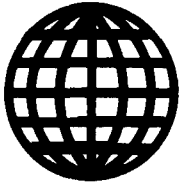


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19 JULY 1990



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INTRABLOC

New RMDSZ Senators Report on First Session of Parliament

First Session Proceedings

90CH0247C Bucharest ROMANIAI MAGYAR SZO
in Hungarian 12 Jun 90 pp 1, 3

[Article by Katalin Beres: "The First Senate Session: 'Today Is a Historic Date'"]

[Text] Twelve senators representing the RMDSZ [Democratic Association of Hungarians in Romania] took their places at the first session of the Senate. Pursuant to law, the meeting took place 20 days after the elections. Only four of the 119 elected senators were absent. Members of the government were invited to the first meeting. They took their places with some prejudice [as published] and with appropriate dignity. Also present were the employees of the Central Elections Office, and delegates from foreign representations, ambassadors. The organ whose historic task is to ensure equal rights and justice at a high level, and which is destined to create legislative proposals of extreme importance from the standpoint of the new governmental structure, began its substantive workings.

For the time being Buda Cezar is the first—provisional—president of the Senate. He is entitled to hold this office based on his age. Next to the Liberal Party senator who was born in 1908, four senators in their twenties are seated in the presidium. They deserve this honor because they are the youngest.

In his opening speech the president by seniority praised the significance of the historic moment from the standpoint of democracy and respect for human rights. Within its diverse order of functions, the fundamental task of the Senate is to frame the country's Constitution, the basic document for democratic legislation, and along with that the growing of roots for a truly democratic political spirit and a high-level moral outlook that will be at home forever in these regions.

From the standpoint of the continued effective and rational workings of the Senate we regard it as a good omen that instead of much festive talk and building of castles in Spain, the Senate instantly began debating the document which will serve as the basis for its functioning. This took place first within parliamentary groups organized on the basis of party and political formations. On this occasion these groups also endeavored to establish their own structure. Senator and RMDSZ Executive Secretary Geza Szocs had this to say about the initial phase of the work:

"Today's first session of the Senate is not competent to make decisions of great importance which have the significance of principle, because for the time being the establishment, sketching, and formulation of the framework is going on, which will later enable the evolution of

more smoothly running parliamentary work. Accordingly, we are dealing with issues which have the significance of formalities: Checking the mandates will take a few days, and substantive political work will begin only thereafter. Along with this cluster of issues which have the significance of formality; this day is still a historic date, because the country's first freely elected legislative body is holding session here today."

Lawyer and Senator Gabor Hajdu informed us about the first official discussion held by the RMDSZ parliamentary group:

"One of the issues dealt with by the conference pertained to the provisional Senate rules. Two variations were prepared: one by the Front which actually appeared to be more acceptable; the Liberal Party also prepared a draft. With certain reservations we agreed on the one prepared by the Front. The reservation pertained to Section 2 of Article 21. This pertained to the order of Senate rules and contains certain limitations regarding remarks [made by senators]. It requires that [the time for or number of] remarks be allotted proportionately according to the size of each group, and this would rule out senators expressing their views without limitation, as directed by the mandates received from voters. It is possible that [unlimited debate] would prolong the Senate's work, but we must not determine the number of remarks, the time to be consumed by the remarks, and the occasions on which remarks may be made if we endeavor to have a democratic legislative process.... Further, we have reached an agreement concerning the persons who will be on the credentials committee: Tamas Csiha and I will perform this work. At the same time, we elected the leadership of the group in the persons of Karoly Kiraly, Geza Szocs, and Attila Verestoy.

"But even this bright, festive day could not pass without providing a bitter moment for us. The RMDSZ senatorial group had to divide the time allotted for the discussion of national issues to reveal our minority concerns. Geza Szocs said that they had prepared a communique to protest the forceful action taken against Deputy Education Minister Lajos Demeny in Marosvasarhely...."

One of the "odd" features of the elections: A female senator was elected to Parliament. Lia Manoliu [Romanian name] is a multiple olympic champion; at present she teaches at the Academy of Physical Education.

"I am very excited about being able to be here; nevertheless, I am personally experiencing a depressing effect. I feel as if the responsibility is placing tons of weight on me. I am not a political creature, and now I must accept an additional responsibility: the representation of women's concerns. There are an abundance of such concerns. The social issues affecting women are known to be very grave. The Constitution, a document which I perceive to be true, democratic, and modern, should deal with the substantive problems of women in a constructive manner. Just as it should deal with the minority

issues. As a sportswoman, always endeavoring to achieve a team spirit, it never matters to me what nationality a person belongs to. As a teacher I was invited to Greece to make a presentation to the Olympic Committee. Two students from the academy were able to accompany me to make a small practical presentation.... One of my guests is Kati Szabo [Hungarian name]. She would be a credit both as a trainer and as a student at the academy...."

Following the recess, after a negligible amount of debate, the provisional house rules were adopted with a few abstentions and negative votes. They provide for the verification of mandates. With the completion of this process the status of the Senate becomes legitimate. Thereafter the president and the Permanent Bureau of the Senate will be elected (by secret ballot). After that there will be a joint session with the House of Representatives. At this session the Supreme Court will submit the determination related to the election of Romania's president for purposes of verification. Only thereafter will the ceremonial act take place when the president of the Senate declares that Romania's president has been elected.

Senator Radu Campeanu had this to say to our newspaper concerning the Senate rules:

"We had a thorough discussion earlier about the draft rules. They actually constitute a synthesis in their present form. And I greatly approve of the fact that this is so. This means that our relations are characterized by good feelings and by mutually balanced thinking. The disputed issue: the consistent maintenance of the appropriate ratio in every organism, at every step. This has been accomplished in a fair manner. I must say that we discussed our proposals, and representatives of other parties and formations agreed with the amendments.

"On the other hand, I have been very pleased these days to see that our Senate group has increased in numbers. Two senators from the ecology movement have joined us, and so has the senator from the Christian Democratic Party. Thus, after the Front, our party has the largest senatorial group, larger than that of the RMDSZ. Quite naturally, this will not lessen our friendship with the RMDSZ. On the contrary, it will become stronger."

We close our report with the words of academician Alexandru Barladeanu. He viewed the first day of the Romanian Senate as follows:

"We got acquainted. We determined that we are able to agree, we approved the operating rules—a matter that could have stirred up trouble, but we succeeded in avoiding trouble thanks to preliminary negotiations.

"I hope that we may contribute with our work to the joint efforts of the country whose goal is to renew and resurrect Romania. I would like this to happen as soon as possible.... What is my message to the national minority? That we must always coexist in the fullest harmony...."

(This is how long the dignified situation lasted. Because in the closing minutes, high flung questions like these began to fly around: Senators should be awaited with warm meals in appropriate hotels; railroad tickets should be settled; they should receive free tickets at all [as published]; they are entitled to countless benefits. Journalists were horrified: The Senate has not even been sanctioned, but it is already establishing demands; what is this, another nomenclature? Are senators asking for privileges? I kept silent. The RMDSZ asked for nothing.

The next session will be held on Thursday.

Interference With Official Duties

90CH0247C Bucharest ROMANIAI MAGYAR SZO
in Hungarian 12 Jun 90 p 1

[Text of protest addressed to Prime Minister Petre Roman by RMDSZ [Democratic Association of Hungarians in Romania] senatorial faction]

[Text] Protest to His Excellency Petre Roman, prime minister of Romania

The elected senatorial group of the Democratic Association of Hungarians in Romania [RMDSZ] submits to the public its protest concerning the fact that on 7 June 1990, beginning at 1730 hours, 12 persons who introduced themselves as representatives of the Vatra Romanasca and the National Salvation Front prevented a delegation from the Ministry of Education, including Deputy Minister and elected Senator Lajos Demeny [Hungarian name], from performing their tasks. This took place at Marosvasarhely [Tirgu Mures] in the offices of the Maros [Mures] County education superintendency. In the end, the 12 persons forced the delegation from the Ministry of Education to leave without enabling them to perform the tasks that could not be delayed.

Three aspects of the actions of this group are in conflict with the Criminal Code of Laws:

1. Preventing the performance of official duties.
2. Restricting the freedom of movement of persons.
3. Endangering the lives and physical integrity of persons.

Since such base actions may cause nationalities tensions resulting in consequences which cannot be foreseen, the RMDSZ group of senators requests the government of Romania to take the necessary steps to permit daily tasks to be performed under appropriate conditions, to protect official persons performing their official duties from being threatened. We request the government to issue a communique to this effect.

Romanian Scientist Protests in Open Letter Against Interethnic Violence

90CH0106B Budapest MAGYAR NEMZET
in Hungarian 27 March 90 p 8

[Text] A stunning and important letter for Hungarian, Romanian, and European readers, by Dr. Mircea Iosifescu (Bucharest Atomic Physics Institute) was published in the 21 March issue of ROMANIAI MAGYAR SZO. It was reprinted by several other papers, such as the 23 March issue of HAROMSZEK, published in Sep-sizentgyorgy [Sfintu Gheorghe].

This is not the wish of a man bent on suicide. Nor is it exhibitionism. Nor is it the wish of a man to whom life means nothing any longer, or the only form of expression of one who has nothing else to say.

But I do beg you, gentlemen, who noisily demanded in Vasarhely the hanging of Enache Smaranda, Andras Suto, and Karoly Kiraly, that you hang me next to them!

Because I am an enemy of aggression; because I believe that tolerance is a virtue that must be practiced by all nations, and foremost by the nation that is in the majority.

Because I am revolted by fascism in all its forms, regardless of which nation it is aimed against and in which country.

Because after the pride I felt when my nation destroyed totalitarianism, I now feel shame for the appearance of creatures amongst the people who yell "Down with Temesvar [Timisoara]!" and "Down with Tokes!"

Because I feel the same way about friendship and respect between Romanians and Hungarians, about freedom in everyday and educational use of the mother tongue, as those that you want to take to the gallows.

Because it is a matter of honor and respect to die beside people who fought for us to have a deserving place in Europe.

Take my blood too. It is from Southern Transylvania, from Fogarasfold [Fagaras]. It belongs to blood type II.

[Signed] Dr. Mircea Iosifescu (Institute of Atomic Physics, Bucharest)

HUNGARY

New Agreement Reached on Visa Restrictions

90P20079A Oslo AFTENPOSTEN in Norwegian
26 Jun 90 p 4

[Article by Halvor Hegtun: "New Agreement Reached on Visa Freedom"]

[Excerpts] Foreign Minister Kjell Magne Bondevik was on an official visit in Budapest yesterday [25 Jun] where he signed an agreement on dropping visa restrictions

between Norway and Hungary. Norway is also offering economic support for a regional environmental center with headquarters in Budapest.

"The dropping of visa restrictions will be in effect from 5 July," says Bondevik...[passage omitted].

"The stay here in Hungary has been very useful. We have informed the Hungarians that Norway is contributing one-half million kroner to a regional environmental center for Central and East Europe. Moreover we are granting one-half million to a joint venture on a modern system of payment. The Hungarian central bank has presented an initiative on this to Norges Bank," says Bondevik to AFTENPOSTEN.

The support to Hungary comes as part of the East European package of 100 million kroner which the Storting has granted. Bondevik has invited his Hungarian colleague, Geza Jeszensky, to visit Norway. On behalf of Prime Minister Syse he also invited Hungary's new prime minister and chief of government, Jozsef Antall...[passage omitted].

POLAND

Ministry of Foreign Affairs: Departmental Reorganization Detailed

90EP0662A Gdansk TYGODNIK GDANSKI in Polish
24 Jun 90 p 10

[Article by Stanislaw Marek Krolak: "Changes in the Ministry of Foreign Affairs"]

[Text] The MSZ [Ministry of Foreign Affairs] too is now undergoing the reorganization which has long been awaited following a great period of silence. The changes are being prepared under the guidance of Minister Skubiszewski and Deputy Minister Makarczyk and are designed to meet current political needs and the long-range goals of Polish foreign policy.

The most important element of the changes is the creation of a uniform European department whose operations are to embrace the entire continent. It will be supported by two other departments: a European institutions department, which is to undertake the problems of multilateral relations on our continent, and an international economic affairs department, which is also geared mainly to Europe. This great emphasis on Europe coincides with Minister Skubiszewski's vision of priorities, because he sees the main realm of our interests to be in Europe.

Changes have been made at the same time in the responsibilities of the deputy ministers. Deputy Minister Jerzy Makarczyk will handle overall European problems. This means that Minister Skubiszewski will entrust key issues of his policy to his closest coworker, a man who came along with him to the MSZ.

Among other significant changes, we should mention the elimination of the defense affairs department. This realm will be managed by the defense affairs section, which will receive its support exclusively from the Ministry of Defense and institutions within that ministry.

The new structure of the MSZ will be as follows:

- Minister's office,
- Europe Department,
- Department of Africa, Asia, Australia, and Oceania,
- North and South American Department,
- European Institutions Department,
- Department of Planning and Analysis,
- Department of the United Nations,
- International Economic Affairs Department,
- Legal-Treaty Department,
- Consular and Emigration Department,
- Press and Public Information Department,
- Department of Cultural and Scientific Policy,
- Personnel Department,
- Department of Administration and Finance,
- Communications Department,
- Diplomatic Protocol,
- Archives.

The reorganization also means important personnel changes in the central office. All employees will receive dismissal notices and may ultimately be offered new positions. The greatest changes will occur in the positions of department heads and directors. The new personnel lineup will be made public by the end of June.

Foreign Affairs Ministry: Ambassadorial, Departmental Appointments

90EP0684A Warsaw *POLITYKA* in Polish No 24,
16 Jun 90 p 6

[Article by Barbara W. Olszewska: "New Peoples at Posts"]

[Text] Minister Krzysztof Skubiszewski has removed three more ambassadors and named two. It is reported that the next three are preparing to leave. Four information and cultural centers abroad have new directors.

The current ambassadors to Hungary, Tadeusz Czechowicz (age 55, former first secretary of the Lodz PZPR Voivodship Committee), to Finland, Henryk Burczyk (age 63 former undersecretary of state in the Ministry of Agriculture), and to the United States, Jan Kinast (age 62, undersecretary of state in the Ministry of Foreign Affairs) have been removed. The last mentioned is to be replaced by Kazimierz Dziewanowski (age 60, a graduate in law from Warsaw University, a journalist since 1946, a member of the editorial staff of *SWIAT* (1955-67), *ZYCIE WARSZAWY* (1969-74), the weekly *LITERATURA* (1974-82), and recently a journalist for *TYGODNIK POWSZECHNY*, *PRZEGLAD POWSZECHNY*, and *GAZETA WYBORCZA*, author of several books, including "Report on the Skeleton and

the Eye," "I Just Returned," "A Sharp Winter Is Coming," "Scrap Iron, the Laughter of Generations," "Paradoxes of Captivity").

Probably, as *PRZEGLAD TYGODNIOWY* has reported, the ambassador to Syria, Gen. Arms Jozef Baryla (age 66, former secretary of the PZPR Central Committee, member of the Politburo and secretary of the Central Committee, head of the Main Political Directorate of the Polish Army, a member of the Military Council for National Salvation, and deputy minister of national defense) has been informed of his removal.

The new ambassador of the Republic of Poland to the Republic of Korea (Seoul) is Jędrzej Krakowski (age 50, doctorate in economics, an employee at the Economics Academy in Katowice, a co-founder of Solidarity at the Academy, an activist of the self-government movement, a commentator for *GAZETA KRAKOWSKA*, an interneer, he has worked professionally in Australia, Washington, and Seoul); to Italy, the new ambassador is Bolesław Michalek (age 62, film critic, head of the screen writers' group Tor). It is reported that Janusz Reiter, a journalist for *GAZETA WYBORCZA*, is to be the new ambassador to Bonn. The Commission for Foreign Affairs of the Sejm and Senate has accepted the candidacy of Prof. Władysław Bartoszewski (age 68, historian, in 1949-54 imprisoned for activities in the Home Army, during the occupation a member of the Council to Aid Jews "Żegota," for many years a journalist and editor of *TYGODNIK POWSZECHNY*, a professor at Catholic University in Lublin and several other West German universities, the author of more than 500 publications, books on the Warsaw Uprising. Interned after 13 December, for several years he has lived in the FRG) to be ambassador to Austria.

Michał Zorawski (age 52) has been named the head of the Consular Section of the Embassy of the Republic of Poland in Moscow with the rank of consul. He is a lawyer, graduate of Warsaw University, since 1980 a Solidarity activist; then as *GAZETA WYBORCZA* reports, he worked as a taxi driver; he is a member of the Citizens' Committee under Lech Wałęsa. Previously Col. Jerzy Jackiewicz (age 62, a former employee of the Ministry of Foreign Affairs, deputy director of the department) held the position.

Bronisław [as published; FBIS note: should read Bogusław] Sonik (age 37, lawyer, graduate of Jagiellonian University) has been named director of the Polish Institute in Paris. Until now, Tadeusz Wegner (age 62, in 1972-75 and 1979-86 director of the translation office of the Ministry of Foreign Affairs, 1975-79 ambassador to Columbia, in Paris since 1986) has held the position.

Tomasz Jastrun (age 40, master of Polish philosophy, a graduate of Warsaw University, poet) has taken over the Polish Institute in Stockholm. His predecessor was

Wieslaw Wilk (age 51, a graduate in law from Jagiellonian University, an employee of the state administration). After the nomination the comment was "a poet has replaced a colonel."

Stefan Zajackowski (age 54, film director, graduate of the Film Section of the Academy of Fine Arts in Prague) has been named head of the Information and Polish Culture Center in Prague. His predecessor was Mirosław Roguski (age 42, 1973-76, an employee of the Main Board of the Socialist Union of Polish University Students, 1981-86, head of the board for artistic schools in the Ministry of Culture and Fine Arts, in Prague since 1988).

Marian Grzeszczak (age 56, master of Polish philology, a graduate of A. Mickiewicz University in Poznań, poet and writer) has been named the director of the Information and Polish Culture Center in Bratislava. He replaced Henryk Zeidler (age 59, a former employee of the PZPR Central Committee).

"Krakow Appeal" Intellectuals, Political Stance Ridiculed

90EP0662B Gdansk TYGODNIK GDANSKI in Polish
24 Jun 90 p 4

[Article by Grzegorz Hansen: "Intellectuals in Politics: the Skinhead Scare"]

[Text] At the beginning of May, we were amused with an appeal from the intellectuals, a document entitled "On Polish Public Life," signed by 42 people whom Editor Turowicz had invited to Krakow. A few days later a response by the Centrum Agreement group appeared. Still later Krakow again played host to intellectual politicians from OKP and from within the government.

The title of the Krakow document, "42," shows it to be camouflage. For example, it says that politics should be moral and guided by Christian values and democratic European values. The word "Solidarity" is repeated several times. The document says that truth should be the standard for politics and that society must be civic-minded, pluralistic, and communitarian. At the end it acknowledges confidence in and support for Tadeusz Mazowiecki's government.

The Krakow appeal was stated forcefully. Some time has passed since its publication, but it is worth reviewing.

What are the authors warning us about? Constantly the same thing: about the old phantoms of nationalism, about slogans of national hatred, antisemitism, and chauvinism. We have also been cautioned about the stereotype of the Catholic Pole and "Poland for Poles." Although populist slogans have also been rejected, the source of the chief danger is clearly named. At fault is the right wing, which is not defined in greater detail. Many

employee groups took up the slogan of "leftist conspiracy" and antiright political manipulation again, in connection with the accusations made in the appeal. I consider the first accusation to be false, but I agree with the other one.

One reason this should not be considered a leftist conspiracy is that neither the head of PPS nor any other prominent activist from a left wing party signed it. Of course, this does not mean that the list of authors includes no "people on the left," but it was the authors' intention to present themselves as a group of intellectuals, to present a plane that was at least nonparty if not above the party. It was intended to appear to be a representative group of intellectuals without any political involvement, a sincere opening of their pure hearts. As one can see, many famous figures were deceived.

The appeal was signed by both the deceivers and the deceived. Who is which? I would suggest this breakdown: the deceivers are those among the signers who have seats in parliament. The rest were the "deceived," because I do not believe that "the coincidence of first and last names of certain people signing the appeal is unintended and purely accidental," but I do understand that in order to make the coincidence seem accidental, the names had to be mixed in with other genuinely independent intellectuals.

But why is the talk here about "the leftist conspiracy" nonsense? Because the term "left" (accurate or not) preassumes certain concrete political views. The problem is that the gentlemen whom I called "deceivers" lack such views. This is why political pluralism in the form of parties and political groups or public discussion of particular problems is not convenient for them, because they would disclose who has concrete proposals and programs and who does not. They also show who is a professional in politics and who is an amateur, that is, who will remain on the political scene and who must go.

What do the authors of the letter have to offer besides phrases about humanism, Europe, culture, and tolerance? An attack—it is as though these phenomena were common in Poland—on antisemitism and xenophobia, mixed in with a mass of common opinion, designed to make people identify with them and accept their whole appeal. This approach is a tried and true method of social engineering. But does the letter not present leftists views? Yes, to some extent, but I would not call them views. This is a collection of fallacies, empty words, and "naive illusions," not "pragmatic political ideas." As it turns out, the terms have been vehicles for the whole world's leftist movements for decades. It would be sad, if they were considered to be the essence of the left's proposals, although the left is temporarily unable to present much more at the moment.

