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ALBANIA

Review of Developments in Policy on Religion

90EB0277A Munich SUEDEST-EUROPA in German
Nov-Dec 89 pp 729-738

[Article by Wolfgang Stoppel, judge at Federal Patent Court, Munich, and a reporter on Albania at the Institute for Eastern Law, Munich: "Movement in Albania's Policy on Religion?"]

[Text] In recent years, international human rights organizations, such as Amnesty International and others have frequently reported on the issue whether and to what extent human rights violations were occurring in Albania ("political prisoners, the status of the largely Greek minority, the ban on the exercise of religion, and so on"). Something of a climax was reached in 1984 when the German Bishops' Conference ordered a day of prayer for the persecuted Church in Albania,¹ while soon after AI [Amnesty International] devoted an entire pamphlet to Albania,² and this was followed by a special Report on Albania,³ issued by the International Society for Human Rights in Frankfurt. Unfortunately, the material submitted by these institutions did not stand up to expert examination and, in view of many obvious mistakes and, above all, the lack of concrete and verifiable data, seemed unacceptable as a basis for factual discussion and suitable at best for political speculation.⁴ This was emphasized when, on a visit to the AI international secretariat in London, members of the British "Albanian Society" (the British-Albanian friendship society) noted that not a single assistant in the section dealing with Albania had even the most elementary knowledge of the country. Instead close contacts were maintained with Albanian emigre groups, without the necessary detachment from the anti-Albanian political propaganda of these organizations being observed.⁵

It is, therefore, not surprising that no official Albanian comments on the allegations were forthcoming. At most, Albanian diplomats talked of "CIA concoctions." In an interview with Danish television in September 1985, Pascal Haxhi, editor in chief of the only Albanian law review and an officer of the Supreme Court, said merely that the "reports by Amnesty International did not contain even one percent truth,"⁶ With their rigid attitude, the Albanians evidently underestimated the persistence of AI and certainly the worldwide reputation of that organization, because AI succeeded in 1984 in initiating at the UN Human Rights Commission a "proceeding for the confidential examination of reports on human rights violations"⁷ in Albania. The result of this proceeding (closed to the public) was the issue of documented and far better researched reports⁸ by the Subcommittee on the Prevention of Discrimination and for the Protection of Minorities, submitted privately only to commission members and, of course, the Albanian Government. In contrast to the AI allegations, these reports focused less on the fate of political prisoners or the lack of minority rights than on the issue of the freedom of

belief and religion⁹ in Albania. The respective resolutions by the subcommission and the commission itself condemned Albania's policy on religion as a violation of Chapter IX Articles 55 and 56 of the UN Charter, and they noted that Albania was not meeting its obligations as a member of the world organization.¹⁰

It is not easy to understand why the Albanians continued to keep silent, but they may not have been aware of the consequences of this kind of attitude.¹¹ The latter followed quickly: On 2 March 1988, at its 44th Meeting, the Human Rights Commission adopted the resolution¹² not to continue with the private proceeding but to proceed to public hearings,¹³ a procedure used only twice before by the United Nations Organizations with respect to Guinea (1979) and Afghanistan (1983). Fifteen of the commission's 43 member countries voted to proceed to public hearings (including Argentina, Belgium, Ireland, Mexico, Norway, Portugal, Great Britain, and the United States), 11 voted against (including Algeria, Bulgaria, China, the GDR, Yugoslavia, Nicaragua, the USSR), 17 countries abstained (including Brazil, the FRG, France, India, Italy, Japan, Austria, and Spain). Surprisingly, this resolution went virtually unnoticed by the public at large, something that from the Albanian point of view might well be considered a lucky break. After all, they thus had somewhat of a breathing space for attempting, at least in the world of diplomacy, to somewhat improve their dented image. As early as 10 May 1988, Bashkim Pitarka, Albania's permanent representative to the UN, submitted a letter from the Albanian Government to the General Assembly, asking the Assembly to make this letter known to all member countries. Among other statements, the letter asserted:

"Genuine freedom of conscience prevails in Albania. The issue of religious belief is also considered a right, a private matter, and a concern of the individual conscience. Freely and without external compulsion, the Albanian people have arrived at a decision on its attitude toward religious institutions; that is why nobody in Albania can be compelled to believe in God or practice religious customs. However, this does not mean that believers do not practice such customs. Ultimately, though, this is a personal and family matter."¹⁴

Still, this diplomatic foray was unable to prevent the subcommission at its 40th Meeting from repeating the earlier allegations in another resolution of 31 August 1988,¹⁵ nor the commission proper in a resolution of 8 March 1989, at its 45th Meeting, from confirming the continuation of the public proceedings.¹⁶ Indeed this time the vote showed the overwhelming ratio of 23:3 with 13 abstentions. Only China, Cuba, and Pakistan still voted for Albania and against the resolution. The commission noted with deep regret that Albania persisted in not offering any constructive cooperation with a view to the settlement of the questions raised. The Albanian Government was explicitly invited to reply in detail and with concrete facts to the allegations and human rights violations, and to provide information on whether and to what degree the constitution and laws

conform to the provisions of the universal declaration on human rights. Parallel to these activities and inspired by them, Albania's major trading partners in Western Europe exerted some pressure with respect to the issue of religion. Albanian Foreign Minister Reis Malile was made to feel this pressure when he went on an official visit to France in March 1989, and the same happened to Albanian chief ideologue and Politburo member Foto Cami upon his visit to Bonn in May 1989 when, as reported by CDU [Christian Democratic Union] circles, Bundestag President Rita Suessmuth raised the issue of religious freedom in Albania with unusual bluntness and insistence. Though Albania still has not officially responded to the allegations and has failed to issue the statement required by the United Nations Organization, various activities in Albania allow us to conclude that the concerted efforts of world public opinion have had some effect after all:

a) State agencies have recently displayed far more tolerance toward all types of private religious practices. This might imply a policy of "laissez-faire," as long as nobody makes an effort to establish religious associations.

b) Increased efforts are mounted at international level for making the incriminating religious policy comprehensible and acceptable.

c) A stronger ideological battle may be noted inside the country against "outmoded customs and traditions," coupled with intensified propaganda for atheism.

We may therefore assume that:

In accordance with the official interpretation that faith is entirely a private matter for the individual, recent reports by journalists and tourists as well as by reliable Albanian sources indicate a surprising restraint by state and party organs with respect to domestic or family based religious practices—as long as these practices do not collide with the respective citizens' social duties.¹⁷ Free space has been created more or less tacitly, going beyond mere tolerance for religious faith as such, even though explicit guarantees for this new freedom are (still) outstanding. Anyway, in an interview granted to the French newspaper *LE MONDE* in March 1989, Albanian Foreign Minister Reis Malile made the following comments that may be interpreted as a confirmation of this state of suspense:

"Many invaders of Albania have used religion to achieve their goal, the occupation of the country—whether in the distant or recent past. In World War II, the invaders exploited religion to divide the people. That is the reason why there is no place for religion in our country. For us, religion is solely a matter for the individual conscience. Anyone who wants to believe may do so. Nobody forbids it. However, the state does not support religion."

We should also note that, most likely as a good will gesture, some clerics were released in mid-1988, who had been imprisoned for years, including the last

surviving Catholic bishop, N. Troshani, jailed since 1974 and now allowed to return to his family in Lezha.¹⁸ Another item of rather surprising news fits this notion: The Catholic "Church of the Holy Shrine" in Tirane, transformed into a cinema ("Rinija") in 1967, is now being renovated—the old facade and the two towers reconstructed—to initially serve as a hall for chamber music concerts and possibly to be returned to its original function at some time in the future. Even in the case of the Popa siblings who fled to the Italian Embassy in Tirane on 12 December 1985 to compel the authorities to let them emigrate, and who have stayed there ever since,¹⁹ strenuous efforts are now being made to solve the problem within the framework of an Albano-Italian Commission.

In contrast to the former restrictive entry practices, some representatives of all faiths existing in Albania have lately been allowed into the country, very likely also to promote a more positive image for Albania among Western public opinion. In the summer of 1988, for example, Rev. A. Liolin, chancellor of the Albanian Orthodox (autocephalous) Church in Boston and himself of Albanian descent, traveled around all of Albania for two months. He was permitted to wear clerical garb and carry religious books and pamphlets. On his return to the United States, he gave several interviews²⁰ and said that he had been impressed by the progress achieved in Albania in all fields of economic growth, industrial development, the educational and health system, and also in farming and culture. He had "read in the faces of the people their pleasure on what had been achieved in such a short period of time" and believed that the ideals and goals of Fan S. Noli²¹ whose disciple he himself was, would continue to fall on fruitful soil in Albania. Dorothy and Edwin Jacques, an American Baptist missionary couple who had worked as teachers in Albania from 1932 to 1940, had similar comments after being allowed for the first time to return to the scene of their earlier work. Imam V. Ismaili, director of the Albanian-Islamic Center in Detroit, and his family also visited Albania in summer 1988. He reported that he had not found any visible sign of the practice of religion in Albania. However, in his discussions with young Albanians especially, he had met with great interest in religious issues and was surprised to note how freely and fearlessly they had talked about these matters.²² In September 1988, the Jesuit Father N. Kelmendi who had left Albania in 1940, was given permission to visit his family in the vicinity of Skodra.

There are surely more such instances, but the visit, supposed to be private but at least semiofficial, by Nobel Prize winner Mother Teresa must be considered the most spectacular. In August 1989 Mother Teresa spent several days in Albania, and met not only with representatives of the Albanian Red Cross but also had long talks with Foreign Minister Reis Malile and, above all, Nexhmije Hoxha, chairperson of the General Council of the

Democratic Front and widow of Enver Hoxha. Having laid flowers on Enver Hoxha's grave, Mother Teresa said:

"I am profoundly moved and full of respect for the victims, the martyrs of the nation, who gave their lives for the country's freedom,"

and after visiting child care centers:

"I have been touched and pleased to note the great care taken with the rearing and education of the new generation—the future of the country. Children growing up in such favorable and satisfactory circumstances are bound to be happy."²³

The remarkable fact in all these statements is the avoidance of any criticism of Albanian religious policy. This allows the Albanians to cite them as proof of the absence of the alleged religious persecution, even if the visitors' cautious statements may have been the result of personal or political considerations. We may at least congratulate the Albanians on their luck in the choice of visitors because these guests mostly left the country as sympathizers, or at least no longer as the enemies and critics they used to be, and tended to positively affect world public opinion. Even if they might have feared them, the authorities evidently accepted the possibly negative effects of these visits within the country, such as the revaluation or even strengthening of religious forces. At first glance, though, this perception appears to contradict the fact that lately the Albanians have repeatedly admitted that even after 45 years of communist rule and a good 20 years after the "iconoclasm" relics of the religious past are still to be found. At the Sixth Congress of the Democratic Front in 1989, for example, its chairperson Nexhmije Hoxha devoted the following passage in her report to this issue:

"The Democratic Front has always been in the frontline of the fight for the liberation of the people from the chains of religion and the savage justice of the unwritten laws of the mountains. However, this does not mean that we have obliterated all traces of a patriarchic, conservative, and religious nature. We need to use the revolutionary experiences of our organization against such backward traditions, for the simultaneous reinforcement of our new order and the successful psychological consolidation of our socialist society."²⁴

It will not do, though, to overestimate such admissions, because, according to repeated assertions to me by credible Albanians, the religious issue has no more than secondary importance in the long list of topical and urgent (primarily economic) problems in Albania. Still, it is worth while noting that—evidenced by the systematic persual of the national bibliography, for example—there has recently been an increase in the incidence of articles dealing with religious and traditionalist topics and practices, although by no means to such an extent that we might speak of new campaigns against obsolete customs and usages, such as were current in the 1970's. The strong propaganda for atheism in these articles responds to the commandment of Article 37 of the constitution. This states:

"The state does not recognize any religion and supports and carries on atheistic propaganda."

On the other hand, there is a new phenomenon, insofar as, in contrast to former times, publications are surprisingly frank in reporting the situation in the country itself and foreign allegations against Albania. In other words, Albanians are probably for the first time being frankly informed about the situation of the various religions in their country, and the allegations by the Western media with respect to human rights violations, and so on. At the end of 1986, the periodical *STUDIME POLITIKO-SHOQERORE*, the organ of the Institute for Marxist-Leninist Studies at the PAA [Albanian Workers' Party] (of which Nexhmije Hoxha is also the director), published an article²⁵ on "The PAA's Atheistic Policy and Its Experiences in the Fight Against Religion." This says, for example:

"There still are people who harbor religious prejudices, linked in their consciousness to all the other relics of foreign ideologies, and this is reflected in many backward perceptions, customs, and habits...."

At the present stage in our country's development there are former clerics, fanatical and backward believers, uprooted elements who cannot come to terms with our social system or are disappointed in it, and who continue to nurture religion and thereby agitate for their hidden goals....

The ever present ideological pressure of the capitalist-ideological world surrounding us and its religious propaganda...also nourish the religious remnants...The presence of these external and internal factors that preserve, support, and reactivate religious relics requires us to continue our fight against them...."

In early 1988, the same periodical published an essay by G. Habibaj, professor at the politico-juridical faculty of Tirane University, entitled "The Goals of Vatican Propaganda Against Albania and Their Unmasking."²⁶ The author not only attacks the role of the Catholic Church in Albanian history, he also comments on actual events and allegations of recent years (for example the case of S. Kurti²⁷ and other trials in the 1970's. He says:

"The Vatican lies with regard to religious freedom have even more ambitious aims. By describing our country's mass movement against religion as a violent movement, the Vatican attempts to stigmatize our country as a brutal dictatorship where, allegedly, 'human rights' are not observed, where Catholics are not permitted 'to practice their religion,' where people are not allowed to travel from one place to the other without police permission, where all believers are executed, where 'the dictatorship of the proletariat is not able to provide social justice for the various classes, and even less freedom."

"These Vatican sermons are wrong and ridiculous, something every reasonable person acknowledges even if he visits our country for a short while only."

The April 1988 issue of *RRUGA E PARTISE* (The Way of the Party), the theoretical organ of the PAA, includes an essay dealing with the topic "Nation on the One Hand and Religion on the Other—There Is No Internal Relationship Between the Two."²⁸ This explains, among others: The Catholic Church has traditionally spoken of "loyalty, fatherland, progress" and claimed that "Catholicism represents the soul of Albanian patriotism." This is wrong and sheer invention, because the clerics have always endeavored to denationalize the Albanian people. The essay does admit, though, that neither radical nor administrative measures have been able to bring about the "natural death" of religion, so that the class struggle against religious remnants needs to continue.

It would go too far to analyze here all the articles devoted to this topic. The following selection of titles will therefore have to serve. For the sake of simplicity, these titles are reproduced in translation:

Y. Halilaj: "Customs Liberated From Religious Prejudices Reflect Genuine Human Feelings"²⁹

H. Hako: "Deepening the Fight Against Religious Residues and Obsolete Customs"³⁰

A. Bilbili: "People Create Role Models and Religious Rites, but Religion Does Not Create People (Lighting the Fire Against Alien Concepts and Obsolete Customs)"³¹

E. Cela: "Lacking Proofs of Religious Fanaticism in Our People"³²

E. Cela: "For an Active and Pugnacious Atheistic Education in Our Schools"³³

In consideration of all this and the well-known poverty of data from Albania, we can arrive at no more than a tentative forecast regarding the development of the issue of human rights and religion. Still, it is probably possible to assume that sociopolitical change will involve Albania also in the not too distant future, even though neither perestroika nor glasnost are on the agenda there, except as proof of "Soviet revisionism's declaration of bankruptcy."³⁴ The population's foreign contacts are increasing, in particular by television transmissions in the neighboring countries (though the First Yugoslav Program continues to suffer from interference) and by tourism. This means not only the arrival of new ideas in the country. It also means the arousal of material desires that neither party nor state will be able to satisfy in the foreseeable future, specially because the current supply situation is anything but rosy (ration coupons are still needed, for example, in some parts of the country for basic foodstuffs such as milk, butter, cheese, eggs, and meat). Unless the authorities resign themselves to losing control vis-a-vis the people's anger and the pressure of their expectations, a compromise will have to be found. In view of the impossibility of material concessions, such a compromise is bound to involve at least more personal freedom. At the same time the bestowal of greater individual scope in the private sphere, accompanied by a

reduction in duties (especially the constant mass actions in the workplace and the ideological sphere) signifies a decline in the state's claim to absolute power. We may, therefore, expect greater tolerance for ideas and practices that do not conform to the system (religion, for example), provided that they stay within a framework open to inspection and calculable by the state power. On the other hand it would be premature to expect the revival of religious associations, let alone any new establishment.

We might obtain more detailed information if Albania were in fact to carry out its obligation to report to the UN Organization. We will have to wait for the 46th Meeting of the Human Rights Commission which again has the issue of human rights violations in Albania on its agenda for February/March 1990. Should Albania still fail by this time to provide an acceptable statement, the next step may well be the transmission of the proceedings to the Human Rights Committee and, ultimately, the UN General Assembly. This would involve significant adverse publicity and the corresponding loss of face for Albania. It is doubtful whether Albania will let it come to such a confrontation, because it risks not only the international credibility of its own system but also strong economic interests. After all, the EC countries—Albania's primary trading partners with respect to the importation of the technical know-how the country needs to survive—are unlikely to simply accept such an affront.

Footnotes

1. See "Study Aids No 35" issued by the secretariat of the Conference of German Bishops on the occasion of the "Day of Prayer for the Persecuted Church on 27 May 1984" (Bonn 1984).
2. "Albania—Political Imprisonment and the Law," London 1984, see also AI's annual reports, published each year in October.
3. "Violation of Human Rights in the Socialist People's Republic of Albania," documentation, Frankfurt 1985.
4. See W. Stoppel: "A Letter to Amnesty International," *ALBANISCHE HEFTE*, No 1/1985, pp 13ff; documented materials on the legal situation and the application of the law with respect to facts relevant to the criminal law are to be found in W. Stoppel: "Albanische Strafgesetze" [Albanian Criminal Code], Berlin (de Gruyter) 1989 (Collection of Non-German Criminal Codes in German Translation, Vol 105).
5. As per *ALBANIAN LIFE* (organ of the Albanian Society), No 31 (1/1985), pp 34ff, 36.
6. According to AI Annual Report 1986, p 348 (German edition, Frankfurt 1986).
7. As per Resolution 1503 by the UN Economic and Social Council of 27 May 1970 (German text: "United Nations 1981", pp 178f.)

8. The subcommittee's resolution 1985/20 of 27 August 1985 (E/CN 4/Sub/1985/L 39) was fundamental—see "United Nations 1985," p 97; the report itself largely conforms to the report on "Human Rights in Albania," published in THE REVIEW, organ of the International Commission of Jurists, No 34 (1985), pp 5ff.
9. Selected bibliography on this group of topics: B. Toennes: "Religions in Albania," OSTEUROPA 1974, pp 661ff; the same author's: "Albanien—Der Erste Atheistische Staat der Welt" [Albania—The First Atheist State in The World], Kuesnacht 1978; the same author's "Religious Persecution in Albania," "Religion in Communist Lands," Vol 10, 1982, pp 242 ff; the same author's "The Situation of the Catholics in Albania," in P. Lendvai (editor): "Religionsfreiheit und Menschenrechte" [Freedom of Religion and Human Rights], Graz 1983, pp 238ff; P. Prifti: "Socialist Albania Since 1944," London 1978, (pp 150 ff: The Abolition of Religion); R. Grulich, "Albania—For 20 Years the First Atheist Country in the World," SUEOSTEUROPA Nos 11-12/1987, pp 728 ff.
10. On the resolutions by the commission of 14 February 1986 and 2 March 1987 see "United Nations 1986," p 114 and "United Nations 1987," p 98.
11. According to Albanian claims, the Albanians endeavor to maintain an active and constructive membership in the UN, for example A. Puto: "Albania and the World Organization," "United Nations 1988," pp 161 ff.
12. Resolution 1988/17, see "United Nations 1988," p 126.
13. As per resolution 1235 by the UN Economic and Social Council of 6 June 1967 (German text in "United Nations 1981," pp 178f.)
14. Cited as per ALBANIAN CATHOLIC BULLETIN, Vol X - 1989, p 20.
15. Resolution 1988/15(E/CN 4/Sub 2/1988/L 34), see "United Nations 1988," p 198; also K. Brennan et al: "The 40th Session of the UN Sub-Commission on Prevention of Discrimination and Protection of Minorities," HUMAN RIGHTS QUARTERLY, Vol 11 (1989) No 2, pp 295ff, 301 with more evidence.
16. Resolution 1989/69(E/CN 4/1989/L 11/Add.8), see "United Nations 1989," p 92.
17. See also M. Schmidt-Neke, "Power and Legitimation in Albania," SUEOSTEUROPA, No 7-8/1989, p 424.
18. As per MENSCHENRECHTE (Organ of the International Society for Human Rights), No 1/1989, p 17; GLAUBE IN DER 2. WELT [FAITH IN THE SECOND WORLD], No 5/1989, p 2.
19. See C. Buchalla: "The Six in the Rruga Labinoti," SUEDEUTSCHE ZEITUNG, 13 June 1986.
20. For example, DIELLI (organ of VATRA [not further identified], Boston/Mass) 28 October 1988.
21. Fan Noli is still held in high regard in Albania, due to his patriotic and democratic attitude; he was statesman and poet, leader of the failed bourgeois-democratic revolutions of 1924, founder of the autocephalous church (1923), emigrated to the United States in 1932, where he died in 1965. The issue of his collected works in 10 volumes is currently in preparation in Albania. See lately also B. Fischer: "Fan Noli and the Albanian Revolutions of 1924," EAST EUROPEAN QUARTERLY, vol 22, 1988, pp 147ff.
22. As per ALBANIAN CATHOLIC BULLETIN, Vol X - 1989, p 80.
23. As per ZERI I POPULLIT, 16 August 1989; according to FRANKFURTER ALLGEMEINE of 30 October 1989, Mother Teresa is to be permitted to open a children's home in Tirane, and a Catholic priest is to be allowed to work there.
24. ZERI I POPULLIT, 27 June 1989; this passage is missing in the abbreviated German version (ALBANIEN HEUTE No 99, March 1989, pp 9ff).
25. D. Sadikaj: "Politika Ateiste e PPSH Dhe Pervoja e Saj Ne Luftenm Kunder Fese," STUDIME POLITIKO-SHOQERORE No 11/1986, pp 97 (English translation in SOCIO-POLITICAL STUDIES, Vol 5, 1988, pp 95ff.
26. G. Habibaj: "Quellimet e Propagandes Se Vatikanit Ndaj Shqiperise Dhe Demaskimi e Saj," STUDIME POLITIKO-SHOQERORE No 1/1988, pp 161ff (English translation in ALBANIAN CATHOLIC BULLETIN, Vol X, 1989, pp 32ff.
27. Detailed documentation on the Kurti case, citing statements from both sides, is to be found in "Is Baptism A Crime," in G. Sinishta: "The Fulfilled Promise—A Documentary Account of Religious Persecution in Albania," Santa Clara/CA, 1976, pp 150ff.
28. H. Hako: "Tjeter Eshte Kombesia e Tjeter Eshte Feja, Asnje Lidhje Te Brendshme Nuk Ka Midis Tyre," RRUGA E PARTISE, No 4/1988, pp 76ff; recently a book by H. Hako on the same topic has also been published: "Ateizmi Shkencor" [Scientific Atheism], Tirane 1988.
29. JETA E RE (NEW LIFE), 2 July 1988 (in Albanian)
30. KULTURA MASIVE (MASS CULTURE) No 2/1988, pp 70f (in Albanian).
31. PERPARAT [FORWARD], (Organ of Korca District), 6 July 1988 (in Albanian).
32. SHKENCA E JETA (SCIENCE AND LIFE), No 4/1988, pp 58f (in Albanian).

