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Trade With Soviet Republics Discussed

92CH0112A Budapest FIGYELO in Hungarian
3 Oct 91 p 13

[Interview with Istvan Tamas, a deputy division director in the Ministry of International Economic Relations, by Robert Becsky; place and date not given: "Trade With the Republics; The Enterprises Make the Deals"—first paragraph is FIGYELO introduction]

[Text] The agreement signed with Bashkiria, after similar agreements reached with the Russian Federation and the Ukraine, could be regarded as a prototype of foundations for evolving economic cooperation with the Soviet republics. We inquired with Istvan Tamas, deputy division director, Ministry of International Economic Relations [NGKM] about anticipated developments.

[Becsky] New structures have not yet evolved in the Soviet Union; although the old ones still exist, they no longer function in a real sense. Meanwhile, Hungarian enterprises exert increasing pressure on the state to do something about preventing the loss of Eastern markets. Last week Istvan Bihari, a prominent representative of the pharmaceutical industry, spoke out in this regard (See: "What Should We Be Afraid Of?"—FIGYELO No. 39, 1991). What could the NGKM do?

[Tamas] Facts and figures indicate that recently far more interstate negotiations have taken place with the Soviet Union than in any prior year. While pursuant to market economy principles, the government does not want to intervene, and while its means and methods for intervention are extremely limited, it has constantly become the subject of criticism by enterprises, even though the fundamental and primary reason for the serious decline in trade has been the partner's inability to pay.

[Becsky] This situation is not about to change just because we entered into the agreements with the various republics—the same agreements which had failed with the Soviet Union as a whole.

[Tamas] The agreements signed with the various republics are so-called overall agreements, establishing principles for economic cooperation. In other words, we are trading at world market prices and make settlements in hard currencies, while deals are struck by enterprises and not by governments. Incidentally, the NGKM has, for quite some time, searched the market to find regions and republics with which direct relations could be established. (For example, last year we purchased 150,000 tonnes of crude oil from Bashkiria, essentially in exchange for various consumer goods.) True, the various republics will not have more foreign currency available than the Soviet Union as a whole, but they will have dispositional authority over more goods. If needed, the agreements also provide for the establishment of annual indicative lists of goods to be bought and sold.

[Becsky] Such lists had also been prepared for 1991 but, as it turned out, they were not worth much.

[Tamas] Although the document provides that both parties enter into separate agreements establishing a banking background needed to support trade transactions, this alone will not catalyze the development of today's barely existing banking infrastructure in the republics. There obviously will be more opportunities for barter and clearing transactions. One cannot really tell today what kind of central banking system is going to exist and what kinds of authorities the various republics are going to have based on their agreements to establish an economic community or union. One thing is certain, however: The agreement to be reached by the republics concerning an economic community or a union will provide greater latitude for the republics to sell goods, including goods exchanged between the various republics and Hungary in earlier days.

[Becsky] These deliveries have been restricted thus far due to the need to make debt service payments.

[Tamas] It has become clear by now that licensing authority is going to be exercised by the republics. At the same time it is also true that in one form or another, a certain amount of central involvement may have to continue because of the debt service payments. But even thus far, to a certain extent this matter has been the subject of bargaining between the republics and the union. Just how the external and internal debt burden can be divided among the various republics is a separate issue. In any event, if 1991 has been the year of transition because they changed over to dollar-based settlement and to a new kind of cooperation, 1992 will be another year of transition because of the relations that evolve with the various republics. And the various republics will take advantage of their independence in varying degrees, depending on their individual levels of development and other circumstances. The fact that we entered into an agreement with Bashkiria and not with some other republic was no coincidence. Bashkiria is trying to accomplish a transition to a market economy based on the Hungarian experience. Sandor Demjan is an economic adviser to the government of Bashkiria. Incidentally, we are not the only ones interested in finding investment opportunities in Bashkiria, which is one of the more developed republics and is rich in oil and raw materials. We have a certain situational advantage, however, because we are familiar with the Soviet market and know how the command system had worked.

[Becsky] Except for the fact that with more or less success, Hungary has been endeavoring for quite some time to open itself up to the world. On the other hand, professionals familiar with the Soviet Union are justly concerned about a strengthening economic nationalism and protectionism. In the context of the republics, nationalism and protectionism could be accompanied by increased state interference and by weakening market connections and relations between enterprises.

[Tamas] Direct relations with the republics definitely means doing business with those familiar with local conditions. Less bureaucratic individuals know what they want and their interests are also more directly related to given regions and republics. This could also backfire, of course: Those less familiar with the world would like to get rid of merchandise they could not sell to anyone else.

The picture is also more complex as far as enterprise independence is concerned. The Soviet Union has, in a number of respects, reached the stage where Hungary was several years ago; decisions were made by the central government while enterprises were already capable of influencing these decisions in many ways. To mention just one example, export and import contingents specified in previous interstate agreements had evolved as a result of bargaining with the enterprises.

[Becsky] If I understand this matter correctly, the fact that the proposed indicative lists of the republics contain for example footwear manufacturing machinery rather than shoes, and that thereby these lists establish a preference for domestic industrial development, represents a certain kind of protectionism.

[Tamas] In the short term we definitely should count on selling mainly consumer goods and so-called public welfare merchandise which directly influence the standard of living, in exchange for raw materials. In the longer term, however, they may want to process their raw materials, in which case industrial development establishes demand for machinery. This would not necessarily be disadvantageous from our standpoint because we have lost our market positions in places where we had previously sold competitive machine industry products—competitive only under the then existing price ratios and along with the then existing qualitative and technological levels, of course. But as far as the development of trade relations is concerned, conclusions cannot be drawn until there is a settlement of disputes over state authority, and the banking and foreign trade systems in the Soviet Union. We do not know as of today whether a separate federative external economic ministry is going to exist, and if so, what the future authorities of such a ministry would be.

[Becsky] When, do you think, are we going to have answers to these questions?

[Tamas] Delays did not produce much benefit to the Soviet Union, based on what we have seen in 1991. Debt management has been the only economic policy goal they actually took very seriously this year. We have been the passive subjects of this strategy because based on world market prices and hard currency settlement—along with drastic reductions in imports—the Soviet Union had amassed significant amounts of foreign exchange revenues from the East European countries.

On the other hand the fact is that in the future we are going to establish external economic relations primarily with the republics. In this sense then, we are in the

process of negotiating with the Baltic states, Moldavia, Belorussia, Kazakhstan, Uzbekistan, Tajikistan and Georgia.

Statistical Office Evaluates Joint Enterprises

92CH0112B Budapest FIGYELO in Hungarian
3 Oct 91 p 19

[Article by Anna Mesko of the Central Statistical Office: "Joint Enterprise Picture Mixed"]

[Text] A few months ago this newspaper published a study prepared by an employee of the Hungarian Economic Research Institute concerning foreign capital in Hungary. (FIGYELO 27 June 1991.) The conclusions reached in an analysis by the Central Statistical Office [KSH] are different.

KSH records indicate that during the first half of 1991 some 3,077 business organizations with foreign participation had been established. On 31 December 1989 there were 1,350 joint enterprises in Hungary, and their number increased to 5,693 by 31 December 1990. Eighty-two percent, or 2,511 of the newly established enterprises were established with mixed foreign and Hungarian capital, 16 percent, or 492 firms exclusively with foreign private capital, and the remaining 74 enterprises incorporated some other foreign interest. The new joint enterprises were formed with a combined total capital stock of 71 billion forints, (of this amount 31.2 billion forints represented non cash, in kind capital contribution), of which 26 billion forints had been contributed in the form of foreign exchange. The amount of foreign capital flowing to the country may be substantially larger, however, because the 26 billion forint figure does not include either the operating capital invested in business organizations established earlier, or increases in capital investment since the establishment of such organizations. The 26 billion forint increment exceeds by a small amount half of the capital stock increment in joint enterprises established in 1990. This is so because the total amount of foreign capital in Hungary amounted to 93 billion forints at the end of 1990, while the same amounted to only 30 billion forints at the end of 1989. Of the 63 billion forint increment 49 billion forints may be attributed to newly established joint enterprises while 14 billion forints worth of capital increment is related to joint enterprises established earlier.

Seventeen percent of the joint enterprises established during the first half of 1991 were wholly foreign owned. A similar ratio amounted to only 4 percent in 1990. The ratio of Hungarian owned business organizations with foreign interest has declined as of recently.

The average volume of capital stock in individual joint enterprises established during the first half of the year amounted to 23.1 million forints; this amount is significantly less than the 48.2 million forint per enterprise capital recorded at the end of 1990. Sixty-three percent of the newly formed joint enterprises had capital stock worth 1 million forints; the ratio for the same, small

amount of capital stock was 35 percent in 1990. Changes in the tax decree in force beginning on 1 January 1991 had no effect on the newly formed business organizations. According to these provisions tax benefits would only be due to businesses which had at least 50 million forints worth of capital stock as compared to the previously required 25 million forints, and provided that at least a 30 percent share of that amount represented foreign investment.

Since the average size of capital has been substantially lower in the first half of 1991 than in 1990, the average volume of per enterprise foreign investment had also dropped from 16.4 million forints to 8.5 million forints. The foreign capital versus total capital ratio was more favorable during the first half of 1991 than in 1990: It rose from 34 percent to 37 percent.

The distribution of major foreign currencies during the first half of 1991, which made up the capital stock of newly formed joint enterprises is shown in Table 5.

Fifty-four percent of the newly formed joint enterprises, or 1,654 firms are engaged in commerce, 19 percent or 583 firms in industry, 14 percent or 483 firms in service deliveries and in other branches of the economy. Opinions frequently voiced to counter statements concerning the growth of operating capital, i.e. that foreign capital was flowing into fields that were less significant from the standpoint of the economy, are not true, because 63 percent of the capital stock contributed in the form of foreign exchange had been invested in industry, and only 12 percent in commerce. As compared to 1990 data, this means a 14 percentage point increase in capital investment in the form of foreign exchange, and a 5.5 percent reduction of such investment in commerce. (Within industrial joint enterprises the founder's average capital investment amounted to 77 million forints; only a fraction of this, or 4.7 million forints was the average founder's capital investment in commercial joint enterprises.) While the foreign capital ratio of total capital decreased in the personal and business services sphere from 21 percent to 15 percent, but the same significantly increased in the food industry from 6.5 percent to 27 percent. This increase is due to the fact that Compack Food and Packaging industry Inc., the Sugar Mill of Kaba, Inc. and the Sugar Industry of Petohaz, Inc. had recently become joint enterprises. (These three food

industry stock corporations attracted 21 percent of all capital stock contributed in the form of foreign exchange.)

From the standpoint of regional distribution, foreign capital has been heavily concentrated in Budapest; 1,730, or 56 percent of the new joint ventures were established in Budapest during the first half of 1991 with 13 billion forints worth of foreign exchange (or 51 percent of all investments made during the period in the form of foreign exchange). (At the same time, this represented a small decrease in concentration as compared to 1990 year-end conditions.) Foreign capital investments exceeding 1 billion forints had been made in Győr-Sopron-Moson, Pest, Hajdu-Bihar, Veszprem and Komárom counties.

As of the end of 1990 3,164 joint enterprises were profitable, while 2,280 constituted loss operations; net profits amounted to 37 billion forints, or 13 percent of the net profits of all organizations having the character of enterprises. (Footnote) (Organizations having the character of enterprises: dual bookkeeping; 25 million forints in sales revenues; entrepreneurs operating in the form of legal entities.) As compared to 1989, joint enterprise net profits increased by 16 billion forints while in all other enterprises within the national economy net profits declined by 7 billion forints.

The GDP of all business organizations with foreign interest amounted to 114.2 billion forints at the end of 1990, more than double the amount recorded in 1989. In the course of a year, the GDP share of joint enterprises, as part of the total GDP of all entrepreneurial type organizations, had increased from 4.5 percent to 9.2 percent.

The net profits of joint enterprises amounted to 677.5 billion forints in 1990, or 10.7 percent of the total sales revenues of all organizations having the character of enterprises. (The same ratio was 4.6 percent in 1989.) The export orientation of organizations operating with foreign capital exceeds that of organizations which operate with Hungarian capital: 12 percent of their net sales revenues were paid in dollars and 4 percent originated from settlements in rubles, while the same ratios in all other enterprises were 8.1 and 2.5 percent, respectively. Further management analyses of joint enterprises would provide a more accurate picture of the place occupied by these enterprises in the national economy.

Table 1
Capital Stock of Business Corporations Operating as
Independent Legal Entities and Formed During the
First Half of 1990 With Foreign Capital Contribution

	Number of Organizations	Capital Stock	In Kind Contribution as Part of Capital Stock	Capital Stock Contributed in the Form of Foreign Exchange	In Kind Contribution as Part of Capital Stock Contributed in the Form of Foreign Exchange
		Millions of Forints			
Business organization established solely by foreign capitalists	492	5,613.8	460.6	3,797.6	343.2
Business organizations with foreign capitalist and domestic interest	2,511	65,158.6	30,654.9	22,177.0	2926.6
Business organizations with no foreign capital interest	11	21.7	8.0	7.4	—
Business organizations with foreign capitalists and non-capitalists, and with domestic interest	63	222.7	112.4	54.6	25.8
Total	3,077	71,016.8	31,235.9	26,036.6	3,295.6

Table 2
Per Branch Distribution of Business Organizations
Operating With Foreign Capital

	Number of Organizations as of 31 Dec 1990	1 Jan Through 30 Jun 1991	Foreign Exchange Part of Capital Stock as of 31 Dec 1990	1 Jan Through 30 Jun 1991
Mining	1	—	210.0	—
Electrical energy	2	1	0.6	0.5
Foundry industry	29	8	2,017.2	800.0
Machine industry	691	266	14,875.2	4,772.6
Building-materials industry	71	32	6,526.1	1,453.2
Chemical industry	187	53	6,209.9	905.8
Light industry	384	140	9,823.5	1,379.5
Other industry	31	14	372.9	82.8
Food industry	130	69	6,066.8	6,941.6
INDUSTRY TOTAL	1,526	583	46,102.2	16,336.1
Construction	518	245	6058.6	1407.9
Agriculture	78	42	494.0	111.6
Transportation	130	62	2029.7	430.3
Domestic commerce	1,661	1,123	12,715.7	2,250.1
Foreign trade	675	531	3,552.3	856.8
Water-resources management	6	1	17.6	0.5
Other material branches	199	52	1,532.0	272.3
MATERIAL BRANCHES TOTAL	4,793	2,639	72,502.1	21,665.6
Personal and business services	543	254	19,206.0	3,994.4
Health care and business services	304	158	1,359.7	307.3
Community business services	53	26	150.8	69.3

Table 2
Per Branch Distribution of Business Organizations
Operating With Foreign Capital
(Continued)

	Number of Organizations* as of 31 Dec 1990	1 Jan Through 30 Jun 1991	Foreign Exchange Part of Capital Stock as of 31 Dec 1990	1 Jan Through 30 Jun 1991
SERVICE BRANCHES TOTAL	900	438	20,716.5	4,371.0
GRAND TOTAL	5,693	3,077	93,218.6	26,036.6

*1990 data are based on enterprise financial statements; Jan-Jun 1991 data are based on KSH assessment of questionnaire survey results.

