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BULGARIA

Leader of Alternative Socialist Organization Interviewed

90BA0095A Sofia TRUD in Bulgarian 12 Apr 90 p 3

[Interview with Ivan Kalchev, editor in chief of the newspaper BEN, by Valentina Ganeva; place and date not given: "Whose Trump Is the ASO [Alternative Socialist Organization]?"]

[Text] [Ganeva] Since the BCP [Bulgarian Communist Party] changed its name to the BSP [Bulgarian Socialist Party], do you expect any division within the party?

[Kalchev] It is a logical assumption that after the BCP became the BSP our way of life as a faction may appear somewhat unfounded. Essentially, however, we believe that this change is in the spirit of the familiar Bulgarian saying that "a wolf in sheep's clothing remains a wolf." That is why we shall protect our existence as a faction. It is not excluded for a division to follow. In my view, however, this will not be all that terrible. If the bolsheviks within the BSP truly are unable to change and understand the harm caused by bolshevism, they simply do not belong in a socialist party. Let them in that case set up their own separate Leninist Party.

[Ganeva] In the ASO [Alternative Socialist Organization], will you continue your efforts to reform the party from within?

[Kalchev] Yes, we insist on the first word in our initiatives: less socialist than an alternative. We shall be an alternative even after the party has now become socialist.

[Ganeva] Will the ASO change its name and position?

[Kalchev] No. The ASO will continue its struggle for a profound and radical reform within the party, although another option exists as well: If we realize that this change is impossible, we shall become a separate political unit or else join the existing similar formations. You know that the ASP leaders are among the founders of the ASO, so that if we reach such a level of development, some of our members will join the ASP while others, including myself, would prefer to join the BSDP, headed by Doctor Dertliev, the classical restoration party founded by Yanko Sakuzov, which was also a cofounder of the Second International and has strong traditions. However, we have still not lost the hope of reforming a radically renovated BSP from within, which we consider to be our mission.

[Ganeva] Do you believe that factional activities are the only way leading to reforming a party?

[Kalchev] As a member of the ASO and editor in chief of DEN, it would be illogical of me to say "no." Here we have a moral aspect: To be inside and to struggle, however difficult this may be, for the other way is easier, to slam the door behind us and leave. This does not repair the house but even damages it a little more. From

the moral viewpoint our position is more accurate, the more so since many of the people who left the BCP had been able to settle their personal accounts while they were members of the party.

From the general theoretical viewpoint, however, the existence of a faction within a party under the conditions of political pluralism may seem absurd. Logically speaking, if you disagree with this party you either found another party or else join one. Under the conditions of a single party system, to have factions within that single party which has monopolized everything makes a great deal of sense. Under the conditions of political pluralism this is something of an anachronism. If you have read the draft program and bylaws of the BSDP you will see that they allow factions within the party. Paradoxically, the result is that the BSDP is more conservative than the BSP which allows us to exist although not as a faction but as an association.

[Ganeva] What will be the ASO participation in the electoral campaign?

[Kalchev] We are still refining our platform and position. We have differences with the SDS, although we are very close to some of their ideological concepts and views on the struggle against totalitarianism and the dismantling of that system. Specifically concerning the elections, we do not accept the initial SDS platform which calls for the elections to be based on the proportional system, i.e., for each political party to have its reserved seats in parliament. Our basic position is that in the elections there should not be a struggle so much among parties and party leaders as a competition and choice among individuals. We do not wish to gain something from the elections or else to win the elections at all cost; we want Bulgaria and its people to win, a people who have taken the path of a peaceful transition from totalitarianism to democracy. The ASO believes that any political party in a civilized country does not have the right to think of its own life exclusively as a ruling party but precisely the opposite: to be always ready to accept a popular vote which would "send it" into opposition.

[Ganeva] What is the basic difference between the views of the ASO and the BSP?

[Kalchev] The main feature in the platform of our faction is the debolshevizing, de-Leninizing of the party. This is inevitably related to a return to the initial traditions in the development of the Bulgarian Social Democracy. We in the ASO are, in a number of respects, in terms of spirit, mentality and theoretical views, closer to the classical social democracy.

Let me emphasize that within our faction itself there are several "factions," if I may express myself thus. We do not turn unity into a fetish. We believe that in the case of a political party unity is the greatest trouble. It has always turned the party into an instrument serving its leader. The entire history of parties of this type is a confirmation of this. Our basic value is difference of

views, polemics and we, individual members, have different views on many problems.