33. LENDET e SHKENCAVE SHOQERORE NE SHKOLLE [SOCIOLOGICAL SCIENCE MATERIALS FOR THE SCHOOL], No 16/1988, pp 96ff (in Albanian). 96ff (in Albanian).

34. The abusive criticism by the Albanians continues. Already, at a "scientific conference" on the topic "Perestroyka—An Antisocialist Doctrine and Practice," held in March 1989, the "anti-Marxist notions of the Soviet revisionists" were excoriated (see ALBANIEN HEUTE, No 98, February 1989, p 19). The Eighth Plenum of the PAA CC in September 1989 was devoted to the same topic exclusively. Ramiz Alia's report went so far as to talk of "treason to Marxism-Leninism," though, at the same time, he surprised everybody by saying that more than one candidate, respectively, had, for the first time, been proposed at the May 1989 nomination meetings related to the People's Council elections. (ZERI I POPULLIT, 29 September 1989).

CZECHOSLOVAKIA

Road to Efficient Market Discussed

90EC0250B Prague HOSPODARSKE NOVINY in Czech 22 Dec 89 pp 1, 4, 5

[Interview with Dr. Karel Kouba by Miroslav Kana: "Which Way to Efficient Market"; date not given; first paragraph is HOSPODARSKE NOVINY introduction]

[Text] In the whirlwind of current political events our weakened economy remains somewhat in the background. At the same time, beginning 1 January our economy is to be regulated by new rules which in their character are quite far from being a blueprint for a market orientation of the economy. To discuss the problems faced by our economy and the ways to transform it into a market mechanism we invited Doc. Eng. Karel Kouba, Dr.Sc., into our editorial office—you will find his picture and more information about him on page 4. Do not be discouraged by the fact that the text is difficult, such is ultimately the entire economy and life itself, and give your undivided attention to the thoughts expressed in this discussion—you in production and you in management, and of course also you in research. There has been more than enough of ill-considered economic decisions, and our future after all depends to a considerable degree on how efficient our economy will become.

[Kouba] I accepted the invitation to this discussion because I am familiar with the views of your readers. I do not represent the position of any political party or group of economists, I express my own views which are open to discussion. After working for almost 20 years in a large industrial enterprise, I know how concerned economists as well as ordinary people are about our economy. I wish to express my great satisfaction as a citizen with the fact that the key political obstacles to the recovery of our economy are being removed. But as an economist I must express my concern that in the near future political

questions will dominate and the economy will be overshadowed. The creation of effective democracy and the creation of efficient economy are conditioned by each other.

[HOSPODARSKE NOVINY] Part of even the expert public is of the opinion that the transition to a market mechanism is a question of a political decision following which everything will proceed more or less spontaneously.

[Kouba] Restoring the health of the economy, stabilizing it and consolidating it in the near future, and a transition to a developed efficient market economy requires a political decision only as one of the necessary conditions. At the same time, however, there must be new macroeconomic policies and systemwide changes which will require understanding between the government and the population. That will not happen spontaneously.

[HOSPODARSKE NOVINY] A number of theoreticians give the impression that the recipe for the transition to a market mechanism is well known and theoretically explained.

[Kouba] I returned to my profession after almost 20 years. But during all that time I have maintained, thanks to the help of some colleagues from Czechoslovakia as well as from abroad, an overview of economic reforms. We have considerably more understanding of the problems of current economic reforms than we had in the sixties. Nevertheless, I am not satisfied with the understanding we have of the possibility of using theoretical knowledge for a definite transition to an efficient market economy in our country.

[HOSPODARSKE NOVINY] You will have to be specific.

[Kouba] First of all, some necessary conclusions have not been drawn from analyzing the economies in countries which initiated economic reform before we did, that is, in Hungary, Poland, and the Soviet Union. These countries, which began the transition to a market economy already in the eighties, did not achieve the results they expected. Economic reforms did not fulfill their aspirations, either as far as the macroeconomic performance or as far as changes in the behavior of the participants in economic life were concerned. In the Soviet and Polish economies, the efficiency of the economy during the past 2 years even declined. A perceptible improvement in performance in Poland and Hungary can be seen only in the private sector, its consumer orientation also being a plus.

[HOSPODARSKE NOVINY] However, its share of the economy is small.

[Kouba] Not only is its share small, it is also oriented toward short-term profit. Thus far an interest in long-term profit has not been successfully generated. Private enterprises are weak in investments and are not integrated into the total economy.

[HOSPODARSKE NOVINY] The worsening situation in Poland and the Soviet Union even led to the dilapidation of the market, inflation is on the increase there, and anyone who can exchange the domestic currency for hard currency. That understandably leads to the question about where the causes lie.

[Kouba] There is the view that a certain worsening of performance of the partially reformed economies is an unavoidable consequence of those processes. I do not subscribe to that view. I believe that this need not happen here.

[HOSPODARSKE NOVINY] You do not agree, but the reality in the partially reformed economies does not prove you right. Their experiences are painful.

[Kouba] To a certain extent we predetermine the degree of the conflicts and therefore also of the pain ourselves. The decline of productivity is not just the legacy of the past, it manifested itself particularly during the past 2 years. The reason for that is not so much the fact that the reforms are only partial. I believe that the main reason lies in the failure to master the strategy of the transition from the traditional to the market system. These countries have had and sometimes still have inadequate macroeconomic policies. By that I mean monetary and fiscal policies. The main danger for a partially reformed economy lies in violating the principles of sound monetary policy, that is, an unwarranted issuing of money, which is after all damaging to any economy. Without a sound money policy and financial discipline it is impossible even to think about a successful system and institutional changes of any kind.

[HOSPODARSKE NOVINY] People are saying that that there are better conditions in our country for the transition to the market in comparison with our neighbors who are already treading that thorny path. For example, the comparatively low foreign debt is being mentioned.

[Kouba] It is indeed tolerable. About \$7 billion of gross debt and a tolerable servicing connected with it. Therefore, we do not carry such a debt burden as do the Hungarian and Polish economies. Unfortunately, however, we find ourselves in the same situation as all the East European economies. The competitiveness of our products in demanding markets has been declining over a long period. Today we are exporting only about 16 percent of our products to the demanding markets, and some of them, moreover, with state subsidies. But we still have approximately a fifth of our enterprises which have maintained their position on demanding markets during the past 5 years without state subsidies. Improving their ability to compete is being hamstrung by the redistribution process which gives to those who cannot keep up. We still have very skilled blue collar workers and technicians who are able to use their skills, provided, of course, that there is a new system of

incentives. We also have certain means at our disposal to mitigate some of the adverse social consequences of the remedial measures.

[HOSPODARSKE NOVINY] It is precisely the poor people who are most terrified by the future when they look at Poland, for example.

[Kouba] We do admit too little to ourselves that even here we have poor people. We should give their life greater attention, and we should prevent above all an increase in their percentage. In the neighboring, partially reformed countries, the percentage of poor people was higher to begin with and it increased on top of that. In our country the share of the groups of citizens below the social minimum does not exceed 10 percent and is not increasing. That means that we are able to compensate these people for some of the possible undesirable social consequences of the remedial measures in the economy.

[HOSPODARSKE NOVINY] The question also is whether our better conditions are not being too overrated.

[Kouba] They are not overrated, they have their significance. Czechoslovakia has also some other real and potential means at its disposal for a comparatively stable transition to an efficient market in comparison with the neighboring partially reformed economies. First of all, the banking sector has been traditionally much stronger in our country than in those countries and also carries much more weight. A certain mode of economic thinking survived. It is a legacy from the first republic. We were perhaps the only Central European country which avoided hyperinflation after the First World War. Even after the Second World War our monetary reforms were on the whole successful. In the reform effort of the sixties we built on this tradition of economic thinking and on the comparatively strong base of the banking sector. We proposed already at that time the abandonment of the monopolistic bank, to make the bank of issue a separate entity which would be in charge of ensuring the quality of money, sound money; and at that time we also proposed to build an extensive network of commercial banks. We proposed at that time already the establishment of a money market and a capital market. As is known, the reform of 1 January 1990 already takes into consideration the establishment of other banks. These traditions create certain preconditions for such a change in the macroeconomic policies that would strengthen our currency and prevent excessive inflation and disruption of the market.

[HOSPODARSKE NOVINY] But our citizens are becoming still more dissatisfied with our domestic market.

[Kouba] Naturally, it is not a market which we could compare with the Western market economies. In the past 20 years we fell further behind them and we suffered a relative decline in the standard of living. However, as far as comparison with Poland and the Soviet Union is concerned, a disintegration of the market did not take

place here, and imbalances in our market do not happen as frequently. Although there is some disturbing increase of pressures toward disequilibrium in our economy, I think that on the whole our consumer market is not unmanageable for realizing a stabilized transition to a more efficient economy.

[HOSPODARSKE NOVINY] Something obviously will have to be done in the immediate future about the koruna. I have in mind measures that would bolster the confidence of the citizens in our currency.

[Kouba] Yes, the point is to maintain the purchasing power of the koruna, because we are entering a period when people will be very sensitive to all the problems and complexities connected with the formation of democratic institutions. We need economic means to strengthen the confidence in our koruna and prevent a flight from it. Look, almost everyone has some savings, which amount to about Kcs 270 billion [korunas], and that is not really that much. People mostly have these savings for quite precisely determined purposes. But if an inflationary movement of greater proportions occurs, then naturally people will be thinking about whether it is an advantage for them to save and hold the savings, or whether they had better make purchases quickly.

[HOSPODARSKE NOVINY] That depends on the interest rate. As far as I know, in Yugoslavia it is higher than the inflation rate, and Colombia follows the same practice.

[Kouba] It is possible to strengthen confidence in the koruna by changing to a positive, realistic interest rate, where deposits bring interest that is not eroded by inflation.

[HOSPODARSKE NOVINY] I think that people are most afraid precisely of high inflation.

[Kouba] First of all, we must reconcile ourselves to the fact that we have been living with inflation for a long time, which, however, did not reach the dimensions it did in other countries. It is manageable, but that has its costs. A suppressed inflation is accompanied by shortages in the market. But we have the possibility of avoiding inflation counted in tens or hundreds of percent.

[HOSPODARSKE NOVINY] I came across the view that it is possible to activate people through inflation and partially devalue savings, as long as a corresponding interest rate is not set, and thus make people's access to money more difficult.

[Kouba] For an economist, inflation is basically an uncomfortable phenomenon and it must necessarily make him concerned about the health of the economy. Although there is an inflationary movement in every country, the economists must take care that the rate of inflation does not debase the currency and does not lower the export efficiency of the country. Let us not forget that today the inflation rate in the advanced

European countries is very low, in many cases only 3 to 4 percent. If in Britain it reaches 8 percent, it causes agitation among economists as well as the government and the opposition. A comparatively low inflation makes possible a less painful process of consolidating the economy.

[HOSPODARSKE NOVINY] So, we have certain conditions for success, but the reform of 1 January is a halfway measure. We have published a comment on that several times. There is no time to drag our feet.

[Kouba] Yes, but at issue is not just a critical reevaluation of the adopted measures. Now we are back to what the economic theory could not manage, and not only in this country. Economists usually propose an extensive and varied system of measures which they associate with the concept of a reformed economy. Some are carried away by a traditionally too normative a concept of what the distant future should be like. I think that what is basically lacking in these two traditional concepts of reform is that no workable and efficient strategy of transition has been successfully designed. We need to determine the basic steps, that is, the core of the strategy, and in particular the order in which these measures will be implemented. That also includes determining the time for taking these individual steps. The key point is that the economists should come to an agreement and work out the core of this strategy.

[HOSPODARSKE NOVINY] And so we come to the main subject of our discussion, that is to your proposal for realizing the transition to a market economy.

[Kouba] I shall try to explain the core of such a strategy in simple terms. According to my way of thinking, the basic prerequisite is to have sound money and a balanced budget. Exchange rates and prices must be put in order and demonopolization carried out. To that should be added the opening up of the economy and diversification of ownership.

Let us begin with the policy of sound money. If we do not change over to a restrictive monetary policy and strict financial discipline, we shall leave untouched the basic causes of the disequilibrium. A state of disequilibrium is the fateful problem of every transition to an efficient market economy.

[HOSPODARSKE NOVINY] Do you recommend making access to money more difficult for the enterprises?

[Kouba] Yes, of course.

[HOSPODARSKE NOVINY] Perhaps that would not be such a problem for enterprises.

[Kouba] It is a big problem for the enterprises, because they have been used to getting credit quite easily. When in the eighties the bank attempted to introduce some moderately restrictive policy, it lost control of it. The insolvency of enterprises jumped from about Kcs 3 billion to more than Kcs 40 billion. That amounts to

nothing else but an uncontrolled issuing of credit, which means too much money, and moreover often in units which are inefficient and should be placed under some restrictions.

[HOSPODARSKE NOVINY] Then we cannot consider only the usual approach of making money more expensive by raising the interest rate?

[Kouba] That is not enough in itself. We need to change to a very drastic, restrictive monetary policy which will have a severe impact on inefficient enterprises. They will have to think very seriously about the state of their management and find a way to correct it, not merely negotiate for more credit and subsidies. During the course of the five-year period when additional decisions on planning of the reform were made, some additional investment decisions were approved, particularly concerning the fuel base. These political decisions led to an increase of the overall disequilibrium, especially in the investment sector. A moratorium on investments came late as a reaction to this mistake, and moreover it is not adequate for the present. The restrictions on new investments in particular must obviously be much more drastic.

[HOSPODARSKE NOVINY] A sound monetary policy also assumes having the courage to let an inefficient enterprise fail.

[Kouba] An economic reform is not resolvable without affecting someone, after all.

[HOSPODARSKE NOVINY] And how many such enterprises were liquidated in Poland, for example? And they have been talking about it there longer than we have. The causes therefore must lie deeper.

[Kouba] Yes, but here it is not enough to think in terms of traditional concepts of reform. Deeper systemic changes in the economy and application of sound monetary policy means that those who are not efficient will be affected. Inefficient enterprises have become accustomed to continue existing by being propped up by state crutches. They have become accustomed to being able to negotiate with the center from a position of strength and obtain exemptions and relief. They also became accustomed to living off state subsidies. They consider the state budget to be a self-service. The state budget is too burdened by subsidies. The negative turnover tax amounts to roughly Kcs 48 billion and the total amount of subsidies to about Kcs 90 billion. But if we take into consideration the redistribution processes, then we arrive at roughly Kcs 130 billion of subsidies. But putting the economy on a healthy basis means that enterprises will have to do without a considerable part of these subsidies. That would be painful for those who will not manage to adapt in time. And we cannot understand adapting in the traditional sense, when enterprises which cannot keep up would turn to their representatives in the ministries who would provide them with assistance out of the state treasury.

In addition, the state budget will have to be balanced. By that I have in mind the necessity to remove the cause of deficit financing, when expenditures of the state budget are higher than the revenues. Although our deficit financing from the state budget is not as widespread as it is in the Soviet Union and Poland, nevertheless even here we have to achieve a substantial turnaround.

[HOSPODARSKE NOVINY] People in offices have their roots somewhere, and the lobbies of branches, sectors, and enterprises are very strong here. Most likely they will remain so.

[Kouba] Apart from the practice of lobbying we must cope with the so-called socialization of risk. I am answering here the previous question—what are the reasons for an inefficient enterprise being artificially kept alive? In socialist economies, even in those which have bankruptcy laws, bankruptcy in effect never happens. Society suffers the consequences of wrong investment decisions, of which there are very many, although it should be the entity which made the decision and incorrectly allocated investments that suffers the consequences. Until we resolve these problems we cannot talk about deeper systemic changes. A long-term interest and responsibility for efficient allocation of resources are closely connected with the problem of ownership.

[HOSPODARSKE NOVINY] And how do you visualize the introduction of sound money as far as the consumer market is concerned, that is, the public?

[Kouba] In the immediate future the consumer market must be the object of overriding attention. It must be stabilized, calmed down, and used as a positive for the transition to an efficient market economy. The policy of sound money must apply to all sectors of our economy, to enterprises as well as the public. The current period of forming new democratic institutions will be marked by a very complicated process of coalition agreements, confrontations, and controversies. Particularly the time prior to the democratic elections will be burdened by many political compromises. During this period looms the danger of free escalation of wages, delayed subsidy restrictions, and evasion of conflicting remedial measures.

[HOSPODARSKE NOVINY] As long as it does not affect them directly, not many people have doubts today about the necessity to liquidate inefficient enterprises. But enterprises which do not engage in export have a solid objection: We do not have a reliable criterion about what is efficient and what is not, the prices do not express efficiency. And now we come to the second point of the strategy which you propose, that is, prices. It is no revelation today to say that their restructuring solved hardly anything.

[Kouba] That is related to what I call the core of the transition strategy. The policy of sound money and removal of all sources of deficit financing of the state budget make it possible to begin the solution of the

critical problem of systemic changes, which is a transition to balanced prices. Gradually, according to the situation of the individual markets, we have to go from administrative control to prices determined by supply and demand, where balanced prices are the basic coordinating mechanism in the market economy.

[HOSPODARSKE NOVINY] Certainly a price is a good price when the supply equals the demand, therefore a price when goods are on the market. We published comments about that many times, but the former Minister Zak from the Price Office argued that in a deficit economy that would automatically lead to higher prices.

[Kouba] If we succeed in shifting to a policy of sound money, in removing the pressures for deficit financing, then we shall have sufficiently favorable conditions in our economy for such a gradual transition to prices based on supply and demand that does not need to be connected with some dangerous, uncontrolled increase in the price level. Let us not forget that one of the positive features of our economy is the low inflation rate. The visible one is about 2 percent a year, and the hidden one approximately another 3 percent. A policy of sound money and prudent granting of sound credit will have a positive influence on the thus far unfavorable developments in the cost of our products. It will force enterprises to pay more attention to the cost aspect of their production. But at issue are not just the costs. The price increases, after all, stem primarily from something else—the extremely monopolistic structure of our economy. To my mind, incorrect and contradictory steps were taken in this respect during the planning of the 1 January reform.

[HOSPODARSKE NOVINY] You are obviously basically thinking about only our large enterprises.

[Kouba] Rather about the increase in their size. During the administrative change of the organizational structure in 1988 and 1989 the general directorates were abolished, which was a positive step because they were unnecessary and expensive components. But the same mistake is being repeated for the third time in the approach to the reform of our economy. During the reform toward the end of the fifties, in the initial phase of the reform in the sixties, and unfortunately now, too, the overall number of industrial enterprises actually declined. The concentration in industry grew to such an extent that the average enterprise at the federal level employs about 4,800 people, and an organization subject to the national ministries about 2,800 people. There are practically no small enterprises and only very few medium-size enterprises. In that respect our economy does not bear comparison with efficient economies around the world. But the point is not just the size of the enterprise, the point is that this concentration is not economically justified. The main negative consequence is the fact that increasing the size of the enterprises leads to a strengthening not only of the monopolistic, but also the oligopolistic structure of the market.

[HOSPODARSKE NOVINY] And that again is connected with the lobbying practices and the proverbial supplier's market where the customer is at his mercy.

[Kouba] The basic condition for being able to abandon the administrative control of prices and adopt an economically substantiated price system, that is, prices regulated by supply and demand, is to create a competitive market structure, demonopolize our economy, and establish institutional conditions for an antimonopolistic policy.

[HOSPODARSKE NOVINY] But obviously, in our small country it will not be possible to achieve demonopolization everywhere merely by increasing the number of producers. We are probably not going to build a new reactor hall.

[Kouba] Now you have already come to the third measure of the transition strategy, which is to open up the economy. To begin with, our economy experienced increasing recessionary trends because in the seventies we abandoned the course of reforms, and also because we returned to the import substitution policy instead of opening up our economy to the world and orienting it toward export to demanding markets. And as for export, enterprises were oriented mostly toward CEMA countries. The opening up of the economy includes a number of challenging and very critical preconditions. It means, above all, to enable every qualified enterprise to have direct access to foreign markets.

[HOSPODARSKE NOVINY] Or in other words, to abolish the position of the foreign trade organizations as the almost exclusive exporters?

[Kouba] Yes. Where they have their justification, they can be one of the entities in foreign trade activities that perform such activities on their own responsibility and after reaching an agreement with producers. But they cannot have the monopolistic position of an entity through which the economy comes into contact with foreign customers. Basically it is necessary to give enterprises broad access to foreign markets on their own responsibility.

[HOSPODARSKE NOVINY] The opening up of the economy does not mean only to give enterprises direct access to foreign markets but also to liberalize imports, for which, however, we shall not always have the means.

[Kouba] Certainly, but the opening up of the economy and the liberalization of imports cannot be resolved as individual, not interlinked, measures; that would not result in increased export efficiency of the economy. The fundamental, critical aspect of this is orientation to realistic exchange rates. By proceeding judiciously, it will be also possible to influence people's attitude to foreign currency. To my mind, there is no justification for selling foreign currency at administratively undervalued exchange rates. Here, too, it is possible to open a certain foreign currency market, but for economically justified exchange rates. Then each citizen and each enterprise

can make up their own minds whether it is to their advantage to buy foreign currency or not.

[HOSPODARSKE NOVINY] The concept of an economically realistic exchange rate sounds quite scientific. Can it be exactly determined at all?

[Kouba] No, it cannot. We do not know what is a real, balanced rate of exchange and no agency is able to determine it precisely by administrative means. For that we need a gradual process of making the rate realistic, which is connected with devaluations through which we shall arrive at realistic exchange rates in the foreseeable future. This precondition then opens up the way to a longer lasting transition to convertibility of the currency. The conditions for that are challenging. It can be proclaimed instantaneously, but the problem is to maintain it. England did that after the Second World War, but rescinded it after a few weeks because it exhausted all the needed reserves. I think that one of our more profound systemic changes should be to revise the strategy for making the transition to the convertibility of the koruna. The time limit that is presently being considered for the transition is too long. We need to integrate ourselves into the world economy, and that again assumes the creation of realistic conditions for attaining a timely convertibility of the currency.