Table 3
Net Profits

	Profits		Losses		Net Profits		Change
	1989	1990	1989	1990	1989	1990	
Organizations having the character of enterprises	312	355	26	76	286	279	- 7
Business organizations with foreign participation	23	50	1	13	22	37	+ 15

Table 4
Distribution of Business Organizations Operating With Foreign Investment Based on Foreign Share

Ratio of Capital Stock in the Form of Foreign Exchange as Compared to Total Capital Stock (in Percentages)	31 Dec 1990	30 Jun 1991 (Only the Newly Formed Organizations)
-20	793	502
21-30	798	352
31-50	3,279	1,287
51-80	433	306
81-99	146	115
100	244	515
[TOTAL]	5,693	3,077

Table 5

Currency of Original Foreign Capital Contribution	Number of Joint Enterprises	Proportion of Capital Stock Contributed in Foreign Exchange (in Millions of Forints)
Austrian Schilling	669	7,675.4
U.S. Dollar	671	4,655.4
German Mark	1,052	2,209.2
British Pound	116	2,202.7
YTL [expansion unknown]	176	1,696.0

Suranyi Press Conference on Monetary Policy
92CH0112E Budapest FIGYELO in Hungarian
10 Oct 91 pp 1, 10

[Article by Katalin Ferber: "Information From Central Bank President; Agreement With Question Marks"]

[Text] A few days ago we witnessed a historical meeting: An agreement had been reached for the first time in Hungary, (at least insofar as publicized agreements are concerned), between the banks, the Finance Ministry, and the central bank. Parties to the agreement followed the wise advice of the central bank [MNB] and agreed to monetary steps to be taken as part of tight-money policy, according to a press release. An increase in the mandatory reserve requirements and a modest reduction in the banks' borrowing rate suggest that the government is determined to break inflation.

At a time when the balance of payments is very favorable and foreign capital investments show a steep rise even though the Hungarian economy has difficulties in absorbing such capital, it is appropriate to raise even professional questions regarding the purpose of tight money policy. Reducing the income of commercial banks could hardly be the purpose of such policies. Similarly, the budget deficit is unlikely to show a spectacular shrinkage as a result of such policies. Although we did not expect to receive full answers to these questions, we thought that a reassuring statement would be forthcoming at the MNB press conference.

While journalists heard no reassurances, they once again learned of some quantifiable uncertainties. This is a strange year, because for the first time in this century's Hungarian economic [history] the budget deficit had

increased without an increase in the balance of payments deficit. In other words, while this year could produce not only a significant improvement in international obligations but also a "balanced" situation, the expected budget deficit amounts to 86.5 billion forints, and this deficit cannot be reduced in 1992 either. Thus the MNB had no other choice in the past, present, or future but to continue its cautious, circumspect, stringent, tight credit monetary policies.

This also answers the question raised in this article because the already mentioned agreement between the central bank, the finance ministry and the commercial banks, like similar agreements that had been reached before on a quarterly basis, amounted to none other than a part of renewed measures intended to restrict the availability of money. All this must be pursued in a recessionary period, i.e., although the slowing down of the inflation rate and the expansion of exports indicates that results are being accomplished in certain parts of the economy, the renewal of tight money policies demands extreme circumspection. Whether 1992 will be an easier or a more difficult year than this year depends primarily not on quantifiable factors; the actual outcome is influenced more by expectations than by actual increases in

consumer and producer price levels. Similarly, the market-based financing of the budget deficit or the incremental costs to be incurred next year because of the need to pay for energy in convertible currencies rather than rubles, represent new burdens. All these factors, however, have uncertainty as their common characteristic, which affects both the active and the passive subjects of the economy.

As regards the central bank law to be voted on soon by the parliament, the MNB president responded objectively, with restrained optimism. He stressed that the preparation of the legislative proposal itself had been a result of team work based on negotiations with the government. Although amendments proposed by some representatives did not support the establishment of a central bank consistent with European standards, the leadership of the bank had hopes, and continues to be hopeful that a majority in the parliament is going to vote for the latter solution. Informal cooperation between the central bank and the government continuously prevailed during the past year and a half, and MNB President Gyorgy Suranyi believes that continuation of this practice will be made part of the law. So be it.

Importance of Product Packaging Stressed

Commentary on Packaging

92EP0051A Warsaw GAZETA BANKOWA in Polish
No 39, 29 Sep-5 Oct 91 pp 16-17

[Article by Stanislaw Brzeg-Wielunski: "The Kingdom for Packaging"]

[Text] Wladyslaw Gomulka is supposed to have said, over twenty years ago, that packaging is an unnecessary difficulty in industrial production, since after all "one can sell herring wrapped in newspaper." The comment of the first secretary from the 1960's expresses well the lack of understanding of the importance of packaging in the marketing of Polish products, a mindset which dominated over the last 45 years. It is for this reason among others that, two years after the market revolution of 1989, peasants cannot sell their dairy products, since they lose out to the handsomely packaged—though often chemically preserved—products from the EEC and other countries.

There are also problems with our packaging connected with environmental protection. The National Packaging Research and Development Center (COBRO) has since 1974 been conducting for the government the only research in the country on packaging norms and standards, taking into account aspects of transport, advertising, and ecology.

Now, because of a lack of government orders for analyses and statistics, no one in the country knows how many plastic or glass bottles and jars, or cardboard, are circulating in Poland.

No measures have been taken to master the wave of single-use containers of beer, juice, etc., brought into this country which now litter Poland. Importers don't care, and the use of aluminum cans as raw material requires additional investments. Scrap material purchase stations, meanwhile, are bursting at the seams from an overload of glass which the glass works don't want to collect.

It is simply cheaper for manufacturers to order new bottles rather than to sort old ones by color and spend lots of money to wash them, thinking also about fines for unclean waste water. The Polish system of scrap material purchase, highly rated by the Scandinavians, broke down as a result of the recession; only tax preferences for manufacturers will change their attitude toward scrap materials.

Thirty Years Late

In the opinion of COBRO experts, Polish industry must, in order to become competitive in the markets of a united Europe and catch up to competitors thirty years ahead, invest hundreds of millions of dollars in the packaging industry. Otherwise, it will not gain markets, and, for example, Polish furniture from Swarzedz will continue to be sold under the label 'made in Sweden.'

The World Bank, which placed the Polish packaging industry, along with metallurgy, agriculture, and electro-machine production, on its list of economic credit priorities, thinks so too.

Until now, chasing the leading packaging manufacturers has to a large degree consisted of buying licenses for packaging which has just ceased to be in fashion in the West. This is how it was in the case of the purchase, in the 1970's, of a Norwegian production line, used in the Wola Dairy Plant in Warsaw, for the production of plastic cups for kefir and cream. At the same time, there was a return in the West to brickpack-, elopack-, or tetrapack-type paperboard packaging for packaging milk products.

The same is true today, when five Polish packaging factories are gearing up for production of PET-type plastic bottles, on the order of 50 million pieces yearly.

In COBRO's opinion, preparations of this kind become rational only when a national network of stations for shredding plastic scrap materials develops; to say nothing of the fact that the whole West is now experiencing a renaissance of glass packaging. Thus the advocating of plastic bottles in our country is a misunderstanding, since we repeat the mistakes of Western manufacturers. COBRO has loyally informed the Ministry of Environmental Protection about this. COBRO proposes, furthermore, the imposition of tariffs on the import of cardboard for packaging and propylene packaging. Only in this way can domestic industry be forced to use Polish, ecologically "environmentally friendly," propylene packaging materials produced in Tomaszow Mazowiecki, which lose out to imports from the CSFR which are 20 percent cheaper. It is difficult to call the import of cardboard from Sweden by Pollena Bydgoszcz, for the widely advertised Pollena 2000 powder, a success, since Polish paper factories don't know what to do with their production, and whether it is worth investing in a new kind of cardboard for advertising packaging.

For many years, Polish 'armored' cans for tinned goods were a favorite topic for summertime jokes, as whole families of Kowalskis struggled with tins of Podlaski pate. This is how it had to be, since most Polish tins have a thickness of 0.22 to 0.26 millimeters, while imported Western tins have a maximum thickness of 0.22 millimeters. Polish production lines mostly originate with the over-20-year-old license from the British firm Metalbox, a license which is long out of date, while much equipment bought in the 1970's managed to rust while waiting to be installed in the factories of the 'second Poland.'

From 1984-85, the time of the Messner economic reforms (the famous "three times S"), tinned-goods manufacturers were no longer required to submit data on the scale and type of their production. COBRO thus only has statistics from the 1970's, which show that 140 thousand tons of tin packaging was produced yearly in Poland, of which 69 thousand tons were produced in the Lenin (now Sendzimir) Steel Mill.

Impermeable COBRO

The National Packaging Research and Development Center has the monopoly in the country on the development of ecologic and transportation norms for cardboard, glass, and plastic packaging. The State Institute of Hygiene relies on the expertise of its scientific staff. Manufacturers must take its negative evaluations of materials used in food production seriously; they are then required to change materials within one or two years, or face serious fines linked to production profits.

As a result of the recession, factories more and more frequently receive year-to-year postponements of bans on the use of certain materials and, as before, COBRO's opinions are not binding for industry.

Factories rarely take advantage of the opportunity to test their packaging in COBRO's climate stations, where they are exposed to the wind, sun, sea, and so forth, and are evaluated in regards to EEC transport norms and marketing effectiveness.

More and more often, COBRO's clients are the owners of private factories, preparing to start up a new type of production. COBRO survives mainly with budgetary research programs conducted for the Scientific Research Committee; its 5-billion-zloty budget planned for 1991 is, however, threatened by a 40-percent cut, as a result of the 24 trillion zloty hole in the [national] budget.

This is a disadvantage [for Polish industry], because large corporations in the West have their own packaging research centers, while, in Poland, COBRO serves the entire economy. Specialized research for industry as a whole ought therefore to necessitate centralized financing (like in England), since COBRO promotes new packaging materials. All Polish packaging for hazardous materials are marked COBRO-QN, a mark recognized around the world.

Hoping to improve its financial situation, COBRO formed a corporation with Pollena Lechia. In this corporation, COBRO holds 49 percent of the shares in a plant manufacturing laminate tubes for pastes, according to COBRO technology. COBRO makes a 5-to-6-percent commission for the introduction of technology which yields savings on the order of six to seven tons per million tubes. This is a better solution than reliance on the state's kitty. Until now, factories introducing ideas for technical improvement of production paid COBRO inventors for no more than three years; the COBRO-Lechia corporation therefore seems to be a solution which will better mobilize the institute's scientific staff.

What To Do With Packaging?

In the West, a cardboard containing a mixture which undergoes environmentally harmless disintegration after two to three years is more and more frequently used in packaging. This is significant, because it is calculated that around 30 percent of the waste mass in the West is

unused packaging. For this reason, any research which helps to utilize waste, in this way limiting the import of waste paper and cardboard.

It is precisely for this reason that the West does not want to accept the several hundred thousand tons of cardboard until now exported yearly, since it doesn't know what to do with its own. And there is a lot of it, if we take into consideration the fact that consumption of cardboard packaging per capita in Poland is 30 percent of what the average Western European uses. Similarly with plastic bottles (17-18 percent of what a citizen of an EEC country uses); in consumption of glass packaging, Poland is closest to Western standards. Barely 500 thousand tons of waste paper yearly are reused in our country.

For Polish factories, COBRO proposes the use of so-called reusable glass, from the correct paste and of the right strength, which could return to its manufacturers through effectively operating purchase stations. Therefore, it would be appropriate to produce two kinds of glass in this country: reusable and single-use. The latter, collected as shards in special colored containers at gas stations and stores, would return to the glassworks.

Many potential partners from the West are preparing to invest in the Polish packaging industry, whether in the form of joint venture corporations (as in the production of tinned goods and twist-off jars in Krakow and Brzesko), or through the sale [literally: purchase] of licenses (factories in Kielce, Ostroleka, and Bialystok).

One way or another, Polish factories will have to change their attitude toward packaging, which has been treated as a necessary evil until now. All over the world, the shape of a bottle and the esthetic appearance of cardboard packaging is treated equally in importance to a registered trademark.

Problems, Solutions Noted

92EP0051B Warsaw GAZETA BANKOWA in Polish
No 39, 29 Sep-5 Oct 91 p 16

[Article by Iwona Rynkiewicz: "Something for the Eye"]

[Text] The statement that packaging sells the product is a truism. Polish traders, who had problems selling their native products in the West, understood this long ago. Now, when Poland itself is a little closer to the West, mainly on account of the colorful, eye-catching imported goods, the topic of packaging is returning to the list of matters which must be coped with.

Without going into details, one can say that Poland is around thirty years behind highly industrialized countries in the area of packaging. Consumption of packaging from artificial materials per capita in our country is 17-20 percent of consumption in Western countries. In the case of paper packaging, consumption is 30 percent.

Investments in packaging are unusually costly. There are of course specialized factories in Poland, but they produce packaging materials. It is difficult anyway to

imagine the complete separation of packaging manufacturing from the manufacture of the products for which the packaging is made. Therefore one can speak of a packaging materials industry, and not simply of a packaging industry.

The most modern equipment for the manufacture of packaging comes, of course, from the West. The mass scale of this type of manufacture requires high machine productivity, which is achieved thanks to the use of automatics and computerization. Machinery for [the production of] packaging is not mass produced in the West. For Poland, therefore, there is no sense in organizing such production for the needs of domestic industry. It will pay better to import ready machines.

The drawback is that one must have something with which to pay. Hope lies in foreign credits, and in wider participation of foreign investors in this industry. For now, we have neither the one nor the other in excess.

This is probably the result of the lack of a clearly defined strategy for development in the packaging industry. Such a strategy will be developed as a result of a sector study now being worked out by the National Packaging Research and Development Center (COBRO) in cooperation with the American company D'Little. Work on the study will be completed toward the end of October. The study will indicate the desired direction of investments in this area.

As long as there is no sector study, it is difficult to expect much interest on the part of foreign investors. The experiences of the Central Planning Administration's Credit Commission seem to confirm this. The Commission grants government guarantees for loans in areas regarded as of priority in the economy. Packaging is one of these areas, considered one of the bottlenecks in the development of proexport production.

Heretofore, the Commission has reviewed two applications in this matter, concerning, as it happens, the same case. At its meeting in March, the Commission took up the application of the private company Kray Packing Ltd., which tried for a guarantee on a loan from Eximbank for the purchase of a production line from the American company Crown, for the production of oriented polystyrene sheets. In April, the Commission reviewed a similar application, presented this time by The Cefol-Erg Artificial Materials Plant in Wojciechow.