We believe, and this is part of our platform, that the BSP should definitively reject Leninism. In the manifesto which was adopted at the 14th Congress, Lenin's name is mentioned only once and along with several other names at that. It is stipulated that the BCP is a Marxist party and not a Marxist-Leninist party. This represents a step forward, although a somewhat shy one, in formulating this basic problem. Lenin is being delicately bypassed although one must openly say that Leninism and the Leninization of the BCP were what led, in the final account, to defeat. However painfully many members of the BSP may be reacting to this conclusion, the problem must be resolved once and for all: De-Stalinization is authentic only if it is completed with de-Leninization.

Alternative Socialist Organization Founder Interviewed

90BA0114A Sofia DUMA in Bulgarian 3 May 90 p 5

[Interview with Anzhel Vagenshtayn by Angel Bonev; place and date not given: "Crossroads"—first two paragraphs are DUMA introduction]

[Text] The ASO [Alternative Socialist Organization] is a faction within the BSP [Bulgarian Socialist Party]. This "cross" alone would be quite heavy to bear by any type of political leadership. The faction, however, is assuming ever new obligations. It proclaimed itself the "embryo of the party not for the present but for the future of Bulgaria." It then became a member, one of the most active members of the left-wing center of the democratic forces in the party. Quite recently it decided to establish a left wing democratic center within society. At the same time, it proclaimed that it will participate in the elections with its own ticket. Has this "basket" of the faction not become quite heavy? Furthermore, how will it be carried in these ever worsening times?

Actually, in what direction is the ASO going? Is the eruption of ideas and initiatives not a characteristic feature of a crisis? These were the questions with which I opened my discussion with Anzhel Vagenshtayn, one of the founders of the ASO.

[Vagenshtayn] Currently our entire society is experiencing a crisis and I hope that its political temperature, which is way above normal, will prove to be a healing one. I as well, until recently a member of the ASO leadership, am experiencing a crisis of confidence in the accuracy of the path recently followed by our faction or, more specifically, by its leadership.

The ASO was conceived here, in my home, immediately after the first independent meeting of 18 November 1989, in support of the great act which took place the previous week. Our idea was to set up a faction within the then existing BCP [Bulgarian Communist Party], with a clearly anti-Stalinist democratic, left of center orientation. This would be a faction to assist the reform

minded forces in the party, to dynamize renovation within it, cleansing it from corrupted sinners, and debol-shevizing it. These were good intentions but...

Let me not say more at this point.

[Bonev] Do you explain the ambitions of the ASO in terms of the bitterness of the sluggishness displayed in the renovation of the party?

[Vagenshtayn] I understand the bitterness caused by the halfway nature and hesitancy which have accompanied the renovation of the party. However, this renovation could not have been carried out by orders from above, from the "five-pointed star." The renovation is a matter, above all, of the party members, of their present level of political maturity and activeness, the present degree of maturity of our entire society, including the opposition, and the overall dynamics of sociopolitical changes and their interconnection. The fast orientation of the main nucleus of the opposition toward a fierce anticommunism hindered and delayed the renovation of our party and, paradoxically, contributed to surmounting the danger of a breakdown and triggered a consolidation—temporary, I hope—of the otherwise increasingly alienated party wings which found themselves in a state of political incompatibility.

[Bonev] Well, these are dramatic errors which, objectively, benefit the enemy but we are not the only ones to commit them.

[Vagenshtayn] This is no consolation to me. I think that the ASO leadership does not accurately assess the dynamics of the changing political reality. Possessed by a growing ambitiousness, personal biases and a clearly manifested authoritarianism, it is gradually converting the faction from a constructive internal party opponent into a time bomb laid at the foundations of the party.

[Bonev] When did you identify the danger?

[Vagenshtayn] The initial sign which I noticed as a member of the ASO was related to the "Sofia Snowdrop Meeting." This was a necessary meeting and its slogans coincided with the basic ASO ideas. We even discussed by telephone who would address it on behalf of our faction. A few hours later, however, I was distressed to hear on the radio the ASO appeal to boycott the meeting. Yet, I repeat, this meeting was necessary: it was necessary to pull the party members out of their initial numbness, to instill in them courage and self-confidence. It would have been needed by my mother and father, had they been alive.