[HOSPODARSKE NOVINY] So that 290 shillings for 500 korunas, as the bank now sells them to the tourists, is anything but an economically realistic exchange rate.

[Kouba] Yes. We need to bring our exchange rates to realistic levels in a number of steps, not only for our population but also for the enterprises. The point is not only that they should be a recalculating coefficient for our enterprises but also a real parameter for their decision making. But watch out, part of the impact of nominal rates on the behavior of the enterprises is also a blockage caused by redistribution and subsidies for export prices. That is why the structure of production was not changed. That is also the reason for the continued inertia of the export and import structure of our economy which we did not modify after the first nor after the second oil price shocks. Simply, we did not succeed in cutting off the inefficient components of production, the inefficient export, nor did we succeed in strengthening enterprises with good export potential.

[HOSPODARSKE NOVINY] There is a lot of talk about supporting those who are efficient, but only administrative measures are being taken, understandably without results.

[Kouba] That is because economic criteria are needed for that, and the basic one is a realistic and efficient exchange rate which in a number of steps has been gradually stripped of subsidies. It will have the most impact on enterprises which do not adapt to new conditions in time. Of course, the government policy of reducing subsidies should allow certain time for adapting to the new conditions.

[HOSPODARSKE NOVINY] I would not like to leave that as a "certain time." That could also mean the year 2010 or some other similarly remote time horizon, and people are, to my way of thinking, allergic to that.

[Kouba] In the sixties, we worked out a program calling for ending the majority of these subsidies within 5 years. The center should establish very clear terms for the new subsidy policy. We are forced to do that by the signs of contraction in the West European economies as well as in our own, and also by what awaits us in Europe in 1992. The creation of a common European market will obviously force us to search for shorter time periods. But strong stabilizing and remedial measures must come very swiftly.

[HOSPODARSKE NOVINY] One more question. Talk about diversification of ownership sometimes arouses passion. They say no reprivatization, no selling to foreigners either.... Most likely that is a result of a lack of knowledge.

[Kouba] State enterprises lack effective motivation. That is a current problem all over the world. Most of all, the question of their long-term responsibility for their investment decisions has not been resolved. Here we are faced with resolving the problem of different forms of ownership including the problem of privatization. There is much heated ideological talk about privatization, stemming from a total lack of knowledge of the basic characteristics of this phenomenon in the current advanced economies as well as in the developing countries.

Privatization is not reprivatization and the return of state enterprises to former owners. It is carried out by a democratic parliament, not by economists; certain state enterprises are converted within a medium- or long-term time span into stock corporations, limited corporations, etc. That will also require a change in the attitude of the public and employees, because such enterprises will become partly their property through the sale of stock. This process has been started in Hungary, Poland, and to some extent also in the Soviet Union, but our reform has not taken that under consideration yet.

[HOSPODARSKE NOVINY] And selling our enterprises to foreign companies?

[Kouba] No current modern economy can prosper without internationalization. That has varied forms. Even tourists note how great is the share of foreign capital in Austria, for example. The participation of foreign capital and possible sales of enterprises again have their rules and are directed by the legitimate political agencies of the country. Privatization as well as the reciprocal flow of capital requires the passing of appropriate laws. But I repeat, these are phenomena entirely common in the world. The individual forms of ownership must have equal rights and the possibility of mutually integrating themselves. Nowhere in the world can today's modern economy manage without capital inflows and outflows. Today we need to develop above

all mutual international cooperation and possibly investments. In that respect our country has unused possibilities and today also a great new opportunity. But there can be no talk at all about selling national properties.

[HOSPODARSKE NOVINY] You said that the reform of 1 January is incomplete. In spite of that you insist that we have the possibility that even given the current problems we can still make the transition to market economy without any great shocks. Are you an optimist by nature?

[Kouba] As an economist I cannot speak about optimism or pessimism but about reality. Reality is a comparison with neighboring countries which initiated reforms without having the conditions, or means at their disposal, that we have or wasted them through wrong macroeconomic policies. I said many times that the reform measures of 1 January are insufficient. They do not represent a market oriented reform and they do not solve the problems of our economy. They must be reevaluated as they proceed.

But it is possible to start with them up to a point. I have in mind the change of the banking system and the transition to a more developed network of commercial banks. These steps in strengthening the institutional support of the banking system can even be a favorable prerequisite for a forceful, restrictive policy on currency and for financial discipline. But first of all, our economy must be stabilized within a short period of time, and deeper systemic changes realized on that basis. At the threshold of democratic transformations in our society an economist must ponder not only the state of our economy and the entirely unsatisfactory steps toward reform. For economists, and not for them alone, a critical reevaluation of many obsolete stereotypes of inefficient reform ideas and economic policies waits on this road. All that should result in prompt and decisive remedial measures in our economy.

[HOSPODARSKE NOVINY] As a conclusion to today's discussion we shall use the words which Karel Kouba repeated several times during our talk and with which he departed from our editorial office:

[Kouba] Our economy has enough at its disposal so that we can consolidate it in a short time, and during the period of 6 months to 1 year correct and develop the mechanism which will be applied beginning 1 January. We have the ability to work out a quality strategy for the transition to an efficient market economy. I must express again the concern of an economist. If the time prior to the democratic elections uses up the efforts of the participants on the new political stage only for the solution of political problems, then naturally there is the acute danger that our economy not only will not be consolidated but that it will lose the positive features it has at its disposal. The failure of the economy and disruption of the market would make it much more difficult to put the economy on a healthy basis. The formation of democratic institutions is very challenging.

It should be also functional from the point of view of the acute problems of our economy.

HUNGARY

'Third Way' People's Party: Candidates in 100 Election Districts

90EC0335A Szekszard SZABAD SZO in Hungarian
15 Jan 90 p 3

[Article by "P. SZ.": "Which Way Is the Hungarian People's Party Heading?"]

[Text] With the Parliament's December decision, preparations for the elections have entered the home stretch. Undeniably, the electoral campaign has been going on for months, but now the date of the elections has also been set. On 25 March 1990 there will again be free elections in Hungary. After more than 40 years, Hungarian citizens will be able to go to the polls to decide for themselves the country's future and further fortune, not just by accepting or rejecting a certain political aspiration, but by choosing among various alternative roads. We hope that these elections will be truly free, unsoiled by any efforts at autocracy, or by unethical or unlawful political adventurism. That danger does exist. Proof of its existence can be found not just in Hungarian history, in the blue-ballot elections of 1947 and the use of mental terror in 1949, but in several recent events as well.

That, too, was brought up at the conference of the county secretaries and leaders of the Hungarian People's Party on 3 January 1990, when representatives of the party's local and county organizations met to coordinate the practical tasks of preparing for the elections.

The party's representatives from 15 counties gathered around the table, and several of them did indeed voice their concern that certain political organizations, by resorting to fraudulent propaganda tricks, using hysterical slogans, and maintaining constant tension, might be distracting voters from familiarizing themselves with the real problems. Naming the Alliance of Free Democrats [SZDSZ] and the Association of Young Democrats [FIDESZ], many of the conferees objected to the course of action they had experienced in conjunction with the November referendum. They protested against the aggressiveness, blatancy, and public deception. It was suggested that the Hungarian People's Party could gain credence among the voters specifically by not resorting to such means itself, and by participating in the election campaign calmly, cleanly, and fairly.

The party representatives from the counties also reported with indignation that certain political organizations—the SZDSZ and FIDESZ were mentioned once again—were taking advantage of the revolution in Romania to enhance their own popularity. One of the party leaders from Bekes County told the conferees that an SZDSZ agent had loudly demanded at the county

blood bank that blood preparations be shipped immediately to Romania without testing, which would have jeopardized the lives of the injured revolutionaries waiting for transfusions. This case and other similar ones hardened the county leaders' determination not to let themselves become involved in competitions of dubious value during the election campaign, instead of strengthening the party's organizations and shaping the party's platform by relying on the wise and considered judgment of the people.

It can be said that there is complete general agreement that at present the Hungarian People's Party is the only political organization which is basing its political aspirations on national traditions, the interests of the Hungarian people, and the values of the populist movement. The central slogan of the People's Party is that a "third road," neither bourgeois nor bolshevik, is the only feasible road for the Hungarian people. The Hungarian People's Party professes that this nation must remain in the Carpathian Basin, build a new home, and live a happy and prosperous life here.

"We cannot go away from here. This is our homeland. If anyone, it is the others who should leave. If they like the West better, let them move there. But they should not sell out our homeland," said a county secretary. "We do not want any promises from either the West or the East," added an activist belonging to the younger generation.

Jeno Korosi, the chairman of the party's executive presidium, reported that work was well advanced on the draft of the party's government program that the special committees were preparing, in addition to the party's election platform. The Hungarian People's Party does not want to be negative. Instead, it wants to outline new ways to lead the country out of its present crisis. "We are not responsible for the present situation. But this does not mean that we wish to delay its solution by making accusations, seeking to apportion blame, and licking our wounds. We are preparing a government program that will be acceptable to everyone wishing to prosper in this country, and which will lay the foundation for the people's future, for the next millenium of the Hungarian nation's history," declared the executive presidium of the Hungarian People's Party in its standpoint.

Csaba Varga, the member of the presidium responsible for organization and electoral matters, talked about the increasing polarization of politics that was compelling the Hungarian People's Party to find partners with whom it would be able to correct the present distortions in Hungarian politics and to successfully oppose the forces striving to sell out the nation. He noted that the platforms of the Hungarian Democratic Forum, the Christian Democratic People's Party, the Bajcsy-Zsilinszky Society, and the Independent Smallholders, Farmhands, and Citizens' Party contained many common features, and that many local organizations of the Hungarian People's Party had already developed forms of cooperation with these parties. The establishment of close ties and cooperation with the Agrarian

Alliance and the workers' democratic trade unions was also termed indispensable for the People's Party.

"The People's Party aspires to be the party of all decent Hungarians, and not just of classes and strata," it was announced.

The party's county representatives reported at the conference that the selection of candidates for the parliamentary seats was well advanced in many places. At present (on 3 January 1990) the People's Party is fielding candidates in more than 100 election districts. County and local party offices are in place, and groups supporting the candidates have been formed. This reporter noted particularly the omission of ratios and percentages of support. No one wished to predict the outcome of the elections or to engage in unethical criticism of other parties and political aspirations. Both the peasant's calm self-confidence and the determined bravery of the contestants before the battle were palpable in the air.

Perhaps the party's Csongrad County chairman expressed himself most aptly when he closed the conference with the following words: "Let us be the party of fairness, honesty, and morality!"

Pozsgay Scorns SZDSZ Ex-Communists, MSZDP Reluctance To Join Left

*25000661A Budapest NEPSZABADSAG in Hungarian
12 Feb 90 p 5*

[Article by "T. I.": "Imre Pozsgay's Speech at Hodmezovasarhely; Without a Strong Left in Parliament, the Country Will Be Balkanized; The Path Is Open for Citizens To Change From Being Subordinates to Being Legislators"]

[Text] The Hungarian Socialist Party [MSZP] held a grand election rally Saturday [10 February] at the Petofi Cultural Center in Hodmezovasarhely. The county's candidates for representatives were introduced, all of whom had acquired the 750 nominating slips. Thereafter state minister Imre Pozsgay, a member of the MSZP presidium, spoke.

"This is the first time in our history that a chance has presented itself for the ideals of homeland and progress, of patriotism and democracy to be linked," Pozsgay said. "The path has opened up for citizens to change from being subordinates to becoming legislators. The subordinate is not responsible for anything; when the boss falls he finds himself with a new boss. In contrast, the citizen is his own and his country's responsible master. I have confidence that there will be a Hungarian legislature which can start the nation on its path toward uplift," Pozsgay stressed. "In this legislature the left and the Socialist Party must be present as a definitive force."

"If the Socialist Party is left out of the legislature the country will not approach Europe; it will be Balkanized instead. This is because Europe's successful and friendly societies achieved their results under the leadership of

left-wing forces," the state minister continued. "It is natural today that citizens should turn away from the order that lived longer than it should have, and which led to a dead-end street." According to Pozsgay certain parties use this mood to announce the slogan of having a Parliament free of Communists. In reality they mean by this a Parliament without the left. By using conscious distortions, they place under one hat those who started democratic changes within the former Hungarian Socialist Workers Party [MSZMP], with those who endeavored to maintain the old order with all their strength. We, the Hungarian Socialists, worked to make everyone in this country able to speak his mind publicly, but we did not strive for this so that we could not speak our minds!" Pozsgay said.

"Invoking a clean past is a comfortable watchword," the orator continued. "But the one who counts as clean today has declared himself clean at the appropriate time. The past of these people is not being scrutinized: Purgatory is not mandatory to the former MSZMP members who transferred to the Alliance of Free Democrats [SZDSZ] or to the Social Democratic Party of Hungary [MSZDP]. It is mandatory only for those who became members of the MSZP. Under such circumstances it is not reassuring when they constantly refer to virtues, stigmatize people, and would not entrust the elections to the people, but would like to decide the results themselves in advance. Independent of the intent, we may easily find ourselves in a situation in which one dictatorship is exchanged for another. The masses which demand change may easily achieve progress that is not coupled with security, and a situation in which, in the name of a sincerely desired turnaround, they may be deprived of the living conditions to which they have become accustomed. Only the existence of a strong parliamentary left can guarantee preventing this from happening, one whose leading force is the Socialist Party."

At a press conference prior to the rally, the NEPSZABADSAG Csongrad County reporter asked Pozsgay whether he saw a chance that domestic political forces that intend to follow the path of successful European socialist and social democratic parties—meaning the MSZP and the MSZDP—will approach each other.

"The MSZDP is also adopting the mood of society characteristic of these times, and does not embarrass itself with the MSZP, so to speak," Pozsgay replied. "We regret this, although we know that at present such an approach would mean an election loss for the Social Democrats. We are convinced that the MSZDP does not dare to be a determined, firmly left-wing party because of such tactical considerations, but in the long term this conduct will sooner or later come into conflict with their goals and program. Therefore, I find it conceivable that during the postelection period the two parties will approach each other."

FIDESZ Envisions Grand Coalition, Criticizes Smallholders' Stance

*25000660E Budapest NEPSZABADSAG in Hungarian
12 Feb 90 p 5*

[Article by "F. Gy. A.": "FIDESZ on Parties That Make Promises"]

[Text] "We demand the immediate removal of Soviet troops, and further, that the country say farewell as soon as possible to the Warsaw Pact. Along with all of this, the recently swollen ranks of the foreign affairs apparatus should also be reduced." This was heard at the FIDESZ [Association of Democratic Youth] grand rally yesterday in Budapest, almost as if summarizing the short-term foreign policy goals of the organization.

Nevertheless, most discussion understandably pertained to the economy. FIDESZ, which encourages a strict anti-inflationary economic policy, compared its economic policy concepts with those of other organizations. This was not the first time that this has taken place in the course of the campaign. They once again made it clear that in their view only the Hungarian Democratic Forum [MDF] and the Alliance of Free Democrats [SZDSZ] had real programs. In terms of economic policy, however, the two organizations have approached each other in recent times, and, to use steering committee member Gabor Fodor's words: This holds out the hope for the upcoming formation of a grand coalition government.

On the other hand, the government to be formed will require great confidence, and, according to advance indications provided by FIDESZ: This will demand another three years of sacrifice from the people. In FIDESZ' view, the Hungarian economy should be shaken up first, and only thereafter would it be possible to increase the standard of living. The reverse is irresponsible, and could not be implemented by now. Voicing this belief, FIDESZ economic experts criticized the parties which make promises. The Smallholders in particular received their share of criticism. FIDESZ professes that the idea of restoring the 1947 conditions of land ownership is unacceptable and cannot be implemented for technical reasons.

The organization rejects the idea of reducing social security premiums, because if that was done, the changing of pension amounts to come close to real values would also be made impossible. They would try to invigorate the economy by reducing taxes and budgeted expenditures, even if the latter measure would be accompanied by significant unemployment.

'Intellectual-Moral Parliament' Formed

*25000660D Budapest NEPSZABADSAG in Hungarian
12 Feb 90 p 1*

[MTI report: "For an Unbroken National Progress"]

[Text] Some 100 members of the intelligentsia of various occupations and party standings held a meeting on

Saturday [10 February] in Budapest's Feszek Club to establish a new intellectual workshop, which was given the name "Intellectual-Moral Parliament."

The purpose of the intellectual forum that was organized over the weekend is to establish broadly based national cooperation among members of the intelligentsia on the most important issues involving the fate of the Hungarian nation. This theme prevailed in writer Ferenc Santa's introductory remarks. In his presentation he called attention to the fact that the evolution of the abilities of individuals must also benefit the public good, because only in this way is such evolution moral and true. These days morality, as a category, is not, or is only seldom, regarded in Hungary as a motive for action, nor is it considered in the course of judging action. For this reason the time has come for members of the intelligentsia who feel a sense of responsibility for Hungarian society to establish an opportunity for an unbroken path to national progress.

Members of both the humanist and the technical intelligentsia who were present agreed with this statement. True, their approach to the issues differed on occasion, and sometimes ended up in arguments. On the other hand, there appeared to be agreement in regard to the idea that the expected changes at the peaks of power should mean not only a change in the elite, but also the establishment of the possibility for everyone to freely exercise his democratic rights, and that real autonomous governments will come about in this country both in settlements and in economic life.

They decided to organize the Szarszo conference once again this coming summer. In addition, they want to establish a forum for the intelligentsia, where views may be exchanged freely, independent from party belonging.

Racz vs. Morvai Nominating Campaign Described

25000661B Budapest NEPSZABADSAG in Hungarian
13 Feb 90 p 8

[Text] By coincidence, the two party outsider, independent, and democratic candidates for National Assembly representative—Sandor Racz and Ferenc Morvai—introduced themselves at the same nominating meeting, in the Bacs-Kiskun County village of Akasztó. That village's name has its own story to tell. [Akasztó means "hanger," the connotation here: "where people are hanged"] Racz, who lives in Izsák, was nominated by the villagers and was unable to resist nagging by his followers, although he would much rather be president of the republic. His presidential campaign staff also recommended that he accept the nomination, particularly after the Hungarian Democratic Forum [MDF] and the Smallholders Party [FKgP] of Izsák had risen above their petty partisan interests and agreed to jointly nominate the party outsider Racz. Morvai, on the other hand, nominated himself, and with his characteristic energy he arranged it so that he could introduce himself to the voters of Akasztó at the same time with Racz.

Racz stressed politics, while Morvai emphasized the economy. The former chairman of the Greater Budapest Workers Council [Racz] praised the significance of the 1956 Revolution, and reported on the role he played in the events of those days. He explained that a Parliament free from Communists was needed, but that this has not been fulfilled thus far. He told a story of the time when Janos Berecz announced the establishment of the Hungarian Socialist Workers Party faction in Parliament, while Racz whistled in outrage from the galleries, and this was not well received. Another reason why Parliament should be free from Communists is that only in this way will the West provide money for Hungary to overcome the economic crisis. They are scaring the citizenry by saying that a \$20 billion indebtedness will cause difficulties to the new government. At the same time, Racz' friends in the West told him that the problems were not at all that great, and that it is of the essence to acquire political power.

Morvai used more cautious terms in defining what he understood under a Parliament free of Communists. In making a fine distinction he granted this much: There may be a few honest people in the Hungarian Socialist Workers Party [MSZMP] membership; accordingly he only wants to keep away from Parliament the radical Communists of bad character. He did not go into detail on who should do the classification. He continued by saying that political discourse should not be conducted, because one cannot make a living doing so. The entrepreneurial spirit must be spread throughout the country: Everyone should become an entrepreneur! But this evolving proenterprise economy should be free of ideology: Party leaders should not become directors, for example. In Morvai's view, social property should be transferred to the ownership of citizens free of charge, because whoever has enough money to purchase such property is likely to have acquired those fortunes in dishonorable ways in the past.

A small argument subsequently evolved over this matter. Racz said that as a retired skilled worker his pension amounts to 5,000 forints; unlike Morvai he cannot show millions: His financial opportunities were limited by his political conduct in the previous system. Morvai stressed that he had acquired his fortune, amounting to several millions, not by the mercy of the oppressive system, but despite that system. The press proclaimed that he had cheated on his taxes, because despite court judgments he was not willing to pay the 38-million-forint tax assessed by the state tax office [APEH]. He travelled to America and told his friends not to give money to the Hungarians. In response they [APEH] immediately wrote off his 20 million forints in taxes; moreover, Dezso Suto, the former APEH director, was removed from his job. Thereafter everyone was to judge for themselves whether he could be regarded as one who cheats on his taxes!

Morvai then told the gathering that they will establish a private entrepreneurial bank with a founding capital of two times 25 million forints, for the development of the Kiskoros region. They will provide, for example, 20-30

percent credit in advance to cover the expenses involved in vineyards and wine production. He will pay the contractually guaranteed price for grapes or wine, even if later the wine must be poured into the Danube. He rejected Racz's earlier remark that they intend to distribute some kind of wooden slip in the 7th District of Bacs-Kiskun County. This means only that in this district, everyone who has a valid building permit could purchase from him [Morvai] the lumber he had received from the Soviet Union, in exchange for buying his furnaces at a discount price. Private builders would at least mention that they have Morvai's wood on top of their buildings! He also said that because of Petofi, Kiskoros would deserve to play a leading role in the country. He promised that once Sandor Petofi is buried in Kiskoros he will have a sanatorium built in the city, because henceforth this will be an international tourism center.

A voter told the story that at Izsak two drunk young men had collected nominating slips for Morvai while making reference to lumber for construction. In response, the candidate delimited himself from the drunk young men, saying that such methods are entirely alien to him, and that he could not prevent unknown persons from abusing his name.

It appeared that the furnace manufacturer's optimistic views made the people of Akasztó more enthusiastic than Racz's somber rhetoric did. In the course of his speech, the entrepreneur from Nagyredő was applauded openly several times. Such applause started at the door and spread throughout the hall. Sure enough, after completing his introductory speech Morvai said that the nominating slips must be handed over to the people wearing red jackets at the entrance.

Candidate General Bela Kiraly Interviewed

25000661C Budapest NEPSZABADSAG in Hungarian
14 Feb 90 p 4

[Interview with Bela Kiraly, former general, 1956 National Guard commander, and New York professor, by Istvan Varga: "Kaposvar Candidate Bela Kiraly: 'There Is a Need for an Opponent....'"; date and place not given]

[Text] Bela Kiraly, the commander in chief of the 1956 National Guard, returned for the first time to Hungary last June for the funeral of Imre Nagy and his associates. Since then he has visited Hungary three times, the third time in January. It was then that the opposition parties of his native Kaposvar found him and asked him to accept the nomination for representative in the first district of Somogy County. The Hungarian Democratic Forum [MDF], the Alliance of Free Democrats [SZDSZ], the Association of Young Democrats [FIDESZ], and the Hungarian People's Party local organizations announced in a statement that they would not nominate opponents if Bela Kiraly would run as an independent candidate.