Cefol-Erg created a joint venture with an American partner especially to set this plan, whose cost is estimated at \$5 million, into motion. In April, the factory received promise of a guarantee, and after a renewed appearance before the Commission, now as the Folpack corporation, the guarantee will be awarded automatically. It may happen, however, that the application will not make it to the Commission's deliberations again, since Eximbank has received a guarantee for \$200 million from the Polish Government. If, then, the corporation is included in that ceiling, it will not be necessary to review its application separately.

In September, the application of the private company Polsim (a Polish-Italian joint venture), which intends to buy a production line for the production of cold drinks, and one-and-a-half-liter plastic bottles for those drinks, came up in the Commission's regular deliberations.

On the whole, there are not many projects being accomplished with the participation of foreign capital. Several years ago, the World Bank gave the Chemitex-Wistom plant in Tomaszow Mazowiecki a loan of \$20 million, for replacing cellophane manufacture with the manufacture of oriented propylene. This material is used in the production of packaging.

For a year now, Intercell, a Polish-Swedish corporation, has also been in operation, manufacturing cardboard which is also used as packaging. The Kielce Paper Manufacturing Plant and the Packaging Experimentation Company in Bialystok are also conducting discussions on forming a joint venture corporation. Two years ago, a partnership with Americans, producing packaging for tinned goods and twist-off tops, was created in one of the factories of the former Opakomet [company] in Krakow.

In the food and household products industries, packaging has not only a protective, but also a marketing, function. The factories themselves therefore take care of the purchase of technology for the manufacture of packaging, most often in the form of licensing. This is beginning to be more and more evident on the market, chiefly in the shape of cardboard packaging for milk products and juices, and specially coated tubes for toothpaste.

Problematic State of Cooperative Housing Profiled

92EP0044A Warsaw GAZETA BANKOWA in Polish No 40, 6-12 Oct 91 p 6

[Article by (IR): "It Is Best Not To Build"]

[Text] If the current principles of extending credit to housing cooperatives do not change, the cooperatives that are functioning and investing will probably soon face the specter of bankruptcy. They will find themselves in the same situation with respect to the PKO BP [General Savings Bank-National Bank] that Poland found itself in not long ago with respect to its Western creditors: their debt will continue to grow and they will not be in a position to repay even the interest on the interest. However, just as in the case of our country, the core of the problem does not lie in the method of credit extension or in its sudden change, but rather in the tragic economic condition of the borrowers in the cooperatives, in other words, the residents of the housing developments.

As long as credits were cheap and partially amortized and as long as the cooperatives' operations were highly subsidized (now only central heating and hot water—in other words, energy—are subsidized) and inflation remained an unknown concept, the main problem for a

member of a cooperative was when he would get his keys, and the cooperative's main problem was when to build. Costs, especially real costs, were usually of no concern. The biggest worry was the growing lines of people waiting for an apartment, because they most glaringly revealed the state of the construction industry and the needs of society. Everyone, from the BP PZPR [Politburo of the Polish United Workers Party] to the Sejm, the national councils, etc., tried to solve the problem by examining its economic aspects only on the macro scale. The pocket of people from the "refrigerators" were not taken into consideration—even though apartments were due them.

The Radom Housing Cooperative has been trying to solve the housing problem since 1946. The result of its efforts is that it currently has 7,604 members, of which 5,372 have apartments (16,869 if one counts their families), 2,232 members are waiting for apartments, and 501 candidate members (including nearly 300 minors) are waiting to register. The group will probably inherit 98 additional persons as a result of the liquidation of the WZSM [Voivodship Union of Housing Cooperatives].

There is no way to tell what the chances of getting an apartment in the RSM [Radom Housing Cooperative] will be. Formally, the waiting period is 18 to 20 years, but it is possible that the cooperative, in spite of the fact that it has land (unimproved), will stop building anything at all long before that period elapses, because the new credit system has arrived.

Credits are no longer amortized, not even partially. Interest which was once capitalized annually is now capitalized quarterly—68 percent interest increases indebtedness, and 32 has to be kept current, which, as will immediately become apparent, happens only in theory. Credit is so expensive and construction costs are so high that the RSM has calculated that a very dependable person would have to put down a deposit of as much as 10 percent of an apartment's value to get one that is 60 square meters. That could come to as much as Z13.2 million ($Z60 \times Z2.2 \text{ million} \times 0.1$)—and he would still have to repay the remaining debt. The debt would grow for 25 years after which time it would begin to be reduced, provided that the resident could survive the 25-year mortgage. A tenant whose basic pay is estimated at Z1.5 million has no chance of accepting. Setting aside the maximum of 25 percent of family income every month for credit repayment and interest is not a solution either; indebtedness grows because one falls into the corkscrew of paying interest on interest. The situation could only be changed by a radical increase of income—one so large that it would become possible to service the debt, ignoring for simplicity's sake operational costs.

The majority of residents—as many as 80 percent, according to the cooperative's estimates—have no

chance of this. For example, a resident who got a 65 square meter apartment in July 1990 had to pay nearly Z69 million in interest and principal. Before the end of 1990, in spite of the fact that he had conscientiously made all of his payments, his debt had risen to nearly Z90 million, in other words, by more than Z20 million. The resident, an employee of the RSM, earned about Z6 million at the time. His spouse, to be sure, earned twice as much, but this does not change anything, because one cannot work solely to repay credit. The debt is continuing to grow and will continue to grow. Thus, the tenant's debt to the cooperative will grow, and the cooperative's debt to the bank will grow. The extension of credit in the form it has had up until now has an objective character, in other words, the apartment is given credit, not the tenant in whose name the cooperative incurs the debt. In effect, the cooperative has no assurance that X will take the apartment and pay for it, and the bank has no assurance that if, say, the cooperative goes bankrupt, the bank will recover the loan. This is all the more true as the overdue rents that tenants owe to the cooperative grow. In the RSM in 1988, overdue rents constituted 1.64 percent of income, in 1989, 2.46 percent, and in 1990 nearly 9 percent.

An additional effect of this situation is the increase of delays in payments from the cooperative to the suppliers of water, heat, and so forth. However, the cooperative is magically silent about amounts due and obligations. I personally know that it owes the Radom Construction Enterprise about Z6 billion and that the administration of Radom owes the cooperative about Z6.5 billion which it does not intend to repay soon.

The financial situation of the RSM is not enviable. Investment debt exceeds Z30 billion and it will grow quickly due to the poverty of the tenants. And because the cooperative operates at a loss (income from rents should cover the constantly rising costs), the tenants can expect their rents to be raised and they can be sure that this will not be the last time rent goes up. The RSM will probably once again reduce investments for capital improvements, eliminate the social fund, exchange community centers for stores, or decide to engage in economic activity. This last move, however, is unlikely, because then it would have to begin to pay income tax and possibly a tax on growth in remuneration above the planned level. So far, as an unprofitable enterprise, it has been exempt from the latter tax, just as all housing cooperatives have been. It is most likely that after finishing making investments, it will either stop construction altogether or it will bypass the bank and invest with the help of the resources of its own candidates and members. Of course, that means the resources of those who can afford it and who want to trust the cooperative.

Probably some difficult-to-foresee change will again take place.

PAC Vice President Surveys Political Scene

92BA0071A Bucharest CONTEMPORANUL
in Romanian 11 Oct 91 p 7

[Interview with Stelian Tanase, vice president of the Civic Alliance Party, PAC, by Dorin Popa in Bucharest on 25 August: "The Civic Alliance Party Represents the New Classes Now Being Born: In Fact, It Represents the Youth and the Competent Class"]

[Text] [Popa] Stelian, let's paint a picture of the current political situation!

[Tanase] I think that the Moscow putsch ended this century. I think we are entering an entirely different world. The political, military, economic, and ideological equation has changed. The bolshevik politics career that began with the 1917 putsch ended in the 1991 putsch. The latter's consequences are even greater than the collapse of the communist system in East and Central Europe in 1989. Today we don't yet discern those consequences very well, we are still under shock and under its impact. We are in the midst of the crisis, but mainly I think that an entirely different world is being built on the ruins of communism, a more complex and more sophisticated world in which for a good many years we will still be dealing with tensions dating back to the 19th century. In other words, we are not actually entering a new world, but we are at the period in which we are winding up conflicts created upon the formation of national states in the 19th century. Those conflicts are already in full manifestation in the Baltic republics, in the southern Soviet republics, in Yugoslavia, and in Transylvania. You know the problem, the problem of Bessarabia?! These problems are now at the center of attention, but in fact they are tensions inherited from the 19th century, from the formation of national states, which was completed at the end of World War I.

[Popa] Is Gorbachev still his own man?

[Tanase] That I don't know, I went there for only two days, just enough to meet with the chief editor of MOSCOW INFORMATION, or MOSCOW NEWS, I'm not sure of the translation.

[Popa] When?

[Tanase] Last November. I did an interview with him. That newspaper was banned during the coup and is now back. It is the most liberal weekly in the Soviet Union.

[Popa] Is Gorbachev still in control of the situation?

[Tanase] No, he's not. Although he is the president elected by the Supreme Soviet, he lost his power base when the Communist Party was dissolved.

[Popa] So he cannot hang on to the crest of the new wave that has been created?

[Tanase] That I don't know. I don't want to make predictions. What is certain is that the advantages of constitutionality and of free elections have been seen,

meaning that whoever was elected, as soon as he said: I order the Army, the KGB, and the administration to obey only me, as Russia's elected president!, at that moment the putsch fell. Because every commanding officer wondered: Under whose orders am I? And realized that constitutionally, he was directly under the orders of the elected president. With 526 million votes Yeltsin couldn't bow to a Yanaev or Yazov, even if he were the commander of the Army, or to a Kryutchkov. At that moment the putsch was doomed.

[Popa] Nevertheless, can we examine the events for a moment? They were correlated with what happened outside! When fairly positive news came from the inside and the outside applied pressure and made more resolute statements. In the beginning everyone was undecided. Not to mention Mr. Iliescu, who afterward was trying hard to claim the merit to himself without any justification.

[Tanase] I know that the first party to react was the Civic Alliance Party [PAC]; that is, chronologically speaking. On Monday morning we met spontaneously. That reaction testified to our political maturity. We met, we issued the appeal everyone knows about, and at that point we found that the other parties were in complete disarray. Either they were on vacation, or they didn't have anything to say.

[Popa] The other parties?

[Tanase] Yes; we managed to agree on some meetings, at times with difficulty, because they didn't feel like it. At one party someone said it wasn't our problem, it was only the FSN's [National Salvation Front] problem, it wasn't our business, it was happening in Russia, and it had nothing to do with us. In my opinion, that is a sign of political infantilism. The PAC was the first to react; it clearly said what it thought and it condemned the putsch at a time when no one knew how things would turn out, at a time when Mr. Roman was on holiday in Switzerland (he came only late on Monday night, at 2200), while Iliescu was on leave and came only in the afternoon. It was left up to us, at noon, to call up at Cotroceni, to call up the government, the government party, and the other parties. We had to call up the people currently in charge of our national fate. And they weren't [in charge]. They weren't taking charge at the government party, either. I thought that was damnable and I told them so the next morning.

[Popa] What was their answer?

[Tanase] They said that wasn't so, that Roman couldn't be on time because of some technical reason, some airplane; that I don't know what caused Iliescu not to make it on time, and that even the National Defense Committee didn't meet. In other words, their reaction was much delayed, it was very ambiguous and confused. Later I was surprised to see Iliescu trying to turn it to his good account, when he was totally out of it.

[Popa] In fact the press wrote that he didn't issue any firm communique until Tuesday at noon; he merely expressed concern.

[Tanase] That's what the Chinese and others did. They didn't want to react, were not decided, didn't quite understand what was happening, and they woke up about 24 hours later than they should have. Now, of course, the deed is done, the situation seems to be clearing up as we speak; nevertheless, we must make a note in the history of our politics of this absence of the authorities, as well as of some of the parties, which did not exactly understand what moments we were going through.

[Popa] That is very important for the future, so that, as Marin Preda said, we will know on whom we can rely.

[Tanase] On ourselves.

[Popa] I wanted to find out the correlation between internal factors and factors external to the Soviet Union in the failure of the putsch.

[Tanase] First of all, the failed Soviet putsch showed that the survival of the communist parties is threatening the new society now being born; in the Soviet Union, however, the power of the Army, the KGB, a good part of the central power, and the administration that controlled everything, has survived, and those elements attempted a coalition in order to prevent the civic society from growing and establishing a democracy and a market economy. In Romania there is a similar situation, meaning that elements of the former administration are still in place and doing fine in the administration, there are elements of the old structure in embassies, in government, and in various ministries. Hence, they are inside the power structure, but there are also others outside the power structures: the PSM [Socialist Labor Party], Romania Mare.... There are elements outside the power structure that could unite with those inside the power structures and attempt a coup. They exist and they pose a great threat, and what happened in the Soviet Union should prompt us to open our eyes wide.

[Popa] I don't know who said it, you or somebody else, that on 19 August Verdet was getting ready for a wedding, but on the 21st he found himself at a wake.

[Tanase] That's right, but you needn't think that he's given up. No, no, that's how they were educated, to become dictators.

[Popa] Still, the events that continue to occur even with greater intensity in Russia are rather alarming. I'm not sure but that in the wave of enthusiasm that engulfed the people in pulling down Lenin's statue, in banning or suspending the Communist Party in Russia, I don't know that they won't be acting in haste. Are they prepared, deep down, for these changes?

[Tanase] That's like the Romanian revolution. Meaning, in December there was such enthusiasm in our country that we thought, there, communism has collapsed, just

because we were out in the streets and Ceausescu was gone. I realized that it was an illusion: Communism was firmly entrenched in Romania, even in people's mentality, among the majority of the Romanians. While Ceausescu was in power we used to say that he was the only Communist in this country.

[Popa] That's exactly what we were saying, and that's what many of us really believed.

[Tanase] Yes, yes, it was said that there were anticommunists even in his circle, right? Well, I realized that communism was more wide spread and more deeply rooted than we thought at the time, and it is the enemy we're fighting now.

[Popa] It was a Balkan anticommunism, good enough to parade and to make fun of at a certain level!

[Tanase] No, no, people really believed. Seeing how badly things were going, people said, "This can't go on like that, the economy is not working, we have no heat, we can't find food, we have no light in the streets, obviously it's not working, that's plain to see, right?" Many people are beginning to forget how badly we lived. In the Soviet Union there is the same reaction, people's lives are worse under Gorbachev than they were under Brezhnev, there is greater poverty and greater confusion, but Gorbachev gave them freedom. They preferred to be poor and came out into the streets to defend their freedom. That was already a gain, a huge gain! Once freedom has been won, responsibility, prosperity, and democracy will also be won.

[Popa] Somebody said that while perestroika didn't work, Gorbachev's glasnost did and it even saved him.

[Tanase] Not glasnost, but the incipient civic society in the Soviet Union was responsible for the reaction that toppled the putsch and the military.

[Popa] At the same time, you were saying that the communist mentality continues and indeed, two evenings ago in Moscow 1,000 people actually attacked Gorbachev, totally against the current.

