, of course, which was continuously suppressed during the period after the war. It is also necessary that scholarly research be carried out more thoroughly by a more objective population.

Austria Attempted To Create an Ethnic Wall

[Besarovic] Are you, as a reputable historian, satisfied with the conditions that you have for your work, and are some archives that were not available to you, now accessible?

[Kraljacic] As far as archival files are concerned, they are available for the most part, with the exception of the newest ones. The possibilities for research have been limited mainly because of a shortage of material resources. It is interesting that ideological limitations also existed which, actually, were not directly imposed, but so-called self-censorship developed among people that was very harmful for public speech.

[Besarovic] It is known that your specialty is the study of the modern history of Bosnia-Herzegovina, more specifically, the study of the 19th and 20th centuries. Can it be said that this history has been presented in a correct way up to now, or has ideological interest prevailed in its study?

[Kraljacic] There have certainly been ideological influences, but significant scholarly achievements have been realized. This has certainly depended often on the authors who were dealing with this, or on their thoroughness, but, as I say, certain limitations were present....

[Besarovic] Finally, Professor Kraljacic, tell us something about your current scholarly research....

[Kraljacic] I am now dealing with migrations, or emigration from and immigration into Bosnia-Herzegovina during the Austro-Hungarian administration. This is a very interesting topic which also casts light on the policy of Austro-Hungary in Bosnia-Herzegovina. And in this

regard Austria observed ethnic relations very well—demographic movements in this area—and attempted wherever possible to refute ethnic Serbian continuity with the migration of a foreign element. There were attempts to create an ethnic wall toward Serbia and Montenegro.

[Besarovic] On the Drina, with the Muslim population?

[Kraljacic] Partly with the Muslim population, partly with the population from other parts of Austro-Hungary. There was an attempt to physically break off ties between Bosnia-Herzegovina on the one hand, and Serbia and Montenegro on the other.

[Besarovic] Did Serbs emigrate most at that time?

[Kraljacic] No, they didn't emigrate. At that time Muslims emigrated most, since they had ties with Turkey and they had come under the rule of a Christian country. Serbs emigrated much less, and one of the reasons was that they were in the peasant class for the most part, and were not able to obtain the means to emigrate. There was also a preconceived national policy. There was a very strong Serbian national movement in Bosnia-Herzegovina that influenced Serbs not to move out of Bosnia-Herzegovina, and on the other hand Serbia did not support emigration because there was a fear that our population in this region would thereby decrease. In this case migration from Austro-Hungary could have occurred, thereby reducing chances for unification with Serbia.

Dinar Smuggling on New Croatian-Slovene Borders

*92BA0078B Belgrade POLITIKA in Serbo-Croatian
14 Oct 91 p 10*

[Article by D. Damjanovic: "New Croatian-Slovene Borders and New Problems: Piles of 1,000-Dinar Bills Out of Slovenia"—first paragraph is POLITIKA introduction]

[Text] At the Jelsani border crossing alone, customs officials confiscated nearly 4 million black-market dinars in two cars over the course of one day. Travel is still possible in Istria without customs.

Pula, 13 Oct—The new border that has divided the Istrian Peninsula into Slovene and Croatian portions against the will of the Istrians has brought with it its first problem: smuggling. The main object of the black-market trade is the dinar. Or to be more precise, piles of dinars. Because the dinar is no longer a means of payment in Slovenia, smugglers are trying to get them to Croatia, because officials have announced that there the dinar will remain in use until the end of the year, when it will be replaced by the kruna and banica.

However, the border in Istria, or rather the border crossings which are still under construction, do not have a continuous customs service on duty, so that on Friday afternoon the border was crossed without any controls whatsoever. It is difficult to even estimate how many dinars "arrived" in Croatia through Secovlje, but customs officials in Jelsani on that day discovered 2,873,400 dinars under the upholstery of a car registered in Rijeka, while 988,000 dinars were found in another Rijeka automobile.

This is what was told to Rijeka's NOVI LIST by Ivica Jakopovic, a former customs official along the Yugoslav-Italian border and former detainee of the Slovene Territorial Defense Force, which arrested him as a Yugoslav customs official at the Slovene border. He generally does not comment to the Belgrade press out of principle, and now is the head of the Department for Control Affairs for the Rijeka Customhouse. Jakopovic says that one of the smugglers tried to justify himself by saying that he had sold inherited German marks in Slovenia and gotten the dinars in this way. However, the origin of the money has yet to be established, and officials do not know who the main organizer of the smuggling of piles of 100-dinar bills from Slovenia is.