[NEPSZABADSAG] Professor, how did you react to the request you received from the opposition parties in your native city?

[Kiraly] It was an honor to which, quite naturally, I had to say yes. I would not have thought on my own of running in the elections, because I am 78 years old, and I have not lived in Hungary for quite some time. On the other hand, it is also true that in emigration I never ceased for a single day to work for the Hungarian people. I watched the Hungarian press and read the books that were published. Thanks to this fact I have found no unknown people in public life, because I know who represents what political view; moreover I am familiar even with shades of differences in individual political perceptions.

[NEPSZABADSAG] I heard that in Kaposvar there were some even in the Hungarian Socialist Party [MSZP] leadership who recommended that the party leadership try to persuade you to run on the MSZP ticket. What would your response have been?

[Kiraly] I would have responded with an instant "no." I would have done so because in order for me to run on a party's ticket I would have to profess that party's ideology. I am aware of the fact that the MSZP is not the same as Rakosi's Communist Party, or as Kadar's Hungarian Socialist Workers Party [MSZMP]. This is a new party, which has personalities like Nemeth, Pozsgay, and Horn—people I respect. These people have done a lot during the past six months for the nation's prestige, yet they represent an ideology with which I do not agree, and have never agreed with. But in thanking them for the offer and responding by saying 'no,' I would also say that I hope the MSZP will not suffer an annihilating defeat in the elections, and that the politicians I enumerated will be in Parliament, where we can face each other not as enemies, but as opponents. In a democracy only the multitude of arguments and views advance the nation's cause.

[NEPSZABADSAG] Does this mean that you would reject a scenario in which the MSZP would join the opposition, and would not run a candidate in Kaposvar?

[Kiraly] The former chairman of the Petofi Circle, my friend Pal Jonas, came to see me in America. He was asked by a member of the MSZP leadership what Bela Kiraly would say if the MSZP would not run a candidate against him. Jonas replied by saying that Bela Kiraly could not start any struggle in which there was no opponent. I confirm this, because there is a need for an opponent.

[NEPSZABADSAG] Once the rumor spread that you would be nominated, the 750 nominating slips were gathered virtually within hours. On the other hand, the grand meeting announced for today at the Kilian City Cultural Center, the rally to launch the campaign, has been cancelled. Why?

[Kiraly] In late November I suffered from a rather severe viral infection. Unfortunately, based on the symptoms experienced during the past days I find that the recovery I had hoped took place at that time was not complete. Thus, the organization of the election rally had to be stopped.

[NEPSZABADSAG] Could it happen that this illness will endanger your running in the elections?

[Kiraly] I hope not. Although time is short, the opposition parties cannot yield a mandate; they must nominate a candidate. I must decide within days, and I hope there will be no obstacle in my way.

[NEPSZABADSAG] Is your settlement in Hungary contingent upon your election?

[Kiraly] No, fortunately my citizenship was settled very fast; I have a Hungarian passport already. I want to return home by all means.

POLAND

Rural Solidarity Criticizes Balcerowicz Plan for Ignoring Farming Needs

90EP0312A Warsaw TRYBUNA LUDU in Polish
4 Jan 90 p 3

[Article by Ewa Fiala: "Inventory Sale Today, Tomorrow...Empty Shelves"]

[Text] "The government's economic program is a threat not so much to farmers, because farmers alone are in a position to feed themselves, but it is a threat to our workplaces and, thus, to the subsistence of the nation," said Gabriel Janowski at a press conference organized on Wednesday immediately before a meeting of the presidium of Rural Solidarity.

The Balcerowicz Plan "stands" for the second time on this body's agenda. The first session resulted in the holding of a meeting, which lasted over four hours, on 28 December 89 with the premier and the departmental representatives who accompanied him. But, in the estimation of Rural Solidarity, the government side does not understand us and does not share the opinion that the program is a threat to agriculture and consequently to society. Farmers know (and they agree) that it is necessary to make sacrifices. They make them as consumers. They want to protect their workplaces. A factory can be closed, the people transferred. One can change jobs, one can adapt. People can be trained. But what is to be done with land, a pigsty, and a cow shed? What can replace food? Who can replace its producers?

The presidium of Rural Solidarity has again decided to express its fears and demands. To issue a warning. The latter was especially emphasized: to issue a warning. The union accepted tactics of this sort: to give out information about the threats and quickly, by March at the latest, prepare an alternative economic program because this one...will not succeed. The union identifies itself with

the government and, in short, wishes it the best. If these are to be sincere wishes, one should speak the truth. And the truth looks like this:

The peasant must be seen as the owner of an enterprise. And what owner, facing the specter of bankruptcy, will operate to the detriment of his establishment? Spreading, for example, one thousand kilograms of the simplest fertilizer in the spring at 6,600 zlotys per kilogram will be an unprofitable expenditure. Consequently, he is not fertilizing.

The only way to escape the guillotine of credit rates is to pay them off on the spot. To clean out the pigsties and the cow sheds completely. For interest.

These two examples suffice in order to see in black, very black, colors the way the food market will look in a few months.

The presidium has adopted a position, which will be presented to premier Mazowiecki. We read in it among other things: "We cannot accept the many huge burdens that have been placed on farming. The manifold raising of taxes and interest rates as well as the principles of credit repayment and the growth of fuel prices and the prices of productive means of an industrial origin (fertilizers, machines) are leading to the collapse of agricultural production.... The economic and political consequences will affect the urban population the most painfully. They may threaten the stability of the state.... Our aspirations may be taken in a completely false way as the demands of farmers who do not want to bear the costs of the crisis. Such a state of misunderstanding will prove to be threatening to the country. In reality, we are, in complete consistency, defending agriculture as the basis of the national economy. The security and self-sufficiency of the country are threatened. No one will take on our living expenses...."

There is nothing to add, nothing to take away. The mood out in the countryside among farmers is very bad. Antiproducer. For nothing and no one favors production, or speeds essential financial aid for it, but rather just the opposite. "Outside" voices on this matter were rejected, disregarded. Will the voice from our own nest not be heard, either?

ROMANIA

Controversy Over Reinstatement of Uniate Church

Procedures for Legalization

27000005 Bucharest ROMANIA LIBERA (LUMEA CRESTINA supplement) in Romanian 28 Jan 90 p IV

[Communique of Ministry of Religious Affairs]

[Text] The press agency ROMPRES has received the following communique from the Ministry of Religious Affairs:

On 24 January of this year there was a working meeting at the Ministry of Religious Affairs dealing with the reinstatement of the Greek-Catholic (Uniate) church, which was dissolved in 1948.

The following participated in this meeting which took place in a spirit of Christian understanding and Romanian unity: Gelu Voican-Voiculescu, deputy prime minister of the government; Nicolae Stoicescu, minister of religious affairs; the Most High Holiness Antonie, metropolitan of Transylvania; Nicolae, metropolitan of the Banat; and Alexandru Todea, (not yet recognized) metropolitan of the Greek Catholic Church.

As a result of the discussions it was decided that things would proceed peacefully, in the following order:

1. The Greek Catholic Church would request legalization from the legal organs.

2. Until legalization is obtained, in a month or two, the priests and the faithful will reach an agreement peacefully and with a Christian spirit as to which one of the two churches they will choose: to remain Orthodox, as their grandfathers and great-grandfathers were, or to become Greek Catholics (Uniates).

3. In the final phase, after the approximate number of Orthodox and Uniate believers has been determined, the places of worship and the parish houses will be divided up, in proportion to the number of Orthodox or Uniate believers in each parish; the distribution will be executed by a mixed commission, in the presence of representatives of the local authorities.

We ask the priests and faithful to respect this natural order, determined by agreement between representatives of the two churches. Persons who occupy religious buildings by force will be subject to the strictness of the law.

Fidelity of Uniate Clergy

27000005 Bucharest ROMANIA LIBERA (LUMEA CRESTINA supplement) in Romanian 4 Feb 90 p IV

[Article by M. Balea, Ion Iuga: "The Greek Catholic Church"]

[Excerpts] For more than 1000 years, the Christian Church maintained itself in the beauty of unity, under the intelligent direction of the bishops of Rome, the successors of Saint Peter, the Papacy.

However, out of hatred and pride, Satan divided it and in 1054, the first great schism was created, dividing the Universal Church into the Orthodox Church headed by the bishop of Constantinople and the Catholic Church which continued to be shepherded by the bishop of Rome, the pope. [passage omitted]

In 1700, the prodigal daughter, the Orthodox Church in Transylvania returned to the Church of Rome, the Catholic Church, and became the Greek Catholic Church. [passage omitted]

Romanians returned to their mother church, which began in the catacombs of Rome, blossoming in Trajan's wonderful Dacia, bearer of the faith, blood, and name—Romania.

For a quarter of a millennium, it shepherded in brotherhood and agreement with the Orthodox Church, united in festivals and feasts.

It brought light, hope, and faith; it produced the Transylvanian School, it produced great scholars, it devoted itself to the Great Union of 1918.

For forty years it was in the desert. It was tortured, oppressed, starved, cold. But not one of the 12 bishops betrayed it. Thousands of priests sacrificed themselves.

Let us rejoice in its full return among us; let us thank God, let us ask for the grace of understanding, faith, strength, and hope.

History of 'Martyr Church'

27000005 Bucharest ROMANIA LIBERA (LUMEA CRESTINA supplement) in Romanian 4 Feb 90 p IV

[Article by Igor Butnaru: "Martyr Church"]

[Excerpts] 1 December 1948: a day blackened by a crime. Decree No. 358 "establishing the legal situation of the former Greek Catholic form of worship" legalized the "death sentence" for a form of worship, a branch in the tree of Christianity—the Greek Catholic Church. It was the first victim of the offensive of communist atheism, of the obscurantism of an ideology foreign to the deeply religious, Christian spiritual essence of the Romanian people. [passage omitted]

The church became "enemy number one". But why did they begin with the Greek Catholic church?! Basically, between this Church and the Roman Catholic Church there were only a few details dealing with doctrine, but it identified with the Orthodox Church both in essence and in regard to ritual. And then?! Obviously, the answer must be sought in the dark recesses of an antihuman ideology and its violent strategy.

Actually, the martyrdom of the Greek Catholic Church had begun earlier, as His Holiness Justin Stefan Paven, Greek Catholic bishop of Maramures reports. In October 1948, all six bishops of the Greek Catholic Church were arrested: Iuliu Hossu, bishop of Cluj; Ioan Suciu, apostolic administrator of the Archdiocese of Blaj; Valeriu Traian Frentiu, bishop of Oradea; Ioan Balan, bishop of Lugoj; Alexandru Rusu, bishop of Maramures who was elected metropolitan but could not be installed; and Vasile Aftenie, bishop in Bucharest. After these arrests, the persecution was extended. The rite's institute for

nuns in Blaj was evacuated by force on 30 October and the nuns were transported to Obreja Commune, along with the others; and priests and members of the faithful were subjected to merciless persecution, especially in April 1949, unleashing a wave of arrests and imprisonments for many years, as was the case with the nuns of the congregation who worked as nurses in the hospitals and university clinics in Cluj. Some were sentenced to two and four years in prison. Those who were not imprisoned were forced to join the Orthodox Church.

In July 1950 the Apostolic Nunciature was destroyed and the Papal Nuncio was expelled. [passage omitted]

New bishops were consecrated clandestinely to replace the ones who were arrested. The new bishops were: Ioan Ploscaru, for Lugoj (in November 1949) and the Canon; and Ioan Dragomir, bishop of Maramures, to whom the apostolic vicarate of Bucharest was entrusted. The following were also consecrated bishops: Ioan Chertes (from Cluj); Iuliu Hirtea (for Oradea) and Liviu Chinezu (in Blaj), who were in prison; and Alexandru Todea, the only one who was free.

In 1952, public opinion was shocked by the news that a so-called group from the nunciature had been tried and sentenced to 25 years in prison. Also, a nun arrested in 1952 was deprived of her freedom, without a trial, until 1954 when she received a pardon.

Then, at the end of the 1940's and the beginning of the 1950's the organs of repression were especially active among the students and the intellectuals. In June 1949, about 50 medical students and chemistry students, young royalists belonging to the student organization "Stema tarii" (Coat of Arms of the Country) were arrested. They included the chemistry student, who is today Bishop Justin Stefan Paven, who remained in jail until 1954. After he was released, the Orthodox youth converted to the Greek Catholic religion, which continued to exist underground and which was being practiced secretly in hidden and improvised sites, such as the attic of the Bucharest building on Strada Abrud 78, for example.

An uninterrupted chain of searches, arrests, and sentences "for illegally practicing a religion", and a chain of ever increasing sufferings. The martyr-bishops die in prison or in the jaws of the Securitate, in Sighet or Gherla, or in other places in the Communist Gulag in Romania, or under house arrest, such as Bishops Balan (in 1959 in Ciorogirla) and Hossu (in 1970 in Caldarusani).

Released under the amnesty in 1964 (by which Gheorghiu-Dej tried to gain the goodwill of the West at a difficult moment for the regime which tried to distance itself from the suffocating tutelage of the "big brother from the East"), Bishop Ioan Dragomir consecrated the first three underground priests of the Greek Catholic Church on 26 October 1964. They included the present Bishop Paven, who, at that time, was working, officially, as a laborer in the wood processing factory in Pipera! At

the beginning of 1980, the same Bishop of Maramures and of the Apostolic Vicarate of Bucharest, Ioan Dragomir, together with Bishop Alexandru Todea, approached the pope about consecrating successor bishops, which took place in 1983 and 1984 when Christian Octavian and Justin Stefan Paven became bishops. The church continued to function underground, harshly persecuted by the repressive organs of the regime. Search after search, endless interrogations, confiscations of goods, books, religious articles, etc. The final searches carried out on 15 May 1989, according to the records, by Major Marian Marica and Lt. Major Dan Paunescu of the Securitate and on 21 November 1989, exactly one month before the outbreak of the revolution in the Capital, by Captain Paul Barbu of the militia, showed the same opposition of the regime to the church of Christ the Redeemer, the spirit of hope in the salvation of the Romanian people and all mankind.

This is the history of a martyr church, of suffering endured by a part of such a distressed people, during the past four decades. [passage omitted]

On that holy 22 December 1989 the martyrdom of the Greek Catholics and the imprisonment of all Christians—Orthodox, Catholics, and others—ended because the church of Christ, the House of the Lord has been, is, and will remain one. Amen!

Reopening of Old Wound

27000005 Bucharest ROMANIAN LIBERA (LUMEA CRESTINA supplement) in Romanian 4 Feb 90 p III

[Article by Daniel Ciobotea: "Uniatism or a Dialogue of Reconciliation?"]

[Excerpts] We rejoice in the gift of freedom which God has given to the Romanians through liberation from the atheistic Communist dictatorship under which all believers in Romanian have suffered for more than four decades. [passage omitted]

The greatest dilemma with which Christians are confronted is the tension between the holy gift of freedom and the sin of disagreements and disunity (1 Corinthians 3, 3).

The reinstatement of the Greek Catholic [Uniate] Church in Romania is an affirmation of the religious freedom which the citizens of our country enjoy, but it presents a reopening of an old wound which still gives us pain: the problem of Uniatism.

The international theological dialogue and the dialogue of love between the Orthodox Church and the Roman Catholic Church is now in the moment of truth.

We Romanians felt that the union with Rome or the passing of a part of Romanian Orthodoxy to the jurisdiction of the bishop of Rome in 1700 was a break and an annexation, without free theological dialogue, carried out for political reasons, under conditions when the

Romanian population in Transylvania was under the foreign domination of the Hapsburgs.

It is true that the restoration of Romanian Orthodoxy in 1948, when the majority of the Greek Catholics joined the Orthodox Church, did not take place in an entirely free atmosphere, but took place under the pressure of the Communist state, a fact which we regret. Besides, as we well know, a great number of Orthodox priests also suffered under the same regime.

However, the former Greek Catholics did not return to a foreign church, neither from the sacramental nor from the national point of view, but to the church which had always been the church of the Romanians.

Now, however, under conditions of reconciliation in freedom, the issue of Uniatism should be resolved in the framework of the international Orthodox-Roman Catholic dialogue.

In the spirit of this dialogue, one cannot accept that the principle of Uniatism, which was always condemned at the international Orthodox level, could be encouraged in practice, at the present time.

The present and the future of the international Orthodox-Roman Catholic dialogue will depend, to a great extent, on the attitude of the Vatican in regard to the validity of Uniatism as a principle and as a proselytizing practice.

The moment of truth in this dialogue of love or of reconciliation between Orthodoxy and Roman Catholicism requires a reconciliation on the basis of the admission of mistakes made.

Christian reconciliation is an event and a spiritual condition, not only a diplomatic arrangement! In this sense, there must be a public and sincere admission that Uniatism is and was an attitude of annexation and submission of Orthodoxy to Rome, without any fraternal theological dialogue with Orthodoxy. Papal expansionist Rome is to blame for Uniatism, not the Romanian brothers in Transylvania who were ensnared into Uniatism in 1700.

On the other hand, the freedom which we are enjoying now helps us to recognize the tragedy of our Greek Catholic brothers, divided between Rome and the Eastern Church, whose vestments they wear.

Until there is a true reconciliation, Uniatism remains the tragedy of an artificial attempt to supersede the Schism of 1054 between the Eastern Church and the Western Church.

We want all Orthodoxy and the Church of Rome to achieve theological and ecclesiological reconciliation. However, the practice of theological capitulation through Uniatism endangers the current international dialogue and encourages hatred and disunity between the religions.

We hope that the Church of Rome will realistically consider the dimensions of such a danger and we ask Christ the Lord to help us to use religious freedom for repentance, forgiveness and sincere reconciliation, and for increasing fraternal Christian love.

History of Uniate, Orthodox Conflicts

27000005 Bucharest ROMANIA LIBERA (LUMEA CRESTINA supplement) in Romanian 4 Feb 90 p III

[Article by the Rev. Prof. Dr. Mircea Pacurariu, Sibiu Theological Institute: "Truths That Are Not Known," Part I]

[Excerpts] Christmas 1989 brought us the joy of the liberation of the Romanian people. [passage omitted]

New prospects were opened up for the ancestral church in the midst of the Romanian people, who need, more than ever, a moral reformation, a return to Christ and the eternal truths of the gospel. But this can only be done in a spirit of unity, love, and Romanian brotherhood.

The changes in December 1989 led to the abrogation of a decree, approved 41 years ago, by which the Greek Catholic Church was made illegal. I saw, on television, Hungarian Roman Catholic bishops meeting with Romanian Greek Catholics in a Synod in Alba Iulia, as they met in Austria Hungary of the past! We would have expected a meeting of Romanian bishops of both rites (Orthodox and Uniate) and not a meeting of Greek Catholics with bishops of another people and of the Latin rite! I found out that he studied at the Orthodox Theological Institute, which was not operating in the catacombs! We know that former Uniate priests who did not return to the Orthodox Church in 1948, carried on their activity freely in state institutions and were not subjected to harassment by the Communist authorities and their sons were not prevented from entering schools and faculties, as was the situation with the Orthodox priests and with their sons. We know that priests who wanted to return to the ancestral Church in 1948 were received with love and continued their activity and their places of worship were kept in good condition, and new churches were built in many Uniate parishes.

But this is not the purpose of this article. Our faithful—I am thinking not only about those in rural areas, but also intellectuals—do not know a number of aspects connected with the past of Transylvanian Romanians. They only know that the bishop of Blaj worked for the national and cultural reawakening of the Transylvanian Romanians. We admit this. But it is good for us to know how the Greek Catholic or Uniate church came into being, especially now, when we hear on television and radio and read in the "free" press undeserved condemnations of the Orthodox Church, the priests, and, especially, the hierarchy.

A superficial study of the history of the Romanian Orthodox Church will convince us that it had a history of

a long martyrdom. It suffered oppression during the Daco-Roman period from Roman emperors who thought that Christianity was an "illicit religion".

In the second millennium, during the period of the invasions on the intra-Carpathian territories by the Hungarian feudal kingdom, the Orthodox Church was subjected during the period of the Voievods (until 1541), the Catholic proselytizing, sponsored by the popes and the kings of Hungary; during the period of the Principality (1541-1688) there was a lengthy Calvinistic proselytizing activity, sponsored by the Hungarian Calvinist princes in Alba Iulia. The result of the proselytizing actions was first the conversion of the former Romanian princes to Catholicism in the 13th-15th centuries and then to Calvinism, and then their Magyarization. Then the Transylvanian Romanians no longer had a leading class, since it was denationalized gradually, through the intermediary of other religions.

After Transylvania came under the domination of the Catholic Hapsburgs (1688), efforts began to attract Romanians to union with the Roman Church. It had a political motive, because during the period of the Principality, the majority of the communities which formed the three national groups which were taken over converted to other faiths: the Saxons to Lutheranism (completely), the Hungarians and Szeklers (partially) to Calvinism and Unitarianism. But, after 1688, in a Catholic state, such as the state of the Hapsburgs, the balance of power had to be changed to Catholicism. Thus, the attention of the leading circles in Vienna, aided by the Hungarian Jesuits, was directed toward the Orthodox church members, who constituted the majority of the residents of the country. There was no talk about the Romanians becoming Roman Catholics, especially since their priests were married, which the Western Church did not permit, and the liturgical language was Romanian, while the Roman Catholic Church used Latin exclusively at that time. Therefore, efforts were made in Transylvania to convert Romanians to "Uniatism" as had been done in other Orthodox Churches (in the Ukraine, Syria, the Holy Land), by the acceptance of the four dogmas formulated at the Synod of Unity in Ferrara-Florence in 1438-39: the primacy of the pope (the pope is the head of all Christianity), the Filioque teaching (the Holy Spirit proceeds from the Father "and the Son", which the Western Church has renounced today), the existence of Purgatory, and the distribution of the unleavened bread.

There is a "book of evidence" dated 7 October 1698, signed by 38 priests and archpriests. On the first page, there was an evasive statement of unity in which the priests pledged to be obedient to the pope. The text on the second page, written in Latin, was completely different from the text on the first page and stated that the priests accept all the teachings of the Catholic Church, especially, the four "Florentine" points.

In two subsequent additions, the priests sought the complete preservation of the ancestral "law", mentioning: the liturgy, the fasts, the calendar, the right to elect a metropolitan.