[Tanase] I don't know that it was a reaction by the Communists. I tend to think that it was a reaction to the suspicion that he was implicated in the plot and to people's awareness of his limitations. He is nevertheless a Communist leader, a Communist reformer, perhaps a great reformer, but people now simply want a democrat.

[Popa] That's why I asked you whether Gorbachev was still his own man, how long he can stay in control or, if he's not in control, to what extent he understands the current wave.

[Tanase] I think that at this time Gorbachev has no internal support. He is still the man that the Americans trust.

[Popa] Which means that he should resign.

[Tanase] He resigned from the party, let's see what comes next. Anyway, we are at the beginning of a chain of events in the Soviet Union, not at the end of events.

[Popa] Someone said that after all the revolutions that took place in East Europe thanks to Gorbachev, now the revolution has come back to haunt him.

[Tanase] Yes, it's true. It was inherent.

[Popa] Nevertheless, I don't think that the KGB consists only of idiots. How the devil did the putschists think, even for one moment, that they were going to succeed? There are some forces there: the Army, the KGB, the Interior Ministry!

[Tanase] There are forces, but those forces wanted to see what they saw. In other words, they wanted to preserve their privileges and to live inside a closed, artificial world in which there was prosperity, comfort, and a living standard comparable to the West, while the people lived in poverty. They were paid very well and they knew that a market economy and democracy will sweep them away, because they require competence. Both democracy and market economy involve competition and only the most talented and efficient can survive, which they weren't. They owed their superiority not to their own worth, but mainly to the system, the mafias, the inside party networks, the Army, and the KGB. That they were aware of. Look at Romania today: There are people who have political power—deputies or ministers—while others have no political power but are nevertheless more powerful than the former. How is that? There are two types: People who have a great influence on public opinion—journalists, intellectuals, leaders of political parties, trade union leaders—and people who have economic power. A minister is a minister and makes 20,000 [currency not specified] a month. You see? They have to share this power with various categories. Which they didn't want to accept, because there a nomenklaturist has both economic and political power, and influence; he has everything. They didn't want to concede until they lost everything. Now they are being swept out of the pages of history.

[Popa] That was a desperate action on their part!

[Tanase] Desperate is the right word!

[Popa] Which will lead to the elimination of communism, precisely the opposite of what they wanted.

[Tanase] Yes, I wrote about that. I began my editorial at 1600 on Monday and finished it on Tuesday morning, and nothing was yet known. You've probably read it.

[Popa] I even congratulated you. If you didn't manage the exact diagnosis, at least you weren't ridiculous, like Ion Cristoiu, who'll need more than 10 years to live down the inanities he wrote.

[Tanase] I have not read what he wrote. I don't know, I don't read the press. I don't have time.

[Popa] Local elections are coming up. I would like to ask you, judging by the former parliamentary elections last year in our country, what did the historical parties do wrong, why were they defeated at the polls?

[Tanase] There has been altogether too much talk about this.

[Popa] Still, I think you must have some viewpoints that haven't been discussed!

[Tanase] First of all, the mentality we inherited in the absence of a civic education; then the absence of objective conditions; then their lack of realism; then (primarily) the tremendous aggressiveness of this administrative apparatus and of the mass media controlled by the FSN. Those were more or less the factors that contributed to the failure of the opposition at the time.

[Popa] You once said that they did not lean on the youth, didn't know how to attract the youth.

[Tanase] I don't know how true that is, I don't think they even tried. What I mean to say is that if the PAC has a chance, it lies in its openness to the youth and in resolving the issues of the new generation. It is quite painful to see how, after dying in the streets during the days of the revolution, today young people are the first on unemployment lists, the first on emigration lists, there are no social programs to give them loans so that they can do business, build a house, or begin a family; they are completely ignored, unless they're pushed away with premeditation. The PAC is geared mainly to the youth. Not in the sense of giving them minor jobs or using them like some sort of annex. No! We want them in the leadership of this party and we want to nominate them as candidates. We want to bring very young people, 20 plus, to the point of managing branches. I have the greatest faith that they are the least poisoned by communism. They do not grasp very well that Romania's future depends on their future; I think that if we give them confidence that it's worth staying in the country, that it's worth working in order to build a better future, if we motivate them, we can accomplish extraordinary things with them. They have imagination and working power, they want to do things, they are smart, and they are bold! You cannot build a country without bold people! I was inside the revolution from the very first moment, I was in the forefront on the barricades on 21 and 22 December, and 90 percent of the people were young. Young people, children, adolescents died right next to me, and today they are the most ignored. It is a great source of sadness to me and we must do something for them.

[Popa] Do you happen to know what Marian Munteanu is doing now?

[Tanase] I don't, I have no idea.

[Popa] I heard he wants to form a new party, a youth party.

[Tanase] This surprises me on his part. He repeatedly demonstrated against the parties, several times against the nascent PAC, saying that "we would have been better off joining the historical parties!" Mainly he is very close to the Peasant Party. On the other hand, he doesn't have a political concept; well, he has some sort of vision, in which Christianity is at the center, the church at the center of a state structure. In statements and among friends he says, he told me more than once too, even in front of witnesses, that he is right-wing. I don't think that our youth is right-wing. I think that the youth is clear-sighted, realistic, and unattached to any ideology, whether right-wing or left-wing.

[Popa] I actually meant to ask you about that. Why are you so much against right-left labels?

[Tanase] In a democracy they are more or less credible and reflect the interests of the society and the social spectrum that becomes the political spectrum. Romania is a country that doesn't have classes, doesn't have a middle class, or a class of farmers (in the sense of land owners), doesn't have an infrastructure, doesn't have this kind of identification of social groups interests. Look for yourself: A national liberal party appeared in January although we had no middle class and a national peasant party appeared when we had no peasantry. Those are protoparties.

[Popa] That's why I asked you why the historical parties were defeated. You told me things everyone knows, but this you didn't tell me!

[Tanase] They are protoparties without what is known as political customers, namely, certain social strata who see their interests embodied by those parties. That is why the current Parliament is a fiction. Whose interests does Parliament represent today? There are many interests of the Romanian society that are not currently represented in Parliament and are expressed at meetings, in the streets, and in the press, but no one is attempting to deal with them in Parliament. I hope that the next elections will more faithfully reflect the current situation in Romania.

[Popa] That seems important to me. In your speech yesterday you were rhetorically asking whether Ceausescu was left-wing or right-wing.

[Tanase] He was both right and left. In fact, he was an extremist. In view of his chauvinism, nationalism, and anti-Semitism he was obviously right-wing, but by this egalitarianism, this uniformization, and this centralism, he was left-wing; he was a Communist. He was a red chauvinist or a green-shirted Communist.

[Popa] You were saying that the Liberals and the Peasant Party didn't really have people to represent. Whom does the PAC represent, or whom will it represent in the future?

[Tanase] I believe that the PAC represents the new classes that are now being born; it represents mainly the

youth and the competent class. I am referring to engineers, economists, lawyers, experts, the people who solve the problems of the...society. And we have very many such people in the ranks of the party.

[Popa] No artisans or workers?

[Tanase] Of course there are. But they are enterprising people. I'm not talking of people who just sit and wait for their paycheck, I'm talking of people with imagination who want to do something. That is our party. We are the party of competence, solutions, and dynamism. We must resolve the issues. That's what a party means.

[Popa] So, as someone put it, the youth is your natural ally.

[Tanase] That's a must. I don't think anything can be achieved in Romania without the youth.

[Popa] There was talk in the PAC that ideology is passe.

[Tanase] The era of ideology began with the French Revolution, which used ideas, visions, utopias, and concepts in order to resolve social issues. So solutions were identified by virtue of the vision, whereas the exact opposite is what should occur. We think that that topsyturvy era ended now, in 1991, with the putsch in question. The era came apart under the serious blow dealt in 1989, while the putsch now gave it the coup de grace.

[Popa] Still, it's not very clear to me. Is any ideology harmful?

[Tanase] I'm not saying that. It's a matter of a certain approach. We must take the reality as the basis for devising solutions, not some vision of the world.

[Popa] But it is also true that any ideology is a bit harmful!

[Tanase] I am talking from the practical viewpoint. Practically, that is of course true. Which doesn't mean that we don't have a philosophy in politics and that we don't have an idea of the solutions we need to find. We do have a coherent concept, but we proceed from the reality and from actual solutions. Then comes our program, our vision of life, our view of the society and of the future Romania. Ideology does come into play, but we don't do it back to front, first postulate the theses of the ideology, as the Communists or the fascists did, and then, in view of the fact that these texts are axioms, eternal and undisputable truths, find the truths and the solutions in it, rather than in the reality. We proceed from the reality and we are not interested in any dogma.

[Popa] I find this idea extraordinarily satisfying. I would like to dwell a bit on the electoral program launched by the FSN. What flaws does it have?

[Tanase] It has very many loopholes that may be used only by the regime and it has the principle of relative

majority, by means of which someone may win a councilor seat with only 8 percent.

[Popa] How does that work?

[Tanase] Relative majority. If no one wins 50 plus 1 at the second round, the one with most votes wins the seat. Since there is going to be fragmentation, one may get 5 percent, another 15, and another 8 percent and take the seat, although the majority didn't vote for him. There are other flaws, too.

[Popa] Please list them.

[Tanase] It envisages nominal elections, which do not allow for an opposition coalition. That is not a very democratic election. It excludes some people from the voting. For example, the balloting goes by area criteria. You run and vote where you live. But what about the students? The election is taking place in the middle of the university year.

[Popa] Why? Is the regime afraid of the students?

[Tanase] Aha, of course it is! They are an opponent to be reckoned with. They are the youth, the people whose interests do not coincide with those of the regime.

[Popa] So they want to simply exclude them from the election?

[Tanase] Precisely. On the other hand, the law says that only people over 23 may run for election. Why not over 18? If they are citizens and they are of age, they can vote and be elected, that's what's democratic!

[Popa] Other flaws?

[Tanase] That's about it.

[Popa] I understood that mayors cannot be elected directly.

[Tanase] Because they're not elected. The communal councilors are elected, and together they elect the mayor after the election. This is a French-type system with this kind of prefecture-mayor dualism. The state appoints the prefects and the people elect the mayors.

[Popa] But in this case, the mayor is not elected by the people, but by the councilors!

[Tanase] Yes. That's not very democratic, but it also allows for quite a few abuses, because, I repeat, the councilors may come in on an insignificant majority, they can take a seat on a few percentage points and thus have a vote, although the people didn't want them. Once the elections are over the people may be surprised to see who got in.

[Popa] Would you venture an opinion on the coming elections?

[Tanase] I would do something else. I would say, for example, that we are pursuing the idea of local autonomy and transparent use of public money.

[Popa] What does that mean?

[Tanase] It means that the citizenry should be informed about taxes and the way in which they are spent, so that they will be in a position to know how a city spends its money. For the time being the money is collected at the center, in the state funds, and the government decides how much money to give to Iasi and how much to Suceava. No, the money should stay in Iasi. Not all of it, there is a tax for the use of the Army, the roads, national communications, etc., but some of this money must be immediately available, in other words, not go to the National Bank but stay in the city. The citizenry should know, for example, that the city of Iasi has, let's say, a budget of 100 million a year. Each citizen should know how this money is spent; that there are 30 million for hospitals, 20 million for schools, 15 millions for urban improvements, and so forth. Each citizen should know these things. So far no one does, there is a great mystery about city hall money, what's done with it, or where the funds come from. We are in favor of local autonomy.

[Popa] That is part of the PAC concept. However, I was looking for a forecast.

[Tanase] That's what I wanted to say, so that people should know what we want. I think there will be 30 percent absenteeism, and what's more, the electorate will be very fragmented. The Front will lose at least 30 percent of the votes it had on 20 May.

[Popa] If you've noticed, people were very pleased to learn that Gorbachev was back, not so much that Gorbachev was back, but that the Communist Party was suspended.... So, currently people are fully coming out against communism.

[Tanase] It is the end of an era. What it is, is that final dance you have in every theater show. We are just before the curtain fall; an era is coming to an end. And we are happy to experience both, the era that was and this era of transition. And the future we will experience in our old age.

[Popa] We must be aware of the fact that we must also be very well equipped, aware of what we are experiencing!

[Tanase] We're not really. That's why I am such a great fan of the youth, they are well prepared. I have a great admiration for the youth, quite sincere and not at all demagogical. I look with envy even at my own child, because he will live to see a kinder world. We lived very badly. We were both very poor and we lived in a very harsh world that we are only now beginning to understand. What a madhouse, what an insanity it was! I have great faith in and I envy the youth; as for us, we must struggle so that the future we all want can come sooner.

[Popa] Several provincial branch chairmen told me that after the Moscow putsch people have been converging on the PAC. Do you have more arguments?

[Tanase] The argument was that the party took a prompt, clear, and democratic stance and showed itself to be a responsible and solid party. People need to have faith in someone. We gave them this faith.

Croatian Media Concealing Territorial Losses

92BA0083A Zagreb GLOBUS in Serbo-Croatian
20 Sep 91 p 6

[Article by Davor Butkovic: "Truths and Lies of the Media War: Why Are Territorial Losses Being Concealed?"—first paragraph is GLOBUS introduction]

[Text] Why are the Croatian media concealing from Croatia the fall of Kostajnica, the Topusko crisis, the difficult situation in Petrinja, the successes of the occupier in Zadar and Sibenik.... Why are the Croatian media reducing Croatian territorial losses and increasing human losses.

Although Croatia is shrinking from day to day, such an idea is not conveyed when one watches broadcasts of HTV [Croatian Television] or reads some leading newspapers. Specifically, the "atrocities and horrors inflicted by the occupying army" and the resistance are talked about, and in recent days the real successes of the Croatian armed forces are emphasized. Only sometimes, during quiet periods in the wartime media storm prevailing in Croatia, can one learn what is really happening on the battlefields on which Croatia is losing territory. In other words, there is, for the most part, an unwillingly confirmed rumor at press conferences, or there are reports by foreign TV stations that HTV broadcasts for a time, or reports from an individual battlefield, in which the most important facts, suppressed in wartime news broadcasts, are cited—almost incidentally.

Last week's fall of Croatian Kostajnica is a characteristic example of partial information. As early as 10 hours before the departure of Croatian forces from Kostajnica, it was claimed that it would not fall, although it was known that talks had been held that day about the cessation of military attacks from the Bosnian side on Kostajnica, that the Croatian government had insisted that the Bosnian government do whatever was necessary to stop these actions; this means that at least some people knew what was really happening.

The Army Shoots Prisoners

Even the withdrawal of the Croatian army from Kostajnica was reported in euphemisms. Only on the afternoon of the following day, at a news conference, was it learned that Croatian units had withdrawn to Bosnia for the most part, where they were then taken captive. The HTV did not carry pictures of the captured guards, except in a TV selection broadcasting a supplement of TV Sarajevo. As of 16 September, or almost one week after the fall of Kostajnica, it was not known how many of our soldiers were in captivity, and the number of killed is not known even today. The whole Croatian public has been fascinated by the fact that the guards and militiamen who did not succeed in making their way out are still fighting; we were also able to learn this only on 16 September. After the fall of Kostajnica, emphasis on the strategic importance of this place, which reporters had recently called the door to Croatia, ceased. In the

past seven days, reporting from Banija is being done noticeably more seldom, except where Sisak and Petrinja are concerned, although Croatian forces still hold Sunja and Dubica, and neither Topusko nor Vidusevac has been lost.