Big Commission

The story about German marks inherited and sold in Slovenia is hard to swallow, and it is even harder to believe that four Rijeka residents could have nearly 4 million dinars in cash. The money probably came from someone much richer than any citizen, and the smugglers simply transport it for a good commission. One need only compare this story with the well-known fact that in the past officials of the TTG [expansion not given] or confidential employees, usually young people, and not Slovenes, worked on trains exchanging foreign currency for the guest workers on the spot, for the benefit of Ljubljana Bank, and for a big commission, in order that they not take their foreign exchange further south than Slovenia. Analogous to this, it is possible that confidential Rijeka residents are now involved in transporting dinars that are no longer in circulation in Slovenia.

It is clearly impossible to predict how many dinars will "flow into" Croatia from Slovenia, but by mere virtue of this activity, it is inexplicable that the Istrian border crossings remain uncontrolled. It is true that Croatia has introduced a defensive measure, to the effect that more than 10,000 dinars cannot be deposited into an account, and up to 5,000 dinars can be paid in cash at stores. But it appears that the smugglers, now that they have decided to transport dinars, have found a path and way to place them outside Slovenia. Perhaps they are counting on having the dinars flow on to Serbia, which has no intention of renouncing them, and the last wave of the thus-devalued dinar will engulf the rest of Yugoslavia.

Minister Also Involved

Clearly, financial experts must analyze and contemplate whether those who are not planning to discard the dinar must and can defend themselves against these Slovene exports of dinars through smuggling, because even the Croatian minister for finance recently reacted to the situation in a televised appearance, warning the population of Croatia about this danger and even appealing to their civic loyalty by asking them not to exchange their foreign currency in Slovenia. Specifically, Minister Rudolf, appearing as a guest on HTV [Croatian Television], called on Croatian citizens to take advantage of a bargain sale and convert their foreign exchange into dinars at an exceptionally favorable exchange rate.

The fact that games are being played with the dinar in Slovenia is attested to by the Trieste black market, with its illegal money-changers who, with impeccable instincts, are paying more for the Slovene tolar than for the dinar, while the banks are not even exchanging it for lire.

Reason for Stoppage of Jadran Oil Pipeline

92BA0078A Zagreb VJESNIK in Serbo-Croatian
12 Oct 91 p 7

[Article by Salih Zvizdic: "Why Jadran Oil Pipeline Is Not in Operation: Terrorists Shut Off Valve"—first paragraph is VJESNIK introduction]

[Text] It is a notorious lie that the oil pipeline was disconnected in order to cut off the supply of petroleum to Serbia. It is not in the interest of the Jadran Oil Pipeline to halt the flow of petroleum, because it gets around \$40 million annually from transit alone. Both Hungary and Czechoslovakia are also hard hit.

Since Saturday, 14 September, the 770-kilometer Jadran Oil Pipeline has not been in operation; this is the pipeline through which petroleum is supplied from the terminal in Omisalj, on the island of Krk, to domestic refineries in Sisak, Lendava, Bosanski Brod, Pancevo, and Novi Sad, and for refinery needs in Hungary and Czechoslovakia. Everything has been at a standstill for 28 days now, and Serbia has accused Croatia of having shut off the pipeline in order to cut off the supply of petroleum to Serbian refineries. The truth, however, is somewhat different.

We spoke to Ante Cicin-Sain, the general director of the Jadran Oil Pipeline, about this.

Pipeline Shut Off by Terrorists

The pipeline was put out of operation by terrorists along the section between Krnjak na Kordunu and Hrastovica, near Petrinja. Aside from Krnjak, the pipeline valves in this sector are located in Vojnic, Vrginmost, Satornja, Glina, and Hrastovica. This is a region that at the moment is not under the control of the Croatian army, and it stands to reason that because of this it is not possible to put the pipeline back into operation. It is also known how the terrorists carried out this diversion: There was no destruction involved, but rather the closing of one of the valves.

There are around 300,000 tonnes of petroleum in the entire pipeline system, because the transport mechanism is possible only when the entire system is full, and distribution is controlled at certain points by special automated and manual equipment. Of that quantity, 64,000 tonnes are allocated for Bosnia, part of it is for the refineries in Sisak and Lendava, and most of it is for Hungary and Czechoslovakia. Terrorists cannot use crude oil, because it is of use only to refineries in order to produce petroleum derivatives. Discharging oil from the pipeline would have catastrophic consequences for the environment, even though in that case only the part of the oil between valves under Croatian control would be removed from the system.

Full Reservoirs in Omisalj

Since the pipeline was knocked out, new ships carrying crude oil have arrived at the Omisalj terminal, and at present around 400,000 tonnes are awaiting transport. Of that, Hungary is due to receive around 140,000 tonnes, Czechoslovakia 160,000 tonnes, and Bosnia around 100,000 tonnes.

At the moment, the most difficult oil refinery situation is at Bosanski Brod, which is faced with a complete shut-down, a subject addressed in the BH [Bosnia-Herzegovina] Assembly by the republic's prime minister, Jure Pelivan. At Bosanski Brod thought is being given to preserving the refinery because of the rapid corrosion of empty pipes and because the catalysts are rapidly losing their capacities.