As a result of the pressures of the Jesuits, Metropolitan Atanasie Angel of Alba Iulia signed a very confused statement of unity in Vienna on 7 April 1701, a 16-point statement in which he promised to obey the Roman supreme pontiff and the Hungarian Catholic Archbishop of Esztergom and to sever contacts with the "schismatic" Constantin Brincoveanu. Atanasie paid dearly for this betrayal of the church and his people: He was ordained again (which the canon laws do not permit) by three Catholic prelates, not as a metropolitan, but as a bishop. The consequences of the act were especially painful: The metropolitan seat of Alba Iulia became a simple diocese, under the jurisdiction of Esztergom, "a Jesuit theologian" (most often Hungarian) was appointed along with the new bishop, to monitor all his activities; the emperor in Vienna became the "patron" of the new united Church, with the right to appoint bishops from a list of three proposed; and traditional relations with Wallachia and Moldavia were broken off.

After the death of Atanasie, the cathedral and the metropolitan's residence in Alba Iulia, founded by Michael the Brave, were destroyed. His successor, the renegade Romanian Ioan Patachi, installed eight years after his election, (until then the diocese was run by "Jesuit" directors), established his residence in Fagaras; with the aid of Austrian soldiers from the local garrison, he occupied Sf. Nicolae Church, which was founded by Constantin Brincoveanu, which became the diocesan cathedral.

His successor, Inochentie Micu, the most important hierarch of the Uniate Church, is considered the initiator of the struggle for the national and social emancipation of the Transylvanian Romanians.

'Foreign Interference' in Church Condemned

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[Article by the Rev. Prof. Dr. Mircea Pacurariu, Sibiu Theological Institute: "Truths That Are Not Known," Part II]

[Excerpts] However, Inochentie Micu could not continue the struggle because he was removed from his position by those who wanted to maintain union with Rome; the Court of Vienna and the pope.

The fifth and sixth decades of the 18th century were characterized by a veritable "religious war" against Orthodox Romanians waged in the name of the Empress Maria Theresa. [passage omitted]

In the seventh and eighth decades of the 18th century there were new methods for forced union. Bishop Atanasie of Blaj drove the Orthodox priests and faithful

from the villages which were in the "domain" of the Diocese of Blaj. His successor, Grigorie Maior, accompanied by two Hungarian commissars, passed through approximately 60 villages in Salaj which he declared to be Uniate.

On the other hand, the Orthodox Church was without a church leader until 1761 when the Court of Vienna, as a result of pressure from the Orthodox masses, had to appoint four Serbian bishops for the Orthodox Romanians, with headquarters in Sibiu (before that time, Orthodox priests were ordained in Bucharest and Rimnic). In 1810, the national Orthodox hierarchy was reestablished and in 1854 the former Metropolitanate of Transylvania, which had been disbanded in 1701, was reestablished, with its seat, this time, in Sibiu.

In the western part of the country, in Bihor, 21 villages, with 4,000 people, were arbitrarily made Uniate, as a result of a poll on religious affiliation required by the Hungarian Roman Catholic bishop of Oradea, who was also the prefect of the county. [passage omitted]

In Maramures and Satmar, after the death of the last Orthodox bishop in 1739, the authorities transferred the Romanian parishes to the jurisdiction of the Ruthenian Uniate bishops of Muncaci (currently Mukacevo, in the Ukrainian SSSR). Some of them were Magyarized, like Andrei Bacinsky, in the second half of the 18th century, which led to the introduction of liturgies in Hungarian in many Ruthenian churches and in some Romanian churches in Satmar. In other words, the Ruthenian diocese of Muncaci was a means for Magyarizing Romanians and Ruthenians. The parishes in Satmar remained under the jurisdiction of this diocese until 1824 when they were annexed to the Uniate Diocese of Oradea and those in Maramures, until 1853, when the Diocese of Gherla was created.

The final danger of "Magyarization" by the church occurred in the 1912-13 period when the Hungarian Greek Catholic Diocese of Hajdudorog (in northeast Hungary) was created, maintained by the government in Budapest and subordinate to the Hungarian Roman Catholic Archdiocese of Esztergom. Some 83 parishes with 73,225 members were annexed to the new diocese. Priests and believers who opposed incorporation into the new diocese were arrested and sentenced. The diocese of Hajdudorog, with its Hungarian occupants, continued its evil activity among the Romanians until December 1918 and then it resumed this activity during the period of the Horthyite occupation.

On the basis of what we have presented, it is easy to see that Uniatism among the Romanians was the work of foreigners: Jesuits and the Court of Vienna in Transylvania proper, the bishop-prefects of Oradea and Bihor, the Magyarized Ruthenian bishops from Muncaci in Satmar and Maramures, and the Budapest government in the parishes incorporated in the diocese of Hajdudorog.

There were repeated attempts by the Romanian priests and believers to return to their ancestral church—in 1759-61, 1798, 1848, 1918, 1918, and 1938. [passage omitted]

On October 1948, as a result of the appeal by Patriarch Justinian Marina and Metropolitan Nicolae Balan of Transylvania, 36 archpriests and priests initiated the Cluj agreement to return, accepted by the great majority of priests and believers, who understood, even under the conditions existing at that time, that the disunity which persisted for 250 years could not be maintained. Some of the clergy and some believers, especially among the intellectuals, refused to join the Orthodox Church; nevertheless, by state decree dated 1 December 1948, the Uniate Church was declared illegal.

Some 41 years have passed since then, a period in which Uniate priests have been received into the Orthodox Church with fraternal love and two of them have been elected hierarchs; youths from former Uniate families have studied at Sibiu Theological Institute and the Cluj Seminary serving up to the present at the altars of the ancestral church. In most of the parishes, including the former Uniate parishes, the churches have been restored and painted and in some parishes, new churches have been built, as evidence of the sacrifices of the believers and their love for the people and for Orthodox law. We prayed together, we suffered together and we have hoped together, that the hour would come for our deliverance from slavery.

Although the decree of 1 December 1948 was recently abrogated, the action of 22 December 1989 obliges us all to unity, to a permanent effort for the economic, and, especially, the moral recovery of the country. The blood shed by so many young people, baptized in "Orthodox law", demands our unity, brotherhood and love, in service to Christ and the Romanian people who have been so much oppressed. It would be sacrilegious to their memory if we were to resume our sectarian differences of the past, which are so detrimental to the unity of our nation and church. We hope that our faithful believers have understood how unity with Rome was effected in the past—only through the intermediary of foreigners. We believe that they have understood how some aged Greek Catholic hierarchs who are not considering the aspirations of the new generations and are trying, with the assistance of the Roman Catholic hierarchy, which is foreign to our people, to produce, anew, disunity and disagreements among the sons of the same people.

Today we do not want foreigners to interfere in our church life anymore, as they have done in the past. The freedom which God has given to us by means of the sacrifices of so many of our sons and brothers demands that we maintain unity as a people and unity of religion.

YUGOSLAVIA

Unfair Treatment of Borba in Serbia Claimed

90EB0184A Zagreb POLET in Serbo-Croatian
27 Oct 89 pp 6-7

[Interview with Milan Rakas, director of the Borba Newspaper Publishing Enterprise and member of the Presidium of the SAWPY, by Vlado Vurusic: "The One-Party System Is Done For"; date and place not given]

[Text] [POLET] What is it like to "do" a federal newspaper at this moment in our sociopolitical history? What are the advantages and deficiencies of such a newspaper?

[Rakas] As for the editorial content of the newspaper, I think that we have a great advantage over the media of republics and provinces. In this period when separatist and disintegrative tendencies are growing stronger in Yugoslavia, it is a challenge to do a Yugoslav newspaper out of commitment. By the very fact that our founder is the Federal Conference of the SAWPY [Socialist Alliance of Working People of Yugoslavia], and the republic and provincial socialist alliances are cofounders, this means that we are not bound to any one republic by an umbilical cord. We gain thereby in breadth, we do not get involved in crossfire between republics, and we are not subject to localistic and regional pressures. But I must say that even we are feeling the conflicts, since there have been attempts to influence our editorial policy. Since our journalists do not live under a bell jar and are influenced by trends in society, it is clear how complicated and sensitive a question it is to demand an authentic Yugoslav orientation. I think that BORBA is good, as are our other publications. They do what they were intended to do both when no one is altogether happy in the Yugoslav community and also when they please everyone a little bit. We seek, and I think that we also find, a critical attitude toward all communities and toward everything that is shaking Yugoslavia today. But there is another very important problem, and that is the worsening financial position of both the newspaper publishing house and of the newspaper BORBA itself, and the primary reason for this is that we are a Yugoslav rather than a republic enterprise. Let us be clear, of course, that all newspaper publishing houses are in a difficult financial situation. The price of paper alone has jumped all of elevenfold in one year, the price of a newspaper has increased eightfold or ninefold during this year, and still we have not kept up with inflation. Three of our five largest newspaper publishing houses are operating at a loss—Vjesnik, Oslobodjenje, and Politika, and the other two, Borba and Delo, are operating at positive zero. In all, there are 12 newspaper publishing houses operating at a loss. Vjesnik showed losses of about 1,100 billion old dinars for the first six months, Politika all of 3,273 billion old dinars, and Oslobodjenje about 500 billion. Our balance is positive by some 200 billion. We cannot, of course, anticipate an improvement of the financial situation. The "success" is

also the result of our belt-tightening. Our average personal incomes over the first six months are below those of the publishing houses mentioned—our average was 70 percent of those at Delo, 91 percent of those at Vjesnik, and 70 percent of those at Politika, and this latter is particularly drastic when you take into account that we also are publishing in Belgrade. Why am I saying all this? BORBA does not have what I might call its own sugar daddy, a republic which at the end of the year will cover losses or offer some relief. We often get the wicked witch treatment. We pay all our taxes to the Republic of Serbia, since this is the republic in which we are domiciled, without any sort of exemptions, yet POLITIKA has exemptions amounting to all of 90 percent. They pay only 10 percent of their obligations. We also have the lowest personal incomes in spite of significant achievements.

[POLET] Can this be related to the increasingly frequent criticism of BORBA in Serbia?

[Rakas] We also filed application, but it was rejected on the grounds that we are a federal publishing house. I would not relate this directly to the attacks on BORBA, although passing the buck to the Federation is not very convincing. The Federation has done what it could, especially since the arrival of Ante Markovic and the new Federal Executive Council [FEC]. The Federation in fact finances 80 percent of the difference between the cost price and the sales price of the newspaper, and we finance 20 percent from our other publications. I also have two ideas which I am now making public for the first time. The first is that I am thinking about the possibility of moving, which is something we can do as a Yugoslav periodical since we have components in all the republics. We will look for a place where the taxes and other burdens are smaller. We will change our location if we need to, if our domicile republic does not begin to treat us the same way as POLITIKA. Second, the danger of a dissolution of the Social Compact on Financing hangs over us like Damocles' sword. If any republic or province raised that issue, and the danger exists, we would come down like a house of cards.

[POLET] Has anyone raised that issue?

[Rakas] You know, at the height of the fiercest attacks on us from Serbia, the talk behind the scenes (never official I must emphasize) about dissolving the Social Compact on Financing became more frequent. At that time, and this is the second idea, I was ready to float a loan to keep BORBA going. We are prepared even to receive voluntary contributions. We had difficulties with the old leadership of Bosnia-Herzegovina, that was in the period when the "Agrokomerc" scandal and Neum were exposed, since we were the first or among the first to begin to report on it. It is good that things began to sort themselves out there, since the previous leadership, especially the then secretary for internal affairs Dusko Zgonjanin and the Pozderac brothers, had their foot on our neck. If Branko Mikulic had lasted any longer, this issue certainly would have been raised, since while

Mikulic was FEC chairman, for example, and the FEC is responsible for its enforcement as the executive body of the SFRY Assembly.

It is a particularly good thing for our democratic public that the personnel changes in SR Bosnia-Herzegovina, at the head of the Bosnia-Herzegovina LC [League of Communists] Central Committee, and also the Bosnia-Herzegovina Republic Conference of the SAWP have brought forth people who are more responsive to democracy and public scrutiny of what they do.

[POLET] Is there a need for a central newspaper like BORBA, especially in view of the fact that the newspaper's very existence was in jeopardy a few years ago?

[Rakas] If BORBA did not exist, it would have to be invented in this situation of ours. Today, we have to read eight or nine newspapers to find out what is going on. We at BORBA try to get the basic news to our reader, but columns and positions are another matter. The essence of the problem today is objective newsgathering, not editorial comment. In our country, the most ordinary newsgathering concerning events, meetings, or conferences is weak.

[POLET] You are probably referring to the republic periodicals. Do you think that they are operating today under pressure from the leadership and the policy they advocate?

[Rakas] I think that the era of pressure is behind us, but there is something else, of which BORBA has less. The people who write and edit the republic newspapers live and work in that community, they are not detached from it, they share the atmosphere in which they work. Of course, I do not mean to imply that our journalists are some kind of supermen or that they are particularly immune to their environment and events, but the atmosphere in our house is different, we are looking at Yugoslavia as a whole. Who knows how our individual journalists would behave if they were working for some republic newspaper. Or the other way about. The social conditions in which one works are the decisive factor.

[POLET] What do you think, is BORBA being perceived more and more as a Belgrade newspaper?

[Rakas] We publish in Belgrade, that is all. Our editorial policy is such that BORBA is edited in all of our republics and provinces. We have both publication councils and editorial offices in all the republics and provinces. It bothers me and angers me when we are called a Belgrade paper.

[POLET] From the perspective of a Yugoslav newspaper in the geographic sense, what is your outlook at the level of Yugoslav news space, so that it is not fixed in advance, as it was in the past?

[Rakas] The time when Yugoslav news space was fixed in advance is definitely on the way out, and this happened as soon as the bell tolled for Bolshevik monolithism in the LC. We must build unified, but not centralistic news

space on the basis of all the differences which we have, and of which we should not be afraid, and which will be still more pronounced as the process of democratization develops. If journalists do their job professionally and provide objective information, regardless of their subsequent comments and positions, we have created the backbone of a unified space on the basis of differences.

What do we have today? It is sometimes difficult to realize from the reports sent in by journalists from different communities that they are writing about the same event or meeting. The second step toward creating a unified information space is openness and accessibility of all sources of information. The essential thing for Yugoslav information space is not that everyone write the same thing, for it to be uniform. The essential thing is that everyone present the facts objectively and truthfully, and the commentary will then show what in a particular community arouses greater attention, criticism, or praise. As I see it, that is not a problem.

[POLET] You have already said something about this, but let us return to the community in which BORBA actually operates. Serbia and Belgrade have experienced significant changes in the last two years, revolutionary and constructive changes according to some people, menacing and disturbing changes according to others. How has it been working in that euphoric atmosphere of rallies, that atmosphere of praise and disputation?

[Rakas] Our experience shows that there is no euphoria that can make a journalist vacillate so long as he is a professional. We have undertaken to provide objective information about the events in Serbia, and the short circuits usually occurred because of our comments and views, which differed from the outlook of the community.

[POLET] How did your dispute come about, and how did you perceive the betting that was going on in Yugoslavia as to how long BORBA would withstand the pressure?

[Rakas] The main dispute arose over the well-known Eighth Meeting of the Serbian LC Central Committee. The periodicals of the Borba Publishing House, which are Yugoslav periodicals, had differing views about the results of that meeting, and they also differed from the official views of the leaderships in SR Serbia concerning that meeting. We also committed a professional oversight concerning the eighth meeting, and that merely aggravated the disagreements. For a time, about a month or two, we did not provide our readers sufficient information about the responses to the eighth meeting. Some people saw this as a calculation, others as neglect. In my judgment, this was a case of journalistic ineptitude, since, as I have said, our journalists do not live under a bell jar either. It was a question of confusion. I had the feeling that some of the journalists had a hard time deciding to attack the views of the leadership that had fallen, but an uncritical approach to the results of the

Eighth Meeting of the Serbian LC Central Committee was not in line with our critical editorial policy.

It is understandable that the journalists of our publishing house, because of its Yugoslav orientation, were unable after the eighth meeting to take up the campaign against the leadership of SR Serbia which had fallen, as had been done by the journalists of republic periodicals in Serbia. However, long before that meeting we had major disagreements with the old leadership in Serbia because of what we wrote about certain things in this republic, especially about the Memorandum of the Serbian Academy of Sciences and Arts. But, after the eighth meeting, on grounds of principle, we still were not able to become a part of the unscrupulous attacks and manhunt against the leadership that had fallen. Because of this oversight of ours, we left our own readers without information about the implications of the eighth meeting, about the debates and reaction to it. In that state of suspense, we left quite a bit of room of which others took advantage and filled. We paid for that mistake with a certain drop in circulation. However, we had our greatest disagreement with the comrades in the leadership of Serbia because of our comments, which expressed our views of the meeting. Thus, we felt that the LCY [League of Communists of Yugoslavia] Central Committee should debate the meeting because of the differing comments and responses in other parts of Yugoslavia, especially in the other leaderships of the LC [League of Communists]. This was then interpreted in Serbia as a desire on our part for some kind of tutelage or arbitration to be set up over the Serbian LC. We were called upon to support the results of the meeting, as they put it, "as well as the people in Serbia." They forgot that in the dispute between the army and Slovenia we also asked for a meeting of the LCY Central Committee. Political practice confirms that these views contained in our comments were justified. If we had jointly debated every major LC dispute in the LCY Central Committee, I am certain that today we would not have the kind of "Battle of Kosovo" in every meeting of the Central Committee that we have had recently. Let me say in passing that we also insisted on debate because we were aware that the chairmen of the republic and provincial central committees had received from Milosevic a written report of the Eighth Meeting of the Serbian LC Central Committee, yet it had not been published anywhere that any central committee of a republic or province had seen that report. Another position of ours which provoked a sharp reaction from the Serbian leadership was when we stopped the roll call and called for accountability of all those who merely had a different opinion in the Eighth Meeting; in practice they had not even had time to show whether they were ready to carry out the views of the meeting. We stood up in opposition to accountability for thinking differently, since this leads us into the blackest Stalinism. I never doubted that we would see it through, since this was not the first time that we had been called to task from a republic, and it probably will not be the last.

[POLET] You also mentioned individuals being called to account for thinking differently....

[Rakas] These are unfortunately revivals of Stalinism. I think that in the future we will have debates about rehabilitation of those whom today we are writing off unthinkingly, just as now we are debating the rehabilitation of liberals and others whom we previously wrote off without giving it much thought. But that is a problem of our party, which is having a hard time freeing itself of the Stalinist attitude toward the people within it. We have even lost what we gained in the war; it is well known that Mosa Pijade died without retraction of the reprimand which he received during the war, but he remained a member of the Politburo. Djilas was also punished, but he remained in the very close leadership. Bakaric and Koncar were punished back in 1941, but they nevertheless stayed in the leadership of the armed revolution.

[POLET] Many taboos have been broken. Does writing about certain things in our society help break taboos in one community and improve information in another, although somewhere else people are keeping quiet or even attacking those who have raised this issue?

[Rakas] I think that the process of democratization has opened up opportunities to shatter and erode taboos more rapidly and effectively. The situation is such that taboos simply ought not to exist any longer. No one can convince me that something is going to happen to someone today because he has exposed some taboo topic; those times are gone. There was a time when broaching a ticklish subject always caused a scandal, but not today. To be sure, criticism is a normal thing; you cannot go against the taboos and not lose any sleep over it. There is no question that writing about something in one community helps another community as well, although the latter, say, will take the precaution of orienting its periodicals toward defense or toward firing on others. Here is just an example from BORBA: When we began to write about "Agrokomerc" and Neum, the periodicals in Bosnia-Herzegovina were silent, but after a month or two, it was they who were the principal carriers of news about those events.

[POLET] Why are silence and a coverup resorted to when it almost always turns out that this is not the most effective method?

[Rakas] Whoever has information also has power. The battle for public scrutiny and accessibility of information to all the media and through them to the public is actually a process of taking power away from a small group of people who have been in positions of authority. The leadership's silence makes a mystery of its own activity and amounts to nothing more nor less than preservation of position and power. As soon as they are opened up, when every leadership is exposed to the critical eye of the public, then authority has to be proven. Some leaderships have in fact stayed in power this long

in spite of their ineffectiveness because they were operating in secret, and they were not exposed to the public. In practical terms, silence is a way to preserve power.

[POLET] Along with the establishment of various political and alternative alliances and groups, there have also been initiatives for them to start their own periodicals, including independent ones. How do you perceive those initiatives and the desire of those alliances and parties to have their own organs?

[Rakas] Everyone who was afraid of the term political pluralism must be aware that we do in fact have it. The sooner we realize that there is no authentic democracy without political pluralism, the fewer labor pains this democracy of ours will have. I personally have a favorable opinion of the alternative movements and groups and also of their desire to have their own newspapers and journals. I would only say that in political pluralism we must fight at least for respecting the socialist orientation in the broadest sense of the word.

[POLET] There are various options as to the operation of political pluralism and the organizing of the new alliances.

[Rakas] As I see it, all the socialist options should be unified in a reformed Socialist Alliance. The way it was conceived and brought about in Slovenia within the framework of the Liberation Front. These movements within the framework of the Socialist Alliance may be called parties, but the basic idea would be the socialist orientation in the broadest sense, and let them be Social Democrats and Christian Democrats if they like. An orientation which will build a socialism of prosperity, not of poverty and "equal stomachs." However, when we initiate the process of political pluralism, we can also anticipate the establishment of parties which do not have a socialist orientation. When such initiatives arise, there is no reason not to allow such parties to operate, which they would do outside the Socialist Alliance. That is better than cramming them into the Socialist Alliance. As for registration of these parties, I think that only the establishment of parties with a nationalistic and fascist program should be prevented. We must count on that in the process of democratization. In that kind of struggle with parties of differing ideologies and political orientations, there will be a competition among programs. In that kind of political pluralism, I believe in the victory of a program with a socialist orientation. We must put an end to the procrastination about clearing the way for establishment of political pluralism in which all the socialist forces will organize strongly into one front and in that way prepare themselves for successful competition. If we put this off, parties will form which will operate illegally, the result will be a political chaos in which it will be the opponents of socialism who win points. We are forgetting that at one time the CPY [Communist Party of Yugoslavia] operated illegally without losing much of its strength. Unless we solve this

problem, we will find ourselves in a very delicate situation; either we will allow them, or we will ban them, and bans and democracy do not go together.

[POLET] When you speak about organizing all the socialist forces under the umbrella of the Socialist Alliance, you also mean that the LC will be organized there.

[Rakas] The League of Communists can only be an equal participant in that kind of reformed Socialist Alliance, and it will be dominant only insofar as its program is more acceptable than that of others. I am afraid that the LC is unprepared as it enters pluralism. This is illustrated by its attitude toward the press. KOMUNIST is weaker than at any time in its history, and when all the parties begin to organize their own organs, or operate through BORBA, it will find itself in an unenviable position. In the new Socialist Alliance, BORBA will no longer give preference to the LC, but must taken an evenhanded attitude toward all members. Thus, the LC must have its own quality press and propaganda in a clash with the Social Democrats, say. Instead of strengthening what they have, they are growing weaker.