The fact is, nevertheless, that for now the enemy is having more success in the Banija area. Therefore, it is logical that most of the suppressed bad news is coming right from Banija.

For example, Topusko, cited above, is one of the most important strategical places in Croatian defense because it prevents the joining of the two large groups of enemy forces which, with the final fall of Topusko and Vidusevac near Glina, would control the entire Banija and a large part of Kordun, with the exception of the large cities in these regions. Despite this, the information coming to us from Topusko is more than meager.

Before the withdrawal from Topusko, the unfortunate military adventures of the commander Cerovac were suppressed on HTV, while the daily papers did not write at all about his new Zagreb battalion which, despite all the lack of professionalism of its commander, nevertheless contributed significantly to maintaining Croatian positions on this part of the front.

Furthermore, there has not been any favorable news at all about what is going on in the villages of Pecak and Hrastovica, about which it was said until recently that they would not fall and that they were the first line of defense of Petrinja. Only a few weeks ago, president Tudjman himself stayed there, listening to machine gun bursts not too far away. Therefore, what is the story with that village, how did it fall, were Petrinja and Sisak directly threatened with the fall of Pecak? There are still no clear answers.

Petrinja is really the greatest unknown factor on the Banija battlefield. It is said that Petrinja is under the control of Croatian armed forces. However, during the night of 16-17 September, a report was heard that the Army shot 17 people near the Petrinja hospital, while on the other hand, the Guard succeeded in overcoming a garrison of "samarica."

Because of the importance of Petrinja, it would be worthwhile to say what the situation there is really like. Therefore, what do the Croatian units really control, and what, exactly, does the Army control? Is it true that the occupiers hold only one section of the city in which primarily Serbs live? It is unacceptable—even when it is a case of bad news—for the public to be incompletely informed about the situation in such an important city. Because, if Petrinja falls, Sisak becomes the border city between the envisioned Greater Serbia and the Republic of Croatia.

In addition to Banija, reports from another major front, on which the situation is developing in favor of the enemy, are also insufficient and euphemistic. We are referring to the Zadar and Sibenik rear. Specifically,

after the withdrawal of Croatian forces from the village of Jasenica, important for the defense of the Maslenicki bridge, it was said that no one controlled the bridge, because the occupiers were on one side and the defenders on the other. However, at the insistence of a reporter, it was clearly confirmed at a press conference that the occupiers, unfortunately, held the bridge; the same was said in a report from that battlefield the same afternoon or evening.

Very little television time has also been devoted to the fall (abandonment) of Krusevo, a village in the Zadar hinterland, which has been a symbol of Croatian war victories in the last two months because Croatian forces stationed in Krusevo inflicted heavy loss of life on the enemy and at one time held all key points around Obrovac. That Krusevac about which it was also claimed that it would never fall, was nevertheless finally abandoned; we believe this has its military justification for the moment. But, was it indeed necessary to whisper about the abandonment of Krusevo on the wartime HTV broadcasts?

The public was informed about the situation in the Sibenik hinterland in a similar manner. It was known that heavy fighting was being waged, the names of the main locations were also known (Velika Glava, Dubravice), but it seems that no one knew the possible consequences of these battles in the rubble and how our units really stand. Thus, everyone was shocked by the news about the breakthrough by the occupier to Sibenik and about the artillery or mortar attack on the city, and especially about the criminal attack on the renowned cathedral, a work of Jurje the Dalmatian.

The Truth About the Okucani Losses

The third major threatened front is the ring around Okucani. Croatian informational media speak most often about attacks on the defenders. On the other hand, it can be learned at press conferences, as well as from reports by European observers, how our people very often go on the offensive in this area.

In addition to the conceptual confusion (after the bombardment of Slavonian cities it is really senseless to insist that Croatian units are continually defending themselves), it is also characteristic that, according to television reports as well as some newspaper reports, the status quo reigns de facto on that battlefield, while foreign TV stations report on the defeats of the insufficiently armed Croatian army.

As far as Okucani is concerned, the responsible persons in the Ministry of Internal Affairs have already reported several times that it would not fall, how Croatian units would liberate the highway in a very short time. It was even said to be a matter of hours, but this, unfortunately, did not come true. On the contrary, it seems that on the Okucani front, realistically speaking, Croatian units have the greatest number of casualties; this is indeed admitted in the latest reports.

There are two causes for this "selective" presentation of bad wartime news in the Croatian daily press and on television.

First: it is a case of propaganda. Specifically, contrary to the accounts about the complete confusion in the Croatian informational structure, positive movements in the informational strategy, as well as in individual reports, can already be recognized. For the past 10 days, the HTV has been relying on two main factors in reporting on the war in Croatia. The wartime suffering of Vukovar, Osijek, Vinkovac, and Gospic has been presented to the maximum. Naturally, we are talking about a war that is superbly seen on television and that presents a powerful argument for Croatian propaganda. Air and ground missiles that destroy houses, factories, schools, hospitals, and churches are the most that Croatia can send out to the world, not counting the dreadful pictures of massacred Croats.

Therefore, as far as wartime reporting is concerned, material is insisted on that shows unambiguously, without the possibility of an alternative interpretation, what is really happening in Croatia. Battles in Banija or in the Zadar hinterland, which are being waged in the rubble of abandoned villages, are not being shown, and so they are rendered marginal. They simply do not have sufficient propaganda value.

Underestimating the People

Second: Since Croatia has gone on some kind of offensive, the HTV has been devoting most of its time to the surrender of individual Yugoslav units. Although there have been no special military victories for now, except for several large depots and the Zrnovnica missile base, captures of barracks have a huge propangandapsychological importance, and it is completely logical to insist on them. The appearance of Croatian flags at Yugoslav garrisons, even marginal ones, is a special victory for that for which Croatia voted last April and a great incentive for not becoming discouraged in a war with a technically superior enemy.

However, it seems to us that neither insisting on the "photogenic nature" of Slavic horror nor the affirmation of military disintegration is the main reason for the inarticulate reporting about Croatian—we repeat once again—mainly territorial defeats. It could really be said that to talk sufficiently clearly and loudly about these defeats is simply not wanted.

On the other hand, government officials who do not know clearly what is happening where—perhaps some do not want to know it either—or do not place faith in the reports of their colleagues are also guilty of unclear reporting from many crisis areas. One of the president's associates told me recently: "Do not seek information in governors' palaces. Sometimes much more is learned on the street than in our offices." Furthermore, we know reliably that some high government officials did not know exactly, 24 hours before the fall of Kostajnica, or before the heaviest attack of the Banjolucki corps, how

strong the Croatian forces in Kostajnica were and whether they could resist the attackers at all.

The main reason for suppressing bad wartime news is someone's fear that it would cause demoralization among the Croatian population. However, this amounts to irresponsible underestimation of the people. The morale of the loyal citizens of Croatia is too high for them to have to feel a premonition of the real truth about events on the front from imprecise answers at press conferences, or from supplements from other TV stations which, understandably, seldom broadcast in wartime terms.

Croatia can face the worst possible news, even about the fall of some large city to enemy control, simply because, regardless of all the possible differences in its makeup, it has identified with a war of liberation and knows that regardless of the seriousness of individual defeats, it can't lose it for the sake of its survival! Thus it is totally erroneous to conceal or downplay any wartime truth.

General Spigelj on Croatia's Need for Offensive

*92BA0093C Zagreb DANAS in Serbo-Croatian
15 Oct 91 pp 21-23*

[Interview with General Martin Spigelj by Mladen Maloca and Darko Pavicic; place and date not given: "Croatia Must Go on the Offensive"]

[Text] [DANAS] What in your opinion is the real picture of things on the battlefields of Croatia and the real status of Croatian forces at this moment?

[Spigelj] The aggression against the Republic of Croatia began long ago and is now reaching its culmination. It mainly takes the form of artillery, mortar, and air attacks, accompanied on the other hand by the taking of territory. The aggressor has no personnel north of the Sava, people motivated to fight for Croatian territory, and that is why he cannot take it, but is demolishing and destroying it, waging war at a distance. While south of the Sava he has managed to mobilize Chetnik forces, which have become part of the so-called JNA [Yugoslav People's Army], and a sizable infantry force has been created, affording the possibility of taking and controlling space, the objective is to create a monoethnic area. Monoethnic areas are created by simple and brutal destruction of everything that is Croatian. We are dealing with the most brutal genocide. And that aggression, by the nature of things, is spreading both to Bosnia and to Hercegovina.

The aggression will soon begin to go downhill because there is nothing left for us except to launch a counteroffensive, although I think that we are tardy in doing so. In that counteroffensive, even though the Army possesses immense resources, it does not have prospects for holding out. One of the reasons why there are no prospects for its holding out is that Muslims, the people in the Sanjak, the Albanians in Kosovo are threatened,

the people in Vojvodina do not want to accept a backward imperialist Serbian policy on their territory. What is more, Europe is also arriving at a stronger and clearer commitment and is realizing that it must support the one who is in the right and has justice on his side and punish the aggressor.

I expect a favorable turnaround in this cruel armed conflict that has been imposed, because there must be a decisive response to this dirty attack.

[DANAS] Does Croatia have the forces for an offensive at this moment?

[Spigelj] I have been saying this since back in January, and indeed even earlier. A tank is only steel if there are no motivated fighters in it. We have the motivation to defend our own threshold, our homeland, our very lives, and that balance of power has always been decisive. Take any example since World War II, and you will see that people have been conquering all the force of equipment nearly with their bare hands. In our case, the situation is still more favorable because the aggressor does not have support among his own people for aggression against Croatia, because the citizen of Sumadija is not interested in the Sava or Drava valley. The offensive was possible still earlier. The enemy would have to fight on all sides, and then the balance of power becomes an issue. Believe me, I am not talking off the top of my head, because this is my profession.

[DANAS] It seems that some kind of strange tactics have been involved in Croatia. For example, the police station in Plitvice held, and then also in Kijevo, and then later they fell. At the same time, the territory was lost which those stations were supposed to control.

[Spigelj] You have raised the problem which is of particular interest to me, and that is the relationship between position and maneuver. In military strategy, those two things must be interwoven, and that was the basis of my conception of defense, precisely on that interpenetration: police stations and nationwide defense are established, while a maneuverable armed force is organized on the other hand. But what happened? We wanted the police to create armed forces, and that did not work! And we encountered serious conflicts between my conception and the static conceptions which called for setting up the stations. That kind of behavior on our part gave the enemy the opportunity to choose the objective, time, and manner of the attack, and we were that stationary objective that was chosen. At Plitvice there were 60 policemen in two rooms, surrounded, helpless, and the Chetniks, protected by the so-called JA [Yugoslav Army], maneuvered freely, and they created an apparent, but also real superiority through a tactically weak maneuver.

If another 500 people are clearing the terrain, maneuvering, while the stations are held at the same time, then the balance of power is essentially altered. In that respect and many others, there were great disagreements, and not just about that, so in the end I left.

What we ought to do now on the run is to reduce those static forces and form mobile maneuverable forces that would be called the Armed Forces of the Republic of Croatia, and bring into active combat some of the inactivated part of Croatia, because only in armed conflict is the decision rendered concerning the balance of power in a dirty war that has been imposed. I think that we have enough arms for the early going, and if we do not, we should take them and form smaller and faster units, units which will not be vulnerable to artillery and air attacks. We should also, of course, be critical of the lack of understanding on the part of the West when they set up an embargo against the importation of arms and applied it to all of Yugoslavia. What we should have replied is that Serbia and Montenegro have an armament industry, while Croatia does not, and it is logical that arms should be purchased for the Republic of Croatia to defend itself. They have put us into a cage with the tiger, so now the lamb and the tiger can reach an agreement! The West does not understand that fact, and I would say that some people in the West actually understand it only too well.

[DANAS] Often the Soviet Union is neglected when people talk about the West. What is its role in the Yugoslav crisis?

[Spegelj] The Soviet Union is preoccupied with its own internal problems, and it is no longer the world power it was before, although it is still a nuclear power. Politically, it is disintegrating, and that great empire has been unable to stay together either in the feudal system or in the system of socialist realism. As for a comparison with us, their orthodox party leadership and the political leadership of Serbia and the military leadership have long been associated, because the top Serbian leadership relies on those conservative forces in the Soviet Union, counting on an interruption of democratic processes even before it has begun, that is, before democratic elections. That collaboration has been obvious to the entire world, and I have known about it for a long time, for example, when General Stevan Mirkovic told some hundred people in public that "that man Gorbachev could cause the greatest damage even to us and should be removed." That was not yesterday, that was three years ago, and that means that even before the democratic elections they had a plan worked out for halting the democratic processes, taking their model from the conservative forces in the Soviet Union as well as certain orthodox groups in Hungary and Romania. That was an attempt to save the League of Communists by means of tanks and airplanes, and then Serbia (the majority nationality), led by Milosevic, would be the sponsor of that new hard-line federation. Things have not exactly been following that scenario, and we know that a putsch in Yugoslavia was set up back in January if it also occurred in the USSR. It was supposed to happen in March, but Yazov misfired even then, and a putsch was supposed to be undertaken in Yugoslavia once again with this recent putsch in the Soviet Union, but the counterstrike was to be undertaken after the military-political coup against Gorbachev in the USSR had held

out for at least five days. It seems that the orthodox top leadership of the Army and the imperialist top political leadership of Serbia decided to carry out a coup themselves when, as it happened, this fellow Yazov failed. I think that by that act all those miscreants signed their own death sentence, because in spite of everything the outcome of it all is disastrous for them.

[DANAS] Who, then, is Croatia's chief enemy and the destroyer of democratic processes, because, as we know, Serbia says that it is not waging war?

[Spegelj] That was transparent, and it was clear to everyone that not a single move by the Army was carried out to rescue the Serbian people in Croatia. That was a deception spiced with some kind of historical suppositions which for a time even had a response in Serbia, of which there is now less and less, because they are dying out—the dead people are returning to Serbia. Milosevic and his staff now want to pass off the whole thing onto the JNA, because the JNA absorbed territorial defense into its system by an unconstitutional change, so that Serbia has nothing to do with that, although it agrees with the measures which the Army is taking. After all, if anything happens, the responsibility will be taken by hundreds of colonels and generals waging battles on battlefields, and after the defeat Serbia has somehow extricated itself. That reduction of the Serbian objective in Croatia is already visible, because neither the Croats themselves nor Europe can allow any new borders to be drawn, so that "more modest" demands have to be formulated. I think that those reductions will be increasingly frequent and extensive as the war is gradually lost.

[DANAS] It is obvious that even the top military leadership is not homogeneous as it has seemed to us. What are those top-level military commanders like? Are there people at that level who do not agree with this?