The appeal also makes an attempt at self-defense. It consists of magnifying certain (but only a few) idiotic examples on the Polish political scene and portraying them as a real threat, which the intellectuals can take a

stand on, and, in this connection, their presence on the political scene is justified. If there were no cause for condemnation to warn us about and get upset over, then the intellectuals would have to return to their professions and leave the Sejm and Senate, for example. The paradox is that this would be the soundest situation for them, because in order to make the most objective assessments, you have to stand outside the political disputes, to be an independent person not directly involved in politics. This basic "distance principle" permits us to distinguish between the intellectual and the politician presenting himself as an intellectual.

This is why, for example, there is cause for doubt as to the sincerity and independence of the views expressed in "Appeal 42" and reason to consider the possibility of manipulation in connection with it.

Let us ask about the purpose of the appeal. It should obviously bring health to a predominating political situation. Let us therefore imagine that we are a neo-Nazi skinhead (you simply have to imagine that you have the brain of a bulldog in your skull). Let us also assume that such a skinhead falls into the hands of "Appeal 42." What will happen? Well, if the convictions of the people who signed the letter are correct, this skinhead will immediately come to realize that his behavior is reprehensible, beat his breast, put on a wig, and become a decent citizen. If the letter were to work some other way, I do not understand why it was written. If it does not make the stupid wiser, then it will either fail to produce results or it will simply make the conflicts worse.

To whom is the appeal addressed? To the electorate, to the "silent majority," which cannot be caught on the flypaper of leftist, let us call them, phrases.

It would not be worth writing about the Krakow panels, unless they were a threat to Polish public life. They create a mystery, especially the first-mentioned, and they darken the political scene, obscuring existing conflicts, while they blow up small-scale problems. It is therefore worthwhile to ask about the intellectuals' responsibility. Reasoned action, after all, should be efficient above all, even if it is not to be effective. We should ask whether the hysterical articles in *GAZETA WYBORCZA* on antisemitism, which is its obsession, do not sometimes actually help call the wolf out of the forest. If an antisemitic campaign really were to break out in Poland, *GAZETA*'s role in bringing it about might prove to be significant. I did not think up this argument on my own. Victimologists have known about it for a long time.

Several days after the publication of "Appeal 42" a reply entitled "Declaration of the central agreement" (liberal center and moderate right) came out. It repeats the major postulates that are supposed to make the Polish public scene healthy again. Its authors come out in favor of rapid politicoeconomic changes, emphasizing (perhaps in opposition to the Krakow letter) that the Sejm should ratify the new constitution during the next term. They are also clear in their option for open political discussion

as an issue of public opinion, and not back rooms (a very clear allusion to the meeting in Krakow, for example). How lovely! Pluralism and all that, but manipulation lurking everywhere.

Once when I was on vacation in a small town, I went to the newsstand to buy a weekly paper that was popular at the time. "It's a linked sale," the woman at the newsstand said. "What do you mean 'linked'?" I asked. "If you want to buy the weekly paper, you have to buy *KRAJ RAD* too." I declined.

We have a similar trick involved in the "Declaration," because the above-mentioned postulates also had Lech Walesa as president added to them to insure the democratic reforms. I do not like linked sales. I also think that democracy should be its own guarantee. If it could not get along without outside assurances, then it would not amount to much, and it would not be worth worrying over.

For example, normal political life involves a plurality of appeals, letters, and statements. They usually present the world selectively or in a biased fashion. They are counting on the consumers' lack of critical thinking. In politics the truth is rarely presented. Usually what is presented is a narrow view of reality. This is actually normal. Therefore, pluralism and democracy make demands on the citizens: intellectual maturity, independent judgment, critical choice, and proposing one's own reflections. Modern politics also thrust on the citizenry—this is only some sort of utopia—the responsibility of privately pursuing the truth and the best possible solution.

Is there still room in all this for the intellectual? Of course there is. The intellectual should help other members of society to become aware. He should remain independent and occupy himself with revealing the hidden agendas of the various political, social, economic, and legal visions. His tasks include showing the possible results of implementing these visions and popularizing those criteria for assessment and choice he deems to be the best. If he becomes involved on one side or the other (which he is entitled to do), he should remember one thing: never to give up critical thinking, especially with regard to himself and his own actions.

Students Create New Political Group, Main Principles Outlined

90EP0643A Warsaw KONFRONTACJE in Polish No 4, 25 Apr-24 May 90 p 23

[Declaration by the Initiating Group, Independent Front of Liberals; "Neither to the Right, Nor to the Left, But Straight Towards Europe!"]

[Text] Poland's sociopolitical situation demands the implementation of immediate economic and political changes. Young people, who have significantly contributed to initiating the reforms that are now being implemented, should hold a special place in the formulation of

the ideas aimed at transforming life in Poland. Meanwhile, none of the existing political forces is implementing the aspirations of this community, causing an increase in the radicalization of youth and in the anarchization of its actions. In conjunction with this, the initiating group issuing from the NZS [Independent Association of Students] from the SGPiS [Main School of Planning and Statistics] is calling into being the Independent Forum of Liberals. The purpose of this initiative is to create a political movement which expresses the interests of the young generation of Poles. We consider the following to be indispensable:

- 1. The conducting of free, general parliamentary elections as soon as possible.
- 2. The basing of economic principles on economic freedoms.
- 3. The reconstruction of full state sovereignty and the withdrawal of the Soviet army from the territory of Poland.
- 4. The economic, political and cultural opening of Poland to the world.
- 5. The participation of the younger generation in decisionmaking in the area of state management, and especially in the spheres of housing policy and the organization of education, environmental protection and territorial self-government.
- 6. The elimination of persons associated with the compromised PRL system from leadership positions and from public life, as well as the restoration to society of property accumulated illegally by the PZPR, its satellites and their youth adjuncts.

We shall implement the preceding demands by political methods. We hope that the times in which society was able to speak out only on the streets have passed, never to return, and that the "voice of society" will be a parliament which will reflect the real shape of political forces in Poland. We declare openness: we do not want either the left or the right! We want Poland—modern, independent and European!

Initiating Group Independent Front of Liberals

Attention! Persons, groups and communities which would like to co-organize or work together with the forum are asked to contact: The Initiating Group of the Independent Front of Liberals, Warsaw, 162 Aleje Niepodleglosci, p 2B, postal code 02-554, telephone 48 50 61 or 49 12 51 extension 754, SGPiS NZS room. We may be contacted from 11 am until 2 pm daily.

[Box, p. 23]

Notice

The meeting of poets, prosaists and critics will begin at 1200, on Saturday, 28 April, in the editorial offices.

(At this time we are not in a position to reimburse travel costs.)

KONFRONTACJE Artists Movement

Paramilitary Nature of Nationalist Youth Group Viewed

90EP0624B Warsaw GAZETA WYBORCZA in Polish
21 May 90 pp 6-7

[Article by Pawel Smolenski: "...and the Riflemen"]

[Text] "Basically, we take into our ranks young men age 16 and up. We believe that the presence of young women would deprive our actions of the spirit of masculine adventure."

Grandfather Pilsudski's visored cap is sacred to them. They still do not have the money for uniforms, but they think about them and in the end they will acquire them. They joined the ZS [Riflemen's Union] in order to prepare for future military service. But, they claim, today the army is not for them, for nothing has changed in the army.

Jerzy Wozniak is 21 years old. He is the commander of the Warsaw platoon of the ZS. His detachment of 35 persons coordinates the activities of the riflemen throughout the whole country. Since 1 April, when a recruitment campaign was initiated, about 800 persons have entered the union. They are primarily very young people.

Jerzy Wozniak says that such an organization is necessary in Poland. Ultimately a proportion of those who are in their teens and twenties (a rather significant proportion, in his opinion) wants to devote themselves to a military career. He himself dreams of winning officer's stripes. Ultimately, it is the same sort of interest as history or geography, the difference being that it is possible to teach history and geography in modern day Poland. The lack of independence means that the army continues to be closed off to independence-minded youth.

Why is Poland not independent? Wozniak says that it is because it does not conduct an autonomous foreign and domestic policy. How far we are from the sort of independence that we had under Marshal Pilsudski, when no one interfered with us and our army ranked fifth worldwide!

Tomasz Andrzejewski also is 21 years old. He belongs to the older members of the union. In his opinion, the majority of the union's members are teenagers. Of course, there are those among the riflemen who remember the interwar period—Pilsudskian riflemen and eagles. This shows that faith in independence and service to Poland can unify generations.

Tomasz is the deputy commander of the Warsaw platoon of riflemen. He is happy that the union has the visored caps and the shortsleeved shirts on which are drawn the eagles of the insurgents from the January Uprising of 1863. He likes the strict military discipline. Only he is concerned about the lack of uniforms. He would like the union to have weapons, to have available everything that is in the hands of the Communist National Defense

League. At present they take history, study the principles of command, cultivate physical fitness and take self-defense training, but what is a soldier without his rifle?

Andrzejewski is also distressed by the lack of independence. When he was on vacation in Swinoujscie, at every step he saw Soviet patrols. The Soviet soldiers could ask him for identification. This is very painful to one's national dignity, and so is the look of the port at Swinoujscie, which is under the control of Soviet ships.

The boys in the ZS do not go unsupervised. Adults, sometimes officers, are in charge of them. For example, there is Lt. Col. Stanislaw Dronicz, major organizer of the union.

Incidentally, the lieutenant colonel is the editor of HONOR I OJCZYŻNA, an independent publication for the military. At one time he published REDUTA, for which he was degraded to the rank of private. Recently the same general who stripped him of his rank years ago restored Dronicz's lost stars and bars.

Lt. Col. Dronicz says that the ZS arose out of the initiative of the KPN [Confederation for an Independent Poland] (the lieutenant colonel is a KPN official), inspired by the prewar Pilsudskian independence organization. The idea was born while Poland was still in the hands of the Communists. In Dronicz's opinion, the KPN Political Council also favored evolutionary changes in Poland. But they were concerned about youth, since no one had time for them. And conditions were such that youth could turn to anarchy, join the skinheads and claim to adhere to the Independent Cause in such a way that adults would blush with shame—even the KPN youth, who, in the opinion of the lieutenant colonel, have a great deal of political savvy and refinement.

That is why the ZS was created as an organization divided into detachments, platoons, companies, battalions and brigades, which is, however, in the lieutenant colonel's opinion, not paramilitary. The union is governed by military discipline, but benefits from this accrue not for the KPN but for the Independent Cause. The riflemen are an organization in which patriotic youth will be able to realize themselves, go to training camps, learn friendship and camaraderie and prepare for future service to independent Poland in the army, the police or the state administration.

Lt. Col. Dronicz stresses that the ZS is not, as some opponents claim, the combatant arm of the KPN. It is an autonomous organization. The KPN merely inspired its creation, and now finances the ZS and lends it a place to meet. Jerzy and Tomasz, former KPN members who have resigned from active participation in the party to join the union, say that the riflemen have only a moral debt to the KPN. Without the KPN there would be no union, but now there is no question of independence. Moczulski himself promised this. The organization is open to anyone who wants to serve independence and will accept the union statute. The KPN member, the

socialist, the liberal, the worker, the teacher or the student may join. Recently, a member of the ND [National Democrats] even joined.

It is written in the statute that at the head of the union "stands the Headquarters in the persons of the commander in chief, his deputies, the headquarters chief of staff and, as needed, two to four members of the headquarters. The chairman of the Confederation for an Independent Poland is always the commander in chief."

This fragment is derived from the old statute. The new statute, which was included when the organization was registered, does not contain this paragraph, claim the riflemen.

The problem is that at the union headquarters, they cannot reconcile themselves to the new statute. Based on the "old" statute, which places the KPN chairman at the helm of the riflemen and subordinates the union elements to the local KPN leaders, all former members are accepted into the organization. Both versions of the statute contain a paragraph which grants permission to refuse to execute an order "if it carries the sign of an unworthy act." Moreover, in the organizational oath, a nonbeliever may drop the word "God." In the opinion of Stanislaw Dronicz, it is these provisions which prove that the ZS has no association with militarism. The lieutenant colonel adds that the fact that the fellows do not receive weapons into their hands also points this up.

The young riflemen, however, members of the Krakow branch of the union, did not permit bottles filled with gasoline to be thrown at the Soviet consulate, they protected the Warsaw building of the army's Main Political Board during an independence demonstration. Without any physical preparation, bunglers could not do something like this.

Stanislaw Dronicz is proud that his boys manage to keep order in the streets. Krakow and Warsaw are clear examples of this. He is not proud of Poznan, where the riflemen dispersed a legal demonstration of backers of the 1959 abortion law, while the local KPN announced publicly that that is how it intends to teach morality to rowdies.

At the Warsaw headquarters of the ZS, one can hear that certain concepts must be reevaluated. If someone strikes you, do not turn the other cheek, but defend yourself. Jerzy Wozniak assures that the riflemen will not attack. He says that none of them, and none of the KPN officials is interested in the riflemen's being crushed. But the fellows in the visored caps are able to defend themselves. Just let someone provoke them. They will bring losses on any attackers.

"What kinds of losses," I ask?

"The biggest kinds," they reply?

Radical 'Skinhead' Activities, Slogans Profiled

90EP0624A Warsaw GAZETA WYBORCZA in Polish
21 May 90 pp 6-7

[Article by Mariusz Szczygiel: "On the March: Skins ..."]

[Text] "We have always been around, but now we call ourselves skins."

"We Will Be Strong and Brutal In Order To Survive"

In December 1988 at the concert in the Mokotow House of Culture, they saw a mulatto in the company of a white girl. They began to cry out: "Poland for the Poles!" The mulatto succeeded in escaping, after which they knocked out window panes and demolished the auditorium. One, called Diabel [devil] by his colleagues, pulled out a chunk of heavy glass from the entrance doors and mowed down everything within reach. Four persons were wounded. Adam K., age 19 and Jacek M., age 20 were arrested. Both have an elementary school education.

In August 1989, 77 of them armed with brass knuckles, sticks and chains rode into Gdansk. Parading the streets, they knocked out window panes, turned over trash cans and, at the Syrena dairy bar, smashed several dozen plates and mugs. Those arrested ranged in age from 13 to 20. In December 1989, in the vicinity of the Hybrydy club in Warsaw, they demanded money and an entry ticket to the club from Igor Sz. He answered that he had no ticket. They kicked and beat him and then dragged him to a nearby tunnel. Diabel took out a knife and murdered Igor Sz. Arrested were Krzysztof Z., a 20-year-old doing his military service, Wojciech Z., a 20-year-old who is unemployed and Robert B., a 16-year-old still in elementary school. In February 1990 in Wroclaw, during a demonstration marking the release of Nelson Mandela, 25 of them threw bottles and beat up several African students. As they beat them they cried out: "The negro will bite the dust!"

Skinheads

The perpetrators are well built. They belt their tight jeans with broad army belts. They wear high, laced leather boots that they call "glossies"; their boots have heavy soles so that their resounding step may be heard from afar when an entire detachment of them marches together.

They devote the most attention to their heads. They shave them or get a crewcut so that their hair does not get in their way when they fight. They are called skinheads, baldskulls, skimmers or, most often, skins.

"If They Are Not Afraid of You, They Will Laugh at You"

This is their favorite motto. Sociologists and criminologists have formulated several opinions regarding them.

They draw their inspiration from Fascist ideology. They are antagonists of the Solidarity movement.

They consider their primary goal to be purging Poland of other nationalities. They battle deviants, anarchists and all other youth movements, Jews and blacks.

They trace their ancestry to Great Britain, to the poorest working families. In the West people write that their ideology is taken from the difficulty and futility of life. Being in the company of others like themselves restores their sense of purpose and gives them a feeling of security.

Skin Janek from Krakow cannot talk with the GAZETA WYBORCZA reporter. It is a Jewish paper, and he will not speak with Jews even on the phone.

Throwing a Trashcan in Defense of Their Own Pride

Skin Pawel from Gdansk says that he would like to hit a Jew with a trashcan, only it is hard to recognize Jews on the street.

His colleagues would like to organize a trashcan-throwing competition, but it is senseless to throw trashcans without a live target. "To throw a trashcan, a rock or something else in defense of our pride and we are proud that we were born as Poles—that is the true calling of the skinhead." That is why skins are advocates of sports, which perfect their bodies. They study body building and master karate; one of the skins is the runner-up Polish champion in weightlifting.

They beat punks and heavy metalists because they stink, they sniff glue, they look terrible and they deviate from the norm. We do not deviate from the norm—we just wear comfortable clothes.

They beat Africans because AIDS has come from them.

They beat homosexuals because homosexuality is the whimsical fantasy of bored degenerates, and the Polish nation must be healthy.

"The more 'divergent types' appear in Poland, the weaker our state becomes," says Pawel, who supports a strong army, and would even expand the Security Service to assure the reign of order in Poland.

Pawel sees the Jews as the greatest threat to public order. If the Poles do not show them their place, the Jews will climb all over us.

Pawel developed his opinion of the Jews when he was 4 years old. His mother admonished him: "wash up or you'll be as dirty as a Jew." Meanwhile, in the village where his mother lived there had once been a certain Jew who smelled. His mother did not remember this Jew, but her grandmother told her about him. Nor did the Fascists err when they killed the Jews. It is enough to look at wartime films, the ones of which Pawel was the most fond, about Klaus and Shtirlitz. In these films the Jews are dirty, ugly and ragged, and the Fascists are clean, well-groomed and handsome.

For three years Pawel has been studying foreign trade.

"My buddies look unfavorably upon me: a skinhead who will end up in a Mercedes with a secretary. But I have to study foreign trade so that the Jews do not do our trading for us."

The Idea and the Power

The militia's reconnaissance shows that the most capable skins have acquired the skill of attacking by shooting razor blades out of their mouths.

They wage a surprise attack from the rear, cutting both the jacket and body with their scalpels.

They accost passersby, asking "Is a skin okay?"

Skins are divided into two groups. One is fascinated by the idea and the power. These are the real skinheads. The others are drawn by the power alone. These are the skins without the head. It is the latter who murdered Igor Sz. near the Hybrydy club. Robert did not kill him. He is only the possessor of the hunting knife with a green handle which he lent to the murderer. Now he awaits a hearing in a shelter for juveniles. He was raised by his father, who liked rigor and order in the home. He became a skin because he had to be stronger than his father. Not to beat his father, but to be aware that he could overcome him. When he put on his glossies, shaved his head, got drunk and punched a black man who was asking directions in the face, he felt better and stronger than his father.

"What You Have Fought To Have Is Best"

Mirosław Peczak, a researcher of youth subcultures, believes that since skinheads merely cry out slogans, and their only ideology is violence, they may become a tool in the political struggle. In particular they may be used by the right as a sort of bodyguard.

The Congress of the Polish Right used the skins to guard deliberations in the Congress Hall. The result of battles between the skins and anarchists was broken windows and devastation of the surroundings of the hall. A photoreporter, wounded by a bottle, found himself in the hospital.

Bogdan Wyrzykowski, activist of the National Rebirth of Poland, holds that the skins themselves gravitate towards them, the nationalists. And if someone is a skin, he cannot be excluded from political life, but rather, an attempt must be made to understand him.

POLITYKA Weekly News Roundup

90EP0661A Warsaw *POLITYKA* in Polish No 23, 9 Jun p 2

[Excerpts]

National News

The congress of the OPZZ elected new union officers: Alfred Miodowicz was again elected chairman; he received 352 votes, while the opposing candidate,

Wacław Martyniuk, received 269 votes. The day before the congress, Miodowicz appeared on the television program Interpellations. [passage omitted]

A postelection communique has been published: The turnout was 42.27 percent; 2.97 percent of the votes were invalid. But 4.85 percent of the ballots indicated no choices and were unmarked. The elections produced 51,987 council members. [passage omitted]

A summary of the communique on the results of the national census held on 6 December 1988 has appeared in a supplement to *RZECZPOSPOLITA* (1 June 1990). Poland had 37.879 million residents. Of the population, 61.2 percent lived in cities; the exact reverse of 1950, when the same percentage lived in rural areas. In 1978-88, the population increased by 2.8 million, which was less than predicted, although Poland's natural rate of population growth is the third highest in Europe, because a large number of people, especially young people, have left the country (at least 800,000 individuals). The educational level of the populace has increased: more than half of the population over 15 years of age has education beyond the elementary level (in cities 64 percent do). The number of incomplete families increased by more than 26 percent; they make up 15 percent of the total number of families. Every tenth child is raised by only one parent. More than 20 percent of the population does not have its own apartment, and 2 percent lives in hotels and dormitories.

The National Bank of Poland set the interest rates for loans for June at 4 percent. Recall that in January it was 36 percent, in February 20 percent, in March 10 percent, in April 8 percent, and in May 5.5 percent.

Religious instruction in the schools. Anna Radziwiłł in an interview for *ECHO KRAKOWA*: "As a private individual, I am very worried about this proposal being raised in such an official manner (by the bishop's—*POLITYKA*). The issue will surely become a source of many disputes and arguments. Discussions, arguments, and aggressive attacks by supporters and opponents of religion in schools will begin. Given such a wave of social moods, nothing good can happen." Prof. Henryk Samsonowicz in a survey done by *ZYCIE WARSZAWY*: "While I fully support making available facilities in schools for religious instruction, I am opposed to introducing religion as a required subject in elementary schools. There is a danger of conflicts of conscience, which the state should prevent." [passage omitted]

Soviet authorities declared that they expect from the government of the Republic of Poland "an unambiguous judgment of the recent acts of vandalism against monuments to Soviet soldiers and the recent attacks on the consulates of the USSR in Krakow and Gdansk." The Soviet side also declared that "if these acts occur again, and the Polish authorities are unable to guarantee normal working conditions for the consulates, their continued operations in Poland may become questionable, including all of the consequences that may occur."