[POLET] In Croatia, the greatest storm has been caused by establishment of the Croatian Democratic Community [HDZ]; how do you look on that initiative in view of your debate with their leader Franjo Tudjman?

[Rakas] From what I have seen of the HDZ program, there is nothing in it of a socialist orientation in the broadest sense. But that should not be an obstacle to operation of that community outside the Socialist Alliance provided it renounces everything in its program that "smacks" of nationalism, which is why at one time I engaged in a debate with them.

[POLET] How would BORBA operate in that reformed Socialist Alliance since it is the party organ?

[Rakas] No party can be prevented from having its own organ; they must be allowed to do so. Those parties that will be organized in the Socialist Alliance, if they are not satisfied with a paper like BORBA, let them have an opportunity to create another newspaper, but every party must find its own financing.

[POLET] The opponents of party pluralism often mention the ethnic factor in Yugoslavia, and they find arguments against party pluralism in the party life of Old Yugoslavia.

[Rakas] This can be worked out by making openness to all nationalities and all citizens regardless of where they live a condition for registration. If that is achieved, then it will not bother me so much if they operate only in one republic. You see, in the ranks of the Croatian Peasant Party there were also a large number of peasants of Serbian nationality in Croatia. The key to the solution is not insisting on parties that will retain the word 'Yugoslav' in their name, since even republic parties could enter into coalitions on the basis of programs and interests. In political struggle, everything changes.

[POLET] There have been proposals for democratization of the one-party model. There is talk about pluralism without parties.

[Rakas] All of those who harbor the illusion of the further survival of the one-party model will see, if they have not already, that this is out-of-date. Under the banner of a one-party system, we allowed eight different LC's to be formed. Instead of entering political pluralism with an acceptable program, in competition with others. As far as "nonparty" pluralism is concerned, I think that this is a contradiction in terms. A party either is or is not. We either have competition among the programs of parties or we don't.

[POLET] Recently, NEPSZABADSAG, which is now the organ of the Hungarian Socialist Party, dropped from its masthead the slogan "Proletarians of All Countries, Unite." Since BORBA has the same slogan on its masthead, can we expect a similar move on the part of BORBA, especially in this process of pluralization and reform of the Socialist Alliance?

[Rakas] Within BORBA, we have been thinking about that for a long time now, although our reasons differ from the reasons of NEPSZABADSAG. I think that the slogan "Proletarians of All Countries, Unite" is outdated. This is a slogan which has undergone such transformation that it can no longer exist in that form. The proletarians themselves have undergone a transformation; proletarians no longer exist in the same sense as when the slogan was devised. Which means that our masthead is also outdated, and we are thinking of doing away with that masthead as soon as the first important change takes place in the physiognomy of the newspaper BORBA. Right now, we are preparing an experimental presentation of BORBA in a small format, and that slogan will no longer be used there. But let there be no misunderstanding, we are not removing it because we are making some political decision to do away with a slogan and everything that it implies or did imply, but this is being done in keeping with the changes in the working

class and its struggle, which it symbolized. BORBA has also undergone changes, since we are no longer an organ of the CP or of the LC, but of the SAWPY—which is open to all strata of society.

[POLET] There were quite a few journalists on LC electoral ballots. Do you think that this is good for the journalistic profession?

[Rakas] Neither newspapermen nor politics should be afraid of this. It is important that journalists remain journalists even in forums, that they not become *homo duplex*. I do not accept the thesis that this is difficult. If it is difficult for them, it is better that they leave the forum and go back to journalism. I think that journalists must continue to be critical both toward the forum and the office to which they have been elected. But as for candidates for party forums from among journalists, I must express one fear of my own. It seems to me that a certain number of journalists with credentials achieve this by a kind of courting of their political community and by making attacks on other communities. If journalists with this kind of orientation become members of our new forums, they will only intensify the quarrelsome atmosphere. Very few of the accredited journalists are like Joza Vlahovic of VJESNIK, who has persistently lashed out at all of our Yugoslav divisions and quarrels regardless of their location. But there are quite a few like Slobodan Ignjatovic of EKSPRES-POLITIKA, who has become most notable in his journalistic and political activity for having specialized in undocumented and unscrupulous attacks on our current government. What an irony, that on the eve of Ignjatovic's election to the LCY Central Committee, he "won fame" with a disgusting and undocumented attack on Ante Markovic's visit to the United States, which was devoted to seeking new ways of resolving our crisis. It is interesting with respect to the physiognomy of journalist candidates that among them, as far as I know, no mention was made of a single name from Yugoslav periodicals except the names of Stasa Marinkovic and my own; we were mentioned in SR Croatia in the first round of recording candidates for the LCY Central Committee.

GERMAN DEMOCRATIC REPUBLIC

General Engelhardt Interviewed on Breakup of Security Service

90EG0158B Hamburg DER SPIEGEL in German
Vol 44, 5 Feb 90 pp 62-63

[Interview with State Security Service General Heinz Engelhardt: "Without Us It Just Will Not Work: Stasi General Heinz Engelhardt on the Dissolution of the Mielke Troop"; date and place of interview not given]

[Text] SPIEGEL: Herr Engelhardt, you, along with the espionage chief Werner Grossmann, are the last acting State Security general from the Mielke era. Do you fear an indictment?

Engelhardt: No, I have no fear. There are in the republic a number of investigations against former party and state officials and against leading staff members of the former Ministry for State Security. I assume that an individual share of the guilt must be proven and that people have acted against laws, orders, and instructions. We have merely implemented these orders.

SPIEGEL: In Frankfurt/Oder, where you were head of the regional administration, several hundred citizens came forward who felt that they had been treated improperly by your agency: excessively long times in pretrial detention, for example, and violation of the secrecy of the mail and telecommunications.

Engelhardt: Pretrial detention was carried out exclusively under the control of the public prosecutor's office. And as for the violation of the secrecy of the mail and telecommunications, I can only point out that for this there were general orders from the minister.

SPIEGEL: How many telephones did you tap?

Engelhardt: I cannot talk about that at the moment, because the public prosecutor's office is investigating.

SPIEGEL: In your opinion, the minister's orders could not be called into question?

Engelhardt: The orders could not be questioned. You must accept the fact that we were a military organization. And when one disobeyed, there were two consequences: one was either dismissed or disciplined.

SPIEGEL: That sounds a lot like acting under binding orders, to which many appealed in 1945 after the end of the Hitler dictatorship.

Engelhardt: Acting under orders certainly sounds bad but the fact is that we had to implement more than 850 basic documents, that is, guidelines, orders, and instructions.

SPIEGEL: And they were above the laws of the GDR?

Engelhardt: I personally did not think about it; I assumed that the former Minister Mielke had also acted

within the framework of the law. For me in the region of Frankfurt/Oder, where many Soviet troops are stationed, counterespionage played a larger role than Line 20.

SPIEGEL: Line 20? Do you mean Department 20 with responsibility for internal reconnaissance?

Engelhardt: The department that, if you will, was responsible for dissidents.

SPIEGEL: When people were interrogated for weeks or months at a time without having the chance to consult with an attorney and without the opportunity to look at the materials of the investigation or the bill of indictment, did you not have doubts from time to time?

Engelhardt: I can assure you that those who were detained where we were always had the opportunity to talk with their attorneys.

SPIEGEL: But they were not allowed to refuse to give evidence. And even in October people were still being arrested and interrogated, indeed without the participation of lawyers, who collected signatures for the New Forum....

Engelhardt: Not in Frankfurt.

SPIEGEL: But in other regional administrations.

Engelhardt: I can only speak for Frankfurt.

SPIEGEL: Did you ever disregard an order from Mielke?

Engelhardt: Sure, Frankfurt/Oder was not as attractive for these people as Berlin.

SPIEGEL: And why was it precisely you whom they have now called to be the liquidator of the former Ministry for State Security?

Engelhardt: They probably thought that I am physically and mentally stable. When the Office for National Security was established, 85 key people—heads of regional administrations and main departments—were dismissed from the service.

SPIEGEL: And why not you?

Engelhardt: I was by far the youngest in this guild of generals. And Herr Schwanitz, then head of the Office for National Security, had recommended me as his deputy.

SPIEGEL: What has meanwhile been dissolved and what has been rebuilt with the old people?

Engelhardt: There were essentially two strategic tasks. The Council of Ministers had decided on the formation of an office for the protection of the constitution with a personnel strength of 10,000, if I remember correctly. We would have had to dismiss 75,000 employees. But that never went beyond the conceptual stage. There was never a functional office for the protection of the constitution. Nor was there any great willingness of the former

employees of the Ministry for State Security to assume new tasks, because there was a certain uncertainty about the future.

SPIEGEL: So what are the many people doing who were put out on the street?

Engelhardt: We tried and are still trying today to release our employees into civilian life in an orderly manner. I assume that a large share of the former employees have now gained a foothold in civilian life, in the various occupational groups in the national economy, in the public health system or with the customs.

SPIEGEL: And how tempting for former Stasi employees are offers from the West to earn a little extra as helpful informers.

Engelhardt: They are certainly tempting from the material and financial point of view.

SPIEGEL: Have you had specific offers?

Engelhardt: Yes. We have already had three calls, most recently on 15 January, from a mysterious fellow in Cologne as to whether we are prepared to provide information. And I am informed that there are supposed to be other such offers. But I assume that by far the largest share of our workers will not go for this; they are very qualified and there are many educated and cultured people among them, even if many do not want to recognize this.

SPIEGEL: Perhaps these loyal and cultured people will continue to get together with their former superiors and work on their own or wait for their time.

Engelhardt: I would like to deny that absolutely and I would also like to formulate it precisely: Almost all the workers, including me, have become very disappointed about the previous party and state leadership. And this disappointment ultimately meant that these workers, who are supposed to be the shield and sword of the party, have turned their back on the Ministry for State Security. What you say would be almost suicidal, because the citizens are very vigilant. Many in our country see the grass growing.

SPIEGEL: And how is it with the tapping of telephones?

Engelhardt: That is not possible either technically or in terms of manpower.

SPIEGEL: Why not?

Engelhardt: All of the rooms for this purpose were sealed by the military or civilian prosecutor's offices in the presence of citizens' committees and representatives of the Roundtable. The lines were cut and shut down.

SPIEGEL: The foreign communications service of the former Ministry for State Security is continuing to work with the approval of the citizens' committee.

Engelhardt: I would not want to put it that way. The government decision on 14 December provided for the formation of the office for the protection of the constitution and a communications service. I do not know what the current situation is in this area....

SPIEGEL: Your instruction that the Office for National Security be dissolved does not affect the previous intelligence?

Engelhardt: Absolutely not.

SPIEGEL: The "Main Administration Intelligence," 7,500 employees, former chief Markus Wolf, is continuing to work as though nothing had happened?

Engelhardt: I can not confirm that to you. You can get information only from the colleagues working in this department.

SPIEGEL: So when did you see General Grossmann, the espionage chief, for the last time?

Engelhardt: I believe that was 14 days ago in a conference of the Council of Ministers. I have not seen him since then, nor have I had any telephonic contact with him.

SPIEGEL: Was he still in office at the time?

Engelhardt: He was still in office at that time.

SPIEGEL: Exactly what do you do?

Engelhardt: On 15 January, a committee was set up in the previous ministry made up of citizens of Berlin and members of the working group for security of the central Roundtable. And there is a government commission under the leadership of a Herr Fritz Peter. My task is to support these bodies with my technical and special knowledge in the dissolving of this office, because it just does not work without us, who know about the specifics of this office.

SPIEGEL: In retrospect, do you sometimes also see yourself as a culprit?

Engelhardt: I am not yet able to talk about this. I assume that I will soon have time to think about this.

SPIEGEL: The disbanding of the Office for National Security is to be completed by 31 March. What will you do then?

Engelhardt: Then I will need two or three weeks to recuperate. And then I will look for work. I hope that I will still be able to find a job. I still have 20 years to go before my pension.

Group Founded for Former Security Service Members

90EG0158C Hamburg DER SPIEGEL in German
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[Unattributed article: "Caries, Bach, and Runner: Students Establish the First Self-Experience Group for Former Stasi Informers"]

[Text] The Germanics student Hendrik Roeder, 25, did not want to content himself with the poorly endowed library at the Ernst-Moritz-Arndt University in Greifswald. He illegally used Western resources such as those at the Free University in Berlin.

The university administration in Greifswald found out about the "illegal association" with Western offices, which prior to the revolution threatened to bring a fine or imprisonment. Manfred Engel, vice chancellor for education, training and advance training, threatened to expel the student in the event that he did not pledge to mend his ways.

When Roeder was caught for a second time with Western reading materials, he was summoned to Engel's office. There the bewildered student did not find his hard-line professor but two members of State Security (Stasi), who introduced themselves as "Hille" and "Waag."

"The Stasi people suspected me of being an agent for the Federal Intelligence Service or at least of being subject to immediate recruitment," reports Roeder today, "it was fantastic." Hille and Waag demanded that he provide names, addresses and mood reports from the student scene to the Stasi, otherwise he had to expect an indictment as an enemy agent. Roeder followed through: "I thought that I would end up in jail if I did not cooperate."

Roeder has now distanced himself from this dark chapter of his career. He has, unprecedented heretofore in the GDR, established a self-experience group for former Stasi informers.

Roeder got the idea a good three months ago, when students in Greifswald convened the first plenary meetings in October. The young people looked for reasons why for years they had allowed themselves to become compliant hangers-on. Roeder proposed that they investigate the "interlocking of Stasi and the university operations." Roeder: "I imagined a kind of therapy group that would help informers to get out. They were under great mental pressure, for Stasi people often blackmailed them into working for them."

What came out of it was an anti-Stasi group (ASG), which wants to bring the informers among the students "out in the public, because they are thereby lost to the conspiracy and become unusable for the Stasi" (Roeder). The group did not have to wait long for the first customer.

The music and Germanics student Holger Kuehne had participated in the first plenary meetings in October, for official reasons: Kuehne had spied for more than a year for the Stasi, which demanded right after the meeting that he give them a report on the planned establishment of an independent body of students. Kuehne changed sides from the Stasi to the ASG two days later.

Kuehne's report shows in an exemplary way how close the leadership of the universities in the GDR cooperated with the secret service. Thus, Werner Westphal, science secretary of the vice chancellor for social sciences, had set up the contact between the Stasi's Waag and Kuehne and had made his office available for this purpose.

Later Waag preferred remote forest paths or the apartment of a secretary in the area of pedagogics for the meetings. In her bedroom in an apartment on Dubnaring 13, the Stasi was allowed to interrogate students, Kuehne reported to his self-experience helper Roeder. In exchange, the secretary received a bouquet of flowers or candy from time to time.

Waag used various threats to make the intimidated Kuehne knuckle under. The Stasi man made it clear to Kuehne that his future at the university was in doubt if he did not continue to cooperate. His performance was poor, he said, and he could only make up for it by snooping.

When the first opposition groups arose in the GDR, Waag demanded that Kuehne give him reports on the New Forum, student groups and wall newspapers in rooming houses. Mission: "top people of the movement who are working against the socialist system" must be filtered out.

The Stasi agents were not especially imaginative in handling their snoops. Because Kuehne also studied music, the Stasi had given him the cover name of "Bach." In the case of other informers as well, the pseudonyms were in accordance with their field of study or occupation: "Caries," for example, was an informer from dentistry and "Concrete" worked in construction. The pharmacy student Thomas Klaus received the cover name "Alfred Laeuffer" [runner] because he was an active track and field athlete.

Just as Kuehne, whose confessions at a meeting of students in early November were read "in tense silence," Klaus alias Runner also revealed himself to the helpers from the ASG. According to his report, he was recruited by Klaus Witte, the director for student affairs in Greifswald.

One day Witte led him into his office "for an extremely important talk" but Witte himself left. After five minutes, according to the Klaus report, "Herr Waag and Herr Stubbe from the Ministry for State Security" came into the room.

They showed postcards that the pharmacy student had bought in the student union. The postcards documented

the decline of the downtown area of Greifswald. "At the time," remembers Peter Walther, 24, from the ASG, "those things sold like hot cakes." Stubbe accused the student of being "politically blind" and of "ignoring the housing construction program" of the SED [Socialist Unity Party of Germany]. He should give some thought prior to the next meeting to how he might repair the damage. In case Klaus refused to cooperate, Stubbe threatened, he would see to it that Director Witte expelled him before graduation.

Klaus knuckled under and henceforth he had to provide information on student congregations in churches and mood reports from the student clubs. Waag was interested mainly in the performance and political views of advanced students, for "these persons would one day hold leading positions in our state." He wanted to know the situation in regard to their contacts with the West and "ties with their parents and homeland."

Klaus was specifically put on the trail of the then pharmacy student Stefan Finger. According to the Stasi, he was about to make "a big mistake." A few months later, Finger was among the founding members of the SPD [Social Democratic Party] in the GDR.

After Klaus missed several meetings with the Stasi, it was again members of the faculty who brought the reluctant student back to the Stasi. Thus, as Klaus tells it, he learned on 19 October from Professor Kuehmstedt, party secretary in the pharmacy section, "that the comrades from the security authorities were again longing for him."

The student had participated in the first peaceful demonstration in Greifswald the day before that. The Stasi now wanted to know why he took part in this "monkey business" and "which persons he had recognized in the procession and who had started the slogans."

Once again, Klaus was supposed to go to an office of the university to give this information. This time he refused to cooperate and reported that he was even prepared to terminate his studies to avoid the Stasi terror. The agents summoned him once again and, just like in a third-rate thriller, they drove him to a remote wooded area. There they dismissed the student, promising him that he would be left alone as long as he did not go public.

It is a matter of much speculation how many Stasi informers were or are running loose at the university in Greifswald. The theology student Christian Tiede, 25, who likewise belongs to the ASG, has heard rumors "that an informer sat in every seminar group." Even if that was not always true, "it was enough," according to Walther, "so that every student here in Greifswald was afraid of the Stasi."

The ASG sent the reports from Klaus and Kuehne to eight daily newspapers in the GDR, including JUNGE WELT, MORGEN and BERLINER ZEITUNG. Articles have not yet appeared.

Rector Peter Richter also received the report from Kuehne along with a letter. Therein the head of the university was called upon "to put an end to the existing links between the university and State Security." Richter took almost three weeks for an evasive answer.

The group's letter, says Richter, is "now the subject of collective consultation." It is not one of his duties to check into "the truthfulness" of the information. Moreover no citizen should refuse to take part in activities that serve "to prevent illegal actions." This, so the advice from the university's top official, is something that "state officials must expect as a self-evident duty."

The ASG now wants to ensure that there is more enlightenment about the GDR state and its history through the purchase of critical literature. To finance the acquisitions, the ASG has pilfered a little original capital: students captured the official signboard of the Stasi office in Greifswald, which is now supposed to be auctioned off in West Berlin. ASG member Walther: "We felt like little Dutschkes."

POLAND

Conversion of Military Buildings to Civilian Use Noted

90EP0319A Warsaw ZOLNIERZ WOLNOSCI in
Polish 9 Jan 90 p 1

[Article by Major Stanislaw Radziszewski: "Schools and Hospitals Instead of Barracks"]

[Text] A program of structural changes in the armed forces is being persistently carried out in keeping with the latest confirmation by Minister of National Defense General of Army Florian Siwicki. Repair and construction crews are at work in former barracks following the disbanding of military units in many cities where as little as several months ago military life was vibrant. They are adapting these facilities for the new needs of civilian users.

This is the case, for example, in Nysa on Tadeusz Kosciuszko Street. Until 30 December of last year, the barracks of the 2d Military Engineer Battalion used to be there. In the last days of last year, the facility was transferred to the new user, the Administration of the City and Gmina of Nysa. In turn, the latter allotted the premises to Elementary School No. 11. The remodeling of the barracks building will take about 1.5 months because it is in good repair. Due to this, the schools of Nysa will become somewhat less crowded.

Barracks left after the Wroclaw Territorial Defense regiment was disbanded in the last days of December will probably be used for similar purposes. In just a few days, buildings on Soltysowicka Street will be transferred to the administrative authorities of Wroclaw.

Barracks buildings on Wawrzynaik Street, also in Poznan, will get a new owner soon. It has been acknowledged that these structures will be useful for the Institute of Gynecology and Obstetrics in Poznan. Due to this, medical facilities will be expanded and conditions for the curriculum activities of the school will improve.

New schools and health care facilities will be located in many other localities in barracks vacated by disbanded military units, as has been the case in Poznan, Nysa, and Wroclaw. Also, they will be used for other purposes depending on the intentions of local authorities.

INTRABLOC AFFAIRS

Commentary on U.S., COCOM Technology Transfer Position

90EP0375A Warsaw ZYCIE WARSZAWY in Polish
4 Jan 90 p 5

[Article by Ryszard Bankowicz: "By Means of a Hammer, a Sickle, and a Computer"]

[Text] In an interview given several days before Christmas, US Minister (Secretary) of Commerce Robert Mosbacher announced the gradual removal of existing restrictions on the export of modern technology products to the countries of Eastern Europe. He attached reservations to this declaration. He said: "I believe that we are going to open the door to new technologies for Eastern Europe on the condition that this will not jeopardize American security." He added that for now this opening is to apply mostly to Poland and Hungary as the countries in which the process of democratic changes has advanced the most. He stressed that this change in the position of Washington does not yet apply to the USSR.

Speaking at the time on the NBC television network, Mosbacher added to his declaration the announcements that the US Government will soon come out in favor of "a very substantial shortening" of the COCOM list which at present includes more than 100,000 products to which the ban on exports to "the communist countries" applies. Therefore, Mosbacher's interview was interpreted in some Western capitals as a signal that the United States is prepared to give up its current role of a zealous guard of the technological achievements of capitalism and, in view of the fascinatingly rapid transformations in Eastern Europe, would want to abandon the police functions of the COCOM and, perhaps, even put an end to the operation of this institution.

By now, it has become apparent that these hopes were unfounded. Recent weekly meetings of the COCOM in Paris have shown that the United States continues to efficiently force through its hard line. Washington continues to adhere to this line despite pressure from many American allies in Western Europe who, as the West German DPA agency writes, are becoming convinced that "with the growth of detente in East-West relations and with mounting changes in some countries of Eastern Europe, COCOM has become unnecessary because it hampers the efforts of reformers in the East and prolongs the threat posed by old Stalinists."

COCOM, or the Coordinating Committee for the Issues of Multilateral Export Control, appeared in the Cold War period, on 22 November 1949. It was set up by the three Western superpowers, Italy, and the Benelux countries as a response to the threat posed by the USSR. Its task was "to prevent the export to the East of any goods which could facilitate the strengthening of communist states." This task was immediately interpreted very broadly. The first list of bans included even tractors and

canning equipment. At present, the lists are restricted to weapons, nuclear technology, and the goods "which may be used for military purposes." This wording, which is naturally general, facilitates the arbitrariness of evaluations in the course of confidential discussions of each item on the long list which even includes individual integrated circuits. It rules out a precise answer to the fundamental question: In the opinion of the West, which means of technology are to facilitate the development of the USSR and Eastern Europe—a hammer and a sickle only or a computer as well?