[Bonev] It would have been needed by those gray-haired people who had dedicated their youth and toil so that those who are today abusing, mocking, threatening and denigrating them may be well-fed, shod and educated.

[Vagenshtayn] I suffer for those elderly comrades of ours, and I would like to tell them words of courage and respect for their struggle and toil and assure them that they are not to be blamed for anything and cannot bear

responsibility for the sins of others. Yet they were boycotted by the ASO—my mother, my father, multiplied by 200,000 others! The ASO joined in the radio-television abusing of the meeting by anticommunists who decided that it is a form of honorable political struggle to spit at the altar of someone else's beliefs. The favorite yet varietally poor assessments made by the ASO leadership such as "compromised party," "apparatus games" and "nomenclatural manipulations" became in themselves a dangerous manipulation of the members of the ASO itself.

[Bonev] Could this be dictated by the "level" of our political standards today?

[Vagenshtayn] Yes, the dynamics of changes within the party and the entire society are interdependent and the level of the overall political standard, after so many decades of totalitarianism, is catastrophically low. In order to lighten up this worrisome dialogue we are conducting, let me describe a case. A leader of the newly-formed opposition party with a socialist orientation and myself found ourselves together at the British Embassy, attending an evening reception given on the occasion of the visit of a high Foreign Office minister. The British, experienced diplomats that they were, spoke of the "great sons of Bulgaria Georgi Dimitrov and Aleksandur Stambolyski." The host then toasted President Petur Mladenov and the queen of England. At that point the newly appointed opposition leader said: "I do not participate in the toast in honor of Peter Mladenov! I drink to her majesty the queen only!" The shocked Britons were taught the latest lesson in Balkan behavior....

[Bonev] If this can be said by a party leader, a man with scientific titles, a man who would like to rule us...

[Vagenshtayn] Yes, what can we say then about our entire society? Was it not that society which determines the intensiveness, the direction and quality of changes. That is why I do not accept the impatience of the ASO leadership which sometimes reminds me of pouting and capricious boys, who find either that the milk served to them is too hot or that something else is wrong.

The SDS confiscated the time, proclaiming it its own and is now threateningly ticking like an explosive device. Where is the ASO going in such a tick-tacking time? There is this movie in which Charlie Chaplin, pursued by the state police, is running to Mexico but in Mexico he is being chased by Mexican bandits and he is forced to go on running along the border, with one leg in the United States and the other in Mexico.

[Bonev] In what is the ASO stepping in these times of ours, which is burning its feet?

[Vagenshtayn] I am unwilling to share my own pains from the fact that at its Second National Conference the ASO became the starting grounds for the organized take-off of a new opposition party. It became something

like a cuckoo's nest which provides comfortable conditions for hatching someone else's eggs. The logic of this development was bound to lead to the most absurd action taken by an internal party faction—coming out with a separate ticket for the elections. It seems to me that this is unique in global political practices. It is normal in the course of an electoral struggle for the parties to fold their own flags of differences for the sake of achieving their strategic objectives. The SDS condemns and rejects such individual candidacies. In my view, however, this is a tactical step which should give them a more "party-reformist" attractiveness. The opposition, which is not short of gray matter, cannot have failed to realize that the ASO has insignificant chances of surmounting the four percent barrier. Votes for the separatist ASO tickets will be lost to the BSP!

[Bonev] Are you posting the sign "Warning, danger!" or are you cautioning people of a coming difficulty? Which is now the most important thing for your comrades in the ASO to know?

[Vagenshtayn] To my friends in the ASO, to friends and strangers, I would like to say that the faction is still needed and can implement its task. Let them nominate the most worthy members of the ASO in the candidate tickets of the BSP. Let them vote only for the BSP tickets! The ASO was created by the need for a tolerant dialogue among different ideas within the party. This makes all the more strange the refusal of its two leaders to accept my invitation of having a cup of coffee and exchange thoughts before I can make public my own crossroads moods. I do not share their ideas of being a supporter of a faction within my own faction. This is not terrible. All of us are learning the alphabet of tolerance and I believe that one day my two battle comrades will accept my invitation.

Providing that coffee is still to be found in Bulgaria.

CZECHOSLOVAKIA

Barcak Warns Enterprises About Foreign Trade

90CH0089B Bratislava PRAVDA in Slovak 28 Apr 90
pp 1, 4

[Interview with CSFR Minister of Foreign Trade Andrej Barcak by Tatiana Repkova; place and date not given: "If They Wish, Let Them Get Burned..."]