In response to a question at a press conference on the above position taken by the Soviet government, Malgorzata Niezabitowska: "The government has forcefully condemned these incidents; they contradict international and Polish law as well as good manners. We are building a state ruled by law; we are creating a positive image of Poland abroad; anti-Soviet incidents harm us greatly. The government expresses its regrets and will do everything to see that these incidents are not repeated."

Unemployment is increasing more rapidly than expected. There are already more than 443,000 unemployed or 3.3 percent of those employed. Of those graduating this year, 150,000 to 200,000 may have difficulty finding a job. The opportunities are chiefly in education, the police force, and the self-governments. [passage omitted]

Minister Aleksander Bentkowski has proposed interrogating those sentenced in the trial for the death of J. Popieluszko—A. Pietruszko and G. Piotrowski. The ministry "wants to make it possible for the prisoners to report all of the information known to them connected with the murder of Father Jerzy, guaranteeing them complete security," declared the minister.

The associations of journalists—the Association of Journalists of the Republic of Poland and the Association of Polish Journalists—have reached agreement on the joint use of the Journalists' House in Warsaw and the vacation homes and medical clinics. They will undertake joint efforts to fight unemployment among journalists and to form a new collective system. M. Podkowinski, president of the Association of Journalists of the Republic of Poland, told a journalist for PAP: "I can say that on 21 May 1990 all of the major disagreements between the Association of Polish Journalists and the Association of Journalists of the Republic of Poland, which frequently derived from factors independent of us, have in principle been resolved." M. Ilowiecki, the president of the Association of Polish Journalists, concluded his statement: "I would like to emphasize that the Association of Polish Journalists has not lost any of its political identity and remains faithful to the ethos which it has professed since the extraordinary congress in 1980."

Current living conditions. According to a survey done by the Public Opinion Research Center conducted between 20 and 24 April 1990: 65 percent of the respondents considered them bad, including 11 percent very bad, 21 percent bad, and 33 percent rather bad. Only 8 percent considered them good or rather good. [passage omitted]

From the press. The Solidarity organization at the Polish Press Agency has demanded the removal of the director general and the withdrawal of the nomination of the business director; it is also demanding the withdrawal of the decision to nominate several foreign correspondents who have been abroad for a long time. The management of radio and television has announced that after the vacations the majority of the foreign correspondents will be changed. Jerzy Redlich is already working in Moscow;

Andrzej Krajewski in the United States; and Jacek Moskwa, in Rome. The editors in chief of DIALOG, ODRA, RUCH MUZYCZNY, SCENA, NOWE KSIĄZKI, and LITERATURA NA SWIECIE—journals financed or subsidized from the Fund for the Development of Culture, have announced that these journals will cease publication if the fund is liquidated and the ministry is unable to finance the editorial offices. TYGODNIK ROLNIKOW SOLIDARNOSC, in spite of reports in the press, is not being liquidated and is continuing to appear. Its editor remains Slawomir Siwek. The Liquidation Commission of Prasa-Ksiazka-Ruch Worker's Publishing House has removed Artur Howzan from the position of editor in chief of ZYCIE WARSZAWY. He remains the editor in chief of PRZEGŁAD TYGODNIOWY. The employees of ZYCIE WARSZAWY have formed a workers' cooperative and want to publish the daily as "a paper for all readers, an objective paper, maximally independent both as regards program and finances, a paper of the political center." The Liquidation Commission has named Kazimierz Woycicki of the Catholic journal WIEZ, acting editor in chief, and Tomasz Wolk of the journal KROLOWA APOSTOLOW acting deputy editor in chief. They applied earlier, along with Janusz Reitz, a journalist for GAZETA WYBORCZA, to take over ZYCIE WARSZAWY as did several others who did not have as much luck as they did. We have received copies of a new publication: GEM, a sports journal, published in Poznan. It is distributed in 13 voivodships and combines sports with politics, price 700 zloty. Five issues of GAZETA DOMOWA edited in Lublin, and including Biala Podlaska, Chelm, and Zamosc have appeared. It is a popular magazine and costs 400 zloty. A couple of issues of GONIEC STASZOWSKI have also appeared; it has been formed thanks to "financial help from private sponsors," price 700 zloty. The press has reported that according to AFP, L. Walesa has demanded the removal of Adam Michnik from the editor in chief position of GAZETA WYBORCZA, the organ of Solidarity. According to Reuters he was supposed to have demanded the removal of the Solidarity symbol from the masthead. GAZETA WYBORCZA reported laconically that Walesa did not remove Michnik. [passage omitted]

Opinions

Prof. Dr. Jozef Kaleta, an economist at the Academy of Economics in Wroclaw:

(Interviewed by Malgorzata Sadowy-Piatek, GAZETA ROBOTNICZA 29 May 1990)

[Answer] I would not fear changes in the government. The next government should be composed of specialists. The individuals who are directing the economy in Premier Mazowiecki's government have already made several serious errors and should resign. Examples of mistakes: not taxing imports of alcohol and cigarettes during the first quarter caused the state losses of about 3 billion zloty . . . , not taxing the mobile trade, which is also very irrational economically; many money changers have

profited at the expense of the state through the differential in interest rates for the dollar and the zloty; . . . 130,000 enterprises were liquidated from January to April; yes, new ones are being registered, but registration does not equal production. . . . I think that the second government of Premier Mazowiecki, his because he has great support in society, could include such individuals as Modzelewski, Wielowieyski, Bugaj, or Mujzel.

Jerzy Surdykowski, journalist:

(TYGODNIK POWSZECHNY 3 June 1990)

"But is it such a blessing that journalists, although loudly proclaiming their "independence" on the pages of an independent journal, i.e., one not associated with the Prasa-Ksiazka-Ruch Worker's Publishing House, serve only as instruments for the execution of various maneuvers, with which the heads of the various political groups or of the interests groups do not want to be directly identified? There are more than enough examples in the current press. Or is it such progress in comparison with the communist captivity that instead of being a fulltime spokesman for this or that director or secretary "an independent" journalist is a silent, but lavishly paid spokesman of the freshly enriched financier and his company? As they forgot in the "beautiful 1970's," they have forgotten again now that the Journalists' Code of Practice as well as simple decency prohibits combining this work with someone's advertising."

Zbigniew Bujak:

(Interviewed by Elzbieta Pomorska, KONKRETY 18 May 1990)

[Answer] I encountered a personal frustration at the congress—the anti-intellectual comment of Lech Walesa. It is one more example of the intolerance which I see with increasing frequency. Our leader has let himself get carried away. I am afraid that it can have further consequences not only for him personally but also for the entire union. Perhaps too little was said at the congress about intolerance which Solidarity knew how to combat so effectively.

Intolerance is also evident in the way in which the congress does not want to comment straight out on its natural partners, the Citizens' Committees. It avoids that. To be sure, the union has not dissolved them, but also it does not want to admit openly to the joint sources. That is too bad. There is a fear for its own position in this, an improper fear.

Prof. Dr. Jozef Lipiec, chairman of the Political Commission of the Main Council of the Social Democracy of the Republic of Poland:

(Interviewed by Zygmunt Rola, GAZETA POZNANSKA 23 May 1990)

[Question] You say that you should seek allies among the liberals. Among which liberals?

[Answer] Among those to whom our program for building a market economy—a common-sense market that gives local Polish entrepreneurship a chance—and for liberating initiative among employees is dear. I am thinking then of the social liberals with whom social democracy has already taken up a dialogue. I myself have pleasant recollections of cooperation with the Krakow Industrial Society, from which Minister Tadeusz Syryjczyk comes. I am not thinking then of conducting a primitive, noisy business with an addition from rightist demagogues. [passage omitted]

POLITYKA Weekly News Roundup

90EP0661B Warsaw POLITYKA in Polish No 24, 16 Jun 90 p 2

[Excerpts]

National News

After a meeting of the Advisory Political Committee of the Member States of the Warsaw Pact, President Wojciech Jaruzelski: "A new situation has come into existence. A pact, which in a sense has been an instrument of the division of Europe, is becoming an important instrument for dialogue, a place where the East and West can come together to search for joint solutions. In order to meet this task, the Warsaw Pact must transform itself internally, adapt to the new situation, search for greater authenticity in its actions and for more mutuality in its internal relations." The correspondent for GAZETA WYBORCZA ends his report from the meeting as follows: "The satisfaction of the Polish delegation with the results of the deliberations was clouded over by reports in the halls about the meeting planned for Monday, 11 June 1990 between Eduard Shevardnadze and Hans-Dietrich Genscher in Brest on the Bug." GAZETA WYBORCZA noted that in 1918 the peace between Soviet Russia and Imperial Germany was signed there and that it "ignored all Polish interests," and that in 1939 a joint parade of Soviet and Hitler forces was held there.

Deputy Premier Leszek Balcerowicz presented, first in the Sejm and then for the television cameras, an evaluation of the current economic situation and a program of further actions by the government which are to put the economy "on the track toward long-term improvement." He added: "I want, however, to say that improvements in the level of their standard of living will be felt primarily by the workers of those enterprises that are able to operate effectively in the new, difficult conditions and also those who themselves undertake the risk of running a business." [passage omitted]

Disputes surrounding the leadership of Solidarity and the Citizens' Committee continued. Lech Walesa spoke of them at a meeting with employees of the health services and in an interview with Gdansk television and RZECZPOSPOLITA. Bronislaw Geremek, chairman of the Citizens' Parliamentary Club, gave a long speech during the first meeting of the club after the elections to

the self-governments. Lech Kaczynski, editor in chief of TYGODNIK SOLIDARNOSC and an advisor to Walesa, appeared on the television program Interpellations, and Zdzislaw Najder, who is chairman of the Citizens' Club under Walesa appeared on the program "100 Questions." L. Walesa: I am attempting to say that I am not against the premier; I am, however, against treating him as an only child. Everything was simple when we had an opponent. The cardinal mistake is that since the opponent gave up we have not made a single step forward." B. Geremek: "Polish public opinion does not like disagreement. Neither disagreement between Walesa and Mazowiecki, nor disagreement among the various Citizens' Committees." [passage omitted]

A mass for the reconciliation of the military and the police was held in Gdansk at St. Brygida. Among those present were Bronislaw Komorowski, the deputy minister of national defense, and Col. Janusz Wydra, deputy main commander of the police. After the ceremonies, Father H. Jankowski received an historic military hat—a four-cornered hat bearing the insignia of a colonel—"in recognition of his services in building understanding and reconciliation between society and the military and the police."

The registration hearing for NSZZ Solidarity '80 has been delayed at the request of the plenipotentiary of the union, which is directed by three members of the National Commission of Solidarity of 1981—Marian Jurczyk and Stanislaw Kocjan of Szczecin and Seweryn Jaworski of Warsaw. The court demanded a change in the charter; it also recognized NSZZ Solidarity as a party, which has registered its rights to the symbol of Solidarity. The Citizens' Committees and Solidarity of Individual Farmers have permission to use the symbol from Solidarity. Barbara Malak, spokesperson for NSZZ Solidarity, said that unwillingness to share the symbol with Solidarity '80 derives primarily from the fact that "the union must exercise control over the ways its symbol is used," and further that there is "a justified dislike" among many Solidarity activists against a competing union and its leaders.

The Sejm discussed changes in the law on the duties of deputies. The salaries of so-called professional deputies and senators, who resign from work while holding office, was a particularly lively topic. According to the deputies' proposal, they would have received, in addition to a per diem, a lump-sum payment equal to the wages for persons in management positions in the state (nearly triple the average monthly wage).

Three bombs exploded in Gdansk which were planted by an unknown group, "Resistance Group December 13." An anonymous caller said that the bombs were planted "because the Polish State Railways and other transportation systems are transporting Jews to Israel."

Kazimierz Woycicki, the new editor in chief of ZYCIE WARSZAWY, in an interview for EXPRESS WIECZORNY: "We need a real journalism. People who

describe honestly what they see. People, each in their way, suspicious and determined. Able to reveal what we frequently hide. But capable also of arousing respect for those politicians whose efforts are honest. I think that GAZETA WYBORCZA already has great accomplishments in this respect." [passage omitted]

The General Savings Bank has set the interest rates for savers: in June, demand deposits will earn 1.3 percent (in January, 7 percent; in February, 5.5 percent; in March, 3 percent; in April, 3 percent; and in May, 2 percent); time deposits, for example, for one year 4 percent (in previous months, respectively—36 percent, 20 percent, 10 percent, 8 percent, 5.5 percent).

Censorship will cease to exist on 6 June 1990.

In talks with the railway workers, the director general of Polish State Railways offered wage increases of 100,000 zloty beginning on 1 July 1990 and another 65,000 zloty beginning 1 September. Near the end of the year the average wage on the railways should be 101.8 percent of the national average in the five sectors of the economy.

The first private bank, Leonard, Inc., has been formed in Zielonka near Warsaw. It was founded by 10 individuals; the main partner is the industrialist Leonard Prasniowski from Zielonka. The initial capital is 10 billion zloty.

The leadership of Solidarity of Individual Farmers has sent an open letter to Andrzej Drawicz, president of radio and television. "The rural areas perceive the lack of a proper presence of the complex problems in agriculture on television as either neglect or dislike." "Farmers will not permit themselves to be treated as a recalcitrant object of reform, an aggressive petitioner, or a threat to 'urban' political relations."

The congress of the Association of Polish Writers has elected new officers. Andrzej Braun (age 66) was elected president. He is a poet, prose writer, journalist (NOWA KULTURA, SZTANDAR MLODYCH, TRYBUNA LUDU, Polish Television). He was a member of the Union of Polish Writers in 1947-83 and deputy president of the Main Board in 1980-83.

Beginning 1 July 1990, the prohibition against the import of goods from abroad in quantities indicating business activity by private individuals is to be strictly enforced. The Customs Office is also introducing limitations on exports of mementos and cigarettes (prohibited on the third and subsequent trips abroad in one year). [passage omitted]

Opinions

Dr. Zdzislaw Najder, chairman of the Citizens' Committee under Lech Walesa:

(From an unauthorized record of a meeting with the residents of Szczytno, GAZETA OLSZTYNSKA 11-13 May 1990)

[Question] What future do you see for the Citizens' Committees?

[Answer] They are in my opinion essential to Polish political life. To whom are we to leave the 90 percent of the people in Poland who do not identify with any political party? Someone must tie them to the civic life and obligations, teach them how to participate in the life of society. The Citizens' Committees are a Polish invention for our unusual situation. Until the parliamentary elections, the Citizens' Committees will be absolutely necessary. They should replace the parties, but they should not destroy them. I have debated this subject for the last two years with Lech Walesa. He says it is necessary to form political parties and then hold elections. What are you saying Lech, I say, you want to require people to join parties as the communists did. If people do not want to join, they do not want to join. However, the elections cannot wait until people begin to join parties. Thus, we will approach the elections through the Citizens' Committees.

Janusz Woznica, senator:

(Interviewed by Waldemar Kazimierzczak, TYGODNIK ZAMOJSKI 25 May 1990)

[Answer] If I had had any idea how great the task was that awaited me, although the deputies are more overworked, I would not have stood for election. We were supposed to be the opposition; fate has decreed otherwise. Power came into our hands, an avalanche of work that no one can bear. This parliament has adopted nearly 100 laws. More than the previous Sejm over the three years of its deliberations. And we began to work effectively only in November of 1989. The laws are frequently not carefully finished, imperfect, because they are frequently adopted mechanically, as time pressure demands. Prior to the Easter holidays, the Senate met for three days and the agenda listed 18 laws, resolutions, and various declarations. I familiarized myself thoroughly only with three. I did not have time for the others. In this situation, when I have not formed an opinion and cannot refer to a proposed law, I abstain from voting.

Krzysztof Bobinski, FINANCIAL TIMES correspondent in Poland:

(In a statement for DZIENNIK POLSKI, 6 June 1990)

"The deepening political divisions are not clearly articulated. It is very difficult to discern what Lech Walesa is up to, why he does not like Henryk Wujec. In judging the situation, it is necessary to include nonsubstantive items. I think that derives from the fact, among others, that the role of the Citizens' Committee was not defined. Who was to be a member was decided from the point of view of one option. Individuals who became members of the Citizens' Committee were selected by Walesa, if then he wants to get rid of someone he has the right. It is a somewhat murky institution.

What is the judgment of Western public opinion? I think that it is beginning to look more critically at Walesa, at his desire to be president. The people he removes are viewed as victims, since Walesa's decision breaks certain principles. All this is not for the best for Poland."

Alfred Miodowicz, chairman of the OPZZ:

(Interviewed by Ryszard Naleszkiewicz, ZWIAZKOWIEC 3 June 1990)

[Answer] I could still attempt to become premier, president, or king. And I do not exclude the possibility that if I could become king, that I would fight. I will sign on for that.

[Question] Grand satire!

[Answer] Why a satire? Such people are candidates for the president today that I am embarrassed to campaign against them for that position. Shame! But we are not yet competing for the crown, so let them put my name on the list. At least there are no such competitors. . . . You see, you can compete with serious people, but with such people who constantly sound their own horn—no way!

YUGOSLAVIA

Croatian Law on Internal Security Forces Attacked

90BA0179A Belgrade BORBA in Serbo-Croatian
4 Jun 90 p 4

[Article and interview with lawyer Zeljko Olujic by Sanja Modric: "Police in Pluralism: Lawyer Zeljko Olujic on Croatian Police Code: "Executive Committee Law on Isolation"—first paragraph is BORBA introduction]

[Text] In Croatia you cannot buy a single copy of the Law on Internal Affairs, written by the police. It is absolutely essential that the political police be reorganized, and that all files on citizens be destroyed, without exception. A national criterion should not exist anywhere, not even in the police.

Any published text of a law can be bought, if not elsewhere, then in any event in the store of NARODNE NOVINE. But not the Law on Internal Affairs. One might think that this is a coincidence, but well-known Zagreb attorney Zeljko Olujic alleges that there is a system behind these "coincidences."

Olujic says that official police circles regard this law as some sort of private property, and assures us that of the 400 attorneys in Zagreb only one in ten have a copy of the Law on Internal Affairs in their offices. Not because this document does not interest them, but rather because a very small number of legal defenders have been able to gain access to this sought-after and rare commodity. Zeljko Olujic is one of the "lucky ones," and he allowed journalists from BORBA to read through the "code" of internal affairs on their "word of honor" to return it.

However, he immediately added that the first thing that the new government in Croatia should do is to momentarily invalidate this newly-adopted legal material.

What the "Boss" Can Do

[Modric] Why do you maintain that the Law on Internal Affairs must be promptly invalidated when it is a new law, adopted in December of last year?

[Olujic] Because it is a law pushed through urgently by Vilim Mulc, the republican secretary for that department, without regard for all the warnings and the fact that this is very sensitive material. Because this law was written by the police themselves, who rejected all bona fide and expert suggestions, and did not even ask anyone from the qualified public for their opinion. Because the law is permeated with phraseology and ideological slogans, and in places where you would expect it to be precise, clear, and definite, it has been left shallow, ambiguous, and indefinite. Because the text is the result of an obvious unwillingness to recognize the commitment to a multiparty system, as well as competition in politics and the economy. Because this law does not provide legal guarantees for private ownership, nor is it based on civil rights as the fundamental democratic right. The document in question is the best example of the fact that the canticle to the rule-of-law state does not contain the essential, famous Article 133 of the Criminal Code of Croatia, nor a series of others that are actually disturbing, instead of the spirit of the entire body of law. And that is what we need to change, starting with the department of internal affairs.

[Modric] What, in concrete terms, disturbs you most about this law?

[Olujic] In this kind of law, the first thing you have to define is how the police will act, what its authorities, rights, and responsibilities are, and this is obscured in the text in question. The law does not even indicate, for example, whether the municipality should have a right to have any degree of its own policy in questions concerning this department, and everything goes back to the republican secretariat. The function of the republican "boss" is very broad, and it should be stated very clearly that the republican secretary executes only that which is ordained by the Assembly, its Executive Council, and the Presidency of the Republic. There should be a hierarchy of tasks in which the secretary for internal affairs of the Republic must primarily obey and act, and then be answerable to the legitimate organs of government in Croatia.

No one, not even the secretary, can pretend to have sole decisionmaking power over whether to conceal some matter from the public, how long to keep it a secret, and at what time and in what manner to divulge it. All such questions must be decided in the Assembly on a case-by-case basis. For this reason, representatives of all parties and high-ranking republican organs of the government should be included in the work of the Council for the Protection of the Constitutional System and the

Commission for Control Over the Work of the State Security Service. These two bodies should be constituted according to the principle of pluralism, and at their first meeting they should adopt, with the consent of the Assembly, all the important decisions according to which the republican secretariat will act.

There should also be limits set on the centralization of the police, in order to avoid having "men in blue" from other republics "strolling" around Croatia unbeknownst to the Assembly. Naturally, there must be effective cooperation on a federal level, just as there are good ties with international organizations in this area. But the Assembly must know what is going on and approve all such action.

Shattering the Informer System

[Modric] In the preelection campaign, one of the common goals of all the parties in Croatia was the abolition of the political police. What is your view of this?

[Olujic] The tradition of political police comes down to us from OZNA [Department for the Security of the People] and UDBA [State Security Administration], from the State Security Service. In a democratic society, there is no need for political police, although it is logical that there are always certain matters that touch on specific state interests, and that these tasks must be taken care of. But there is no reason whatsoever for separating public security from secret security, and for having both of them evade all forms of control.

This is why a special department for organs of public security should be empowered to handle these specific tasks, to be placed under the control of the Assembly of the SR [Socialist Republic of] Croatia, or rather each republican assembly. The type of political police that we have serves no purpose other than blackmail. This is why it is urgently necessary to reorganize in order to shatter the diseased informer system. All the files gathered on citizens should be destroyed, without exception.