[Spegelj] The interest of the top military leadership in a return of a strong and unitary federation with some kind of socialist party is nothing other than an effort to preserve privileges. This is at this point the only army in Europe which has political attributes and which is involved in political resolution of problems. It is clear from this that it is deriving privileges which are abnormal; just take, for example, that unfortunate Admiral Mamula, who was striving for wealth and at the same time wanted to rule people.

There is no absolute homogeneity in the top military leadership, but we can speak of relative homogeneity. Ethnic differences began back at the end of the 1960's, and have been increasing steadily since that time, and in the 1980's produced a countless multitude of Serbian colonels and generals. We spoke about that with open criticism, but with no success at all. Over the last two years, there has been the greatest escalation of that process, in which even many Serbian generals with a more liberal orientation were expelled. The top military leadership has been purged of non-Serb personnel, so that now the only non-Serb you have is Brovet, but on

the other hand he is so deep in crime that there is no return for him. In the remnant, there is relative disagreement, but we should get it out of our heads that Kadrijevic has different views from Adzic, who is a man with a brain more or less made of concrete who listens to everything Kadrijevic says and zealously carries out everything he wants, and that is why he appears to be a firm general. After all, why does Kadrijevic have to openly dirty his hands when he has Adzic, Brovet, and people like them, who are absolutely subservient? We in Croatia were in error even on this point, and we were looking for the good guys and the bad guys even in that top military leadership. I know several generals who perhaps in their hearts do not agree with this, but they have been removed. Now new generals are emerging, people moving up from ensign to high rank, and they are achieving this because of their mercilessness toward the people and on the battlefield. The one who blew up the storage dump near Bjelovar was an ensign when he was in Slovenia, and he later received the rank of major!

[DANAS] What kind of more long-term strategy does the Army have?

[Spegelj] It is clear even to a layman that in the last few months the top Army leadership has had great trouble activating the reserves. I spoke about those reservists long ago, but they did not listen to me at the time. But I think that that is all that can be mobilized in the Serbian corpus, because they will not be able to go any further. They will attempt to solve this by trying to pull out of Croatia, which they will do in their own way, which is clear to any child: From Sinj the Army went to Knin, from Borongaj it went to Petrinja, from Vinkovci it went to Mirkovci. So, again they would try to save themselves with a deception. If the Army leaves Croatia, it should act according to the instructions of our government, let it cross the borders of Croatia carrying only light weapons. I would allow the rest of the armament to be mothballed until there is a final disassociation and then we will see what belongs to whom. All of that could even be done with international monitors.

The Army will work to withdraw to Serbia, to Bosnia and Hercegovina, and to attempt to achieve its goals, now already reduced, through reorganization and reinforcement (although that is an empty illusion). That is, they have gone too far in aggression and crime to be able to have any other choice: for example, an alliance of sovereign states with their own and federal armed forces, as previously had been discussed. There could hardly be any question of that any longer.

The final option, in my judgment, is that the Army be definitively defeated on the battlefield, and in my opinion that is the only final option. The morale exists in the Croatian man, and all that needs to be done is to establish a system of command, abandon the chaotic and passive defense, make the transition from passivity to the offensive, set in motion the other threatened peoples as well, those who face the same fate as Croatia, and they will have no other choice but to lay down their arms.

[DANAS] However, an agreement was recently signed which states that the Army can take all its weapons with it.

[Spegelj] The agreement in Zadar, Sinj, Borongaj in Zagreb, and Vinkovci shows the utter chaos that prevails in the defense of the Republic of Croatia, demonstrates the intolerably different concepts. I cannot conceal my disappointment with the application of those chaotic measures. Who could sign anything like that?

The Slovenes permitted that for a reason which can be justified but need not be; when no one has supported us from outside, we had to accept war without knowing how the thing would develop to the end. And they defeated an army, they accepted the proposal for a cease-fire, and why should they wrestle with that army, they decided to let it go. Also, their space is ethnically pure, and when the Army leaves, there is still Croatia as a kind of buffer zone. Except that a sizable portion of the weapons are still in Slovenia and cannot be transported, and, as matters now stand, they will remain there until disassociation.

No withdrawal of the Army comes into consideration for us. That is, it comes into consideration, but only without the equipment. I think that the agreement signed so far will not be carried out.

[DANAS] How do you interpret the kind of chaos that prevails in what was your area of responsibility as minister of defense?

[Spegelj] You know, when you call upon this or that ministry to furnish a solution concerning some essential interest of the state, and no one is able to answer you, then that is chaos. Or no one dares to say what to do. In my opinion, the concentration and centralization of power and authority on what to do has been reduced to a very small group of people and perhaps even to just one man. That system is experiencing its own blockade. After all, you see, when the democratic unity government was formed, the decisions which it made began to instill hope and encouraged people. People began to see what should be done, and I feel that even this is dying out to some extent. In wartime, there is no other way than to greatly disperse authority, because everything depends upon creativity and independence over a broad area, of course, within the framework set by the Assembly, the government, and the president of the republic. But even those general guidelines must be fairly permanent in nature, not changed every day.

I went to the defense ministry at the request of President Tudjman and Mr. Racan out of the pure conviction that I could help.

I had a difficult task ahead of me, a new Defense Ministry had been formed from the backward Secretariat for National Defense, which we had just accomplished, and all that remained of that old secretariat was the sector for dealing with military obligations. Even last year, although at the time this had not become altogether

clear to the broad public, I was pointing out the danger of aggression against Croatia, Slovenia, democratic processes in general, because I was very familiar with the pre-Memorandum documents and doctrinaire conclusions which spoke even of armed actions after Tito's death. They realistically judged that they would be unable to bring about a unitary and firm federation or expanded Serbia without armed force and violence. I issued constant warnings about that. However, the very atmosphere in Croatia was such that we nevertheless believed, people believed, that there would be no conflict, because, many people said, armed conflict is an absurdity; unfortunately, that absurdity has occurred. This was finally confirmed openly by Milosevic at Gazimestan. That realization moved me to create an effective armed defense of Croatia, but I was constantly being accused by someone that I want war, an armed conflict. I said that I wanted an effective defense and that I could prevent war and that no one was going to forgive us if we did not prepare ourselves. At the same time, certainly, we would go on negotiating and seeking peaceful solutions. Indeed, I supported all the talks for which President Tudjman went off to Belgrade, although we knew that many would not yield any results at all. On the one hand, then, we had the dove of peace, while on the other this conception of mine of an effective and sufficient defense was neglected. Only when we became seriously involved in armed combat, when we emphasized more clearly the democratic essence of a sovereign Croatia, did things become clearer concerning the negotiating being done in the country, and this also helped Europe to understand our justified aspirations and the problems we faced.

[DANAS] Regardless of what was announced, the public understood that you left because of differing conceptions between you and President Tudjman.

[Spegelj] Yes. President Tudjman spoke first in the Assembly about some of the reasons for the resignation, and, as far as I can remember, before the committee of the HDZ [Croatian Democratic Community], and then Mr. Mesic did, and it really is not something that is so hidden, and now I myself can say something about all of that. The fact is that at that time I was really sick, that it was hard for me to work 18 and 20 hours a day; aside from that, there was the deception of my collaborators, which is something that will be looked into even by the court, and that has to come out. But the most important reason for my departure was nevertheless to do with the execution and conception of the defense of the Republic of Croatia. President Tudjman said in the Assembly that radicalism had been advocated from the lowest to the highest of our military experts, and I was the only one of the top-level military experts, and so I recognized myself. Yet defense cannot be radical, possibly, as the lawyers say, the necessary defense could be exceeded. But it was not a question of that, we were attacked, they were killing us, destroying and persecuting us, it was a case of the most brutal genocide, all international conventions accord the right of a defense in such cases. At that time,

we had aggression by the Chetniks against Croatia and the open aid of the Army to the Chetniks, and even then we had official figures on 360 dead, 180,000 refugees, and about 3,000 wounded. Those are the official figures. Were there more? Is it important how many there were?

Some of my colleagues said that execution of my conception spread the fire of the conflict still more and increased the suffering, but this is a case of misplacing arguments. There was a conflict subject to precise military assessment and an insufficiently political assessment which did not have supporting arguments. My premise was to inflict greater losses on the aggressor as time passed. Accordingly, taking offensive measures in an offensive manner is to reduce losses and destruction, not increase them. And that is where we differed, and that was not the first time. In practical terms, since January there have been several such assessments and plans rejected. Those were not just any assessments, nor were those plans that had been worked up in haste. It is presumably clear that they should not have stood in the way of peacemaking, and they could not have done that. I was looking for equal treatment of the fight for peace and effective defense of Croatia. We did a study, we arrived at numerous sound realizations concerning the balance of power at that moment or the movement of that balance of power over the next month or so. After so many refusals of necessary measures, I could no longer assume responsibility for defense insofar as it concerned me. But that is only part of the problem, but I think that at this point we should not get into analyzing those events, which could do us more harm than good at this decisive and fateful moment, although we do need frank criticism, because it strengthens the democratic option of development and has a direct impact on the quality of our struggle, there must be no reason for postponing democracy, that would be disastrous for the future.

[DANAS] You have been an advocate of activating territorial defense, but nevertheless this effort has gone through the channels of political parties.

[Spegelj] From the very outset, I said that organizing through political parties was wrong. When we organized nationwide defense, for example, in eastern Slavonia, we had information that it consisted of about 40 percent members of the party in power, 30 percent members of other parties, and the rest did not belong to parties. To be sure, there were certain members of the HDZ who took defense to be their own affair. Take, for example, Slavonski Brod and heroic Vukovar itself, and you will see that it is being defended by people of all faiths and nationalities. Or the opposite example in Zadar, where there were a few hotheaded scoundrels who actually took apart a well-organized defense, and at this point Zadar is incapable of defending itself, and we certainly expected far more of Zadar. The same thing has happened in Dubrovnik, where we had to protect some people, preserve the organization of defense, and you see that now it is able to defend itself under extremely difficult circumstances, and I am thoroughly convinced it will succeed.

[DANAS] The Supreme Command has now been formed with people who really know their job. What do you think, will they also encounter the problems which you had in working out a conception of defense?

[Spegelj] They will, they will have almost the identical problems I had. I have a high opinion of those people; incidentally, I have worked with them all, and I know them well. These are very able men, they come from all the services and arms, they are superb operational commanders, esteemed experts. To be sure, some of the field personnel were driven off earlier with deceptions of both me and them, but I hope that nevertheless one day that will be resolved properly. I have been trying to help all the people in the Supreme Command, but I do not blame them if they do not pick up on it. It is difficult to listen to everyone. It is better to have a concept and carry it out knowledgeably and persistently.

The people in the Supreme Command are now patching together what can be patched, and their greatest trouble is that they cannot move on to their real work. Nevertheless, one group of people can be singled out to put the system on its feet, to form services and arms, to activate retired officers who are still able and reserve officers who are willing and able, a great deal can be achieved in a short time. I had some 60 officers whom I could not assign precisely because the system had not been developed, but also because of the lack of various weapons; now that is no longer such a problem, there should no longer be any delays in getting the system in operation.

[DANAS] Recently, Stipe Mesic said that Spegelj's conception of defense is being carried out. Does that at the same time signify a kind of "rehabilitation" for you and your return to your old post in the near future?

[Spegelj] I was not demoted so that I need any rehabilitation, at least that is my feeling. I am not really happy that my plan is to be executed (the escalation has occurred, and there was nowhere else to turn), but there is a certain satisfaction for me. No one can throw at me that well-known saying: "It is easy to be a general after the battle is over." Let us take up weapons, we have been purchasing them for 20 years, but all the other weapons are also ours, the enemy is cruel, there has been none like it in recent military history; we have to do it, we have no other choice, our people want to do it, but they still do not know how nor where, and we are simply doomed to defeat a criminal enemy with more or fewer casualties, he is not strong, his days are numbered. We have to organize so that we do not take unnecessary casualties, and we have already had them beyond all measure. Mr. Mesic and the others have supported me, they have encouraged me, I have become convinced that the assessments of the measures and the plans were both realistic and sound, but I will be happy only when we are victorious and achieve our free and democratic homeland.

[DANAS] You have been seen on Slovene television with Jansa at Bac, the Slovene exercise ground. Is this a sign of collaboration with the Slovenes?

[Spegelj] No. I spent a few days abroad, and on my way back I stopped off in Slovenia. It is well known that I have extremely good relations with the defense and internal affairs ministers of the Republic of Slovenia and with their President Kucan. They had me stay over for an exercise with air defense weapons. It was covered by television. That was the explanation.

Croatian War Propaganda Termed Ineffective

92BA0093B Zagreb DANAS in Serbo-Croatian
15 Oct 91 pp 56-57

[Article by Bojan Muscet: "Uncle Gojko Wants You"]

[Text] When the local radio station in Zagreb, Radio-Sljeme, announced in the morning hours of 3 October the mobilization of forces and an appeal to everyone with weapons to report to crisis command centers, this was a signal to most citizens of Zagreb that a general mobilization had begun. All able-bodied men knew that the moment had come to exchange their everyday obligations in the bakery, in the factory, or at the desk with a rifle or some other weapon on which they could put their hands. The time had come to see their nearest and dearest perhaps for the last time.... Many left their jobs, got in their cars, and drove home for their uniforms. At the same time, the regular programming of Croatian Radio Studio Zagreb said nothing about this, so that the more cautious citizens had to take different steps. They telephoned crisis command centers, and the people there told them that probably they had gotten it wrong, because general mobilization had been proclaimed only in Vinkovci. But they did not get it wrong, because the announcer said in a voice appropriate to announcing the end of the world that Croatia was bleeding and needed the help of all of us. The result of that appeal, aside from the general panic in the city, was also evident in the large number of traffic accidents. In the afternoon, the chief of the Zagreb Crisis Command Center warned the bad citizens that in future they should do a better job of cleaning their ears, because no one had issued any appeal for any kind of mobilization. What there had been was simply an appeal to citizens who have weapons which were not being intelligently used to report so that they might fire ammunition on behalf of the homeland. By and large, it was the same process as though an air alert had been sounded because of a low-flying plane spraying for mosquitoes. The explanation, that is, was rather unconvincing. At the same time, malicious tongues were saying that someone (KOS [Counterintelligence Service]?) had faxed this announcement to all the radio stations. The announcement by which the editors of Radio-Sljeme had supposedly been taken in.