[Text] Yesterday in Bratislava the program of the CSFR Minister of Foreign Trade, Andrej Barcak, was more than packed. Following discussions with his Hungarian counterpart, Tomas Beck, he gave a speech at the symposium Quo Vadis, Europe, and answered many questions from its participants. Quite a few of them were similar to those which we prepared for our talk with him.

[Repkova] What will be the fate of our foreign trade enterprises when producers will be able to carry on foreign trade activities on their own?

[Barcak] Most of our producers think that they know how to conduct foreign trade. Unfortunately, they never know what they are talking about. Our foreign trade enterprises, however, did not place enough value on cooperation with their partners in production, and thus lost their confidence. That is why we probably cannot do anything else but go through the process of learning and give producers the opportunity to get burned. In order not to have many such cases it will obviously be a good thing if we cooperate. The producers can choose—alone, or through the foreign trade enterprises. That relationship can lead to the mutual education of the partners.

[Repkova] Does the number of the foreign trade organizations correspond with our present needs?

[Barcak] Perhaps not, but maybe also yes!? Our organizations grew to enormous dimensions. But they are not as large as the trading organizations in, say, Japan or South Korea. From that viewpoint I believe that it would not be wise if the foreign trade organizations ceased their activities. In Japan, for example, 65 percent of imports goes through 13 organizations and 50 percent of export through nine organizations.

[Repkova] Is the closing of the foreign trade organization Tuzex being contemplated?

[Barcak] I suggested that Tuzex be closed as soon as possible and the money deposited in banks be transferred to foreign currency. The inflow of foreign currency from abroad does not go any more only through Tuzex but also through foreign currency accounts. In the Tuzex account are accumulating mostly monies only from countries with nonconvertible currencies. Gradually, therefore, the Tuzex koruna will also wither away. But for the time being there is no prospect that Tuzex will be closed down.

[Repkova] Are there plans to create a combined ministry of internal and foreign trade?

[Barcak] No.

[Repkova] How do you envisage that imports of consumer goods for the domestic market can be increased when internal trade organizations were excluded from the law on economic contacts with foreign countries?

[Barcak] They were not! They can carry on trade with their own goods by registering. But for the time being we shall not allow middleman activities in foreign trade. They can function only under market economy conditions. In the current partly closed economy it means nothing else but making use of loopholes to benefit a very limited group of people. Of course, to bring in those things we do not have here, we issued several hundred permits. But we will not allow this to become uncontrolled.

Following his speech, Andrej Barcak answered more questions for our reporter:

[Repkova] Recently you pointed out the need for caution in making business contacts in foreign countries. Banks

in Switzerland, for example, issue for their clients a brief list of specific advice on how to proceed. Who should do that here?

[Barcak] I think that it would be an absolutely self-evident service of the chamber of commerce. I would also think that those who will engage in foreign trade operations should have an education in economics. Such matters, as verifying the credit of a partner, are part of the simplest economic publications which are used for teaching in high schools. Total amateurs will not learn it even from a leaflet.

[Repkova] According to the new law on economic contacts with foreign countries, enterprises with a 100 percent foreign ownership will not be able to buy immovable assets here. Will it be possible, however, when they form a joint venture in which our side will have perhaps even just a 1 percent ownership?

[Barcak] Yes, but in that case it will be already a Czecho-Slovak legal entity, meaning, that a transfer of property of this legal entity to someone else could not happen.

[Repkova] Does some possibility exist of losing that 1 percent?

[Barcak] Well...a theoretical one, of course, yes. But we will have to put that into definite laws, a trade law, for instance.

[Repkova] How much danger is there that in the current uncertain times the best employees of the foreign trade organizations will leave to join foreign competition?

[Barcak] That danger is quite realistic. Unfortunately, if our enterprises do not appreciate their key people fully, it will have bad consequences. They have the opportunity to do it.

[Repkova] Even as far as wages are concerned?

[Barcak] Yes. That for me was the central problem which had to be resolved before foreign trade activity was opened up. If the foreign trade organizations were to remain hamstrung by regulations which were valid before that was done, the only thing that would happen after the opening up would be a decline in the turnover and thus also of accrued wages and—end of foreign trade organizations. Their disadvantage still lies in the fact that foreign partners can pay differently. We will have to solve this problem very quickly. The CSFR Minister of Labor and Social Affairs already presented provisions of the law which should regulate the employment of our people in foreign countries or in foreign companies.