[Modric] Is there not a possibility that the new government will keep its promise and abolish the current political police, while at the same time forming its own?

[Olujic] I think that no government will be able any longer to abuse its position for this type of thing if security affairs are placed under the authority of the Assembly and the pluralistic bodies which I have mentioned. Besides, if there are any attempts to have new people working according to the old scheme, neither the parliamentary nor the extra-parliamentary opposition will sit idly by with crossed arms, and this is an important control mechanism.

[Modric] In Croatia, some of the camps, including the victorious party, have often accused police circles of overrepresentation of officials of Serbian nationality. In your opinion, to what extent is a national quota relevant to the police?

[Olujic] There should not be a national criterion anywhere, including in the police. That is a reactionary criterion, and I believe that it is disgraceful to call for it. However, we must do away with the mediocre people who have filled the judiciary, administration, and police for decades simply because they fervently swore by the communist ideal. Those who know how to do their job should stay, while those who are unfit should go. If this happens, then it cannot be called harassment.

[Modric] Do you expect a major purge in these activities?

[Olujic] Yes. I think that there will be a major turnover of cadre over the next year.

[Modric] Political conditions in Yugoslavia are not homogeneous. In your opinion, does this draw national security into question?

[Olujic] In Slovenia, and now in Croatia, a new government has been formed. Changes are also expected in other parts of the country. In addition, it is more obvious that we will not be able to live as we have up to now, which unfortunately is not apparent to doctor of communist ideology Borisav Jovic and those who share his views. I think that for every reasonable person it is desirable that the republics guarantee their own sovereignty and democratic government. The changes thus far have not been to the detriment of Yugoslavia, nor is there any reason for them to become so. Democratic processes, the goal of which is a better life, have made advances and are now unstoppable. All opposition to such developments in Yugoslavia is a shot into the void. The only real danger that has emerged is that of interethnic tension, but that will subside. Remember: The harder you push, the higher you'll jump! If democracy wins out, and I expect it to, then we will be able to engage in every possible conversation about issues within Yugoslavia.

[Box, p. 4]

With God's Help

[Modric] Many bitter protests against the drastic cases of isolation in Kosovo have been rightly addressed to competent organs from Croatia. On the other hand, the isolation measures are also made possible by the new Croatia Law on Internal Affairs, and moreover, we have the impression that they are not limited to hardly anything.

[Olujic] Our police used to be praised for the fact that there is no isolation in Croatia. However, the truth is slightly different. In Paragraph 19 of the Law on Internal Affairs, that sanction is legalized, which means that it can be applied. However, it is not the mere existence of this measure that is controversial, but rather its legal "description" and the regulations for its use. Under Croatian law, nearly all types of abuse of isolation are possible, meaning full freedom for the person who imposes it. In practice, the measure is not limited to anything because it is founded on a possible private assessment, or on the freedom of the police to decide that

the circumstances are dangerous, and that someone is suspect and risky under said circumstances.

Isolation must be implemented under the strict license of the Executive Council of the Assembly through the republican secretary for internal affairs, and with the knowledge and consent of the Assembly's pluralistic Council for the Protection of the Constitutional System and the Commission for Control Over the Work of the State Security Service. The measure must in any event be precisely "restrained" by stating that no one may be isolated in prison, that the person in isolation and his family must receive the means with which to live while the sanction is in force, and so on. It should also be noted in this law that the Supreme Court of Croatia, after a precisely defined period has passed, must automatically review each isolation sentence handed down, even if no appeal has been lodged. If such restrictions do not exist, then tomorrow or the next day we could see "extraordinary conditions that threaten public order," in which the famous Paragraph 19 is resorted to, and then... God help us.

Curbing Authority

There are a number of details in the Law on Internal Affairs of the SR Croatia that should be changed, polished, or clarified. It is very important that the role of the police in interrogating imprisoned persons be limited. Such interrogations should be attended by prison officials who will throw out any policeman who behaves improperly towards a suspect. It is undeniable that a police official in these and similar situations has a right to apply certain measures, but they must be "curbed" by law and subject to the rule that the measure applied against the offender cannot be stronger than the act about which he is being questioned. You cannot shoot someone for driving too fast... Furthermore, a policeman who fails to do so must forfeit his right to free legal aid. I have nothing against police having their own fund, or police union money for these matters, but I do not see why you or I, as taxpayers, should pay for his defense through budget appropriations.

Furthermore, there are as many irregularities as you want; it is impossible to list them all. Let us just say that it should be impossible for all workers of the SUP [Union of Jurists Associations] to privately use, in any manner whatsoever, information that they learned while conducting their business. If this is not penalized, it will be impossible for individuals to gain not only material benefit, but possibly partisan benefit as well. Because there is no doubt that even policemen are people too.

Disgraceful Regulation on Passports

As a way of violating rights and with the imposed conception that only the police are honest, the disgraceful regulation in the Law on Passports—according to which your travel documents can be taken away, and without you knowing why—was adopted and maintained to this very day. According to the law in question, the police authorities are not obligated to offer any explanation whatsoever of why they are denying you a passport. It is enough that

they characterize you as unfit, or "dangerous to the socio-economic system." In such cases, comical appeals are written, since the person does not know how to defend himself. The only thing that can be done is to write, "I request the return of my travel documents"!

In other countries as well, there are measures for taking away passports, but none of them are made into a cartoon. Everyone receives an exact explanation of why they are being deprived of their documents, and they have the opportunity to defend themselves and prove the opposite.

POLAND

Restructuring Costs Viewed

90EP0665A Warsaw ZOLNIERZ
RZECZYPOSPOLITEJ in Polish 8-10 Jun 90 P 5

[Article by (a): "The Market Compels Rational Management"]

[Text] On 7 June 1990 in Warsaw, another meeting of the Council for Economic and Defense Affairs of the Ministry of National Defense, chaired by Gen. Div. Jan Wojtala, deputy commander of the General Staff of the Polish Army, was held. The Council examined the following problems: the financial benefits of the budget expenditures by the Ministry of National Defense for restructuring the Armed Forces in 1989 and those planned for 1990; the methods for measuring the effectiveness of the management of material resources in the military using the Silesian Military District as an example; the adoption of a system of rational management in the military suitable to market economic conditions; the implementation of training on the systemic changes in the national and military economies.

A report prepared by a special group of the General Staff of the Polish Army on the financial benefits of restructuring aroused the greatest emotions; for example, for the current year, they are estimated at one trillion zloty. During the last year, they made it possible to finance the inflationary price increases, especially those for armaments and military equipment. In 1990, the situation has been similar, although the majority of the benefits, as it appears paradoxically, have already been included in the budget of the Ministry of National Defense.

During the discussion, attention was drawn to the costs of restructuring, which like the benefits are difficult to estimate. This makes it imperative to balance the gains and losses. One side effect has been the distraction of some personnel's attention away from training to problems associated with the economy and social and living conditions. Repairs are also suffering at times (money barely suffices for repairs of roofs and central heating systems), and unnecessary facilities, such as the shooting ranges or training fields of dissolved units, are still being kept up. It has also become essential to renegotiate the payments for facilities leased by the army or even to resign from some of them.

In many instances, members of the Council expressed opinions, among others, especially Gen. H. Pietrzak and Col. W. Saczonek, that the range of business activities in which commanders engage should be limited (to particular levels), in order that they concern themselves primarily with military training and discipline, which will be particularly necessary after the general implementation of the 18-month period of basic service.

The methods for calculating the costs of the consumption of material resources in the use of technical equipment presented by Gen. L. Komornicki met with the

praise of the participants. Computerization, however, is essential in order to implement it generally, but then corrections of the standard costs, reductions in the level of reserves, and reductions in the consumption of material resources would be possible. Integration of the technical and quartermaster services would also help.

The next problem can be summarized as follows: resigning from the current system of rational management requires annulling the present regulations laying out the principles for planning, record keeping, and reporting. Rational management in a market situation should be treated as one of the basic factors in planning and implementing all types of activities in the armed forces.

The last problem—training courses on the systemic changes in the national economy—has reached the commanders and the economic personnel in the army; the lectures have been conducted by representatives of the central offices of the state and by faculty from the higher schools of economics. In the future, this training will be conducted by the Institute for Defense Economics which is being formed at the Academy of National Defense.

The problems discussed during the Council's meeting will be the subject of articles in our paper during the next few days.

YUGOSLAVIA

Reasons for Defense Secretariat News Conference Delay

90BA0184A Belgrade NIN in Serbo-Croatian 17 Jun 90
pp 24-25

[Article by Aleksandar Ciric: "Silence While Sitting on a Powder Keg"]

[Text] There is someone to write to the colonel. The colonel in this case is Vuk Obradovic, the spokesman for the Federal Secretariat for National Defense [FSND] at the regular press conferences instituted at the end of March 1990. The regularity of the gatherings on Wednesday morning at the Army House in Belgrade, however, only lasted for two months—in spite of the fact that the number of journalists in attendance did not fall below 40, and in fact, the number of people interested was growing continually, as was the media coverage of the conferences. Nevertheless, it was announced in mid-May that the frequency would be reduced to one every two weeks, and moreover "at the suggestion of a large number of journalists". Then the next conference was not held because "Colonel Obradovic had a conflict," and finally, it was announced that the conferences would be continued starting the following week. That should be welcomed, for good reason, including curiosity about the explanation of the background behind the five-week interruption in the FSND press conferences.

During those 40 days a multitude of things happened—precisely in proportion to the acceleration of the pace of history here—about which the FSND has, and should, announce its own position no matter how awkward the circumstances were. This is not so much a question of the presumed balancing of Federal Secretary Veljko Kadijevic's sympathies toward the commander-in-chief (the SFRY Presidency) and/or the operational coach of the team (Ante Markovic), as of the daily changes in the situation—political, of course—that jeopardize all sorts of tactical conduct by virtue of the simple fact of calling into question the general strategic doctrine. That interrupted congress, for instance, has been concluded; the army quietly decided not to expel the communist organization from its ranks. In the meantime, Serbia is uniting the LC [League of Communists] and the SAWP [Socialist Alliance of Working People] into a new, socialist party...

"Technical Questions"

In two months of regular meetings with journalists, Colonel Vuk Obradovic answered about 120 questions. A negligibly small number remained unanswered—a certain amount of malice would be necessary for anyone to say that some of the answers offered were actually not answers. After all, that is part of the rules of the game. In addition to well-tailored uniforms, Vuk Obradovic also displayed considerable patience and was in good shape for wrestling with the primarily political questions that the journalistic public addressed to him. In that regard, he fully justified his fame as one of the Yugoslav National Army's [YNA's] most capable young "cadres," a fame that undoubtedly began back during his military academy days as a cadet. It can be assumed in connection with this that in his approach he is supposed to present the desired picture of the institution that he works for; two months of experience with the public shows that that picture includes frankness (unusual, by tradition), a categorical attitude, firmness (to the point of inflexibility), and clear positions. The expected conservatism and the time lag caused by purely technical reasons involved in consulting the appropriate services (the questions were submitted in advance) to some extent "closed" the FSND press conferences. The army is still not in favor of daily journalism.

Under pressure from the tradition of being a more political than professional organization, the military leadership found itself in a situation—which one could barely call paradoxical, and then with many restrictions—of giving the fewest answers to questions of a technical nature, including those on the defense industry, or questions about the internal organization and current affairs involving the people performing military service. Undoubtedly the most numerous questions were those in connection with domestic (multi-party) politics, the situation in the country (Yugoslavia), and the events associated with it (for this occasion, crudely classified in the category of "scandals and incidents"). The arbitrary nature of every division can easily be illustrated by examples: the questions about the

development of a domestic supersonic aircraft and helicopter, a new machine gun, or the modernization of the one in the current arsenal, are only technical at first glance. So far the supersonic aircraft is only flying on paper—both drawing paper and newsprint: when it "entered" the program (in 1984), the decisive factors were the estimated combat readiness requirements, the employment of research and production capacities (which fell in 1990 to "the lowest level in the last 15 years"), the mastery of new technologies important to the entire country, and a favorable cost-effectiveness ratio, along with the assumed possibilities for imports. In six years, everything has been turned around to an extent that resulted in a very interesting FSND position with respect to various speculations in circulation, which reads as follows: "No one in the YNA has ever stated that a decision was made to begin production of a new aircraft, or mentioned any foreign country as a selected or possible partner in that undertaking."

The helicopter is a clearer case. The replacement of the present helicopters by new ones was planned for the 1996-2000 period. "When the time comes to introduce new helicopters, and if it is financially possible to do so, the YNA will take into consideration all offers (domestic and foreign), and will decide on acquisition of the one that will be best and cheapest at that time." The emphasis placed in this case between parentheses, domestic and foreign offers, in effect means refusal to give in to the very strong pressure exerted two-three years ago for the YNA to give unprecedented support to the so-called domestic helicopter, something that has not yet flown even on paper, except in the heads of certain businessmen and politicians. Perhaps with that experience in mind, Gorenje decided on a different approach in developing the 5.6 mm MGB-176 machine gun: first directing, and then attacking the YNA for its "refusal" to add it to its arsenal. Combined with the political background behind any of these "initiatives," this is forcing the army to take a rather uncomfortable and scarcely practiced defensive posture.

The wave of cases clearly linked to political events began with a proposed law expanding the jurisdiction of YNA border units to a zone of 1,000 meters, instead of the present 100 meters of the border "zone of innocence." Referral to the proposer of the law (the Federal Executive Council) and the "one responsible" (the Federal Secretariat for Internal Affairs) hardly influenced the number of questions addressed to Colonel Obradovic about border incidents. Several shooting incidents (with two "illegals" killed, one a Filipino and the other a Turk) overshadowed the fact that on the eve of 1992 Europe, Yugoslavia has become the most interesting transit area for travel to the West (from the South and East). Just after the FSND press conferences were temporarily interrupted, it was announced in the SFRY Assembly that 15,000 ill-intentioned entries into Yugoslavia were prevented last year alone; the army issued a warning much earlier about the large number (147) of incidents and violations of the state border, usually caused by the

behavior of foreign citizens (85 percent). An interesting fact is that most of the attempted illegal crossings were entries into Yugoslavia (5,352), and not departures from Yugoslavia (2,583). In the meantime, from March to April the FEC [Federal Executive Council] withdrew the proposed law on "expanding" the border zone.

Certain Future

It has only been possible to monitor the evolution in the YNA's positions on what was called until recently the "program for emerging from the crisis"—an evolution in which Veljko Kadijevic caused a sensation just a year or so ago by rejecting the tinkering with political definitions in favor of an efficient (Markovic's) approach to the problem—for scarcely three years. As the FSND's spokesman, Vuk Obradovic had the misfortune to convey the positions of the army leadership at a time when even such orientations were called into question by the fact that no changes of any kind can be carried out without political ones. Viewed from the YNA's standpoint, this brings to the fore what were until recently the taboo issues of meaning, from the very name of the military coalition of the Yugoslav states, i.e., whether it can be Yugoslav among conflicts, national among so many tribes in the internal migration of peoples, and, finally, an army in the prevailing international-law meaning of that concept, and not an organization of (un)announced, quiet civil war...

In such an acceleration of what was more a shuffling than a dealing of the cards, the YNA found itself—it does not matter whether it was caught by surprise—in the role of the firmest defender of the present SFRY Constitution. The Constitution thus turned out to be the most frequently mentioned thing in the first two-month half-time of the FSND press conferences, regardless of whether the questions involved [Slovene] Republic Defense Minister Janez Jansa—(Obradovic: "It is quite certain that nothing within the realm of nationwide defense is incompatible with the SFRY Constitution and federal laws, and anything that could jeopardize the defensive capability of the SFRY will not get through, with any sort

of personnel lineup"); republic territorial defense—"According to the SFRY Constitution, our armed forces are unified, they are commanded by the SFRY Presidency, and there will not be anything different"); Republic armies of Demos; the HDZ [Croatian Democratic Community], or SPO [Servian Renewal Movement]—"This is a concept of military organization that is completely incompatible with the constitutional definition of the SFRY as a federal state. The SFRY Constitution is quite clear in defining issues pertaining to nationwide defense, and we must all respect it"); or even some other "current" question.

The FSND undoubtedly does not consider that position for the YNA of defending the constitution to be particularly comfortable. As a rule, defense means retreat. Like most other things, the measure of patience in the army is not determined by consensus; at this time—probably more difficult than ever before in the last four decades—Vuk Obradovic has raised the question, only "formally" on his own behalf, of the limits "to which one can and should tolerate the expression of all sorts of lies and insults at the expense of our army. Is the army and its front rank the only one called upon to be concerned about this?" The answer, undoubtedly, is no. It is also beyond doubt, however, that time is passing, changing the meaning of the concepts that the military newspapers most eagerly stressed in the titles of reports on FSND press conferences: "strictly, consistently, regulation, protection, legal, united, genuine." "In step with the changes," by chance, is the last example: even with the best of wills, one cannot be satisfied with the statement that "the thesis that the Army is lagging behind the overall social transformations is unfounded and has not been confirmed, either in internal army trends or in the YNA's attitude toward the reforms of the socioeconomic and political system," no matter how true it was—at the same time—that "certain processes that do not have a legal and constitutional foundation are growing stronger in society." The one-week "technical" delay in giving answers is dangerously close to becoming an irrecoverable political loss in the actual situation here.

CZECHOSLOVAKIA

Law on Enterprise With Foreign Participation Summarized

90CH0164B Prague HOSPODARSKE NOVINY
in Czech 11 May 90 p 4

[Article by Lubomir Kadane, Dr. of Law, Federal Ministry of Foreign Trade: "Law on Enterprise with Foreign Participation"]

[Text] The transition from a centrally planned economy to a market economy requires changes in legal regulations for establishing and operating enterprises with foreign participation (particularly using foreign exchange). This is included in the amendment to Law No. 173/1988 Sb. on Enterprises with Foreign Participation, which was debated and passed by the Federal Assembly on 19 April and went into force on 1 May 1990. What are the most important changes?

—The definition of an enterprise with foreign participation has been changed (Section 2, para. 1):

"An enterprise with foreign participation (hereinafter Enterprise) is a legal entity that conducts commercial activities and is domiciled on the territory of the Czech and Slovak Federal Republic, if a foreign participant engages in its activities during or after its founding."

A foreign participant is a legal entity domiciled—or a physical person resident—outside the territory of the CSFR, who participates in the enterprise by investing assets.

A Czechoslovak participant is a legal entity domiciled—or a physical person resident—on the territory of the CSFR, who participates in the enterprise by investing assets together with the foreign participant.

In contrast to the original regulation, the amendment enables Czechoslovak entrepreneurs—physical persons—to found enterprises with foreign participation.

—The wording of Section 3 has also been amended. The contract on the founding of the enterprise, and the relationships that ensue from it, no longer need to be subject exclusively to Czechoslovak law; the participants may freely choose a legal code.

However, the founding, the legal form, the legal conditions, and the discontinuance of the enterprise will continue to be subject to Czechoslovak law.

But a change was made here, too, concerning the ability to make use of a larger number of legal forms of organizing enterprises (previously there were only joint stock companies according to the Corporation Law and associations according to the International Trade Code), which have been newly introduced in the Amendment to the Commercial Code (companies with limited liability, limited partnerships, etc.).

—Permission to found an enterprise has been fundamentally changed. According to the original regulation, the central agency of the state administration, which was competent depending on the proposed basic objectives of the enterprise's activities, granted permission to conclude or change a contract on the founding of an enterprise.

According to the amendment, the permission is directly linked to the founding of the enterprise (Section 5): "An enterprise may be founded only on the basis and within the limits of the permit granted by the Federal Ministry of Finance in agreement with the Ministry of Finance, Prices and Wages of the Republic on whose territory the enterprise will be domiciled (hereinafter 'permit'). In the field of Banking, the State Bank of Czechoslovakia will grant the permit."

Also, the application for a permit need no longer be submitted exclusively by the Czechoslovak participant; any participant may do so (Section 6, para. 1).

The deadline for issuing a decision has been shortened in the amendment from three months to 60 days after the application has been submitted (Section 7, para. 3).

—Further changes concern commercial transactions using foreign exchange and have been included in Section 15 and Section 16, which read:

Section 15

The obligation to bid stipulated in the foreign exchange regulations⁴ applies to the Enterprise.

Section 16

The Enterprise may keep its accounts in foreign exchange at a Czechoslovak financial institute or, with the consent of the State Bank of Czechoslovakia [SBCS], at a foreign bank.

The original text of the law did not stipulate the obligation to bid from acquired foreign exchange resources (foreign exchange standard) for enterprises with foreign participation, and the consent of the SBCS was not required for keeping foreign exchange accounts at a foreign bank.

In the area of foreign exchange transactions, the new regulation sets the same conditions for enterprises with foreign participation as for other Czechoslovak entities.

Note⁴ in Section 15 refers to the Foreign Exchange Law and its instructions on procedures.

In conclusion, it should be mentioned that the amendment also changed the wording of Section 12, which stipulated what funds were to be created by the enterprise.

The new regulation stipulates that the enterprise only has to create a reserve fund. The minimum amount should be equal to 10 percent of the capital assets; the fund should be supplemented annually from the profits

remaining after taxes have been paid; the minimum amount should be five percent or more, up to the amount stipulated in the provisions or statute. The enterprise is obligated to secure a portion of the funds with foreign exchange resources.