The position and existence of the COCOM hinge on the American stance. At present, the FRG, France, and Italy, as well as several other West European states, strive to drastically reduce the list of bans if not to disband the committee (all NATO members except Iceland, Australia and Japan, 17 countries in all, belong to the latter at present). A report of the West European Union (that is, nine countries of the Common Market without Denmark, Greece, and Ireland) was released in Paris on the 40th anniversary of the formation of COCOM, on 22 November 1989. The West European Union requested in the report that the technological potential of the USSR be diligently reevaluated and the lists of "strategic" goods and technologies covered by the bans be revised on this basis. The Americans did not respond to this unambiguous request either.

The argument of Washington remains unchanged: It is necessary to prevent the transfer of modern technology to Soviet armament enterprises. Referring to the planned cancellation of COCOM restrictions with regard to Poland and Hungary, Robert Mosbacher stated that the United States had embarked on negotiations with both countries aimed at securing the guarantee that the technologies made available to Warsaw and Budapest "will not end up in Soviet hands." However, in this interview as well the secretary of commerce ignored a fact which undermines the American argument and, to my mind, is most essential; however, as a result of stubborn silence on the part of the United States, this fact disappears from the field of vision of international public opinion.

Soviet Deputy Prime Minister Leonid Abalkin spoke in Brussels 3 weeks before Mosbacher made this fundamental statement on the prospects for economic cooperation between the East and the West. At the time, Abalkin outlined a proposal of tremendous importance, an unprecedented proposal. Namely, he proposed an exchange transaction. COCOM will relax export restrictions with regard to Moscow; in return, the latter will agree to the permanent presence of Western inspectors in the USSR who will see to it that technologies purchased in the West are used strictly for civilian purposes.

This is not the kind of draft that the Soviet leadership could develop painlessly. After all, many decades and profound political transformations in Moscow were required in order for the USSR to first agree to the principle of Western inspection groups overseeing the

implementation of disarmament provisions, and subsequently to begin surprising the Americans by initiatives in this field going beyond their concept of permissible control by a potential adversary. For Deputy Prime Minister Abalkin to be able to submit his amazing draft this time, it was necessary to overcome the reticence and even suspicion of inquisitive inspectors from the West overseeing production processes and putting difficult questions to directors accustomed to safeguarding state secrets. The fact that Washington has ignored the draft lends credence to West European accusations that at present America regards COCOM primarily as a tool for defending its own economic interests.

In Western Europe, and particularly in the FRG, they note that the United States is inclined to remove COCOM restrictions in the fields of export in which American producers themselves can count on lucrative contracts with the USSR and the countries which until recently were defined as socialist. This is why as early as 1984 the United States abandoned restrictions in the most sensitive field, that of delivering weapons, recognized China to be "a friendly country not belonging to alliances" and sold to Beijing missiles and fire control systems. This is why at present the United States wants to remove from the COCOM restrictive lists the computers which it intends to sell itself while insisting on keeping on these lists precision machine tools offered by West German and Japanese entrepreneurs.

Robert D. Hormats, an American financier and former member of the Washington administration, wrote in December of last year in THE WASHINGTON POST: "The future of the Soviet Union hinges on the success of perestroika. The West may help indirectly by giving hope that trade exchanges and investment will develop, and influencing the process of gradual integration of the USSR into the world economic system." The freedom of transferring to the USSR Western technologies covered by the guarantee that they will be used for nonmilitary purposes should become the foundation for this far-sighted program.

CZECHOSLOVAKIA

Possible Bata Economic Contribution Viewed

90EC0250C Prague HOSPODARSKE NOVINY in Czech 22 Dec 89 p 5

[Interview with Bata representative Otto A. Daicar by (mik): "Minidiscussion About Bata Company"; place of interview not given; first paragraph is HOSPODARSKE NOVINY introduction]

[Text] On Friday, 15 December, it was not clear how the negotiations with the Bata Company will end, and understandably its representative Otto A. Daicar did not want to talk about it. Nevertheless, I tried during a discussion lasting a few minutes to get at least some information about the way this company works (more than 100 branches in 90 countries).

[HOSPODARSKE NOVINY] Let us say that some form of cooperation with the Bata Company is agreed upon, and this company will start operations in Czechoslovakia. You opened Bata branches in Latin America. What must be done first?

[Daicar] It will be more complicated here, because you already have a certain production structure. First of all, the market must be analyzed, meaning both production and marketing. It is not clear to me with whom the Bata Company would be in competition here. Competition is healthy, it is a useful substitute for honesty. When you have a monopoly, it can be abused. But one cannot abuse customers, because otherwise they will remind you of that one day.

[HOSPODARSKE NOVINY] You know the market, you know the competition. Do you direct your production more toward the type of goods already existing on the market, or rather at the gaps in the market?

[Daicar] It depends on specific conditions. Basically, there are not too many gaps. Mostly, therefore, we begin by manufacturing shoes which already exist on the market. But we always try to make them better than those which are being offered in the shops, and for the same price. As a rule we begin with children's school shoes where the influence of fashion is usually small, but the footwear must be of good quality and of affordable price. Then the collection is gradually expanded.

[HOSPODARSKE NOVINY] Now I am asking as a customer: How do you arrive at the price?

[Daicar] We always take the situation in a specific market as our point of departure, that means, the prices of the competition. The prices are to a considerable degree determined by the customer. It makes no difference at all what our ideas are, but what the customer is willing to spend for the shoes. Therefore some shoes bring more profit than others. The best profit is in fashionable novelties, but that is true only for a limited time. When other entrepreneurs find out that some type of shoe brings in a good price they introduce it too, but for a lower price. Fashion plays a role mainly in women's shoes. When a given type of shoe begins to lose its appeal, or when the season for which it was designed is over, there must be sales. Without price reductions the shoes will not be sold out by the end of the season, and prices must be reduced further. I remember when in Martinique out-of-fashion shoes were offered for 2 francs, the original price being 98 francs. They did not sell, and they had to be burned. Selling at reduced prices means loss of gross profit, but then again the goods do not remain in stock and they bring in ready money.

Otherwise, one of the reasons for Bata's success is adherence to the motto: The customer must get good quality for his money.

[HOSPODARSKE NOVINY] How do you yourself evaluate your individual branches?

[Daicar] I always look at three things: the collection, the price, and the financial base. If the collection is not good, the profit will not be adequate either. Then the financial base contracts and there is nothing left to do but go to the bank. The Bata Company does not borrow money as a rule, it tries to manage with its own resources because the interest comes to 10 to 15 percent and that reduces profit.

[HOSPODARSKE NOVINY] What does the headquarters in Toronto ask of the individual branches?

[Daicar] They must be profitable. Plainly, nobody wants an unsuccessful business. If it does not make money, it must be ascertained why it is so and corrections made. That usually takes 2 to 3 years. No one interferes in the decision making by the management of individual branches. They have authority over the range of goods, sales, technology, etc.

Our production and marketing are separate. The sales managers in each country buy the shoes they want and where they want, even outside our company, of course.

[HOSPODARSKE NOVINY] I have not mentioned yet that this discussion took place at a reception given by the Canadian Embassy on the occasion of Thomas Bata's visit to Czechoslovakia. A talk with him was not possible because of the extremely large number of people interested in talking to him. And so I just told him when taking my leave that it would be educational particularly for managers to learn something more about the Bata Company. He answered: "I had the manuscript of a book ready, but after what has been taking place in Czechoslovakia, there must be additions made to it. I estimate that in 9 months' time the book could be available in English."

Specific Machine-Tool-Marketing Problems Examined

90EC0250A Prague HOSPODARSKE NOVINY in Czech 22 Dec 89 pp 8-9

[Article by journalist Jiri Sekera: "Our Position on Austrian and Italian Machine-Tool Markets—Can We Do It or Not?"; first two paragraphs are HOSPODARSKE NOVINY introduction]

[Text] Numerous discussions about the state of our economy, which are becoming increasingly heated and open in these tempestuous times, almost always end in a question concerning its competitiveness in the broad international community. Which results of our labor can still measure up to the strict criteria of the world markets? Where are we able to achieve a breakthrough and under what conditions?

Extensive, detailed analyses, critically examining the efficiency of production and export from various angles, contributed much to an objective picture of the situation. Today, let us supplement dry numbers with a live, specific experience and understanding of the situation of

our traditional export articles, machine tools, as I found them during my visit to two foreign joint venture enterprises, whose relationship to the Foreign Trade Enterprise Strojimport is indicated by their names: STIM Italiana s.p.a. Milano and Strojimport GmbH Vienna.

Those who had the opportunity to come into contact with foreign markets found out that, as a product makes its way to the buyer, in trade, too, the rule is—other countries, other customs. For that reason, for many years the marketing of our products in many countries was handled by local representatives. Today there are enterprises which took over the marketing in their area of interest under their own management. The management of Strojimport, formerly a foreign trade enterprise, now a stock company, chose this solution, verified in other instances by longtime experience in the traditional outlets for our machinery, such as the Austrian and Italian markets. Its majority of ownership (other participants are foreign entities) guarantees it the necessary influence

Let us introduce, therefore, by providing at least a few very brief data, these trade outposts of our machine tool industry: the enterprise STIM Italiana was founded in 1968 and in the course of 10 years its turnover, recalculated in Kcs, increased tenfold (although with a dramatic interruption at the beginning of the eighties), the number of workers increased from 12 to 34 (including fitters). In 1988, machinery for Kcs 180 million (according to the single-unit rate of exchange) was sold in Italy through their agency. Included were mostly machine tools and forming machinery, and lately to a lesser extent high-lift trucks and some smaller road machinery.

The Vienna company Strojimport GmbH is younger: it was established in February 1985. The newly founded enterprise made it possible to concentrate the range of products in one location with all the attendant advantages. The important Austrian company Gaskoks, known for its almost monopolistic status in the Austrian market with solid and liquid fuels, became a partner of Strojimport with a 49-percent ownership share. In comparison with the turnovers of the former three independent representatives, the turnover of the company doubled in the comparatively short time of 4 years, and today amounts to Kcs 83.5 million f.o.b. Six employees work in the service department of the company.

At present both of these enterprises with our joint ownership are consolidated and running well, they have a position in the markets of the countries where they operate. They use the services of domestic, mostly experienced salesmen, they function according to the principles of self-financing and are responsible to the administrative board in which their share-holders (besides representatives of Strojimport there are also foreign shareholders) are represented.

One aspect deserves special attention: working in management positions of both enterprises, with regard to the

responsibility and necessary independence to make decisions in foreign surroundings, are young people, but not novices: Jan Brejcha is today 42 years old, has been working in the Milan enterprise STIM Italiana already for 9 years, of that 8 years as its director, and Eng. Michal Klika (39 years old) has been in charge of the company Strojimport GmbH in Vienna already 4 years. To entrust young employees with managerial positions after a previous all-around preparation and necessary practice pays off, I was assured by the Prague central office.

Report: Conditional Yes

A visit to the enterprises which market our machinery in capitalist foreign countries is a little reminiscent at this moment of a partly lifted curtain: it presents the opportunity to compare with reality the current skeptical views which assign to our machinery a place somewhere on the industrial periphery far removed from what is top-of-the-line in the world. How is it today with the commodity which once was the strong point of our export? That is, after all, a question of fundamental importance: no matter how matters develop in the future, the core of machinery production, machine tools and forming machinery, remain a much too important component of our industrial and export potential not to be concerned about its fate.

Among the questions which I was trying to have answered, this one in particular forced itself to the forefront: What is currently the real position of our machinery in territories covered by the enterprises I visited?

I confess that many things in the initial information I was given did not quite make sense to me. For example, critical judgments about the general decline in the reputation of this machinery, and in contrast to it the real, tangible increase of sales registered in Austria as well as in Italy. It does not need reminding that the markets in both countries are tight: there are often multiple alternatives to our machinery. Besides the domestic manufacturers, companies from the German Federal Republic, France, Switzerland, not mentioning the Japanese and the newly industrialized Asian countries, with whom it is difficult to compete not only in price but also in quality, all compete for the customers' confidence. But even that is not all: other CEMA countries are also trying for a breakthrough here—the German Democratic Republic, Poland, Bulgaria. The uncoordinated approach of the CEMA countries bears even here its undesirable fruit.

What, then, does this market say about our machinery which is the result of the work of Czechoslovak manufacturing enterprises, unlike their electronic control systems which, as is well known, we are forced to obtain for export mostly from abroad? Limited time allowed me to pose this question in five enterprises where our machinery has been working for some time already. With one exception, these were in all cases small- or medium-sized private enterprises; therefore, customers

among whom our machinery, with regard to the delivery capacity and technical standard, finds the best market.

But it is a market neither small nor undemanding. There are thousands of such companies, their share in the industrial structure is large, and it would be a mistake to see them as technologically neglected and obsolete appendages of modern industry. Today these are mostly subcontractors of large enterprises. That means that they give serious consideration to what machine tools to buy for their operations. The fact that Czechoslovak machinery is also among them was the theme of discussions, of which at least the most substantive observations deserve mentioning:

Eng. Ploder is production manager of the Austrian state company ELIN in Weiz, which manufactures equipment and components for power plants. In the industrial park he has horizontal boring machines from Skoda Plzen and a heavy boring and turning mill from Ceskomoravska-Kolben-Danek Blansko:

"We are satisfied with Czechoslovak machinery, it is reliable. We managed to overcome certain initial problems with putting them into operation and now they are functioning well." I ask about those "certain problems". Eng. Ploder obviously does not consider it necessary to dissect them. "They had to do with the NC control systems, there were also general difficulties of the mechanical kind, but, after putting them into operation, the manufacturer, Skoda Plzen, removed them."

Why were Czechoslovak machine tools in particular chosen?

"They have the tradition, we consider them to be reliable. They are comparable with machine tools of Western provenance in their category, and they are also comparable in price. Their advantage lies in a more solid construction and thus they are capable of more than their standardized performance. That is not possible with Western machinery, because if such a piece of machinery is built for machining a 50-ton workpiece, then it cannot do more."

And recommendations to Czechoslovak manufacturers? (The question is perhaps a bit improper since it concerns, after all, our own problems; nevertheless, it was answered.)

"If there are any weak points, then they are not so much in the construction of the machinery, but in the handling of supplies of spare parts and in the immediate availability of service technicians, specialists in heavy machinery. Although so far everything has been always taken care of, your flexibility cannot compare with that of the competition—a spare part the same day, the next day the fitter...."

(So that I would not be left with the opinion of only the manager, I tried to get an evaluation from the operator of the Blanik mill: Na ja, es geht—it works, was the laconic reply.)

Rudolf Penn is owner of the forge Kremz, 35 employees; it supplies forgings to various customers including large companies. In operation there are three forging presses from the Smeralovy enterprise Brno, and the fourth one is just being installed:

"There are West German forging presses available on the market, which are unacceptable for my company because of their cost. I saw Czechoslovak machine tools in operation, I decided to buy them, and I do not regret it. I am satisfied, their construction is A-1."

Without reservations, then?

"The well known problems with machinery from the Eastern bloc almost always concern the electrical outfitting. We, too, had to make some adjustments in the wiring, lubrication control, and besides that also adjustments of the tool holders. Mostly trifles, but important for the running of the machinery, and that should not be forgotten by the manufacturer. Your design engineers, for example, know about the tool holders, but they say there is no capacity to change it. In future, of course, we want to continue modernizing your machinery."

Spare parts and service?

"I am not far from the manufacturer, and that is an advantage. We have already succeeded in bringing in a spare part on the same day."

Carmelo Tassi is co-owner of the engineering works in Pioltel (Milan conglomerate) is engaged mostly in modernization of machine tools and manufacturing of parts and junctions. Operating in the factory there are horizontal boring and milling machines from Machine Tool Factories Varnsdorf, grinding machines from Machine Tool Factories Hostivar, numerical lathes from Kovosvit Sezimovo Usti, and other machine tools.

It is a somewhat atypical example. The statement of Mr Tassi Sr, a machine specialist body and soul, began with a reminiscence. He fell in love, so to speak, with Czechoslovak machine tools already as an apprentice lathe operator in the workshops of Italian railroads where they were installed. As an entrepreneur he not only has been buying our machinery for many years—he began with lathes SU 50-80—he also cooperates in preparing these machine tools for the local market, even lends to the firm STIM, if needed, Italian fitters.

The experiences collected over the years are many, Mr Tassi is thoroughly familiar with our repertoire, with individual types of machine tools, he is their fan, but he does not overlook the blemishes on the beauty. He shares his knowledge without much encouragement: "A company, such as ours, must work with consistency and think first of all about the user of the machinery and his needs—and even in the little things, otherwise it would soon lose its reputation." Even though he speaks about himself, we can take his words also as good advice, particularly when a specific example follows: A new horizontal boring and milling machine from the

Machine Tool Factory Varnsdorf (a piece of machinery without doubt up to standard in its construction), installed in this factory, could be put into a trouble-free operation only after several months of grief with various small, but for the satisfaction of the customer important, details. This factory also designed and manufactured its own store of instruments for this boring and milling machine which better suit the needs of Italian manufacturers.

The complaint of the Italian entrepreneur was not only about "trifles" but also careless workmanship which also concerns others: the operator, for example, loses hours before he finds out that the reason for the inaccurate work of the machine is the fact that the limit switch on the lathe from Sezimovo Usti, for example, was not tightened.

Although such rather small, but unfortunately not infrequent, defects and incomplete finish does not discourage a friend of Czechoslovak machinery, Mr Tassi, but, as a machinery specialist who appreciates accuracy and perfect workmanship he genuinely regrets them. He unwittingly reveals his almost emotional relationship to our machine tools when we are passing a grinding machine from Machine Tool Factory Hostivar in the hall: "It is the jewel of this workshop" he says.

The recommendations concern also the types of machine tools which we do not manufacture but which would find customers in the Italian market. These are, in particular, slab-type milling machines for long travel of five-six meters or more, milling cutters with a tilting milling head, machine tools for work with aluminum.

The company DUPLOSTANDARD, Magnago, 120 employees, manufactures NC machine tools—grinding machines, lathes, milling machines, production centers. One of its co-owners, the four brothers Giudici, is brief and businesslike:

"We work with four Czechoslovak machine tools. The fact that we ordered them successively is proof in itself that we find them satisfactory and that they perform efficiently, otherwise we would not have bought more of them."

That obviously applies also to the future, because DUPLOSTANDARD shows interest in another machine tool of our provenance. But the customer is demanding, and it will not be easy to meet his requirements.

"But we have no choice" says Mr Giudici. "The growth of labor productivity is an absolute necessity for us, everything is subject to maximum economy of production. If we do not keep moving forward, we shall be out of the game. Productivity lies not only in the technical parameters of the machinery, but above all in its absolute reliability.

Our model, the Italian entrepreneur continues, are the Japanese who are able to give an almost unlimited

guarantee of the reliability of their products. They think about it even when putting the machine tool into operation: where it is at all possible they deliver it already assembled, wrapped in foil, they place it on the base, fasten it down, and the technician, so to speak, just puts the plug into the socket and work can begin. When in the past a piece of machinery broke down, it was a nuisance, but we were able to survive it. But in today's highly integrated production where one thing is tied to another, a stoppage is a tragedy, an irreplaceable loss. Every manufacturer of machinery must keep that in mind."

In the company RACCORDERIE T.A.A. Inorio in the Novara region six-spindle automatic lathes from the Precision Machine Tool Plants Gottwaldov are at work; in the span of 9 years the company bought 15 of our machining tools. The enterprise has three operations and employs 80 workers; 80 percent of its production consists of fittings. The production chief, Enrico Pace, comments on the choice of the Gottwaldov machine tools:

"We chose them out of a broad range of offers, because we were satisfied with their parameters in combination with their price and quality. We are not looking for the highest accuracy, nor for a low one, but just the one that we need, and your product meets that requirement. Since there are already several machine tools from Czechoslovakia working here, it is an advantage to keep the same supplier, because then service is assured. If our company were now making a decision about buying a new machine tool, and I had offers from four different suppliers on my table, I would again choose the machine tool from Gottwaldov because it is adequate and it is commensurate with the nature of our production. Of course, were we to change to a different, more demanding production, we would need more accurate machine tools."

Which features, other than the basic criteria, do they consider crucial in the machining tools which the company uses in their work?

"Reliability and a very well-functioning service. When a breakdown occurs—and they do occur—it must be repaired immediately, or in other words, there must be a specialist in multispindle automatic lathes at hand who knows them perfectly and is able to give assistance, sometimes perhaps even by giving advice on the telephone. That is extraordinarily important for us. We are bound by a contract and we deliver our products to customers within precisely determined time limits. A delay causes a chain reaction. Any losses would mean a debit to us. It is the same with automobile plants and other customers. A large customer can practically destroy a careless and unreliable supplier by refusing to place new orders. And we deliver 40 percent of our production to large concerns which give us at the time we conclude a contract the prospect for at least 3 years of deliveries. This 40 percent make it possible for us to

survive even if all else fails. So that the reliability of the machinery with which we work is for us the absolutely crucial requirement."

How Business Is Lost

There is not much more to add. The entrepreneurial imperatives are unequivocal and binding for the given environment. It is no wonder therefore that the views of the users of our machinery are identical. Because here nobody buys machinery on an order from above according to some treaty between states, let alone out of sympathy, it is obvious that our machine tools are not at this particular time without chances in the mentioned markets nor are they outsiders. But that, of course, is today; that may not be true tomorrow if we do not accommodate ourselves to the pace of change.

The undertone of worry about the future can be heard also in the conclusions arrived at by managers of enterprises which market our machinery, who have had experience with daily contacts with customers over some years. Eng. Michal Klima rates their position in the Austrian market this way:

"I can speak about the situation in a market which is not entirely the top, but has its demands. As far as the construction, technological level, and reliability are concerned, we are given very good marks in comparison with the competition. We cannot compare ourselves with the Federal German Republic, because in that instance we are talking about top quality machinery and about a different price level—20 percent higher. Not every customer, however, needs such machinery and not everyone can afford to buy it. As far as the level and the relation to the competition is concerned, I see the place of our machinery somewhere in the bottom part of the top 50 percent of companies that do business here, but it is different with each type of machine tool. Often decisive is the ready availability of service, spare parts, and the certainty that the manufacturer will not leave the customer in the lurch. After all, the fact that our machine tools are not so badly off around the world is proven by the existence of the joint venture and textile divisions of Strojimport in 16 countries where they sell these products and make profit selling them. But we have too many unwarranted performance failures, we are not sufficiently operational, we waste in details the value which our machine tools have and which we are still unable to market adequately. And the details are often crucial at that. The visual impression the machinery makes often draws attention away from the merits of the construction itself—welding looking as if pasted onto the surface, imperfect lacquering, uneven surface of the housing, seeping oil, incorrectly drilled holes, etc. All of that deprives us of a good 20 percent of sales we could otherwise make."