Dubcek Views Collapse of Communism, Slovakia Today

90CH0124A Vienna DER STANDARD in German
14 Apr 90 p 4

[Interview with Alexander Dubcek by Jindrich Lion; place and date not given: "The Gravediggers of Humanism"—first paragraph is DER STANDARD introduction]

[Text] He is being expected for an official visit in Vienna next week. Alexander Dubcek, the symbol of the Prague Spring of 1968. As chairman of the Parliament, he is the number two man in the Czechoslovak State today following President Havel. He is more than 20 years older but still full of youthful zest. "I prepare two tasks for him for the day, and he brings an additional six," his secretary says with a little dismay in his voice.

[Lion] Mr. Chairman—this is his official title as president of parliament—Vienna was once humorously labeled a suburb of Bratislava by the Pressburgers. Have you ever been in Vienna?

[Dubcek] Some 30 years ago. At that time, the city made a big impression on me and it reminded me of Prague in many ways. I also visited Mauthausen, where my father was locked up. I simply could not grasp why a product was priced differently in various stores. This is how I started to get acquainted with the West. By the way—the residents of Pressburg now refer to their city as the 24th municipal district of Vienna. That proves that we are getting closer to one another.

[Lion] You were removed from politics against your will 22 years ago. Has your present return created satisfaction for you?

[Dubcek] Of course, it made me happy when I saw that young people are aware of the ideals of the Prague Spring during the student demonstrations. That was the first break in neo-Stalinism.

[Lion] Do you think that you owed your lasting liberty in 1968 to Gustav Husak who originally claimed to want to stand by you through thick and thin?

[Dubcek] Husak's goal was to save himself. Everything he did was strictly in the interest of his own career. I was not in prison because I was held captive "in freedom." The secret state police watched me and my family for 20 years and interrogated us countless times. M. Jakes revealed the reason for my freedom in a speech to party functionaries: "We cannot arrest Dubcek, because the world would protest." But they really wanted to do it.

[Lion] During an interview in 1968, one of the most progressive members of the Party leadership, Josef Smrkovsky, told me in response to my question whether a possibility of introducing free elections based on the plurality principle existed: "We communists will never again relinquish what we have already achieved." What is your opinion about that today?

[Dubcek] At that time, we were under pressure by Breschnev, and he watched every move. We wanted to give Socialism a humane appearance and move toward pluralism in due time. The military intervention by five East Bloc countries proved they were aware we had popular support for our evolutionary course. That is why they thwarted this path.

[Lion] You once belonged to the "promising cadre" of the Communist Party of Czechoslovakia and were sent to study at the Political College in Moscow for that reason. As a mature honest communist, how do you explain the unexpected quick decline of communism in the whole world?

[Dubcek] The Stalinist viewpoint of Socialism with all its dogmas, mistakes, and misdeeds is at fault. This socialism introduced strong centralization, forced collectivization, spurious coping with nationality issues, a backward economy, and a life without democracy. Court cases were staged, concentration camps were set up and millions of people—including communists—were liquidated in the interest of this Socialism. The logic of this development brought Stalin's and Breschnev's Socialism to where it is today.

[Lion] How would you characterize today your foreign and domestic opponents from that time?

[Dubcek] My foreign opponents were incapable of understanding the changes taking place in the world. Thus, they acted in an authoritarian manner, dishonestly, and hypocritically. They embodied a bygone era and were the gravediggers of humanism, morals, and all types of social progress. They only strengthened their own personal power. The indigenous assistants of these politicians—the so-called normalizers—only wanted to save their own positions and exposed their immoral countenance in the process.

[Lion] What do you think about the extremist signs in Slovakia, the separatist tendencies, the anti-Semitic defamation in Bratislava and the demands of the Slovakian Hungarians?

[Dubcek] About the first point: one encounters chauvinistic viewpoints in Slovakia as well as in bohemian countries. They give rise to one another but are not representative here or there. They are peripheral biases that hardly find followers among either people. Extreme voices always sound off in a time involving major political movements. However, one should not generalize or overestimate them, although one must follow their development. Both our peoples must and must want to live together in a common country. Point two: there were anti-Semitic defamation campaigns, but a small group or even a loner who scribbles on walls overnight is sufficient for this. Our students painted over the sayings that did not represent the majority opinion. We have no room for anti-Semitism. About the question pertaining to the Hungarian minority: even the nationality issue is not current because Hungarians have more rights in our country than elsewhere. We must and will

overcome existing conflicts. For example, we are going to open a Hungarian Faculty at the College of Education by popular demand.