Changes in Social Lawmaking Summarized

90CH0164E Prague HOSPODARSKE NOVINY
in Czech 11 May 90 p 5

[Article by Dr. Eng. Igor Tomes, Candidate for Doctor of Science, Deputy Minister of Labor and Social Affairs: "Changes in Social Lawmaking"]

[Text] The law that amends and completes Law No. 100/1988 Sb. on Social Security, and Law No. 54/1956 Sb. on Employees' Health Insurance, which was passed 19 April by the Federal Assembly, establishes the legislative provisions for the social security of private entrepreneurs and their employees. This is its main objective. The draft of the law was based on principles which should basically apply to the further purposeful development of social security, particularly of its universal application.

Security

Security for individuals who earn their living independently will be provided through insurance, as is customary in other countries. The amount is set at 25 percent of the assessment base. The percentage rate of the insurance was derived from the costs for social security and public aid to families with children, which on average amount to 35.6 percent of the volume of wages per employee. Not including allowances for children, which approximately amount to five percent and can be considered to be state benefits, the social security insurance rates should amount to 30 percent of the wages, however, it was set only at 25 percent for individuals who earn their living independently.

In Section 145c the Social Security Law permits the CSFR Government to temporarily lower the insurance rate, both generally and for specific groups of people, by statute. The insurance rate should only be lowered in accordance with this provision in exceptional cases for truly serious reasons, primarily because an insurance rate of 25 percent does not cover all costs in the social sphere. Under no circumstances may this provision be interpreted to mean that it may be used to provide one group of independently wage-earning citizens with advantages over others.

Apart from entrepreneurs, in accordance with the Law on the Private Enterprise of Citizens, other individuals who earn wages independently in accordance with other universally binding legal regulations will also be provided with security based on the instructions on procedure—for example, those who provide transportation services in accordance with the Law on Road Transport and Inland Freight Forwarding, as well as citizens involved in artistic or other creative activities on the

basis of relations in accordance with the Authors' Law, sportsmen and sportswomen, who are paid for their sports activities on the basis of appropriate contracts, and, lastly, independent farmers. In regard to the latter, the many years of political discrimination against them have finally ended, and their security has been set at the same level as other citizens; in particular, the retirement age and the age limit for receiving an old-age pension have been lowered, and the assessed pension has been substantially raised. Even their wives are entitled to security within the regulated framework as independent wage earners if they participate in the earning activity, and other family members have also been included in the case of independent farmers.

Individuals who earn wages independently will participate in health and pension security on the basis of insurance. The rate has been set at 25 percent of the registered assessment base which must not be less than Kcs400 and no more than Kcs10,000 per month. The assessment base is set according to the insured person's choice, this means that the independently earning person may, within given limits, choose the amount of the assessment base and the insurance rate derived from it, and thus, simultaneously, the amount of his future outlays. This formula will be used for the near future since it is technically impossible at this time to use real attained incomes as a base; the latter will be possible after tax offices have been set up.

At the same time, instances have been established when an independently earning person is not obligated to register for security—for example, if the scope of his activity is so small that he earns less than Kcs4,800 per year, or if he already participates in health and pension security for a different reason, or if he receives an old-age or disability pension. If an independently earning person interrupts his activities due to military service, caring for children, or for any other serious reason, he will be exempt from participating in security for that period, if he submits a request to this end.

An independent wage-earning person must register for security, or cancel his registration on the prescribed forms supplied by the Okres national committee. Insurance always runs for a full calendar month, up to the 20th day of the preceding month, or for a longer period if the agency providing the insurance permits it.

Independent wage-earning persons will receive all benefits from health insurance, with the exception of support when caring for a member of the family, and will be provided all incomes and other benefits from pension security. If the benefits from health insurance or pension security are calculated generally from the average income, they will be established from the assessment base for independently earning persons and for their coworkers.

Additional changes have also been included in the Law on Social Security—above all, this concerns the evaluation of periods of employment abroad, which reflects the

revocation of the former prerequisite stipulating that only periods of employment abroad, for which the citizen had received the permission of the competent state agency, could be included. Any period of employment abroad before 1 May 1990 will be included without taking into account whether such permission was given or not. From 1 May 1990 a period during which a citizen was employed abroad will be evaluated for pension security only if he paid insurance in an amount equal to 20 percent of the assessment base into his pension security. The lower rate of insurance was established because such citizens will have no health insurance in the CSFR during the period they are employed abroad.

Pensions

The amendment to the Law on Social Security also contains additional changes. Primarily it expands the powers of the Federal Government so that it can not only regularly increase pensions through statutes (which the present law permits it to do), but also increase them on a one-time basis, and regulate the amount of pensions that constitute the sole source of income. A one-time increase allows flexibility, for instance, in reacting to changes in prices. The Federal Government intends to use this power to increase pensions already this year.

The aim of raising pensions is to avoid a drop in their real value, which has occurred since the last increase in 1988 due to higher prices, and simultaneously to contribute to an equalization of pensions that were granted at different periods in the past. The difference in pensions was caused by wage increases, which were generally not included in pensions that were already being paid, on the one hand, and a change in the regulations for calculating pensions granted since October 1988, on the other hand. Therefore, in this case, only pensions granted before 1 October 1988 will be increased and the increase will be differentiated in such a way that pensions which have been paid for the longest period of time will be increased by the highest percentage:

Period when pension was granted	Increase in percent
up to 1975	10
1976-1978	7
1979-1981	6
1982-1984	5
1985-30 Sept. 1988	4

In this way a comparable base will be attained, which is essential in order to introduce a system of regular evaluation. Total equalization of pensions is not economically practicable; it would cost approximately Kcs10 billion. Therefore gradual equalization of minor differences is still to be expected in the future.

The increase in outlays necessary to satisfy basic needs means that pensioners with the lowest pensions are hardest hit. If these pensions are the sole source of

income, they will be increased to Kcs1,200 for an individual and to Kcs2,000 for a couple. This amount was fixed on the basis of an analysis by a group of experts who studied the problem of minimum subsistence level. But it is necessary to continue to observe it carefully and to adjust it to the price level in a timely manner. How much will the above-mentioned measures cost (in billions of Kcs)?

Year	Increase in pensions paid	Increase in low pensions	Total
1990	0.8	0.2	1.0
1991	3.1	0.7	3.8
1992	2.8	0.6	3.4
1993	2.6	0.5	3.1
1994	2.5	0.4	2.9
1995	2.4	0.3	2.7

In addition, the law totally eliminates the personal pensions that are still under discussion at the present time. The government commission for reevaluating personal pensions suggested to the Federal Government that, for purely humanitarian and social reasons, merely those that do not exceed a total of Kcs2,200 per month should be retained. All personal pensions exceeding this amount will be revoked without exception, and everyone will receive an appropriate pension in the amount to which he is legally entitled.

Insurance

In health the right to issue universally binding regulations will be transferred from the Central Council of Trade Unions, which no longer exists, to the Federal Ministry of Labor and Social Affairs, which, according to other laws, is already empowered to issue instructions on procedure in other sectors of health insurance. At the same time, the present situation shows that it will be necessary to amend some instructional rulings concerning health insurance in the near future. This is due to fact that legislation, as an act of the state, is to be executed by the competent state agencies, and the trade unions are to have a separate and independent status with the right to present opposing views; this, however, is incompatible with mutual responsibility for the administration of the state. The large number of new unions and the discontinuance of ROH [Revolutionary Trade-Union Movement] and URO [Central Council of Trade Unions], has resulted in the former legal regulation coming into conflict with present reality, and therefore it is necessary to change it.

Furthermore, the provisions in the Law on Health Insurance of Employees concerning insurance payments have been amended in this law in regard to employees in the private sector. In this case, the same principles as apply to independently earning persons also apply to the Amendment on Social Security with the difference that the insurance for pension security, which is simultaneously being introduced in the Law on Social Security is

already included in the insurance rate for employees in accordance with the Law on Health Insurance. The insurance will be deducted from the total paid wages and it has been fixed at 25 percent—the same as for independently earning persons.

The law is a partial amendment, relatively limited in scope, which was necessary in order to speed up the solution. In other words, it is an instrumental amendment, not an established one, since it deals with several different problems. It represents only the first step in realizing widely differing objectives, which the Federal Government announced in its program. At this time, it has submitted to the Federal Assembly a draft of a law, which primarily deals with the creation of a new organizational system for social security that will simultaneously create the organizational prerequisites for the next stage, i.e., the transition to capital management in this area.

Caption to Photo: Thirty children with upper respiratory problems and suffering from dust allergies can all be treated simultaneously in a preschool with a special regimen in Usti nad Labem. Such necessary facilities, however, are a drop in the bucket, considering the large numbers of children afflicted in this way in Northern Czechoslovakia.

HUNGARY

Banking Profits, Financial Statements Compared

90CH0214C Budapest FIGYELO in Hungarian

24 May 90 p 13

[Article by (W.I.): "Bank Top List"]

[Text]

Table 1.

	Principle Balance	Own Assets	Profits	Net Income	Profit-to-Asset Ratio	Profit- to-Income Ratio
	in millions of forints				as percentage	
Hungarian Credit Bank, Incorporated	220,847	18,265	8,890	12,041	48.7	73.8
National Commercial Credit Bank, Incorporated	146,672	14,294	6,351	26,022	44.4	24.4
Budapest Bank, Incorporated	89,730	7,731	3,805	17,828	49.2	21.3
Hungarian Foreign Trade Bank, Incorporated	187,113	7,941	6,847	18,717	86.2	36.6
State Marketing Bank, Incorporated	8,570	1,048	283	1,053	27.0	26.9
Total	648,932	49,279	26,176	75,661	53.1	34.6
State Enterprise Bank	7,091	2,398	574	2,137	23.9	26.8
Agrobank	10,655	1,526	411	2,398	26.9	17.1
Savings Bank	16,919	1,062	476	1,889	44.8	25.2
Construction Industry Bank	2,224	1,235	410	851	33.2	48.2
Industrial Bank	3,858	1,070	314	1,071	29.3	29.3
Agricultural Bank	8,791	2,367	405	1,543	17.1	26.2
Konzumbank	4,589	1,053	309	911	29.3	33.9
Dunabank	5,050	1,065	121	618	11.4	19.6
Total	59,177	11,776	3,020	11,418	25.6	25.6
Inter-Europabank	11,574	2,922	695	2,554	23.8	27.2
Postabank	17,198	2,432	1,065	3,132	43.8	34.0
Citibank	20,114	1,000	1,068	3,514	106.8	30.4
Unicbank	12,689	1,267	549	1,981	43.3	27.7
Central European Investment Bank II	7,052	1,016	228	1,021	22.4	22.3
Total	68,627	8,637	3,605	12,202	41.7	29.5
Merkantilbank	4,366	526	186	848	35.4	21.9
Realbank	6,800	726	54	576	7.4	9.4
Innofinance	1,619	566	18	428	3.2	4.2

Table 1. (Continued)

	Principle Balance	Own Assets	Profits	Net Income	Profit-to-Asset Ratio	Profit-to-Income Ratio
	in millions of forints			as percentage		
Industrial Development Bank	7,152	3,246	540	1,066	16.6	50.6
Investbank	2,401	1,246	326	414	26.1	78.7
Total	22,338	6,310	1,124	3,332	17.8	33.7
Grand Total	799,074	76,002	33,925	102,613	44.7	33.1

Interesting conclusions can be drawn from the combined 1989 balance reports of Hungarian commercial banks and specialized financial institutions. According to the data, the gross value (principal balance) of the combined activities of the 24 banks operating in Hungary last year amounted to 799 billion forints. This sum was realized despite the fact that due to the monetary restrictions imposed, in the course of the year the banks had not even been able to meet every creditworthy loan request. Hence the banks' potential earnings for 1989 could have actually been much higher.

Combined bank-held assets amounted to 76 billion forints. In terms of the principal balance, therefore, the above performance adds up to 10.5 forints per unit of bank-held assets. Both in an international comparison, and in terms of our Hungarian banking laws, this is a favorable figure.

This average ratio, however, does hide some significant disparities. For example, while in the case of the Hungarian Foreign Trade Bank, Incorporated the ratio was 23.5 forints, in the case of the Investbank it amounted to only 1.9 forints. Citibank's indicator was 20 forints, which is in accordance with international standards.

High concentration is not a Hungarian peculiarity, as mammoth banks play an important role everywhere in the world. Their huge capital assets significantly influence the day-to-day trends of the international money market. Compared with the big international banks, of course, the power wielded by our own large banks is quite modest if we consider that the total own assets of the Hungarian "big four" amount to less than \$800 million.

Our banks' 1989 profits before taxes were sizable. Their average profit-to-asset and profit-to-income ratios were 44.7 and 33.1 percent, respectively. Even factoring in last year's inflation, banking sphere profits far exceeded those of the productive spheres. While interest rates went soaring last year, a strong demand for credit presented the banks with a wide selection of loan applicants to choose from. Thirty-six to 40 percent "punitive interest rates" last year were not uncommon, and loans offered at 25 percent interest were considered cheap money.

Table 2. Extent of Bank Concentration in 1989

	Percentage of Principal Balance	Percentage of Profits	Percentage of Total Capital Stock
The four large banks	80	79	63
All other banks combined	20	21	37

The large banks were also in the forefront of profit making. Their average profit-to-asset and profit-to-income ratios were 53.1 and 34.6 percent, respectively. It should be noted, however, that while Citibank's profit-to-asset ratio was 106.8 percent, Innofinance attained only a modest 3.2 percent. Investbank's profit-to-income ratio was 78.7 percent, compared with those of Innofinance which were only 4.2 percent. Clearly, banking profits have been highly disparate.

In 1990, the number of banks is expected to increase, which is likely to result in even greater differentiation in turnover and performance. Chances are good that in the course of the year some insolvent enterprises will be liquidated, which will probably entail a significant capital redistribution. This is also expected to increase the banks' volume of business. As long as the financial restrictions are not eased, and the demand for credit remains strong, bank profits are not likely to decline.

Japanese Financier on Hungarian Economic Prospects

25000746G Budapest NEPSZABADSAG in Hungarian 15 Jun 90 p 3

[Interview with Minoru Mori, chairman of the London based Daiwa Europe, by Gabor Horvath; place and date not given: "Investors Do Not Have Imperialistic Ambitions"]

[Text] Daiwa Securities is one of Japan's and the world's most significant financial enterprises. It has already played an important role in regard to making credit arrangements for Hungary. Minoru Mori, chairman of

the London based Daiwa Europe talked to the NEPSZ-ABADSAG reporter during an intermission of a conference organized for businessmen by the Atlantic CEO Institute.

[Horvath] Few nations are as sensitive about how they are viewed by others as the Hungarian nation. This has gained particular significance recently. How do you, as a Japanese financial expert, see the good reputation of our country?

[Mori] As was stated during Japanese Prime Minister Toshiki Kaifu's visit to Budapest, we would like to support the new Hungarian democracy indeed. One form of this would be financial support, which may be provided simultaneously through several channels, based on interstate agreements, or by way of the International Monetary Fund or the European Development Bank. This is not sufficient, however. Private capital must also be attracted, and this is the kind of activity our firm is engaged in. It is true that at present the international money market views Hungary less favorably than in the past, and it is not easy to obtain new funds to finance the credits. But from the standpoint of Japan, the country which has the largest trade surplus, it is a virtual duty to provide credit to countries like Hungary, for instance. Daiwa also makes extraordinary efforts to mobilize the private sector.

[Horvath] Many in Hungary expect a virtual miracle from the arrival of foreign capital. What should we Hungarians do to accomplish an economic upswing?

[Mori] That is a very complex issue.

[Horvath] That's why we ask this question from every foreign expert who comes to Budapest.

[Mori] Well, I feel that the Hungarians observe the movement of foreign capital with a certain restlessness. On the one hand they understand that there is a need for foreign resources in order to put the economy back on its feet; on the other hand, however, they are reluctant when it comes to striking a specific business deal, for example when it comes to the sale of stock, factories, and real estate. I am somewhat concerned about this, because as I said, state credits are not sufficient without private capital. The majority of large Japanese manufacturing companies, such as the car manufacturers and the electronics industry, think that it is too early to make direct investments in Hungary. One reason for this is the political uncertainty that prevails in the neighboring Soviet Union, and the other is the undeveloped state of the infrastructure. In my view, the most important thing to do in the near future is to sell as many enterprises as possible—at least in part if you do not want to sell the entire plant—to Western capitalists. The channels by which this can be accomplished must be open to foreign investors. Quite naturally, from an emotional standpoint I fully understand that one must count on a certain amount of public resistance.

[Horvath] One explanation for this is the fact that quite naturally, the well functioning, profitable firms can be sold first, while we get stuck with the loss operations. This is not surprising of course, this is the order of things. What would provide [the needed] reassurance to the public, in your view?

[Mori] Capitalism has undergone a rather profound change in recent decades. A majority of the investments we are talking about in Hungary are not the business deals of the old style, classic capitalists. Financial resources concentrate the savings of ordinary citizens, of peasants and workers, who do not have imperialistic, expansionist ambitions by any means. If the Hungarians are worried about the old forms of exploitation, I must say that such concern is nonsense. This is simple investment. The American treasury certificate provides a more or less nine-percent return without any risk. Here in Hungary there are certain risks, thus a greater return must be provided, otherwise no one will invest. It's that simple.

[Horvath] The new Hungarian finance minister made a promise to render the forint convertible within a certain period of time. Is this commitment realistic?

[Mori] Yes, I think it is. This must be accomplished as fast as possible, otherwise the investors will hardly give preference to Hungary.

[Horvath] The Budapest stock exchange will open soon. Will Daiwa be present?

[Mori] We are thinking about establishing a joint enterprise for the activity in the Budapest stock exchange. When it comes about, this will be the first similar Japanese undertaking in Central and East Europe. We, the Japanese people, learned capitalism from the Americans. One of the secrets of our success can be found in the broad base of our stockholders. Daiwa has been perfecting its methods on the stock exchange for decades and I believe Hungary will also be in great need to acquire this know how.

POLAND

Armaments Production, Export Opportunities Profiled

Conversion to Civilian Use Viewed

90EP0649A Warsaw PRZEGLAD TYGODNIOWY
in Polish 10 Jun 90 p 4

[Article by Karol Szyndzielorz: "Peace Has Broken Out"]

[Text] The deeper the crisis, the greater the hope is for the peace dividend, and, therefore, the advantages in which burying the hatchet may result for the economy. Since the East and the West have come to the common conclusion that the danger of war at present is the lowest it has been in the last 40 years, the arms race should be

stopped. Therefore, the volume of orders for the military industry is declining because the armies are not getting the funds.

A year ago, an answer was sought in the Sejm to the question of how much the army costs us. Despite a lot of noise, we did not learn the truth because there is no way to determine by means of cumulative accounting what the actual cost of a tank or an armored personnel carrier is. The price which is secured for the export sale of such a vehicle is merely an approximation of value because weapons are not regular merchandise. Markets, demand and supply, prices and terms of sale prompt different behaviors. The fewer conflicts or wars there are, the keener the competition among the producers of weapons, as well as armament traders whom we are not going to call traders in death.

In the 1980's, the economic slump did not affect the enterprises in which the production of weapons dominates. Investment projects were completed, new shops were erected, equipment was purchased, and labor was hired. Restrictions on orders and loans brought about a sudden change in trends which may be called the worst crisis since the end of the war. Therefore, the idea occurred to me to bring about a meeting of the representatives of enterprises building tanks, helicopters, engines, electronic and optical systems, ammunition, small arms, and remote-controlled missiles under the auspices of the OKP [All-Polish Peace Coalition]. We sent out invitations to which I affixed my signature and the OKP seal. In early spring, a good number of us met in Warsaw. Everyone who had something to say about the production of armaments showed up.

Sad notes were struck. There are no orders, no money, no prospects. Employees are not being laid off yet, but soon the cadre of good professionals will be scattered. Conversion, or switching to civilian production, is impossible without additional funds for mastering other technologies and other methods of production and securing the delivery of other materials. There will be no peace dividend without further investment, all the more so because the Labedy enterprise should maintain armor production lines at the ready while producing, for example, excavators instead of tanks. The fixed costs of the civilian and defense divisions are reflected in the price of finished products. Due to this, all armament producers who are looking for a niche in the conventional market have worse conditions for starting and running the course for tax and banking reasons. It also turned out that all the armaments majors are now looking for their own partners inside the country and abroad, unfortunately, without much success.

We proposed to organize an exhibition of the production, technical, and cooperation potential of the Polish armaments industry. The ministers and Sejm representatives gave us their blessing. The Wola enterprise was ready to provide a hall, and the Polexpo agreed to do a lot of work. We even selected a logo—a reproduction of the sculpture by Vuchetich in which a mighty man is

beating a sword into a ploughshare. The opening was scheduled for 23 May. Deputies, senators, and ministers were supposed to meet with industrialists, designers, and other business people in order to discuss ways to overcome obstacles in the path of conversion.

However, we had to cancel the exhibition. The same directors who as little as three months ago were prepared to help are now citing the lack of funds and energy. Only seven armament enterprises confirmed their preparedness to look for a better way to convert to civilian production. Therefore, specialists will not learn what the armaments industry is capable of when faced with the threat of hunger.

Until recently, this industry worked in an environment protected by various secrets. It did not have to bother looking for financing because this was the headache of the government. It had a guaranteed market provided that quality specifications were met. Deliveries of materials and subassemblies, as well as machines and equipment, were based on plans or allied agreements. Even now this industry represents a technical standard higher than the average of the country, and the designer cadres are capable of coping with any license. Therefore, this represents a great potential which will be wasted if it is left to its own devices. Privatization will not accomplish anything in this matter.