To explain the current position of our machinery on the Italian market, Jan Brejcha goes back to the past: "In the midseventies—that is, during a period when manually operated machine tools were still the norm—everything

still worked to our advantage. Our products enjoyed an excellent tradition and they had a reputation as avant-garde machinery, they sold well and for good prices. But we missed out, as is well known, on the technological revolution of replacing the human factor with electronics and the pace set worldwide soon endangered us in all areas of a broad range of products. We remained at a good level as far as the mechanical part of the machinery was concerned, but we could not compete in the control systems, as it is basically still true today. For that reason we must outfit our machinery with electronics of Western provenance, here in Italy exclusively with products of Italian enterprises such as ECS, Elbo, and others. But sometimes we must also buy electrical boxes and components of electronic outfitting. The third Achilles' heel of our products—those are the deviations from local safety regulations and a lack of accommodation to the uniform standards applied in the West.

The Italian market is saturated, there are practically no openings here. We do not have a product so unique that we could target a demand which is not covered. Italy itself is a large producer of machine tools, and in addition a large portion of them is being imported. We have been successful in maintaining a two-to-three-percent share of this market and that is not a little. The talk is that the mechanical qualities of our machinery are still being appreciated here, even though with the reservations that were pointed out. But developments are going forward very quickly and our current range of products is narrowing down. For us that is a handicap: we are coming up against competition which offers machinery designed in modules, with a number of variants. We lose business, because we often cannot satisfy the customer."

Price Is a Variable Quantity

I have often heard from the mouths of our businessmen: One can sell anything, the only question is for how much. In other words, to offer a price lower than the competition is also a way to ensure sales. Is that true in the case of our machine tools? The question, which is closely related to the previous one, cannot be answered, as it became obvious, in one sentence.

Let us point out, first of all, that all employees of self-financing marketing enterprises that sell our machinery, from directors to the salesmen, are very much interested in the best possible economic results from sales, therefore in the achieved prices in particular. The salesmen's commission is dependent on it; if the expected price is not achieved, the commission is reduced not only absolutely, but also relatively.

To judge a price as either high or low is a considerably relative matter, if only because very often an objective comparison with the prices of the competition is missing because their price documentation, notes J. Brejcha, cannot be just bought at a newsstand but, on the contrary, is extremely hard to come by. Moreover, it has to be taken with reservations, after all, price is influenced

by many factors which play a role in the marketing of machinery in one way or another, therefore also by a number of considerably individual circumstances with which an outside observer is not familiar. When in spite of difficulties we nevertheless succeed in obtaining the price documentation, it sometimes happens that our producer, influenced by the high prices achieved by the competition, lapses into euphoria; he projects this into his own case and naturally comes up with an outstanding result. The reality, of course, is much more sober. Let us take a look at it through the eyes of those who were given the task of negotiating with customers and realizing sales—the businessmen. To those two already named, Eng. J. Kovalik from STIM Italiana adds his observations:

A customer who also has at his disposal other offers, is interested in knowing if we are able to guarantee along with the sale all the services customarily provided by the competition. He wants a machine tool of modern construction, with good prospects. If we do not have a product with these, but with lower qualities, we have to accommodate, that is, lower the price in order to be of any interest to the customer.

An important factor is a guarantee of trouble-free performance. Foreign design engineers start thinking about that from the moment they start to work on the drawings (economic parameters are of equal importance to them). We are handicapped by the fact that not all our components are equally reliable. That again is reflected in the price.

Whether we are able to put the machinery into operation using our own personnel also plays a role. Sometimes our manufacturing plant is not able to send fitters and then Italian personnel must do the work instead; that will of course be also reflected in the overall profit from the transaction.

The price is also significantly influenced by the need to make necessary additional modifications of the electronic equipment or substitutions of various parts. Another share of profits is sliced off by the adaptation of the machinery to the standards applied in the West.

The imperfections, backlogs, and all the impediments which burden the product in comparison with the competition, will be reflected finally in the amount of the necessary price reduction. It is a tax for not taking enough pains, for imperfect finish, for overlooking defects and mistakes. It is a tax that is unnecessary in an absolute majority of cases, a dearly paid for luxury of a low professionalism.

Often we take a loss in price not because we underbid, but because we come to the market with a product which costs us unnecessarily too much, while at the same time we are unable to reflect all the costs in the selling price. Italian manufacturers, for example, are now abandoning the technology of castings, or they go with very precise castings or weldments which need only minimal machining. The machine tool designed for that can be

substantially lighter and simpler than before, because it is able to perform the necessary operation and is cheaper. Thus far we have not yet taken this trend into consideration, and we offer the customer a machine tool of greater weight and performance capacity, one that has superfluous capacity and cannot be fully utilized. No one, of course, is willing to pay more for such machinery. If we want to sell, we have to adjust the price.

As is obvious, life fills textbook theories about price setting with a truly diversified content, often, alas, to our detriment. It is not that in negotiating a specific price in a specific contract we give up after the first objection from the customer, more likely on the contrary. In negotiations, even if they are marked with business courtesy, nothing is given away for free—but nothing is obtained for free either. Here every percentage, every detail that can make a difference is of importance in a confrontation on prices; after all the customer is not spending some state money, but his own. We cannot forget, of course, that, when there is a predominance of offers, the position of the buyer is stronger; he has the possibility of choosing his supplier, whereas those who are selling must fight for each potential customer. The handicaps, which burden the offer, act in this jousting somewhat like a fifth column. Our manufacturers should keep this in mind more consistently.

Much could be said and written about the factors which parasitize the final realized price and force us to bring the optimism, engendered by the price documentation of the competition, to a more realistic level; in this respect an analysis of every specific sale could in fact become a lesson on the subject of how to conduct business in foreign markets.

But efficient marketing is not dependent only on its final phase by any means—that is, the signing of the contract and agreement on the price. In order that the sale be made at all, a saleable product must be made and offered. And that is a task whose perfect fulfillment in factories still leaves something to be desired—sometimes less, sometimes more, and sometimes, alas, a lot. Accordingly, there is then an additional cost for making corrections and improving the appearance of the product so that it can be presented to the customer.

Shall We Learn To Respect the Market?

Not a few resources are swallowed up mainly by the modifications and necessary technical adjustments of delivered machinery and replacement of unsatisfactory components by new ones. Safety covers do not correspond to the regulations of a given country, different technical norms are not being taken into consideration. Savings are often made where it does not pay: on lubricating systems, which are unreliable, can cause the seizure of a machine tool worth tens of millions of korunas, and have to be changed; on imperfect preservation which causes deep corrosion of the machinery, on faulty packing where humidity wreaks havoc in the sensitive parts of the machine tools and their electric

components, on careful control and testing of the machine tool, which, after being put into operation, fills up with swarfs and splinters capable of making veritable shambles of the delicate mechanism. Savings are made on technical documentation which is difficult to read and badly arranged, and the psychology of the consumer, who refuses to read fat tomes, is not taken into consideration.

Also expensive, of course, is the replacement, or furnishing, of our machine tools with foreign components, particularly their electronic control systems. To buy them in Italy (local manufacturers are accustomed to systems of local provenance) and send them to the manufacturing enterprise means to wait for assembly 6 or more months. Resources invested in the equipment are then lying idle, bringing no profit. In addition, the guaranteed term of delivery may expire. Therefore it is sometimes unavoidable to do the final assembly in Italy in order to fulfill the specific requirements of the customer who is accustomed to a certain system and insists on it. In any case there are of course additional costs with which we must count given the limitations of our production.

Often the assembly itself becomes more expensive, particularly if the parent factory is unable to send fitters in time, which happens, and the work must be done by Italian technicians. There are cases when heavy and special machine tools took six to eight weeks to put into operation, whereas the competition can manage such work in one to two weeks.

A chapter by itself are the demands which some of our machine tools place on service. To begin with, considerable resources in the form of spare parts, which may or may not be used, are being frozen. In addition, some parts are lacking. The manufacturing enterprise promises to exchange a damaged relay within 2 (!) years; to wait is out of the question, the part must be bought or made on the spot. Calculating the cost of that is a job for an astronomer.

In all this is hidden the explanation of the fact that the net profit of the manufacturer in more important final assemblies represents roughly half of the price which the foreign customer pays. The competitor who is able to deliver the required machinery in time earns, of course, significantly more.

The dictum with which the workers in production refute the criticism aimed at the insufficient adaptability and limited marketability of products is that the trade is here to sell what producers produce. Nothing is contrary to all the world experiences more than this dubious idea, which was obviously born during the time when the primacy of production was made nonsensically absolute. The world behaves in an exactly opposite manner; production must be absolutely unconditionally adapted to what the trade, market, customer want—otherwise it makes no sense.

Today it would be already an obvious anachronism to keep repeating automatically that our captains of industry, particularly from enterprises oriented toward export, do not have enough information and knowledge of the conditions under which their products are sold abroad. If then the warehouses of the enterprise STIM Italiana keep receiving machine tools which for various reasons must be sold at reduced prices (sometimes even because as a result of poor packing and preservation they began to rust), or must be expensively modified, it is not because the manufacturing enterprises did not know the situation and the consequences of such a "conquest" of foreign markets. Much has been said about this unfortunately still very common poor attitude toward export and it makes no sense to broaden the criticism by various juicy examples of slipshod execution and delivery of exported goods.

Much more important is to realize that these seeming details have the same profound causes as the most burdensome weaknesses of the past, among them a gross neglect of new techniques and technology, waste of national talent and technical inventiveness, fossilization of production structures or the inability to utilize the comparative advantages of our economy. This common cause is the bureaucratic command regime practiced for decades in the national economy, which paralyzed personal responsibility and desired motivation of people from the top down. It left its mark in the almost immeasurable damage on work morale, professional pride, and relationship to the company logo. It left its mark, but it did not destroy them. In spite of the pressures which deformed the healthy principles of economic management in the pursuit of indicators, there are still people who still have honesty in their blood and who know how to give their all in their work. What is now at stake is to thoughtfully utilize the unique opportunity which opened up for us and return these characteristics to each of our work places. After all, we not only still know how to do a few things, we are capable of more.

POLAND

Retail Supplies Uneven: Higher Prices, Costs, Farmer Reluctance

90EP0324A Warsaw RZECZPOSPOLITA in Polish
10 Jan 90 pp 1-2

[Article by (DE and DK): "Who Will Outlast Whom"]

[Text] The first week in January was a complete contradiction of former buying habits. In previous years sales in food shops after the holidays were almost nil, but this year the demand for sugar, flour and butter increased severalfold. In many shops these presumably staple items were not available on a day-to-day basis, even despite the fact that prices were rising overnight. This situation was also disturbing to the Council of Ministers, meeting on 8 January.

This is what the RZECZPOSPOLITA reporters recorded:

MEAT: During the first week of January the meat industry purchased 9,388 tons of meat, i.e., 72.8 percent (!) less than during the same period last year. On Monday, 8 January, when procurement prices were slightly increased, meat deliveries rose to 44 percent of last year's amount.

Why is there a shortage of meat in the shops? The reply given in the PEKPOL company, to which the meat industry plants belong, is as follows: "Because it is on the trucks." Also, let us add, because it is on the tables, on the sidewalks, etc. Being sold under outrageous hygienic conditions, but at prices no higher than those in the shops.

Why is meat being sold on the sidewalks instead of in the shops? The explanation is simple: The meat plants (in Warsaw) pay 5,500 zlotys for 1 kg of slaughter-livestock. Then, for 1 kg of tenderloin from this slaughter-livestock, they demand 54,760 zlotys; for 1 kg of pork loin they demand 29,250 zlotys; and for 1 kg of kielbasa (Torun) they demand 19,880 zlotys. Before the war, 1 kg of kielbasa cost as much as 2 kg of slaughter-livestock, and the price of the most expensive sausage was not over six times the price of the slaughter-livestock. Maintaining these same relationships, the private middleman (the one on the sidewalk), can still do quite well. And he can earn even more, despite the fact that he is offering the farmer procurement prices higher than those the gmina cooperative is offering. Therefore, the farmer would rather sell to the middleman.

SUGAR: There already began to be a shortage in Silesia in the final days of December. There is still no sugar there today. The manager of the largest department store there, the Katowice Skarbka, Monika Czech, says that for 2 weeks the wholesale house said that there was no sugar because the sugar factories were not delivering it. Now she says that it has arrived. But no one knows what the price is. It is said that the wholesale price will be 6,000 zlotys plus a 20-percent margin. Therefore, it should be about 7,000 zlotys.

In Lodz, on the other hand, there is no shortage at all. In the shops, yes, it is sometimes bought out (after the increases the demand dropped), but it is available in the wholesale house. It is also available in Poznan, but the price is already 8,000 zlotys. In Bydgoszcz there are enough supplies for 3-4 days. The price is new, from 7,600 to 8,100 zlotys. In Koszalin sugar costs 7,600 zlotys, but that is only a theoretical price because right now there is none in the shops, even at that expensive price.

FLOUR: It is available in Katowice, and it can also be bought in the Lodz Central, although in Lodz recently it was not available. Flour can also be purchased without any problems in Poznan, at the higher price of 1,900 zlotys (Wroclaw). In nearby Bydgoszcz it is priced much higher: the Bydgoszcz Food Cooperative set the price at

4,300 zlotys. In Warsaw flour does not cost much more than in Poznan—1,980 zlotys at the supermarket on Corazzi St.

BUTTER: In this case, too, supplies seem to be somewhat better after the last stock depletions, but there is a large spread in prices. In Katowice it costs 2,400 zlotys a cake. In Poznan, sweet butter is selling at 2,400, while the least salted of the salted butter costs 1,350 zlotys per quarter kg. The closer the butter is to the "green" voivodships, the more it costs (a wonder of nature). In Warsaw it costs 5,000 zlotys a cake. In Bydgoszcz last Saturday it was being sold at 4,600 zlotys, but then they came to their senses and it was reduced to 2,600 zlotys.

What do the sellers, wholesalers and producers have to say about this? Opinions differ. In Koszalin, Stanislaw Glowacki, assistant director of the Trade Department in the Voivodship Administration, says that the stocks in the wholesale houses are not large. The wholesalers-monopolists are reducing their purchasing because they do not have money and credit is very expensive.

The Wielkopolskie Sugar Factories are also complaining about the high cost of credit. From what director Andrzej Wykowski says, it appears that the high cost of sugar is due to the high interest rate on the credit drawn by the enterprise. In Bydgoszcz the wholesalers are optimists—there is less buying-up, stocks will soon be replaced.

The situation with sugar requires a more thorough analysis. To the end of last year, the sugar factories produced 1,690 thousand tons of sugar. Some factories were still operating at that time. Two or three factories did not end the sugar campaign until the middle of the month. The campaign was a success. Sugar production was higher than a year ago. In the fourth quarter, trade bought approximately 38,000 tons. The greater demand did not appear until mid-December and it is still holding, i.e., to the present price increase. It is a considerable increase. The sales price of sugar grew from about 2,000 zlotys per kg at the beginning of the campaign to 5,500-6,300 zlotys now.

The justifications for the increase are: the cost of fuel and energy went up and wages were increased. But the main reason is the high interest rate on credit.

And butter? They say in the Central Union of Dairy Cooperatives that butter stocks are such that there should be enough even to the end of June.

"There is no justification for butter shortages in the shops," says director Stanislaw Gorniak.

"Donations, stocks and imports of grain are saving the situation in the mills. Until now, we have been swamped with flour," reports the Polish Grain Elevators company representative, Kazimierz Nowakowski. "In the early days of January we are seeing an increased consumer

demand for grain articles, which is related to the announced price increases."

All in all, market signals are quite mixed. In some places the commodities are available, in others they are not (blame or praise the organization). In still other places they are just being delivered, but no one knows what the price will be. Prices are unstable.

But it appears that the commodities are already beginning to burn the hands of the sellers and wholesalers. Not so much the commodities as the amount of money invested in them, because the high interest rate increases the costs of storage. But what the buyers, sellers and producers will do over the long run is still not known. It will be important, in this game of distributing the costs of inflation, to see who outlasts whom. Faster breakup of monopolies in the sphere of production—and in this, after all, the state can help—would assist the weakest of this triangle—the buyer.

Rural Reaction to Reforms: Farmers Neither Buy nor Sell

90EP0325A Warsaw *RZECZPOSPOLITA* in Polish
12 Jan 90 pp 1-2

[Article by E. Szot: "Expectations"]

[Text] It could have been expected that before prices go up the farmers will completely clear the gmina cooperative warehouses of fertilizers, pesticides, machines, coal, in short—everything that is needed for production and that will soon be much more expensive. The expectations soon were fulfilled. The cost of tractors more than doubled, prices of farm machines doubled and tripled, and fertilizers went up in the same proportions. When the new prices were posted in the gmina cooperatives, sales came to a halt.

But the factories are continuing to produce and therefore difficulties with sales have appeared. As many as 28 gmina cooperatives in Lublin Voivodship stopped buying fertilizers from the Nitrogen Plants in Pulawy.

"What were they supposed to do?" explains Eugeniusz Sosnowski, president of the Agricultural-Trade Cooperative in Lublin. "With the interest rate on credit what it is, i.e., almost 40 percent per month, they would have fallen on their faces. After all, the farmers will not begin to buy fertilizers until March.

"If, of course, they do, because that is not at all certain. Right now the price shock remains. The Nitrogen Plants in Pulawy, who are not benefitting from these new prices either, are planning to deliver fertilizers to the cooperatives on consignment."

In Leszno Voivodship, where agriculture is on a higher level than in Lublin Voivodship and the farmers have more cash, sales in the gmina cooperatives are much lower than ever before.

"Those who have money are buying," says Ryszard Wawrzyniak, assistant director of the agriculture department in the Voivodship Administration. "But the countryside is really frightened by the new prices. I was in Agroma last week and saw that farmers bought out only half of the rights to buy tractors. The rest had to be returned to Ursus [Tractor Factory]. Purchases of tractors and machines will drop, as will purchases of fertilizers and pesticides. We are now making a determination as to what the results of the new policy will be in livestock production. Whether we should expect a drop in the production of meat and milk."

At this time only deliveries to procurement centers have dropped. Until recently, the Leszno centers had to send almost half of their slaughter-livestock deliveries to other voivodships and now their own slaughterhouse is operating only halftime. And some of the craftsmen who were intending to go into meat processing have been frightened away by the high interest rate on credit. The farmers, on the other hand, are troubled by the unstable prices. Anyone who sold porkers on Friday, for example, received (at deliveries such as prevail here) several million zlotys less than the person who sold them on Monday.

In the Koszalin State Farms, which in this voivodship cover over 60 percent of the farmlands, the moods are very doleful.

"According to our calculations a kilogram of slaughter-livestock should cost 11,000 zlotys, a liter of milk should cost 1,400 zlotys," says the production manager of the State Farms union department, engineer Mieczyslaw Wojtkowiak. "And we are receiving 6,000 zlotys (7,000 starting tomorrow) and 460-500 zlotys. It costs 8,000-8,500 zlotys to produce a liter of spirits, and we are receiving 3,500 zlotys from POLMOS, and this only after a few months. Until 21 November, a ton of powdered superphosphate cost 37,000 zlotys. Starting 6 January it costs 773,000. Enterprises, en masse, are discontinuing the purchase of fertilizers and I think that they will also refuse to buy pesticides, which are supposed to go up 20 to 50-fold."

The results of our poll do not put us in an optimistic mood. The prespring predictions are decidedly unfavorable. When the consumption of means of productions falls, crop yields will also be lower, which will be followed by a drop in food production. Certainly in some element of this production some revisions need to be made in the government program for improving the economy. The "landing" cannot be as hard as that.

'Postal Bank S.A.' Organizers Meet, Set Goals

90EP0344B Warsaw RZECZPOSPOLITA in Polish
8 Jan 90 p 2

[Article by (mk): "A Bank at the Post Office"]

[Text] Within 3 years Postal Bank S.A. intends to have a network of branches throughout all of Poland, and in

five years it plans to enter the European market. The range of services will be broad—service to the populace and economic organizations, in zlotys and in foreign currencies.

Our Postal Bank will be similar to post office banks functioning in many countries. It will utilize a network of post offices and some of the services can even be performed by mail carriers. It is obvious, therefore, that Polish [Administration of] Posts, Telegraphs and Telephones will be the shareholder with the controlling amount of stock.

It is difficult at this time to foresee what the final organization of the bank will be like. Its form will be determined by the stockholders. Applications for the purchase of registered shares are now being accepted by the Postal Bank S.A. Organizing Committee in Bydgoszcz. In the latter half of December the interested parties will get together at a founding meeting. But this will not be the end of the organizing activities. The approval of the NBP [Polish National Bank] president, Wladyslaw Baka, will still be needed and the new stock company will have to be registered in court.

The idea of establishing a Postal Bank came about last year. With the steadily growing demand for this type of service, it seems that the future bank will not have to complain about a lack of work or customers. Perhaps it would be well for it to service the countryside, the small settlements and towns, where banks are the most scarce.

'Employee Ownership Bank' Formation Announced

90EP0344A Warsaw ZYCIE GOSPODARCZE in
Polish No 3, 21 Jan 90 p 8

[Article by Janusz Ostaszewski: "Employee Stock Ownership Bank"]

[Text] A new financial institution, an employee ownership bank, will soon be formed in Poland. The decision was made on Friday, 12 January 1990, during a meeting of representatives of the Association of Employee Self-Management Functionaries [SDSP] with the president of the National Bank of Poland, Prof. Wladyslaw Baka.

This will not be a commercial bank but a bank which gives credits for the development of employee ownership in the form of employee stock holdings. The bank will conduct other activities according to normal rules. The participation of foreign capital which would like to support a Polish ESOP (Employee Stock Option Plan) will also be permitted.

The group that is organizing the formation of the bank is headed by the well-known self-management functionary Arkadiusz Goj, from the Szczecin Shipyard. The NBP is represented by Tadeusz Ligenza, and the other members are: Dr. Mieczyslaw Groszek, vice president of the Workforce Self-Management Research Institute; Marek Krankowski, president of the Gdansk Self-Management

Club; and Andrzej Sniecikowski, State Council adviser at the automobile plant in Warsaw. The first working meeting of the group will be held on 25 January in the offices of the Gdansk Self-Management Club in Gdansk at 36/39 Piwna St.

The formation of a financial institution that will service employee stock ownership is an important step in the realization of the idea of employee stock ownership in

Poland, which is gaining in world popularity. This stems from the concrete initiative of the SDSP (a resolution on the formation of the bank, passed during the Fourth National Forum of Workforce Self-Management in Torun) and the intention to support employee stock ownership, declared earlier at the Third Forum in Gdansk in May 1989, by the current president of the NBP, Prof. W. Baka.

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