[Lion] The last question: what is your current political credo?

[Dubcek] I sympathize with the Socialist movement represented by Willy Brandt.

Slovak Writers Comment on Relations Between Czechs, Slovaks

90CH0089A Bratislava LITERARNY TYZDENNIK
in Slovak 6 Apr 90 p 2

[Proclamation of the board of directors of the Association of Slovak Writers]

[Text] The board of directors of the Association of Slovak Writers discussed at its regular meeting on 2 April 1990 also the political-social situation in our country which developed following the passage of the law on the name of our republic by the Federal Assembly on 29 March 1990, and it takes the following position:

Slovak writers, members of the Association of Slovak Writers, are deeply disturbed and angered by the separatists proclamations of some civic groups in Slovakia and they reject them emphatically. With reference to the historical experiences of the Slovak nation and the progressive traditions of the coexistence of Slovaks and Czechs, we declare that we wish to live with the Czech nation in one sovereign structure, which was declared already in 1918 by the Pittsburgh agreement and was sealed by blood during the Slovak national uprising. We reject any effort to break our federative constitutional arrangement, because the final result will be damage to the life interests of both our nations.

At the same time we deem it necessary to say that we are frankly exasperated by the undignified course of the debate in the Federal Assembly which adopted the law on the name of our republic. We also consider as insulting the adoption of a law to give two names to our republic. We are convinced that with greater mutual respect and tolerance by representatives of both our nations in the Federal Assembly, it will be possible to find an acceptable name for our federative republic that would meet the current needs of Slovaks and Czechs. In this respect we fully support the proclamation of the Slovak National Council and the National Heritage Foundation. We turn to the Czech brother nation, and personally to its literary authors, to overcome the remains of the old thinking in relation to Slovaks and understand the historical as well as current reasons which lead us to wish to have the sovereignty of the Slovak nation clearly expressed also in the name of our federal republic, with which our president Vaclav Havel also identifies himself. At this time we want to recall the attitude of Ludovit Stur, the leader of the national movement in the last century, who in connection with

the disputes about legally establishing a literary Slovak language said: "It is not grammar we are concerned about, but life!"

We emphasize once again that to us, as well as to the decisive majority of the Slovak nation, any separatist tendencies, from whatever side, are foreign. The Slovak nation wants to live, work, and create in one sovereign structure with the Czech nation and enter Europe, which is opening up for us, together as equals.

Slovak Government To Publish Its Own Daily

90CH0086A Bratislava PRACA in Slovak 24 Apr 90 p 3

[Interview with Juraj Veres, Ph.D., editor in chief of the Slovak Government daily, by Viliam Apfel; place and date not given: "What NARODNI OBRODA Wants To Be"]

[Text] The nonpartisan and independent daily NARODNI OBRODA was founded by the resolution of the Slovak government of 28 February of this year. We talked about it with its editor in chief, Juraj Veres, Ph.D.

[Apfel] What led the government of the Slovak republic to the decision to establish the daily NARODNI OBRODA, and what will be its mission and direction in the life of Slovakia and our entire country?

[Veres] The fact that the government of national understanding of the Slovak republic decided already in the first moments of its existence to establish a newspaper is on the whole natural and logical, since it is a part of the revolution and the democratic process. The legacy of the past in journalism is a question of a generation-long removal of the deposits of propaganda, agitation, and one-sided party attempts to warp and above all disinform the readers. When today we are saying that our country, and therefore also Slovakia, must join Europe and wants to open itself to the world, it means a great opportunity also for journalism, which in the past was overrated on the one hand as an instrument of "brainwashing", while on the other hand it meant that the reader and his maturity and ability to form his own opinion and viewpoint were underestimated. Every daily newspaper, and particularly the one which we want to publish, should provide above all extensive information about everything that is happening here in Slovakia, in Czecho-Slovakia, as well as on the international scene. But we also wish to fulfill the function of something like a unification with Slovaks living around the world, so that they can know what is happening in our, and therefore also in their, country and, conversely, so that we also know how Slovaks abroad live.