One of the ministers said during preparations for the exhibition that armament sales are the most profitable. He is right, but nobody wants these armaments. Peace has broken out in Europe, and the rest of the world is not feeling warlike either. As has been the case before on many occasions, there was, perhaps, the lack of courage to face up to the truth at the conversion exhibition. After all, it may have turned out that cutting the military budget alone would not bring about the payment of the peace dividend. We wanted to help, but it did not work out.

Dismal Prospects for Exports

90EP0649B Warsaw PRZEGLAD TYGODNIOWY
in Polish 10 Jun 90 pp 1, 4

[Article by Janusz Z. Kwiatkowski: "Special Merchandise"]

[Text] This is a big shop with an area of definitely more than 1,000 square meters. Along one of the walls, there is a row of cubicles with tightly closed metal doors. Shiny narrow tables covered with sheet metal which are a dozen or so meters long could be used, for example, to produce candy. However, the air-conditioned inner space of the hall and the static-controlled floor appear to indicate that this is a laboratory. In this set-up, a small pile of missiles (ground-to-air missiles fired by an operator but also installed on helicopters), in part packed in wooden crates, in the corner of the hall makes a quite striking impression. However, we are at the Metal-working Enterprise Mesko in Skarzysko, one of the Polish armaments plants.

Until recently, armaments were a little bit like children—supposedly, everyone knew that they exist, but not everyone knew where they come from. It turned out that storks do not bring them.

As Colonel Jerzy Kade from the Ministry of Industry said, 120 plants produce for the needs of the armed forces, out of which 80 have the status of a defense enterprise. Views such as in Skarzysko are not rare. The production capacity of armament producers was 40 percent utilized in 1988, a mere 30 percent in 1989, and this year it may be even worse. The world tends to disarm, there are fewer and fewer wars, and, therefore, demand is shrinking. The people are happy, but for the producers of armaments these are hard times.

A change in guidelines for economic operations introduced at the beginning of this year also made it difficult for them. They cannot give up the production of armaments even if it is unprofitable. By way of compensation, they are entitled to dividend relief. However, as Deputy Jozef Kowalczyk found upon visiting five factories, this relief is in no proportion to the share of special products (this is what the official name is) in total output.

Technical and technological aging of armament plants proceeds as it does in the economy at large. Many projects had been canceled, others have been considerably restricted. Therefore, new products are not being implemented, and credit is more expensive—in a word, poverty.

Arms producers are trying to rescue themselves by attributing the cost of maintaining special divisions to civilian production. As it were, all of them produce something absolutely open as cover. For example, in Skarzysko they manufacture cooking ranges, garden tractors for agriculture, lawn mowers, lighting fixtures, meat grinders, juicers, and food processors for small delicatessen shops along with missiles and ammunition. Civilian production is even greater than special production, but not by a lot. Despite the fact that the generosity of society is tremendous, there are fewer and fewer people in the market willing to finance the production of missiles by purchasing Bartek food processors.

Fortunately for the producers, stagnation in the industry coincided in time with revealing to the public their shameful activity. This gave them a boost. For example, they started publishing advertising brochures. The CIA should no longer bother puzzling out the issue of what kind of ammunition they make in Skarzysko. It is enough to consult a catalog, and everything is clear. They also started visiting fairs. From Skarzysko, they went to Nuremberg which has had a poor reputation for years, so, perhaps, they no longer care; this is where armament fairs known throughout the world are held. They brought ammunition for Parabellum, and began to produce it themselves for export, of course, and cheaper than Western ammunition at that.

It is cheaper not only because the cost of production is lower which may give us reason for praise. However,

they have to sell it cheaper because they do not have an established trademark. Polish arms producers have remained anonymous for years despite having a wonderful reputation in the past on which they could have built.

The construction of the State Ammunition Plant in Skarzysko began in 1923. It began exports in 1926. Before the war broke out, exports reached 121 million zlotys. At the time, this was a lot of money! In the interwar period, Poland ranked fourth in the export of weapons after the United States, England, and France.

After the war, Poland failed to regain its standing. As it were, the attitude of the new authorities toward the arms trade was quite peculiar—they prided themselves on exporting revolution but the export of armaments was considered to be shameful.

Until the early 1950's, the armed forces had exclusive jurisdiction over the issue of armaments. In 1951, the Department of Engineering was created in the Ministry of Foreign Trade; it was involved almost exclusively in importing armaments from the USSR. Four years later, the Central Engineering Administration, the CENZIN, was set up in the Ministry of Foreign Trade and began to handle normal two-way trade.

In the 1950's, Poland mainly exported firearms, artillery weapons, and ammunition. We traded exclusively with fraternal countries for rubles. In 1959, the first dollar-denominated contract came along; the Nysa radar stations were sold to Indonesia.

In the next decade, we traded in the Nysas, as well as the R-123 tank radios, small arms, and artillery ordnance, but helicopters were also added to this. Exports of the T-54 (subsequently the T-55) tanks to Libya, Egypt, and Iraq began. In the CENZIN, they think that tanks could have very well been the best export item of all. Between 1960 and 1980, more than 3,000 of them were sold. Egypt purchased 100, as Colonel Zdzislaw Harz recalled before a Sejm commission (documents have long been destroyed).

In the 1970's, small arms, artillery ordnance, and tanks continued to reign supreme, as well as tanks and the MiG-15 and MiG-17 aircraft. These offerings were complemented by ground-to-air missiles and guided anti-tank missiles. In the middle of the decade, a contract was signed with India for the delivery of 50 TS-11 Iskra jet trainer and combat aircraft. To this day, Indian pilots are trained on these aircraft which are sent to Poland for repairs. Between 1974 and 1979, about 1,500 T-55 tanks were sold to Libya under several contracts. All of them were to be paid for in cash with a downpayment of 20 percent which was an expression of great confidence in the supplier.

Recent years have meant the T-72 tanks, the MTLB armored personnel carriers, radar equipment, and air defense command systems. The Shmel anti-tank missile

and its successor Malyutka also gained a good reputation. It may also be worthwhile to recall that, despite government decisions to restrict the development of the aircraft industry in the 1960's, a total of over 5,000 Mi-2 helicopters and over 10,000 An-2 aircraft were exported.

An increasingly pronounced crisis in the world arms market prompts transactions which appear strange, for example, the sale of antique weapons which have long been retired from service. As CENZIN Director Colonel Pawel Pawluczuk said in an interview to GAZETA WYBORCZA, "if we had German weapons from the World War II period the demand for which is indeed enormous in the collectors' market we could make more money on them than on the weapons we produce ourselves. Unfortunately, large quantities of them were simply destroyed after the war."

Attempts are made to offer services for exports by military plants, of course, for civilian clients. Last year, a contract was signed with the American company International Aircraft Corporation for repairs and upgrading the DC-3 and C-47 aircraft in the Military Aircraft Enterprise WZL-2 in Bydgoszcz. Specialists have already received training. Americans are providing documentation, parts (new engines, among other things) and special instruments. It is estimated that eventually 50 aircraft will be "rejuvenated."

"Selling death," as moralists define it for a good reason, brings particularly spectacular profits. Therefore, international competition is keen, and traders are people who are exceptionally discreet. The CENZIN employees are no exception to this.

Statistics describing the volume of exports of special products in the years 1984 through 1989 which they made available are as follows:

Table 1		
Year	1st payments area (million rubles)	2d payments area (million US dollars)
1984	924.4	164.8
1985	1,005.3	118.4
1986	1,080.1	342.1
1987	1,131.3	274.4
1988	1,138.6	258.2
1989	992.5	188.3

The largest export contract was worth \$100 million. We can only guess who it was signed with and for what merchandise. Prices also constitute a commercial secret. Therefore, let us only quote the Polish Press Agency: Apparently, a Polish tank costs \$1.2 million whereas a similar vehicle produced in another country—\$3 million. At the CENZIN, they say that the prices are correct, but the equipment is not similar.

What place does Poland hold in the world in this somewhat sensitive competition? Last year's SIPRI statistics say nothing about it. We give the value of arms exports by 15 countries in 1984 through 1989 according to the Stockholm institute (in constant 1985 prices, see table No. 2).

Over the same period of time, Polish exports amounted to \$1,157.9 million and 5,279.7 million rubles. How is this to be converted?

Colonel Harz, a 28-year veteran of the CENZIN, does not conceal the fact that for him this is a matter of prestige and personal dedication. He tries to total it up: If we assume that one ruble equals \$0.75 we have well over \$5 billion, twice as much as Czechoslovakia, and a little less than the FRG.

However, is this a proper conversion rate?

The deep-seated satisfaction of the CENZIN with a job well done was put to the test by the Sejm Commission for Foreign Economic Cooperation which on 25 April looked exactly at the issue of arms exports. As reporting Deputy Jozef Kowalczyk thinks, Poland is behind Czechoslovakia and the GDR.

Deliveries to developing countries free of charge, which in 1986 through 1988 amounted to a fraction of one percent of special Polish exports (0.14 to 0.15 percent), turned out to be a sensitive issue. It appears to be a small amount, but in absolute numbers this amounts to hundreds of thousands of dollars. Deputy Kowalczyk also went to the trouble of calculating that we gave as gifts weapons worth a total of 1 billion zlotys to South Yemen, Cambodia, Nicaragua, SWAPO [South-West African People's Organization] in Namibia, and Vietnam, except that this is the sum of zlotys from different years.

The fact that between 1983 and 1989 the indicator of profitability of arms production declined by a factor of two, as reported by the NIK [Supreme Chamber of Control], gave rise to concern among members of the commission. Hence their conclusion that the production of some types of materiel needs to be discontinued, and that of other, more modern types needs to be developed.

As with every "declassified" sphere of life, the exports of armaments immediately became the subject of public debate. Fundamentalists stated that such actions are unethical, and for this reason should be abandoned. However, such voices did not produce a broad popular response. For their part, the deputies acknowledged that arms exports are needed both to augment the performance of foreign trade and reduce the costs of outfitting the Polish armed forces (by producing larger series).

So, the next question is: Should we sell armaments to all who come along? In this matter, the deputies turned out to be quite restrained. It was suggested that a list of customers who are undesirable at present be compiled. Jan Majewski, deputy minister of foreign affairs,

acknowledges that such a list has been drawn up, though he considers releasing it to the public inexpedient, which is understandable. The list has been drawn up on the basis of five principles which are recognized throughout the civilized world anyway. Thus, the weapons sold cannot be used to violate human rights, for terrorism, in civil wars, to adversely affect the interests of countries friendly to Poland, or to build weapons of mass destruction (obviously, the latter applies to parts). Complying with these guidelines, even countries with the greatest authority in the world have a clear conscience:

Table 2

Country	Value
USSR	63,789
USA	50,298
France	17,975
Great Britain	8,797
China	7,847
FRG	6,758
Czechoslovakia	2,673
Italy	2,638
Sweden	1,571
Brazil	1,468
Netherlands	1,447
Israel	1,370
Canada	1,165
Spain	1,136
Egypt	947

Enforcing the above wish list calls for a proper licensing policy. Until now, this has been as simple as can be: The CENZIN which was, to be sure, not the only intermediary in export transactions, but the largest one, at the same time issued permits for specific transactions. At present, the market has new requirements, and it is not the same CENZIN anymore. A foreign-trade enterprise, a company with a majority share held by the state (plus producers) is being set up under this name. A draft company contract has been approved by Minister Lis, the Ministry of National Defense, and the Ministry of Foreign Economic Cooperation, but the deputies who view this as merely an attempt to restrict the independence of producers have doubts about it.

On the other hand, there is agreement as to guidelines for the issuance of licenses: Only producers (and us—adds the CENZIN) should receive them for the so-called active means, while the rest may become part of the regular market play.

However, this market play may bring about difficulties unless the producers overcome their problems. There is no sign yet that they will. Colonel Jerzy Kade believes that key armament plants should belong to the state, and state protectionism should apply to them in order to

maintain the defense potential. However, does even special output deserve special treatment at present?

Financial Official on Future Policy; Current Strategy Defended

90EP0652A Warsaw *POLITYKA* in Polish No 21, 26 May 90 p 4

[Article by Secretary of State in the Ministry of Finance Marek Dabrowski: "We Should Persevere Some More"]

[Text] The fourth month of the stabilization program has come to an end. I will recall that the goals of this program were to smother a high rate of inflation, eliminate shortages, liberalize price setting and improve the structure of prices, overcome the "indexing" philosophy of wage increases, introduce the convertibility of the zloty, and open the Polish economy to the world. Substantial progress has been made in accomplishing all of these tasks. However, is it a complete and lasting success? I have my doubts.

Inflation was smothered more rapidly than was commonly expected. However, if we project the March rate of inflation—4.7 percent it will adjust to an annual inflation rate of 73.5 percent. Therefore, it is still high. Also, the phenomenon of inflation frailty continues to occur which threatens a return to hyperinflation at any moment. It is the same with the elimination of shortages. The degree of availability of goods in the consumer and producer goods market has improved on a scale yet unparalleled in our postwar history. The market of producers dictating their terms to the buyers has ceased to exist. However, do we already have a consumer market? It is enough to visit a clothing or footwear shop in order to become convinced that the distance separating us from Western markets is still great.

About 90 percent of trade turnover occurs at free market prices; however, areas which are markedly subsidized, such as coal, fees for central heating and hot water, rents, and railroad transportation, still remain. To be sure, in several cases (electricity, gas) direct subsidization is not used, but administratively set tariffs profoundly deform the internal structure of prices. The prospect of switching from the transferable ruble to freely convertible currencies in settlements with the CEMA countries also entails essential consequences for domestic price ratios. Finally, the extremely asymmetrical levying of the turnover tax on individual goods also needs to be revised in the immediate future if we want to effectively introduce the value added tax beginning next year. All of these issues will have to be resolved by economic policy within the next two years.

The legacy of price indexing last year has also been cured to a considerable degree, but not entirely. The mechanism of tax control over wages still includes indexation linkage. Likewise, it does not appear possible to maintain this arrangement indefinitely. We should consider other solutions vigorously.

Finally, the convertibility of the zloty, though stable beyond expectations, amounts merely to partial domestic convertibility. The road to complete convertibility remains long and difficult.

Should Demand Be Stimulated?

The above analysis is necessary in order for an in-depth and balanced evaluation of the course of the stabilization operation to date. Both exuberant optimism over us having already solved all problems and a lack of belief in the correctness of what we have accomplished would be pernicious. At issue is also the development of an appropriate economic policy for the coming months, especially in the face of a deep recession (much deeper than we expected initially) which turned out to be the high but unavoidable price for smothering inflation.

The demand to immediately relax the rigors of the stabilization policy is the most frequently repeated postulate. I will disregard programs of a purely remunerative nature—demands for higher subsidies, relief, preferences, and benefits—which do not respond to the question of where money is to be obtained for this purpose. After all, they have something else in view rather than concern for the future of the economy. At issue is rather the pursuit of special interests or securing political applause at any price. These are the features of, among others, the PSL [Polish Peasant Party] "Odrodzenie" and the SdRP [Social Democrats of the Republic of Poland].

However, requests to increase gross demand as a means of stimulating supply and fighting recession warrant a short comment. The proponents of such an approach cite in this reference the theoretical works of J.M. Keynes and the experience of the American New Deal.

I believe that in this instance we are dealing with a misconception. The great crisis of the early 1930's was completely different from the post-hyperinflationary recession in Poland. The great crisis affected countries with market economies, with the preponderance of private entities, and lasted several years. The involvement of the state in regulating the economy was considerably smaller than in modern market systems, to say nothing of Poland. The protracted recession weeded out ineffective economic entities and created a tremendous margin of unused production capacities which were mutually complementary. Private economic entities awaited any demand impulse, and stood ready to respond to any such impulse. Under the circumstances, the budget deficit (manifested in the development of emergency spending by the state) and an expansive monetary policy (associated with the abandonment of gold currency in favor of paper money) could promote favorable trends through the multiplier effect without the threat of higher inflation.

There are many indications that for Polish enterprises the profit and price elasticity of supply is limited. Most behaviors testify to a characteristic rigid response to

demand signals and the limited adjustment capability of economic units. It appears that this is due to a number of causes:

First of all, to the ownership and subject structure of the economy; after all, large state and pseudo-socialized enterprises continue to dominate.

Second, to the inflationary expectations which have not been overcome.

Third, to the habits formed by many years of the economy of shortages (lack of marketing skills, current adjustments in the structure of output to the needs of the market, and so on) and command-and-allocation economic operations (getting used to the administrative paternalism of state organs).

Fourth, to the lack of belief in the success of the stabilization program and to the hope that the government will "soften up" sooner or later, and everything will return to its old ways.

These factors plus additional external circumstances (such as, for example, the breakdown of our trade with the USSR) are the fundamental causes of this strong recessionary reaction rather than the lack of gross demand. Under the circumstances, relaxing our monetary, fiscal, or wage policy would very quickly result in the return of inflation rather than an increase in output. In this manner, we would waste everything we have been able to achieve so far. Therefore, we should persistently pursue our course to date. Hard money is not a temporary ephemera but a continuous element of a healthy market economy.

Instead of printing money, we should focus our efforts on increasing the adjustment potential of the Polish economy. What does this mean?

First of all, we should speed up privatization. It is time to finish theoretical and ideological debates on the superiority of employee joint stock ownership over citizen stock ownership, and the other way around. Both of them are necessary as long as their forms are not extreme, as well as several other concepts which have been presented meanwhile. The process of ownership transformations should proceed along many tracks, and those implementing them should be receptive to various economic and social conditions not all of which can be predicted at this point.

Without speeding up privatization, the entire stabilization program will be suspended in a systemic vacuum in the long run. The expected invigoration of supply will not occur; there will be difficulties with relaxing our wage policy and reducing taxes.

The strategy of rapid privatization suggests several practical conclusions:

First, legislative arrangements discussed in the Sejm should be sufficiently flexible and should be open for

various patterns of privatization (including those which only the practice of the future will yield).

Second, the grassroots initiative of enterprises and citizens should be the main driving force of privatization. A government privatization agency would play a control and moderating role, taking the initiative only in special cases requiring intervention by the state or working out sample guidelines (there is such a need with regard to the future privatization of banks and insurance companies).

Third, we should urgently develop financial mechanisms which favor the participation of the largest possible segment of our society in the process of privatization. This involves both the employees of privatized enterprises and other socio-economic groups.

Fourth, we should speed up the creation of institutions of finance and capital markets which should constitute the significant, though not the only agent of the process of privatization and structural changes in the economy. At issue is a reform of the banking system and the insurance market, the setting up of an exchange and other financial brokerage institutions. It is quite possible that the privatization of at least several banks, as well as insurance companies, should be one of the priority tasks of the process of ownership transformations. Along with trade, the financial market turned out to be one of the basic obstacles to restructuring the economy and a factor which exacerbates the recession. In turn, the privatization of insurance companies could create a network of nonstate institutional investors aiding the process of transformation.

External Privatization

So-called external privatization is no less essential than domestic privatization. The acceleration of the influx of foreign capital is absolutely necessary not only due to the limited scope of domestic capital resources but also for the influx of new technologies, opening up foreign markets to Polish companies, and improving organization and management. An injection of foreign capital and technology is the only chance many heavy industry enterprises have for rescuing themselves from disappearing from the surface of economic life.

Under the circumstances, we should resolutely counteract the wave of economic nationalism and xenophobia which are propagated by a number of political groups. Not a single country which has achieved substantial economic progress in recent decades (Spain, Portugal, Turkey, Ireland, and the states of Southeast Asia) has accomplished this without a considerable contribution of foreign capital.

It is necessary to rapidly amend statutory conditions for the operation of foreign capital in Poland, out of which the following are the most essential:

- 1) restricting concession requirements for foreign companies or those with the participation of foreign capital to only a few sectors which require special supervision by the state,
- 2) equating tax guidelines with those for domestic entities,
- 3) considerably liberalizing guidelines for the transfer of profits,
- 4) giving an opportunity to purchase or lease land for a long period of time to the extent necessary for the economic activity performed,
- 5) adjusting the provisions of copyright, patent, and inventions laws to international standards.

Zloty Convertibility

A favorable situation in the balance of payments and growing hard currency reserves make possible a more rapid process of expanding the convertibility of the zloty than was expected initially. At present, this process affects only so-called current transactions with certain exceptions.

Arriving at the complete domestic convertibility of the zloty will undoubtedly take time, and it is hard to conceive of its attainment without solving the problem of the debt first. However, a number of undertakings in stages are possible of which at least several should be considered as soon as possible. Along with the already mentioned liberalization of the transfer of profits, I mean expanding the list of services to which the procedure of domestic convertibility applies (by, for example, adding tourist services), the faster than planned conversion of internal exports to regular trade for the national currency, and, finally, the eventual unification of the market of [currency] exchange offices with the hard currency market of banks.

Foreign Trade

The liberalization of foreign trade should be the second avenue of action, along with the elimination of currency restrictions. Due to attaining an equilibrium in the domestic market, it appears possible to remove relatively quickly export barriers in the form of contingents and the export tax (with the exception of several specific cases, such as, for example, coal and grain). Of course, this involves exports denominated in convertible currencies. Exports to the so-called first payments zone [socialist countries] and clearing transactions need to be controlled if we do not want to create a payments surplus in nonconvertible currencies.

On the import side, the scenario of reducing customs tariffs merits consideration. The excessively rapid removal of all barriers, especially in the manufacturing of final products, is likely to amount to an additional recessionary impetus. A number of branches of our domestic industry would lose to the competition at the very outset, without getting a chance to adjust to new

conditions. This means the necessity of a policy of reasonable protectionism declining over a period of time. Right now, customs tariffs should be reduced for machinery, equipment, raw materials, materials, and semi-finished products which make it possible to restructure final output in a modern fashion. Customs tariffs for final products should initially remain somewhat higher, except for situations in which breaking the monopoly of the state is a consideration, with regard to which liberalization may occur right now. At the same time, we should develop a two to three year scenario for reducing tariffs for final products.