This is only one of the examples of the inarticulate information and deliberate propaganda which had been obvious in our media. The programming of HTV

[Croatian Television] is still more obvious. The conception is changing at the same rate as defense ministers. At first, Croatia is supposed to be a victim, and then all we see of the war is a reserve of the MUP [Ministry of Internal Affairs] rolling in the grass and dozens of bereaved mothers and grandmothers pouring out their bitterness in front of the cameras. Then it is concluded that this is not convincing enough, and they broadcast frames so terrible they make horror films seem like a child's lullaby. And then they intrude the argument that the war in Slovenia was handled much, much better in the media, and the MUP reservists in the grass also began to shoot. The final phase of the editorial conception is a conglomerate of all that, but the proportions are wrong. For example, in one very important edition of the nightly news program "Dnevnik," editor Mladen Luckovic published correspondence between President Tudjman and General Kadijevic. At 1930 hours, then, the content of forenoon letters was made public, while those in the afternoon had to wait for the nighttime hours. That same editor explained that the officer sending threatening letters to the inhabitants of a village is called Stevo, because he could not be called otherwise. What is that supposed to mean? That every TV editor who mutely selects news items must be called Mladen? The truth gets through in the end, however bitter it may be. After all, many people have learned from TV Slovenia what HTV did not dare to show, and those who have satellite antennas have also seen even certain other aspects of the truth. What is more, one can hear on Croatian radio what HTV cannot show. Some kind of censorship is certainly necessary, as necessary as some kind of propaganda, but what is to be seen on HTV, unfortunately, is far from that.

The purpose of the media is above all to inform, to convey information. Of what have the potential defenders of our homeland been informed? That Croatia has been attacked by the Serbo-Yugo-Chetnik-communist soldiery, which is slaughtering and burning. True. And it should be fought fiercely. But, judging by the situation which the media have presented, it is obvious that not everyone will defend it in the way he best knows how.

In other words, a certain degree of disorganization that is manifested in the exchange of fire through the media is not the fruit of imagination. The stories that have been spread about how weapons must be purchased so as to undertake defense of the country encourage that picture. And the media have been doing very little to turn it around. Its abstractness and confusedness disorient everyone who would like to contribute to the defense of the country in the best possible way. But he does not know whether he is a volunteer or a soldier, a reservist or a fighter. Nor what awaits him afterward.

Seeing how the Army was treated in the former Yugoslavia, because of major contributions to preservation of the country, he might gain certain privileges. In foreign armies, the military calling is strictly defined, and its privileges in society are precisely known. All of that is

well known because of good information. And that information stipulates that the military calling is the same as any other, not something that is imposed by tradition or poverty. After all, those cases are not rare in which people went into the JNA [Yugoslav People's Army] because that was the quickest way of achieving something. Is that possible under the subsequent peacetime conditions and in the ZNG [National Guard Corps]? The civilian dimension of the army should be paramount, so that by some unhappy chance what is unfortunately happening today on the territory of Croatia does not happen in another 50 years. The American reservists know exactly what they will get if they decide on that solution. That is, by contrast with the thesis of the armed populace (which has been completely shattered when the weapons of Territorial Defense in Croatia were carted away and by the strange military decisions made at the beginning of the war), to the effect that every male between 18 and 60 is a potential fighter. America goes looking for its reservists. They are offered money help with tuition while they are in college and opportunities to use various Army facilities. What is more, every reservist is offered the satisfaction of knowing that he is contributing to make America stronger. His duty is only once a month, over a weekend, to go on an exercise and to go to a special camp which lasts two weeks during the summer vacation. In case of war, of course, he would be called up. There might also be military training for 12 months. In addition, there are military colleges whose students are called up for special training. So, there are various possibilities. This is the American Army system. Such systems vary, but the essential thing is that they rely on appropriate advertising. Thus, advertisements for the Army are placed in teenager (the British SKY) or trendy (the American ROLLING STONE) magazines, among the advertisements for perfume, tennis shoes, compact discs, and hair creams. Everything is possible. For example, if you want to play in a military band, there is an advertisement for that (DOWNBEAT). This is the right approach, it portrays an Army career as dynamic, attractive, and desirable in the community. These advertisements are accompanied by effective photographs that show young men and women in positions that are anything but murderous. They are manning observation posts, they are cleaning machines, they are looking at a monitor, they are possibly doing target practice. The Army, then, is not a killing machine, the Army is a way to strengthen your body, your spirit, and your state. And it also pays. And there is very little difference from civilian life. After all, when the advertisement appears in ROLLING STONE, next to a review of the new record by "Guns 'n Roses," and after the film review of "Terminator 2," then that is the real thing. At least that is what the propaganda advertisement says. Neatly, quickly, and crystal clear. Without any kind of tricks offstage, without any kind of censorship, without any kind of carping in the media.

To be sure, American society is rich enough to be able to indulge in something like that. But the most important thing is the civilian spirit which is uppermost. It is worth

recalling the white posters with bold black letters calling for recruits. What sunk in most with 16-year-olds is that they would be punished if they did not report. Those in poor regions were overjoyed, they were going where they would have a bed and food. But for most the transition from civilian life to military life was not very attractive. At least for a majority in Croatia. To a military life in which rock and roll is prohibited, in which practically all those joys of life are prohibited to which teenagers have become accustomed before they went out to defend the homeland. The Yugoslav Army has been issuing appeals to people to join its ranks, but their advertisements have not differed from the advertisement for renting a booth in the market. Dry and vague as the language was, they nevertheless attracted many people. We know which ones.

Such mistakes ought not to be repeated in the new society. Beginning with the media and advertising. After all, if things which are incorrect from the media standpoint are done during war in this region, what can we expect later?

So, we need to know why we are fighting, how we are fighting, against whom we are fighting.... It is not enough to say that we are fighting to defend the homeland with all our strength against the Chetniks and the Army. Members of the National Guard Corps must especially know this. After all, the enemy never sleeps.

Croatian Minister on Need To Revise Constitution

92BA0093A Zagreb DANAS in Serbo-Croatian
15 Oct 91 pp 13-15

[Interview with Drazen Budisa, president of the Croatian Social Liberal Party and minister in the Croatian coalition government, by Zoran Batusic; place and date not given: "Freedom or War—False Dilemma"]

[Text] If he were active on the American political scene, Drazen Budisa would certainly be nicknamed "Mr. Perfect." A man with an irreproachable past—one of the legendary student leaders in 1971, imprisoned for his political ideas, a scientist, and literally the custodian of the Croatian cultural legacy (director of the manuscript and rare books holdings of the NSB [National and University Library]), and, last but not least [preceding four words in English], an irreproachable father of his family. Drazen Budisa has impressed the Croatian political public with his moderateness, his intellectual and analytical abilities, and his deeply experienced and utterly indisputable personal ethnicity. For him, politics and morality are synonyms; a typical example is his refusal of the "aid" which the SDP [Democratic Reform Party] offered him in the second round of the voting in last year's elections, a refusal which many interpreted as a lack of a feel for the pragmatic in politics. His response, that he wanted to enter the Croatian Parliament only by the will of Croatian voters, not at any price and through various political arrangements, was a discord in the ears

of many for whom the will to power is the only driving force in life. We talked with Drazen Budisa, president of the HSLP [Croatian Social Liberal Party] and minister in the Croatian coalition government, about the current political situation in Croatia.

[Batusic] The Croatian Assembly, it might be said, finally, has affirmed the independence and sovereignty of the Republic of Croatia. How do you evaluate the position in which Croatia finds itself after that historic act?

[Budisa] Just as in the life of an individual, however much he has been whipped, humiliated, persecuted, and challenged in his life, there are moments when he stands upright in the fullness of his dignity, so there are also such moments in the life of a nation. Confirmation of the decisions on the independence of the Croatian state in the Assembly was such a historic moment. The effort of the Croatian people over several centuries to control its own destiny in its own independent state was concentrated in that historic act. I am glad that I myself was present in the Assembly session when that decision was passed, because establishment of the independent Croatian state has been one of the main motivations of my political activity as long as I have been involved in politics. The magnitude of that historic act is not darkened by our harsh reality: a land that has been devastated and destroyed, partly occupied, and the threat of total war, which would bring still greater suffering and devastation, and along with that the fact that we are still an unrecognized state. Nevertheless, we can expect to be recognized if we ourselves resolutely express our will to live in an independent state. At least in that respect I believe that our position is more favorable today.

[Batusic] The Croatian public perceives the activity of the great powers of Europe and the world in resolving the tragic events in our homeland as controversial (the reluctance of the West to face up to the processes of the independence of peoples and states in the former countries of communist totalitarianism). What do you think about the emotional "anti-Europeanism" which has recently been recognizable in a segment of the Croatian media and even in the so-called ordinary population?

[Budisa] There are several reasons for that stance on the part of the West: fear that communist totalitarianism might turn into a totalitarianism of national ideologies, fear of the military repercussions of an uncontrolled disintegration of the USSR, fear that the new international entities might threaten the newly established European unity, diverse interests of the United States and Europe, the sluggishness and inertia of Western politics, the effort for all the nationalities of the former Yugoslavia to be equally integrated into the future European community.... It is understandable that the rather neutral stance of the West with respect to the aggression against Croatia and the delay in our recognition should evoke in Croats resentment toward that kind of Western policy. That emotional "anti-Europeanism," as you call it, does not distance Croatia from Europe, just

as our "charges against the Turk" which our people for centuries addressed to Europe, seeking its help, did not distance us from Europe, but actually brought us closer. For instance, wasn't Vuk Frankopan Trzacki more a European when in the state assembly in Augsburg in 1531 he sought help for Croatia from those who turned a deaf ear to his appeal. The Europeanism of Europe is in trouble in Croatia today because it is not only the freedom of a European people, but those political principles on which the political life of the West is based that are being put to the test: Every people has the right to a sovereign state, and every man has the right to live in equality, freedom, and the dignity of his person. When we get angry at Europe, we are angry because it is denying its own values and principles to our detriment, but also to its own detriment.

[Batusic] The Croatian Assembly and Croatian coalition government, of which you are a member, have been trying to establish themselves as an authentic locus of political decisionmaking. What can you tell us about that process, which is still going on?

[Budisa] We really are trying to do that, and this really is a process, and that means that we still cannot say that the Assembly and the government have sufficiently affirmed themselves as authentic factors.

[Batusic] The demands for precise (re)definition of the authority and powers of the president of the republic are strongly present in Croatia's public political life, and at the same time the legality and legitimacy of "parainstitutional" bodies like the Supreme State Council are being challenged. What do you think of such initiatives?

[Budisa] I assume that you know that the party I head has come out resolutely in favor of a parliamentary rather than a presidential system. We continue to take that view—today, what is more, more resolutely than before. No one is challenging the right of the president of the republic to have advisers and to organize advisory bodies, but I must say that certain decisions of the Supreme State Council have been contrary to the positions and decisions of the government of the Republic of Croatia. The least that I might say is that the Supreme State Council has not been advancing democracy in Croatia. It is important in this connection to emphasize that the conditions in which we live often demand prompt action and decisionmaking in a small group. When peace prevails here, and when we are a free country, we will have to examine certain of the provisions of the present Croatian Constitution.

[Batusic] Defensive military operations have often not been conducted satisfactorily, which has resulted in the loss of cities and broad areas. Drnis and the Drnis district are one of the negative paradigms of this kind. Because you were present in that district after the fall of Drnis, can you give us some of your own experiences and view of the situation?

[Budisa] Up to now, I have not commented on the conduct of the war. I am not competent to do so. Because

of my statement about the withdrawal from Drnis, I have been criticized of acting like a general who has wise things to say after the battle is over. I said in my response that my criticism did not pertain to the way in which the battle was conducted, but to the fact that it never occurred.

[Batusic] What in your opinion are the priorities in the activity of the Croatian government following official proclamation of independence?

[Budisa] The priority task is the liberation of all of Croatia. Everything should be subordinated to that objective. Without underestimating in the least the importance of political activity, especially on the diplomatic front, I am convinced that the freedom of Croatia depends above all on our own strength. The strengthening of our defense is more important than all the documents being adopted in European offices and in the offices on both sides of Radic Square.

[Batusic] How do you assess the truces we have had up to now?

[Budisa] There have been so many that I can no longer remember their provisions. The general opinion is that our truces up to now have not improved the situation on the battlefield where it was unfavorable, and on the other hand they have halted our offensive on those battlefields where there were good prospects for success in military action. Nevertheless, we dare not adopt facile positions concerning the truces without examining all the facts and circumstances on the Croatian battlefields. There is an immense burden of responsibility, and it lies above all on the president of the republic. He is making decisions on which the lives of thousands of people and the destiny of entire regions and cities literally depend. We should respect the difficulty of his position.

With all due respect, however, for the difficulty of the situation in which he finds himself, I cannot pass over in silence the fact that some of the documents concerning the truce contain statements which are completely acceptable for Croatia. I might give several such examples. It will be sufficient for me to give just one. The next to the last agreement from the Hague which was agreed to by President Tudjman, Slobodan Milosevic, and Veljko Kadijevic stated that "representatives of the Serbian community in Croatia and eastern Slavonia" would be invited to the next meeting in The Hague. I said in a meeting of the government that that document does not obligate us and is legally invalid, because one of the entities in that agreement was mistakenly referred to. I favor negotiations, agreements, truces, but we should look very carefully at how these documents are worded, because some of the wording may establish precedence with grave consequences in future talks.

[Batusic] The objective of the aggressive policy of Serbian expansionism is not merely to conquer territory, but also to physically erase the Croatian cultural identity. How do you experience that as a person who

throughout his professional life has been specifically concerned with the work of preserving the Croatian cultural legacy?

[Budisa] Together with my colleagues, I have not only been preserving the valuable holdings of the NSB with the old Croatian books and manuscripts, but we have also been preserving the major works of Serbian culture, from medieval manuscripts in Cyrillic to printed Serbian cimelia. Ever since Ivan Kostrencic founded the treasury of the National and University Library of "Croat and Serb culture" 100 years ago, which is what he called the rare books and manuscripts of the Croats and Serbs, they have had the same status in that treasury, even during the time of the NDH [Independent State of Croatia]. On one occasion, the Russian anthropologist Sokolov wrote that a people that loses its historical memory is like a patient suffering from amnesia. By destroying our cultural monuments, the enemy wishes to destroy our historical memory. It is painful for me whenever a cultural monument is attacked. Some have been completely destroyed, some can be repaired or restored, but what cannot be righted is the collective silence of the Serbian intelligentsia, which is calmly observing the eruption of barbarism and vandalism in the ranks of its own people.

[Batusic] The problem of arranging a common life with the Serbs in Croatia remains the central issue in Croatian domestic politics. How do you see those relations and the possibility of their being regulated after what has happened in this war?

[Budisa] As I have said, the priority task of Croatian politics is the liberation of Croatia. As a country which is largely occupied, we cannot effectively resolve any major issues so long as we are in this position. I am afraid of our coming forth with solutions which are more a reflection of the situation on the battlefield than in keeping with the practice of resolving similar issues in democratic societies. I believe there will be no disputes over cultural autonomy and proportional representation in government bodies for the ethnic communities living in Croatia. I assume that there will be a challenge to local home rule on an ethnic basis. No solution may be harmful to the interests of the majority nationality, nor such as to jeopardize Croatia's territorial integrity over its entire space. Nor may any solution divide the citizens of Croatia into first- and second-class citizens.

The psychological consequences of this war, which has produced immense distrust and strong emotions, including those of the worst kind, will be a great obstacle in resolving the question of the status of ethnic communities in Croatia, especially the Serbs in Croatia. It will be difficult to build a community life on such emotions and distrust. But however strange it may be, this war has in some places brought Croats and the Serbs and members of other ethnic communities in Croatia closer together.