In addition, there are around 90,000 tonnes of petroleum in the pipeline system between Omisalj and Sisak, 48,000 tonnes between Sisak and Bosanski Brod, 45,000 tonnes between Bosanski Brod and Novi Sad, and 11,000 tonnes between Novi Sad and Pancevo. This oil cannot be used until pressure is applied from Omisalj with new quantities of oil. This is actually the "filler" that belongs to the pipeline, and the amount of oil that the refineries have purchased is distributed to them.

Lie About Serbian Oil

There is not a single tonne of Serbian oil in the entire pipeline system, because Serbia has used all its oil. Previously, long before the pipeline operation was shut down, Croatia halted the delivery of around 190,000 tonnes of crude oil to Serbian refineries, which partially defrayed the loss resulting from the "Ina" [Petroleum Refining and Sales Enterprise] petroleum products that Serbia confiscated together with more than a hundred gas stations. That oil is completely unconnected to the interruption in pipeline operation, which was caused by Serbian terrorists, and the Serbian press is spreading notorious lies when it alleges that the pipeline was shut off in order to cut off the supply of petroleum to Serbia. It is clearly not in the interest of the Jadran Oil Pipeline to halt the flow of oil because it gets around \$40 million annually from transit alone, most of which comes from Hungary and Czechoslovakia.

Intervention by Ambassadors

Hungary and Czechoslovakia are going to great lengths to get the pipeline back in operation because the reserves of crude oil in those countries are running low. At stake is not only their oil within the pipeline system, but also the oil in reservoirs in Omisalj, which at the moment they can get at only through the pipeline. The ambassadors of these two countries are persistently paying repeated visits to the Ministry of Foreign Affairs of the disintegrating Yugoslavia, and not infrequently there are also telephone calls to the management of the Jadran Oil Pipeline in Zagreb. Belgrade is falsely informing them that this is a "Croatian matter."

In the memorandum on the agreement of 8 October between the representative of the FSND [Federal Secretariat for National Defense] and the representative of the Croatian army in Zagreb, it appears that an allusion is made to the pipeline in the third point, referring to the

lifting of the blockade on the Adriatic coast, insiders emphasize. There, it is stated that the blockades will be lifted "...with the goal of permitting the free movement of people, food, and various goods...." These "various goods" could apply to petroleum as well. But thus far, aside from frequent intervention on the international level, nothing more concrete has been done in this area, even though if all sides agreed to it, the work needed to put the pipeline into operation would take only two or three hours.

Own Oil in Croatia and Serbia

When the entire industry was in operation and all other consumers were working at full steam, Croatia needed around 4.5 to 5 million tonnes of petroleum per year. Croatia's own production of around 3.1 million tonnes is adequate to cover its own needs. Specifically, one must take into account that around 200 "Ina" gas stations in other republics besides Slovenia are no longer being supplied, nor are the Yugoslav Army and certain other "federal consumers."

In September, 108,000 instead of 143,000 tonnes of crude oil were produced in Croatia, which is 26 percent less than the planned figure. During the same month, production of petroleum derivatives fell short by 16 percent (28,000 instead of 32,000), and natural gas fell short by around 6 percent (120 million instead of 165 million [as published]). These are not significant losses given the sharp decline in consumption. The best indication of this is provided by the fact that over the past nine months refineries were supplied only 18 percent less domestic petroleum than during the same period last year, with only 6 percent less petroleum derivatives, and around 5 percent less natural gas.

Adequate Petroleum and Natural Gas for Croatia

According to "Ina" information, 12 oil fields at Vinkovci, Donji Miholjac, and Novska have shut down production, but that has not seriously threatened production. Natural gas production could be greater, but it has fallen off because of the significant drop in consumption by several main consumers (Kutina Fertilizer Factory, Lipik Glassworks, Nasice Cement Works...).

From its wells at Kikinda in Vojvodina, Serbia gets around 750,000 tonnes of crude oil annually, which is an insignificant quantity given the consumption of Serbia, Vojvodina, and Kosovo. Not only is the delivery of crude oil along the Danube uneconomical, it is also hard to secure an adequate number of river tankers. In one day the pipeline transports the same amount of oil as that transported by a hundred tugboats in 10 days.

Despite the stoppage in pipeline operation, which is clearly not in Croatia's interest, the Republic of Croatia will have enough petroleum derivatives for its own needs, and even some left to export. Admittedly, the reason for this is decreased consumption. The latest "Ina" measures, under which cars registered outside Croatia can purchase petroleum derivatives only in exchange for foreign exchange, were introduced in order to limit the "export" of oil to other republics for worthless, additionally printed dinars, and this is also a way to avoid supplying petroleum derivatives to the Yugoslav Army.

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