The admission of foreign companies or those with the participation of foreign capital on a broader scale than to date could facilitate the invigoration of foreign trade. However, this calls for canceling tax preferences for this group of enterprises, which put them at an advantage compared to domestic entities.

Prices, Subsidies, Wages

Despite substantial progress in liberalizing prices and eliminating subsidies, our economic policy still faces a number of serious challenges in this field. They are due to the following reasons:

First, the need to further eliminate subsidies and restrict the extent of the administrative regulation of price setting. In this matter, the cancellation of official prices for coal (proposed date—1 July 1990) is a priority task, as well as the freezing of product specific coal subsidies. In the long term, these subsidies should be phased out. The abolition of the regulation of electricity rates and gas prices, rents, and transportation tariffs is a subsequent task. In the cases of electricity and gas, this also calls for essential changes in the internal structure of prices (retail prices are considerably lower than wholesale prices).

Second, the fact that a number of domestic prices are considerably below those in the world market at the present currency exchange rates. This situation is possible due to the preservation of export restrictions in the form of contingents or the export tax. As the export barriers are removed, as I have postulated above, the issue of domestic prices adjusting to those of the world market arises. Undoubtedly, a stable currency exchange rate or even a slight revaluation of the national currency would be a factor facilitating this operation.

Third, a change in the system of settlements within the CEMA which awaits us, that is, a switch from transferable rubles to convertible currencies. On the one hand, this provides an opportunity to improve the profitability of exports and eliminate subsidies from the moneys of the Fund of Export Development, but at the same time necessarily brings about a considerable increase in the cost of imports, especially raw materials such as crude oil, natural gas, iron ore, and cotton.

Fourth, the need to profoundly reform the turnover tax which has so far been highly differentiated, and the plan to introduce the value added tax (VAT). The result

would amount to the growth of prices for products which have not been taxed so far, and the decline of prices for goods to which high rates [of tax] apply.

All of the circumstances just mentioned provide an additional argument in favor of a cautious macroeconomic policy, that is, refraining from releasing impulses of additional domestic demand prematurely. It is particularly essential to maintain a restrictive monetary policy and a markedly positive interest rate. An equally important postulate involves maintaining the budgetary equilibrium, though a maneuver appears conceivable whereby budgetary expenditures and the tax load are reduced simultaneously.

The wage policy needs to be more flexible. The current mechanism of tax control over wages, which is absolutely indispensable at the stage of extinguishing inflation, has a number of irrational features in the long term.

Apart from the already mentioned vestige of indexation linkage, at issue here is the lack of incentives for economic expansion and improvement in efficiency. This is an arrangement the logic of which is reminiscent of the mandatory quota restrictions on the wage fund in the period of the command-and-allocation system. We should add that neither theory nor practice have come up with an arrangement for controlling wages in enterprises which is better in principle. This is why we should give thought to the prospect of the complete elimination of this instrument, being aware that it is not possible to accomplish this within coming weeks or even months. Prior to this, inflationary expectations must be ultimately eliminated, and the process of privatization on a broader scale and the elimination of inefficient enterprises should begin. At this point (in the second half of this year), we should consider increasing the role of bonuses from profit.

The Tax Reform

Tax arrangements inherited from the previous governments can hardly be considered a cohesive system. Changes made on 1 January 1990 were aimed at on the one hand, supporting the stabilization program while, on the other hand, cleaning the slate before a fundamental tax reform. The process of equalizing the tax load and tax guidelines for the socialized and nonsocialized sectors has been virtually completed; a majority of tax exemptions have been eliminated; at the same time, the ceiling of direct taxation has been lowered (no more than 40 percent of profits), and the rate of amortization allowances has been raised.

At present, preparations are under way for introducing the value-added tax (instead of the two systems of turnover tax) and a personal income tax (instead of five taxes—the profit tax on individual economic operations, the wage tax, the remuneration tax, the compensatory tax, and the agricultural tax on so-called special sectors). It is also necessary to reform the system of local taxes. Everything should be done in order for the reform system to be able to start operating on 1 January 1991.

The further administration of the current tax laws appears to be impossible due to their obsolescence, disjointed nature, and complications in a number of regulations.

Apart from the systemic aspect, the macroeconomic aspect is also important. The share of the state budget in the national income is too high; it is difficult to conceive of the stable elimination of inflationary trends and a noninflationary pick-up in the economy without substantially reducing the extent of redistribution of the national income through the budget. Further cuts in subsidies and other budgetary expenditures, as well as the proceeds of privatization, should create conditions for reducing fiscal loads, which should apply at first to the direct taxes (the profit tax on corporate persons and the future income tax on individuals).

We should resolutely counteract the restoration of fragmentary tax exemptions and relief. Quite the opposite, we should persistently strive for the further elimination of the still existing relief and exemptions. In return, we should proceed to reduce the extreme rate of direct taxation, as well to create overall mechanisms which favor investments and the creation of new companies. In conjunction with this, we should consider:

- 1) An overall increase in the rates of amortization allowances to a level comparable with the West European countries,
- 2) Making provisions for the use of the accelerated amortization technique in particular cases,
- 3) Providing an opportunity for the newly created companies to settle, (for the purposes of levying the profit tax) for initial losses against future profits (the so-called "carry forward—carry back" technique),
- 4) Introducing a general opportunity for newly created companies to secure a temporary reduction in the rate of profit tax (for example, by 50 percent for two years) with the obligation to repay it in future years (a no-interest tax credit).

There Will Be No Miracle

Out of necessity, the above remarks and proposals are focused on the key points of a future government policy. There has been no space to discuss a number of essential aspects of institutional changes, such as the reform of the system of public finance, accounting, the bank law, the civil law, and so on. The issue of restructuring and demonopolization, social policy, and the extent and forms of so-called state intervention call for a separate discussion.

However, mapping out ways leading to noninflationary economic growth appears to be the most essential need. By no means should a miraculous, rapid, and painless expansion be expected. There is no opportunity for an immediate economic boom; attempts to promote a pick-up at any price may only bring about a disaster. The

pick-up will come about by itself. It may come about as soon as the second half of this year if we stay the course and try to resort to solutions which rapidly increase the adjustment capacity of our economy. However, this will be a difficult and slow process. A substantial acceleration of growth may come no sooner than 1992 when privatization and restructuring begin to bear the first fruit.

The actions proposed will be certain to disappoint some of the readers. There is no "wunderwaffe" [miracle weapon] of any kind among them which makes it possible to increase production immediately. Nor am I proposing a spectacular turnaround in the policy currently implemented. I am coming out resolutely in favor of maintaining the current philosophy of action, however, with a substantial shift in emphasis from typical stabilization measures to endeavors increasing the adjustment capability of the economy.

Is an economic miracle possible? To my mind, there is no opportunity for an immediate production boom, and attempts to encourage a pick-up at any price will only bring about a disaster. Of course, we can conceive of various extraordinary measures aimed at stimulating production, such as, for example, pegging the level of tax-free growth of the wage fund to the growth of sales (along the lines of the infamous Resolution 186/82 of the Council of the Ministers), but I am afraid that losses by virtue of using such incentives would be much greater than the dubious benefits.

The key question is: Should the growth of output (on top of everything, gross output counted by the enterprise method in the so-called socialized sector, because this is what is picked up by monthly statistics) be the supreme goal of economic policy, at least this year? Personally, I would respond in the negative. This would not only threaten the abandonment of the modest accomplishments of stabilization, but in essence would mean the reproduction of the structure of output to date. I believe that curing the Polish economy for good of high inflation and shortages, reconstructing the economic system, and initiating ownership and structural changes on a broader scale should be the number one goal of economic policy in 1990. We have resolved to go for a difficult surgery, and we should keep to our plan. If we have enough patience, the noninflationary pick-up will come by itself later. It may appear as early as the second half of this year. However, this will be a difficult and slow process. A substantial acceleration of growth may occur no sooner than 1992, when privatization and restructuring begin to bear the first fruit.

[Editorial note] Marek Dabrowski is the secretary of state in the Ministry of Finance. The above article reflects the personal opinion of the author.

Economist Favors Slower, Programmed Approach To Privatization

90EP0630A Warsaw TRYBUNA in Polish 30 May 90 p 2

[Interview with Professor Jozef Kaleta, economist, by Jerzy Sieradzinski: "You Can Not Create a Market With a Muzzle on Pay"]

[Text] [Sieradzinski] In your commentary for the news reports of the GUS [Central Office of Statistics], which TRYBUNA is publishing, there is a dominant fear in regard to whether the government's current anti-inflation policy ("tax fiscalism and strongly held wages") will not lead to the complete ruin of production and a further limitation of demand. What are the chances that these threats can be averted, without liberalizing wages or reducing fiscal burdens, in light of the corrections the government has announced in regard to the policy of revitalizing supply?

[Kaleta] It is not possible to conduct a pro-supply policy under conditions of restrictive taxes and the choking of demand. Without liberalization of wages and wider access to credit and tax breaks for investors—especially in consumer industries—all other activities of the government will not change the current situation much.

[Sieradzinski] However, it is said that even a slight loosening up of wages threatens us with an immediate return to hyperinflation.

[Kaleta] I can not agree with that. Such an understanding is only justified in relation to the unproductive sphere and to capital-intensive investments being realized over many years. It looks completely different in light of consumer industry. If wages in these sectors rose even 100 percent, they would make up barely 10 percent of the sales value of these goods in any case. Higher wages will be covered by increased production. In short, we will have more goods, and they do not have to be more expensive.

By the way, Solidarity's chief advisor, Prof. Janusz Beksia, is also a supporter of wage liberalization. He argues that prices can not be liberalized alongside a rigorous wage policy, because it will be difficult for us to travel the road to a free market with this "muzzle."

[Sieradzinski] Do you share the opinion of the prominent American economist, Professor Galbraith, that the post-communist countries have accepted a model of a capitalist economy that was long ago discarded by the developed countries of the Western world? This has to do with, for example, the reluctance of our neoliberals to use the tools of state intervention and the flight of the state from the creation of social policy.

[Kaleta] In our government as well as in the parliament, the followers of neoliberal economic conceptions are numerous. They would like to eliminate the state from the process of reconstructing the economy. I agree with Professor Galbraith that there has not been such a "pure

market economy," without state intervention, such as they are proposing, in the West for a long time.

In the countries of Eastern and Central Europe, the active participation of the state in the economic transformations is all the more necessary, because more than 80 percent of national wealth is in the hands of the state. The economy of our countries is excessively monopolized. We have an anachronistic and inflationary system of finances and taxes. The market is not able to handle all this itself. Without the active participation of the state, nothing will change here.

[Sieradzinski] Does this concern social policy as well?

[Kaleta] All civilized countries try to create a system to protect society from the predations of the market. That is the way it is even in places where the helm of government is in the hands of conservatives.

In countries governed by social democratic parties, social programs have played a very important role for a long time. A significantly larger portion of national income is allotted to them than ever was in our country. It is said that those social programs have become one of the main sources of the economic success of countries such as Sweden, Norway, and Finland. The fight against unemployment and the assurance of the availability of inexpensive housing for every family are basic criteria for evaluating the economic efficiency of the ruling group in those countries.

While we today are giving up the subsidization of housing construction, in the majority of Western countries, the governments are trying all methods to develop municipal construction and to support individual and multi-family housing with cheap credits. This is in spite of the fact that the average wage there is 10 to 20 times higher than in Poland and construction costs are close to ours.

[Sieradzinski] Perhaps as a society we are too poor to get into a market economy in "one leap." Do you not believe that agreeing to the concept of "one leap," the government was operating under the dictates of international financial organizations which represent the interests of our foreign creditors?

[Kaleta] As do many of my colleagues, I believe that we should not introduce the market by the one-leap method. This has to be an orderly process, lasting two or three years. Such a position was taken by the participants in the All-National Conference of Polish Economists in October of last year in Wisla. It is well known to the government. I believe that the attempt at a radical, simultaneous introduction of a consumer, investment, capital market and a labor market must lead to great social and economic shocks. In order to avoid this, the appropriate systemic groundwork should have been created earlier in the form of reforms to the ownership

structure, demonopolization, changes in the state financial and tax system, and the construction of an appropriate infrastructure for a capital market (banks and stock markets). This of course cannot now be done in a couple months.

[Sieradzinski] Was it possible to be free from external pressure?

[Kaleta] I think that we had to take into consideration the demands that were put before us. And yet, Hungary and Yugoslavia were in a similar situation, but they were able to negotiate more favorable conditions than Poland. The decline in production and real wages in these countries has not exceeded a few percent. It is difficult to compare to us . . .

[Sieradzinski] What is your view of the privatization program proposed in the government bill? Could this be medicine for recession and a catalyst of structural changes?

[Kaleta] I am a supporter of privatization, but I do not believe that it would be a panacea for all of our ailments. I am bolstered in this conviction by the fact that the most acute effects of the Balcerowicz program are now being felt in the private sector, that is, in individual farming, crafts, and small-scale production. I also do not believe that it would be necessary to privatize all of the state's wealth, the value of which is in excess of one trillion dollars. People do not have money. Figuring optimistically, we could afford to buy barely one percent of this wealth. What remains should not be distributed for free. Even more so, it is not permissible to sell this to foreign investors, because that would threaten us with the loss of our country's economic autonomy. Even the foreign advisors of the Polish government maintain that we can sell at most 15 to 20 percent of our wealth to foreign capital without threat.

It follows from this that privatization must be a process lasting many years. In Great Britain, it has been under way for 20 years, and it is to be completed no earlier than 20 to 30 years from now. Up till now, there were as many as 80 large, state enterprises on the list of the 500 most efficient enterprises (outside of the USA) in 1988, and the Italian state concern IRI occupied the fourth position. I will also remind you that in our country before the war state industry was also the most efficient. People earned well here.

Perhaps we should not be in too great a hurry. It seems more urgent to me that the government make efforts to increase the efficiency of management in the state sector, to commercialize these enterprises, in other words, to base their activities on commercial principles.

It is also a matter of abolishing the thousands of legal regulations that hinder them. In short, it is a matter of creating conditions for state enterprises which are identical to those that even private foreign firms take advantage of in our country, so that they could compete among themselves.

Finally, if the goal of privatization—as the government maintains—is to increase the efficiency of our economy, then I do not understand why we had to begin this process now by selling our best state enterprises?

[Sieradzinski] Is the Balcerowicz program “reformable,” or is a completely new and different strategy of slowing inflation and building lasting bases for a free market economy also necessary here?

[Kaleta] Cosmetic changes, with complete certainty, are not sufficient. Far-reaching corrections are needed in the Balcerowicz program. In particular, deeper reforms to the system—aside from the activities aimed at the lasting suffocation of inflation—are becoming indispensable and immediate. State participation in the economic restructuring process, for example, must be decidedly greater. The construction of a united, social-policy program, which would ease the economy's shift to a market system without excessive shocks and burdens, is becoming unavoidable. It is satisfying that I am finding many elements of such a conception in the economic program of the SdRP [Social Democracy of the Polish Republic].

[Sieradzinski] Thank you for the interview.

Foreign Banks Establish Representation in Poland

Foreign Banks Identified

90EP0641A Warsaw ZYCIE GOSPODARCZE
in Polish No 20, 20 May 90 p 10

[Article by (er): “Not Yet London City, But . . .”]

[Text] Many banks are applying to the Ministry of Finance for permission to open branches or offices in Poland. Since 1974, the minister of finance in consultation with the president of the National Bank of Poland has issued 11 such permits in accordance with the banking law.

Two banks, First National Bank of Chicago and Banque Nationale de Paris, have ended operations, and the American bank liquidated its offices without bothering to inform the Polish authorities.

The following is a list of Western banks that have received permits to open offices in Warsaw (listed by date the permits were issued): Banca Commerciale Italiana (1974), Credit Industriel et Commercial (1975), Societe Generale (1975), Centro Internationale Handelsbank Aktiengesellschaft (1985), PeKaO Trading Corporation (1988), Deutsche Bank Aktiengesellschaft (1989), Mitteleuropäische Handelsbank AG (1990); Privatbanken A/S Copenhagen (1990). Only the last two banks have not yet opened their offices.

The operations of the representatives of these banks include cooperating with and serving as intermediaries in maintaining contacts between their central offices and

Polish banks, financial institutions, and enterprises. These offices are not entitled to perform banking operations.

Since 1989, the National Bank of Poland has received a dozen or so applications for permission to open banks with foreign capital. So far the president of the National Bank of Poland has issued one permit to form the American Bank in Poland, Inc. There are five partners including one foreign firm—PARC.

Dresdner Bank Profiled

90EP0641B Warsaw ZYCIE GOSPODARCZE
in Polish No 20, 20 May 90 p 10

[Article by E.M.: "The Dresdner Bank Is Already in Operation in Warsaw"]

[Text] The Dresdner Bank, the second largest bank in the FRG and one with a worldwide presence, is not a true newcomer to Warsaw, not even to the East, but by opening an office in Warsaw, for now in the Marriott Hotel, it is indicating its desire to remain permanently, and that means to do business. Simultaneously, however, by opening a banking office and not a operating office or branch, it is indicating that the time is not yet ripe in Poland for doing business. Wolfgang Roeller, the president of the board of the Dresdner Bank, indirectly confirmed that inference at a press conference by giving an optimistic evaluation of such business opportunities rather in terms of the future than of the present.

The success of the economic reform is obviously a prerequisite for greater involvement in Poland. "The goal of the East European countries moving toward reform," said the West German banker, "must be to strengthen their position in the international trade of goods and services. In particular, they must improve their present low level of competitiveness on world markets." This shows that the Western financiers do not intend to take on the role of nurses leading us by the hand around the world of free market business; they expect us first to prove ourselves with results, and then they will be ready to put their capital to work in Poland and to make developed technologies and know how available. Further, the West German business community attaches greater importance to economic and legal stabilization than others do. Bernhard Walter, the member of the board responsible for relations with East European countries who participated in the press conference, said that in Poland's case he would expect, for example, the establishment of a clearly formulated tax law, financial market regulations, and labor law.

Given this, what is the office to do now? For now it is to maintain contacts and cooperate with the banks entitled to service foreign trade, firms, and institutions. It will advise German firms desiring to operate in Poland and provide aid in training Polish banking personnel. The director of the office is Tomasz Taraba. He comes from a Katowice family, is a graduate of the Silesian University and the Diplomatic Academy in Vienna, and has

worked in Austrian and West German banks. But as was emphasized at the press conference, the opening of an office is only the first step in the direction of opening a branch that provides a full range of banking services, when the time for that comes. There was no clear answer in response to a question when the time will come.

The answers given by the officers of the Dresdner Bank, one of Poland's creditors, to questions about the prospects for settling the debt problem were similarly enigmatic. They were completely clear only on one point: do not expect complete cancellation of the debt.

Need for New Methods, Locations for Refuse Disposal Cited

90EP0639A Warsaw ZYCIE GOSPODARCZE
in Polish No 20, 20 May 90 p 8

[Article by Henryk Podraza: "Help—We Are Drowning in Trash"]

[Text] Alarming news comes from everywhere: The sanitary state of Polish towns and villages is growing worse at a frightening rate. Large amounts of trash are thrown into forests and ditches. Into rivers and streams and from wherever it falls, there is an outflow of fecal matter. The workers of Municipal Sanitation Enterprises indicate that managers of real estate, especially owners of private homes, are requesting trash removal less frequently than before. This means that they are getting rid of it on their own, polluting the landscape.

This phenomenon has assumed a massive character in recent months when Municipal Sanitation Enterprises raised their rates significantly. Since 1 February in the capital voivodship, the rate for removing one cubic meter of trash from a residence is 7,200 zlotys, and for emptying a trash bin, 1,375 zlotys or 52 zlotys monthly for every square meter of usable surface of the residence, and this is scarcely 50 percent of the actual Municipal Sanitation Enterprises costs; the balance is paid by the town.

For pumping out a cesspool of medium size in the area served by the Regional Sanitation Department in Grodzisk Mazowiecki, the manager of a residence must pay approximately 30,000 zlotys. One service a month is not sufficient, there must be two or three. Therefore, servicing one property may cost as much as 100,000 zlotys per month and many people simply cannot afford this. Institutions pay even higher fees and this is no small expense for them.

If preventive measures are not undertaken immediately, there is the threat that more and more people and institutions will dispose of their trash in the wild.

How can we counteract this? What we can do immediately is to intensify sanitary inspections and try to place easily accessible trash receptacles in each location to be used without any fees. The Municipal Sanitation Enterprises should supply the receptacles and empty them

regularly, and the regional authorities should cover the cost. Actually, in this way, persons who are inclined to avoid paying for trash removal are rewarded as a matter of course, but the greater good of not polluting the forests is served. This system has been applied in some localities for some time with good results.

These emergency measures are not enough. Funding for Municipal Sanitation Enterprises different from the funding basis applied thus far must be created so that no one will profit by shirking trash disposal.

The Sejm recently adopted an ordinance that would authorize regional self-governing bodies to assess local taxes. I believe that the local authorities should assume full responsibility for maintaining order and the residents should pay a sanitation tax for this purpose. If necessary, people with low incomes could be relieved of a part of this tax, but this would not affect the sanitation situation of the town or the given property. Maintaining cleanliness is too important a matter to leave up to the good will or the affluence of the residents. Trash must be removed whether someone wants it done or not.