We should not forget that 50,000 Serbs from Zagreb were in Zagreb shelters and listened with the same concern when enemy airplanes roared over our capital, and, I have heard, many Serbs in Vukovar have been defending their cities just as wholeheartedly as the Croats. Our life together in the future should be built on such examples.

[Batusic] Once independence has been achieved, relations will have to be regulated with the other parts of the former Yugoslav community, and indeed with Serbia and Montenegro. What are the desirable guidelines of Croatian politics in working out those relations (with particular attention to the question of Herceg Bosnia and the Balkan crisis areas—Macedonia, the problem of the Albanians)?

[Budisa] Relations among the states which have arisen or which will arise on the ruins of the former Yugoslavia should be based on international law, just like the relations of all sovereign states.

Our readiness for collaboration and cooperation in the common interest, I believe, will be no less than the readiness of other European states. Even in the document adopted by the Assembly in its last session, we emphasized that we recognize the independence and sovereignty of the other republics of former Yugoslavia. As far as Bosnia and Hercegovina are concerned, if the Serbian side does not recognize the sovereignty and independence of the state of Bosnia-Hercegovina [B-H] with its three constituent nationalities, then this war will soon be carried from Croatia across the Sava and Una to the territory of B-H, and the Muslims and Croats in B-H will find themselves in the same situation as the Slovenes and the Croats in Croatia have found themselves, i.e., they will be defending their freedom with weapons. The Macedonians and Albanians will find themselves in the same situation.

[Batusic] Croatia is at war. What do you think about the life of political parties under such conditions? What should be the manner of behavior of the party of which you are the president in this situation?

[Budisa] The conditions of wartime are, of course, not fit for development of true life of political parties. Aside from that, we are taking part in the democratic unity government, and therefore we are also bearing responsibility for government policy in part.

However, we do not take responsibility for the moves of the president of the republic and the Supreme State Council, in which we are not represented. If you have been following our press conferences and other public statements by members of our party's leadership, you have seen that they have been rather critical of certain moves of the central and local government in Croatia. Nevertheless, at this point we have reduced our principal activity to encouraging the liberal parties and liberal circles in Europe to recognize the Croatian state.

Our public is not very aware that we have had important success here and that liberal parties, including the Liberal International, are today in the forefront in political actions aimed at ultimate recognition of Croatia. The second form of our activity is charity and social welfare. Here, I would particularly emphasize the campaign known as "Young Liberals for the Guards." Every day we collect food, medicine, and clothing and send them where they are more needed.

[Batusic] We have witnessed the radicalization of a certain segment of Croatian political opinion (I am thinking primarily of the activity of the HSP [Croatian Rights Party], but also the statements by certain people in the HDZ [Croatian Democratic Community]). How do you evaluate those tendencies? What do you think about the murder of Mr. Ante Paradzik, which still has not been cleared up?

[Budisa] I once said in a debate with advocates of radical right-wing ideas: Gentlemen, if the Slovenes had entered the struggle to establish an independent Slovene state with Rupnik's ideas, they never would have achieved independence. I have nothing more to add to that at this point. I said at Ante Paradzik's funeral that I did not know whether his murder was the result of a combination of unfortunate circumstances or a political assassination. I still do not know. According to the information available to me, it is almost certain that the people who fired on Paradzik did not know who they were shooting at. The investigation will first of all have to establish the source of information that suspicious persons were in the car in which Paradzik was being driven. They will have to answer who first expressed that suspicion. I doubt the objectivity of the investigation a priori, although I think that the Assembly should adopt Deputy Eres' motion to form an Assembly commission to investigate the circumstances of Ante Paradzik's death. Unfortunately, that proposal and the proposal by Deputy Bajt to form a commission of the Assembly to investigate war profiteering have not been put to a vote at all.

[Batusic] Finally, is it your position that peaceful resolution of the war that has been imposed on us is still attainable (with or without Europe and the world)?

[Budisa] I would like to believe that it is possible. Peace, however, can also be achieved by capitulation. If there are prospects of our attaining freedom through agreements and peaceful solutions, we should do everything to achieve freedom in that manner, but if there is a dilemma about freedom or war, then here there is no question, we should choose the latter.

Protest Meetings of Albanians in Macedonia

92BA0066C *Belgrade BORBA in Serbo-Croatian*
1 Oct 91 p 8

[Article by D.N.: "They're Seeking the Status of a People"—first paragraph is BORBA introduction]

[Text] Protest meetings were held by Albanians last weekend throughout Macedonia. According to unofficial

estimates, between 10,000 and 70,000 people were present in Tetovo alone.

Skopje—Mass protests by Albanians in all cities of western Macedonia, as well as in Skopje and Kumanovo, were held on Saturday. The largest meeting was held in Tetovo, with 10,000 participants, according to the estimate of the Macedonian media, or with 70,000 according to the estimate of the organizing council.

At all these well-organized meetings, which passed without incident under the slogan "peace, equality, democracy," demands were emphasized that Albanians be granted the status of a people, that education in the Albanian language be provided from elementary school to higher education, that district assemblies be organized in Tetovo and Gostivar where the majority of committee members are Albanian, and that it be made possible for Albanians to use their symbols. If this is not done, it was said in Tetovo, the Albanian people will organize a referendum in areas where they constitute the majority and speak out for a confederate structure in Macedonia or for independence, with the right to enter into an alliance with another state.

It was also said that leaders of Macedonian politics are responsible for the fact that Albanians have not gone to a referendum in Macedonia. The designation of an Albanian people in addition to a Macedonian people in the preamble of the new constitution is being sought, as well as the confirmation in this text of the constitution that the Albanian people are constituents of the Macedonian state. It was said that the new Macedonian democracy is false and that unseen terror against Albanians is being carried out under it, as well as that this is one of the darkest periods in the history of Macedonia. The word "apartheid" has been used almost everywhere for the present position of Albanians in Macedonia. A referendum has been held in Kosovo and it has been sought that recruits not go to fight for Serbia's war aims.

A telegram that was sent to numerous addresses in the country and abroad says, among other things, that 1 million people in Macedonia are discriminated against in the same way as the 3 million Albanians in Kosovo, so that a comparison can be made with the dark Middle Ages.

The meetings lasted about an hour; participants dispersed peacefully afterwards.

Economic Prospects of Greater Serbia

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pp 24-26

[Article by Ivo Jakovljevic: "Economic Prospects of Greater Serbia"—first paragraph is DANAS introduction]

[Text] Is Milosevic's political project leading to a military victory for Greater Serbia, or to its rapid collapse and several years of poverty?

The Serbian and Army aggression against Croatia will not be long-lived, just as Croatia's independence is not "a question of days." Therefore, the last of all the questions remains: What will happen after the war (to Croatia, Serbia, and Yugoslavia)?

We will only dwell on the economic level of this complex story. We will assume that this insane war will end soon, that it will cause enormous human and material casualties and damage, and that it will have long-term consequences as a sort of "destroyer of the future" of the people in whose area the war is being fought. We will also assume that at the end of this war story we will have before us the achievement of both political projects: an independent, autonomous Croatia (within its AVNOJ [Antifascist Council for the National Liberation of Yugoslavia] borders, and Greater Serbia (in its so-called Memorandum form), even though in the reality of the destruction, those projects exclude each other, but at the same time, also cancel each other out. What, then, will happen in the days after the war?

In order for us to move from qualitative assumptions to any more or less probable quantitative provisions of an answer to the above question, it will be worthwhile for us to estimate the day when there will no longer be war. On the basis of previous military and political analyses by the republic and federal governments, but also the subsequently revealed projects of the JNA [Yugoslav People's Army] general staff, and Milosevic's "brain trust" itself, as well as some indications from similar analyses by the American CIA, one could conclude that the war, at least in this high-intensity phase, could end toward the end of this fall, somewhere around the middle of December.

In that case we could also make use of the estimates made by the federal and republic governments, according to which the Yugoslav economy's gross product could drop by a third during 1991! It would drop more than that in Croatia and in Bosnia-Herzegovina, whereas it would fall somewhat less in Serbia, Montenegro, and other areas of the former SFRY in which the economic crisis long ago struck down the base from which statistical data on economic trends are measured.

Economic Catastrophe

Consequently, after the Serbian-Croatian war, the Yugoslav economy would take a long step forward into an economic catastrophe through which the future of this country would be destroyed for many years to come. But how will Croatia fare in this whole story, and how will Serbia?

If we assessed Croatia within its constitutional borders, then we would have to conclude, on the way to the end of this insane war, that after suffering the biggest economic and military blow in the thousand years of its history, Croatia is the one that has demonstrated through its own example the full absurdity of the Serbian aggression. "An aggressor without victory, and Croatia without defeat,"

or mutually, both sides have suffered enormous economic damage and above all human misery. Not only have all of Croatia's ties with the rest of Yugoslavia been severed, but also all of its internal communications (highway, air, railroad, telephone, commodity, monetary, etc.), while Serbia has only had a temporary and very scant profit from this (from the theft of Croatian property, the raid on the primary issue and the JNA arsenal, and, finally, from the theft of part of the foreign exchange reserves). After all, according to the latest estimates, Croatia already has war damage amounting to close to \$12 billion, which is much higher than its possible share of federal property. Croatia has also temporarily lost part of its territory (the so-called Krajina SAO [Serbian Autonomous Opstina] and areas similar to it), but it has also lost an amount of profit that is significant in the long term (in tourism, transit, foreign investments, the flight of domestic capital, the withdrawal of foreigners from investments in Croatia, etc.). During the war, the number of people unemployed in Croatia has doubled, exports have been almost cut in half, foreign loans have been blocked, and foreign exchange savings have been almost completely devaluated. Less informed observers could assume from all of this, or even conclude, that the real profit has shifted to the side of the aggressor, i.e., to the side of Milosevic's political project of a Greater Serbia. But how do things stand with it, and is it getting any profit?

Greater Serbia, either in the borders of Seselj's map or within the borders of Yugoslavia without Slovenia, has its long-term prospects like any other country in the world, if it meets the corresponding conditions.

Number one is its international recognition, by which the great powers, i.e., the United States, the EC, the United Nations, the IMF, and the World Bank, would each, in its own way, also have to recognize aggression as a means for the emergence of that new geopolitical entity.

Number two is human rights, by which the same group of international institutions would have to overlook silently not only the violation of those basic rights in Kosovo, but also in Serbia, Montenegro, Bosnia-Herzegovina, and Macedonia, and also the multitude of war crimes committed by the Serbian army on Croatian territory.

Condition number three is a hybrid of multiparty democracy and a market economy open to the world, which has not yet gotten a visa in Serbia.

Life in 1992

If the international community did retreat from its basic playing rules, then Greater Serbia could move toward its long-awaited happy future if it first also solves some short-term problems. Through the creation of a Greater Serbia, i.e., the destruction of the SFRY, the Western world would be faced with an equation with several

unknowns that would portray the repayment of Yugoslavia's foreign debt. The West would first of all demand regular repayment of that debt, and if that did not work because of the consequences of the war, then it would try to use the so-called cross clause, according to which payment of the debt is sought from the one who currently has foreign exchange. Serbia itself, however, even if it became Greater, would not be able to repay all of Yugoslavia's debts regularly, and so, if Greater Serbia were to be the SFRY's legal successor, the big problem of repaying that debt would appear. Consequently, the declaration of a moratorium on repayment of Greater Serbia's foreign debt would follow, and then this would probably be followed by the seizure of its property or that of the former Yugoslavia abroad (which could gain the status of Serbia's spoils of war!). Furthermore, a trade boycott against Serbia would also follow, and as a result of it there would be numerous domestic restrictions in trade (ration coupons, deposits, cards, lines, queues, etc.). Serbia, according to estimates by Belgrade's EKONOMSKA POLITIKA, would not starve, but it would be left without oil and derivatives, and thus without a number of chemicals, raw materials, energy, and other imported goods. In many respects, Greater Serbia would be reminiscent of the Greater Germany of 1933, and would therefore, with or without Milosevic, rush right into dictatorship.

What would life be like in Greater Serbia, for example, just in the first days of January 1992?

In January 1992 production on the territory of any Greater Serbia could fall by at least 25 to at most 35 percent in comparison with January 1991, while the number of people unemployed would double. The number of refugees and the socially endangered population would be a burden on all opstina budgets, while the Topcider printing press for money could not be productive enough for swollen public appetites. Hyperinflation would appear first of all where the most money has been printed over a long period of time, and thus precisely in Greater Serbia. The stocks of goods, money, weapons, and ammunition would be increasingly scantier from day to day, and the international economic blockade and political isolation would be increasingly rigid.

Serbia could not be helped either by its brother Romania, or its adopted sister Russia, and not by Cuba, Angola, or China either. Even if Iraq endured the foreign economic blockade, Serbia, even in the event of a military victory, or a temporary one, would have a hard time enduring an economic and political blockade. Milosevic would have to fall, although he would first

have destroyed the greater part of Croatia and Yugoslavia and led Serbia itself into several years of poverty.

To Europe Through War

Serbia, although Greater, would economically become increasingly smaller in the war, so that even in the event of any victory, it would probably reach the very threshold of several years of collapse: The metallurgical and defense industry, and ferrous and nonferrous metallurgy as the backbone of the economic structure could hardly bring Greater Serbia into Europe. Belgrade's EKONOMSKA POLITIKA asked a few days ago whether it was worth waging war for such a successful project.

Stojan Stamenkovic, an adviser to federal prime ministers (Milka Planinc, Branko Mikulic) for several years, estimated a few days ago, as the deputy director general of the Federal Planning Institute, that in terms of the volume of its production, the Yugoslav economy had already gone back to 1979, and "per capita," to 1965, with a tendency to approach the level of the mid-1940's in a month or so! In general, the Yugoslav economy today is in a catastrophic situation, where at one time it looked as though, if it did not turn to democracy, there would be a market and an opening to the world. According to Stamenkovic's estimate, the entire Yugoslav economy this year will experience a deep depression, which can be measured by the 33 percent decline in the gross product; this would put it at the top of the scale of failed systems in the world!

If the aggression against Croatia and the internal war in general end even toward the end of this fall, it could consequently be estimated that two-fifths of the Yugoslav population would be among the unemployed, refugees, wounded, and socially endangered strata. At the same time, more than a fifth of Yugoslavia's economic potential will have been destroyed, with severed communications of all kinds. The expenses of restoring the Croatian economy and the Yugoslav economy in general after the war will exceed the cost of rebuilding Kuwait (\$50 billion). Real disaster will spread throughout the entire country starting in the middle of next winter, when to a great extent indigence, unemployment, hunger and poverty, ration coupons, all sorts of restrictions on consumption, and really a sort of resemblance to the "Stone Age" will prevail.

But who will ever be held responsible for it? Will any more concrete international assistance then come to devastated Croatia and destroyed Yugoslavia, or any signs of recognition (but of what, for whom, when, and why)?

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