With this system of funding, no one will be interested in undesirable economies, and the managers of the Municipal Sanitation Enterprises will stop using state vehicles for private gain as frequently happens now. No one has counted this up, but no small amount of money is made in this way; money which should have gone to the cash box of the enterprises finds its way into private pockets and the income of the Municipal Sanitation Enterprises is reduced, indirectly increasing their costs.

In general, these costs should be audited carefully since we know that they are too high and could be lower. Certain economies could be made by simplifying the organizational structure of the Municipal Sanitation Enterprises and putting the regional plants under local self-government. Independent plants—without superfluous administrative “caps”—would certainly operate more economically and would react more flexibly to local needs. Then it would be possible, for example, to set prices for services according to the distance vehicles must travel from the property to points for dumping or draining fluid wastes. This would create economic incentives for local authorities to make investments that would aim to decrease the distances by building collectors for effluents for example. Although this is an expensive and difficult task, enterprises must also become engaged as quickly as possible in decreasing the consumption of fuel. Specialized vehicles used by the Municipal Sanitation Enterprises burn, on the average, 26 liters per 100 km, and some as much as 32 liters while similar or even larger vehicles in western Europe burn 7 liters. How much might be saved here!

Competition may be an incentive for introducing changes that would decrease costs. The first private waste removal firms and town and community administrations are buying septic tank cleaning trucks and garbage trucks and organizing removal of wastes in their

own official capacity. When there are more competitive firms, they will force the Municipal Sanitation Enterprises to reduce costs.

Some large cities already have problems with dumping trash, others will have them in the immediate future. Thus far, the authorities have not paid the necessary attention to problems of recycling, therefore with the exception of a small number of instances, no modern methods have been developed in Poland for detoxifying and using solid wastes that would not be burdensome to the residents. For the most part, wastes are transported to dumps.

This state of affairs cannot be tolerated for very long. After a few years of use, existing dumps will be filled and will gradually be closed, and there will be problems with building new ones. No community near a town will agree to locating a new dump on its territory. Pressures are also being exerted on authorities to close existing dumps immediately even if they are far from full.

Recently, there was a demonstration of the people in Marki near Warsaw demanding the closing of the dump there. If it comes to that, it will be necessary to transport wastes from the right bank in Warsaw to Lubna, which will extend the route, increase costs and cause a more rapid filling of the dumps in that location, and in a short time, they will have to be closed too.

Most of the towns in Poland are in a similarly difficult situation and it may become even worse after the election when new regional self-governments with more authority than the Peoples' Town Councils will take over. We can foresee that they will energetically demand closing the old dumps and effectively oppose the building of new dumps in their areas.

Everyone must realize that we cannot go any farther down this road. We must begin immediately to build modern incinerators or composters very quickly and in many locations. In many towns, the authorities intend to make these investments. Lublin would like to build an incinerator like the one in the French town of Nancy; the authorities in Gdynia have made contacts with the Danish town of Aalborg and plan to build an incinerator at the effluent purification plant. In Warsaw, at Radiowo, a composter is being built in cooperation with the Danes. The advantage of this type of plant for processing wastes over the traditional dumps is that they do not place as great a burden on the residents and may be located in towns, and secondary raw materials can be recovered from the wastes such as compost and heat from the incineration.

The main difficulty with undertaking this kind of investment is the lack of funds. In Poland, no financial system has been created thus far that would automatically ensure a steady flow of funds for this purpose. Various foundations or cooperatives are appearing, but these are half-measures and time is pressing. The people, the government, local authorities must understand that, just as for food, clothing, and maintaining schools, money

must also be found for detoxifying wastes and that this cannot be done with existing, cottage-industry methods. New technology must be involved here, and this requires money. Just as the National Cultural Fund arose at one time, now Poland needs a sanitation fund supported by stable sources, from taxes, from deductions at work places, etc.

Maintaining order is literally a matter of life and death. The following is an example of the threat presented by neglect in the area of sanitation and protection of the environment. The region of Grodzisk Mazowiecki is in a good situation considering our conditions: it has its own effluent purification plant, a quite modern dump in Klodno, the local purification plant has enough equipment to ensure maintaining order. In spite of this, water in some wells has become so contaminated due to previous neglect by the factories and to poorly secured waste deposits that the water is not potable and water must be brought in tank trucks at a great cost. We may all experience what some residents of this region near Warsaw are experiencing if we do not begin to think very seriously about wastes.

Soviet Protocol Limits Investment Opportunities in ERA Computers

90EP0650A Warsaw POLITYKA-EKSPORT-IMPORT in Polish No 6, May 90 p 16

[Article by Joanna Solska: "Loyal and Measured"]

[Text] For years, ERA was the locomotive of socialism and the leading example of fruitful Polish-Soviet cooperation. The export rate did not fall below 50 percent annually. Preferential treatment, commendations, awards and coupons. Last year was the peak—90 percent of the production went to the Soviet Union. And aside from the protocol, we may add, few enterprises were so profitable. Their ruble was several times cheaper than the official rate.

The director deserved a great deal of credit for this. His assistant, who traveled with him occasionally to Moscow (only pleasantries were exchanged with him because prices were discussed on higher levels) remembers his boss's acting talents. When the price did not guarantee a 50 percent profit he tore his hair so convincingly that the other side was ready to believe that he is losing money. Yes, the "old man" had an excellent grasp of the rules of the game and was a consummate player. He has just resigned from the position he occupied and his assistant is also on the way out. Not because the rules are different, but because they don't know what the rules are. Anyway, it's better to leave on one's own.

Self-Management Dissolved

Still earlier, the workforce dissolved the workers' council because it felt that it did not know how to operate in the new reality. A commission is meeting to recruit, through competition, a new director for the firm, which still has money but no prospects for the future.

Strange, but somehow no one foresaw the disaster, although presumably most the the employees of the ERA Measuring Instruments and Computer Factory in Warsaw know how their "Mazowia" differs from an IBM, for example. Presumably they know, but somehow until now this difference was not very important. Those were two different worlds and one could pretend that the other one did not affect us.

After all, the Russians signed contracts for the same number of computers for this year as for last. And they wanted half as much more, but ERA may not have been able to produce them. So there seemed to be no reason for concern when the domestic market showed a sudden lack of interest in the factory's production. After all, it was in excellent financial condition. For every ruble they were receiving 2,100 zlotys at the bank, and it cost them much, much less.

Always, until now, the contract was something holy. And then suddenly this year it turned out that it is an almost worthless piece of paper, because truthfully it is not important to anyone that their buyer, the Soviet Elorg Central Office, wants very much to buy Polish computers. Because trading does not occur between a supplier and a buyer, but on levels even higher than those at which the previous price negotiations took place.

Actually, one cannot really say "trading," because what is most important here is money, real money, not contractual money. In Polish-Soviet relations what is most important is the protocol. In this document, both sides, i.e., the involved ministers, describe in detail the list of goods which will be sold and bought at a precisely designated sum of rubles. And this protocol (which, in any case, has not yet been completed because the talks have not ended) is not the sum total of the contracts previously signed—it contains only some of them. Insofar as ERA is concerned, it contains nothing, not even half of a measuring instrument, not one computer.

And this is no oversight. We want to sell the Russians goods for the same sum of rubles at which we will be able to buy petroleum, gas, and other things, from them. Within these limits, they select what they believe they need the most. And they crossed computers off the list. They want only the peripheral equipment they need for the things which they are assembling themselves.

Worthless Money

Despite the fact that ERA was dropped from the protocol, this year it has already sold goods for the sum of 46 million rubles to the USSR. It continued to do so at very favorable prices, because the talks on the protocol were underway and because for the USSR, ERA is actually the only trade partner. Therefore, it never occurred to anyone that that would be the payment for loyalty, and the factory continued to obtain export permits. There are enough of them to cover half of the contracts which have been signed.

Except that there really is nothing to be happy about. The Russians continue to take computers outside of the protocol because they are paying for them with worthless rubles. Nothing can be bought with them. This money will be deducted from our debt... But the talks on this subject, too, have not been completed—how much we owe and whether we owe them anything at all.

This is very complicated. Therefore, until both governments come to an agreement as to our debt, any increase in the surplus of export over import serves only to drive up inflation. ERA still has permission to export, but in return for its computers we will not be able to buy even one liter of petroleum more. Anyway, METRONEX recently reported that Elorg stopped taking one product. "It takes two, neither of which is in the protocol. Why does it not want that particular one?" asks the acting director.

ERA is waiting for another round of Polish-Soviet talks. Many Polish enterprises are in the same situation. For a few, their only reason for existence was export to the USSR. Now they have been dropped from the protocol and will soon face bankruptcy. They were so loyal to one partner because only he saw their good qualities. With such goods, obsolete and unattractive, they cannot seek Western buyers, and what is worse, they are not doing much to try something else.

ERA still continues to talk with somebody and believes that it still has a chance at coproduction with some Western firm. It would like a partner who would install the latest technologies in the factory, and then put his name on the product and sell it in the West, because no one new will be able to squeeze himself into that market. What does ERA give in exchange? It believes that it is a more attractive partner for such a firm than a firm in Singapore, or example. In Singapore, workers are already demanding \$300 and \$400, and our are still willing to work for \$80. And transport from Poland will be cheaper, also. That is the dowry that our electronics has put together. The Americans, Italians, and Austrians are looking at ERA, but somehow the talks are not going anywhere. Everytime there seems to be some movement, one of them mutters that to bring new technologies into Poland the consent of Cocom is needed and this may not be possible.

Hope in Fish

The West is looking with such interest at the Soviet market and we should be leaving it? The people in ERA find this hard to believe. They would rather think that in the second, expanded version of the protocol which will be taken under consideration in the next round of talks, they will again be in the protocol with all of their contracts. And in the third version, they may even have a surplus and nothing in the factory will have to be changed.

At least this year. And what will happen in the future if we really have to begin to settle our accounts in dollars with the Soviet partner? ERA has already submitted a

preliminary dollar price offer to Elorg and it is 30 percent lower than the present one, and the factory is willing to negotiate further. The Soviet Central Office will certainly continue to be interested in the Polish offer. Except that later it may turn out that Gosplan [the Soviet planning commission] has not assigned it a foreign-exchange limit for Polish computers. If they deleted them from the protocol then everything is possible. True, everyone must computerize, but not everyone has to do so immediately. It may also turn out that in view of the lack of hard currency, the argument that there are several service centers in the Soviet Union of which ERA was so proud until recently, and for that reason Polish electronics are still better than the Western firms, is a weak one.

Rubles are worthless, dollars may be in short supply, what can be done so as not to disappear from the Soviet market? ERA, following the example of others, is beginning to deal in barter. What is most important is that for many potential users, their computers are still attractive. Now they are worrying about how to pay for them. Some people are proposing fish. A Soviet vessel, returning from a fishery, first comes to us and unloads canned fish. Only such a form is possible because there is a ban on the export of fish in the USSR. Others are proposing tomato concentrate because they have a lot of tomatoes and they are being wasted, except that first a processing plant would have to be built there. What will be easier for Polish electronics—to modernize production and enter other markets, or to master the rules of barter and convert binary digits to tomatoes?

YUGOSLAVIA

Bank Official on Maintaining Dinar Convertibility

90BA0208A Belgrade BORBA in Serbo-Croatian
5 Jul 90 p 6

[Article and interview with Djordje Nicovic by Bratislava Marjanac; place and date not given: "Djordje Nicovic, Director of the Foreign Exchange Section of the National Bank of Yugoslavia, on Convertibility, Foreign Exchange Reserves, and the Rate of Local Currency; Dinar on Monetary Hot Tin Roof"—first paragraph is BORBA introduction]

[Text] The attainment of foreign convertibility presupposes the further attainment of good results in the area of economic relations with other countries. New limitations and restrictions cannot be introduced without the consent of the IMF. While liberalizing imports, we must also defend that part of domestic production that can compete according to world standards.

The news that the dinar has been included on the list of foreign exchanges of some of the world's biggest banks is no longer news. Nor is it a novelty that recognition of the foreign convertibility of our national currency is prevented only by some technical details and that its leap from Paragraph 16 to Paragraph 8 of the Statutes of the

IMF is already greedily expected, which will finally put the dinar into high society. Nevertheless, every conversation about these questions, which constitute the mainstay and framework of the entire program of the federal government—as Prime Minister Markovic reiterated last Friday in the Assembly of the SFRY—always has a pretext, especially if one takes into account the fragility of the domestic economy, which will withstand outside competition only with difficulty. So we asked the director of the Foreign Exchange Section of the NBJ [National Bank of Yugoslavia], Djordje Nicovic, what advantages a convertible dinar would bring, and what the real dangers are from an abrupt liberalization of imports, without which our national currency would be recognized only at home.

[Nicovic] The basic advantage is that by proclaiming foreign convertibility, the Yugoslav economy becomes automatically in line with world production. This will pressure our economic subjects into competing on the world market even when producing for the domestic market. If they want to survive, they will have to increase productivity, improve efficiency, and raise quality. In addition, our producers will work under much more stable economic conditions.

On the other hand, a rapid liberalization of imports, which presupposes convertibility, opens our economy up to direct pressure from international competition, which is often disloyal. Often, for example, major exporters stimulate and defend their exports in order to capture as large a segment of the international market as possible. The prices at which domestic goods are sold can be below the cost price. Under such circumstances, it is necessary to guarantee protection for that part of domestic production that can compete with average world-market costs. It is necessary to expand selectively and efficiently the system of protection to prevent the decline of those organizations that could achieve results on the world market, or produce goods according to international standards for domestic consumption.

[Marjanac] What are the “technical” details that keep the dinar from full convertibility?

[Nicovic] We are subject to three limitations in the area of economic relations with other countries. The first relates to special payment agreements that we have with individual countries whose currency is convertible, such as the agreement on local border trade. The second is linked to refinancing, or rather the impossibility of repaying loans on the basis of credits refinanced by extreme debtors, because under the agreement the two states have postponed such obligations for the long term. Thirdly, the disparate rates for the clearing dollar for effective conversion in exchange offices. However, we can request a waiver in these questions, provided that they are resolved within a certain period of time. Or that they are eliminated.

[Marjanac] It is easier to achieve convertibility than to preserve it.

[Nicovic] Exactly. It requires maintaining a gradual liberalization of imports and the continual attainment of good results in the area of economic relations with other countries. When we “enter” into Paragraph 8 of the Statutes of the IMF, we will no longer be able to introduce any new limitations or restrictions without the consent of the Fund.

[Marjanac] To what is the dinar’s relatively rapid ascent due?

[Nicovic] Since 1983, Yugoslavia has consistently increased its surplus in the balance of payments. In 1988 and 1989 it even achieved a record \$2.4 billion surplus, thanks to the high degree of coverage of imports by exports and the surpluses achieved in the area of non-commodity transactions. These results were accompanied by a significant decrease in the country’s net debt, which on 31 March of this year came to 16.9 billion convertible dollars and 1.2 billion clearing dollars.

[Marjanac] How is the dinar currently being quoted by world banks?

[Nicovic] An increasing number of banks on the international market are treating the dinar like a convertible currency, but its value varies. The tightest ranges (the difference between the selling and buying rate) are in Austria, Italy (Trieste), and Switzerland, while the widest is in Great Britain. There is great demand in the world for our bank notes, so that since the beginning of the year the NBJ has sold dinars for \$19.1 million dollars, while at the same time announcing that it is ready to buy up all surplus dinars from banks. Dinars with a total value of \$200,000 have been bought. The demand for our bank notes is around 50 percent greater than last year, which says something about the stability of the dinar and its attractiveness. Furthermore, foreign banks are selling a larger share of bought dinars to their tourists who are visiting us.

[Marjanac] Foreign exchange reserves are continually growing, and increasingly we are hearing voices warning that at a certain point they could become a liability. What is the world’s experience in this area and what is a country’s optimal level of foreign exchange reserves?

[Nicovic] The lowest level of foreign exchange reserves—in order to engage in a normal exchange of payments with foreign countries—is two and a half months’ total current payments to other countries. In our situation, this is \$4 to \$4.5 billion. However, one must bear in mind that in our situation this sum must be greater due to the rapid liberalization of imports, because there is no doubt that the measures that we have introduced bring with them numerous threats to the foreign exchange reserves, the balance of payments and foreign exchange of the country.

[Marjanac] How has it happened that foreign exchange reserves have grown by \$2.6 billion since the beginning of the year?

[Nicovic] It is primarily because of exports, financial transactions in the balance of payments, and the sale of foreign exchange by foreign citizens. These foreign exchange reserves provide us with security and soften the blows caused by the liberalization of imports and the convertibility of the dinar.

[Marjanac] Could part of those reserves be used for investment?

[Nicovic] Foreign exchange reserves cannot be used for investment without a special decision or special law by the Assembly of the NBJ. Moreover, it is not a question of foreign exchange, but rather of dinars, which there are none of during conditions of a restrictive credit and monetary policy. Because even if we were to dip into the foreign exchange reserves for investment purposes, then the question arises of where to find the dinars to buy the foreign exchange.

If we believe that we must enter into a new investment cycle and that the level of foreign-exchange reserves is above what we need and that there is no danger of their erosion, then all instruments of economic policy should

be used to ensure conditions whereby the demand for foreign currency increases, and that its consumption for investment in machinery, equipment, and other goods be automatically stimulated, which would set a new development cycle in motion.

[Marjanac] What effect will the German monetary union have on the value of the mark? Will the ratio of seven dinars to one mark remain, regardless of the confusion in the currency situation?

[Nicovic] The German monetary authorities took certain steps as early as at the beginning of the year, such as increasing interest in order to protect the mark and make it more attractive for investment. That currency is very stable in relation to the U.S. dollar, and fluctuates within limits of the European Monetary Union. It can be expected to grow in relation to other currencies, especially the dollar.

As far as the dollar is concerned, its rate against the mark will remain unchanged, while it will fluctuate against other currencies as much as the German mark fluctuates.

HUNGARY

Hazardous Waste Deposits Found

Bicske-Obarok

90CH0180A Budapest MAGYAR NEMZET
in Hungarian 28 Apr 90 p 13

[MTI [Hungarian Telegraph Agency] report: "Several Tons of Hazardous Waste Were Found in Obarok; The Proprietor Contracted With an 'Unknown' Firm"]

[Text] The Mid-Transdanubian Directorate for Environmental and Water Protection is investigating a major case of environmental pollution in the environs of Bicske-Obarok. The case of pollution was called to the attention of authorities in charge of supervising communal lands by a member of the Bicske council, indicating that several hundred metal and plastic barrels (possibly filled with hazardous waste) and various bundles were stored on Gyorgy Bogyai's land in Obarok, strewn haphazardly at a location accessible to everyone.

Experts arriving at the scene were met by a shocking sight: There were barrels and jugs, filled with various substances, scattered randomly in an area about 100 square meters in size. Some of them were tipped over or broken open, and their contents were in puddles or piles on the ground.

Chemical analysis of the substances revealed that someone had stored great quantities of paint-acetone mixture, paint sediments, waste leather, dye-soaked textiles, galvanic sediments, and nickel-containing acidic waste in the area. Some of this hazardous waste certainly has its origins at the Tungsram plant, while the rest found its way to the remote property from unknown origins. By the way, the owner of the plot said that he had contracted with an unknown firm, which he could not even name, for the use of 100 square meters of his land.

Gare-Bosta-Szalanta

90CH0180B Budapest MAGYAR NEMZET
in Hungarian 24 Apr 90 p 4

[MTI [Hungarian Telegraph Agency] report: "Is It Cheaper To Evacuate Threatened Villages Than To Build an Incinerator Plant? Move To Stop Hazardous Waste Disposal in Baranya"]

[Text] At their Monday meeting, members of the Baranya County Council decided that, in view of the steadily worsening local environmental pollution, it is

prohibited to bring any more hazardous waste into the county (even for the purpose of neutralizing it) until existing conditions are improved to a significant degree. Similarly, no industrial facilities releasing environmentally harmful waste can be established within Baranya. At the same time, the council accepted a plan of action for the handling, neutralizing, or even utilizing of harmful waste produced within the county.

This firm resolution rose out of a protracted affair which has been disturbing local residents: the problem of the industrial waste disposal site located near the communities of Gare, Bosta, and Szalanta. Experts state that the site (used by the Pecs Leather Processing Factory, the Mobiusz Meat Processing Enterprise, and the Budapest Chemical Works) fails to meet both the modern requirements of environmental protection and public health as well as technological standards. Inhabitants of the neighboring villages are alarmed by the fact that hazardous waste material from the disposal site have been found in the soil, water, and plants at the edge of their communities.

Authorities have already called on the three enterprises mentioned above to eliminate the problems associated with this disposal site. The Pecs Leather Processing Factory and the Mobiusz Meat Processing Plant have completed their share of the rehabilitation, but the Budapest Chemical Works has failed to do so. In recent years, this enterprise located in the capital city has transported some 64,000 barrels of hazardous waste to Baranya County; the barrels have been damaged and hazardous waste has been released. The local council, rejecting the oral and written explanation given by the Budapest Chemical Works' managing director, called upon him to hasten implementation of measures prescribed by governmental organs for the protection of the environment, and to take immediate steps to neutralize both the polluted soil and the waste that has been illegally stored in the area for nearly ten years.

The meeting took a dramatic turn when the managing director of the Budapest Chemical Works announced that it would take a hundred million, perhaps even as much as a billion, forints to neutralize the volume of waste material stored at Gare. Building an incinerator would be so expensive that the Chemical Works would have to be sold and then, perhaps, such an environmental facility could be financed out of the proceeds. At this, a council member from the region involved suggested that the villages be emptied and the 2,000-3,000 local residents be resettled elsewhere, since this solution appears to be the cheapest, least dangerous, and easiest to implement.

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