[Apfel] Future readers of this periodical will certainly be interested in its character.

[Veres] We did not name the daily by chance. We followed up on NARODNI OBRODA which was published from 1945 to 1948, till Vaclav Kopecky stopped it. Because we want to be a nonpartisan and informative

newspaper, we are creating more editorial branch offices and an extensive network of correspondents from readers' ranks. We count on having branch offices in Prague, Brno, Banska Bystrica, Kosice, Nitra, Trencin, Liptov and Zilina, and immediately in the initial stage we are establishing the post of correspondent in Budapest, with respect to the position of Slovakia as well as the fact that the Danube region is becoming supremely important in European politics, and also because Hungarian-Slovak relations are very important at this time and must be given greater attention. In the future we are planning to build a network of correspondents also in other world centers.

[Apfel] In connection with the planned establishment of this newspaper, there are "guaranteed verified" reports making the rounds in journalistic circles—and not just in them—about merging NARODNI OBRODA with the journal VEREJNOST, which is being published in Bratislava by the coordinating center of the Public Against Violence....

[Veres] It is true that the journalistic community is always informed about certain events ahead of time—but sometimes this information deteriorates into gossip and unverified sensationalism. I am sorry that various rumors and uncertainties about NARODNI OBRODA appeared concerning its publication—even before it started publishing. I was also somewhat disappointed in some journalists who on numerous occasions even intentionally distorted the situation around NARODNI OBRODA. I do not wish to go into details about the reasons which led them to it, but I want to say that our editors often held discussions on their own initiative with the representatives of the coordinating center of Public Against Violence as well as with the editors of VEREJNOST. These discussions were held in the spirit of comradeship, they stemmed from the inner conviction of workers in both editorial offices that it is necessary to combine their forces in such a way that our journalism fulfills what it is supposed to fulfill, particularly at this stage when we still have not succeeded in breaking down the old structure, thinking, and methods of the party press which has ruled here until now. The issue for us is that the monopoly of the CPCZ, which has been constitutionally broken, should be broken also de facto in journalism and the system of the Slovak press. This cannot be done day by day, this monopoly cannot be broken even by government power. It can be broken only by having quality newspapers here.

[Apfel] In conclusion only a few technical details: which publishing house will publish this daily, who will print it, how many copies, how much will readers pay for it, where will the editorial offices be located, and the last, the most important question: When will we see the first issue of NARODNI OBRODA on the stands of the Postal Newspaper Subscription Service?

[Veres] According to the statute of NARODNI OBRODA, the publisher is the government of national understanding of the Slovak Republic. Full publishing services are provided for us by the publishing house Apollopress. We shall

be adjusting the number of copies according to the interest of the readers as well as according to what place NARODNI OBRODA will earn for itself in the system of the Slovak press, and how much favor it will find with the readership. Our aim is and will be to have people read our daily everywhere and find in it serious and objective information. We want to begin with an edition of 100,000 or possibly 150,000 copies a day during 1990. The price of one copy with 16 pages will be Kcs 2, while an expanded edition with 24 pages will cost Kcs 3.

Our editorial offices began to function in the Presscenter in Bratislava, and the first number of NARODNI OBRODA will be published on 4 May of this year. We did not choose this time haphazardly: On that day we shall celebrate for the first time the Day of Czechoslovak statehood. The question of Slovak statehood is, of course, paramount in our interest and therefore we shall support it, disseminate it, and promote it.

GERMAN DEMOCRATIC REPUBLIC

Supreme Court Nominee Profiled, Interviewed

Wendel's Record, Career Outlined

90GE0099A East Berlin DER MORGEN in German
10 May 90 p 3

[Article by Juergen Heinrich: "A Piece of Life Buried Away"]

[Text] As we reported in yesterday's edition, the 61-year-old jurist Eberhard Wendel (Free German Federation) has been nominated to become the new chief justice of GDR's High Court. Wendel, who was incarcerated in the Brandenburg penitentiary from 1950 to 1956 as a political prisoner, is a member of the Victims of Stalinism Association. DER MORGEN had previously interviewed him in this connection even before his nomination to become the new chief justice was topical.

A man sits in his easy chair in an apartment of a new building in Hellersdorf. He leans back to relax while opening DER MORGEN, a paper which he likes and which, since last week, has a new format. But suddenly his heart pounds fiercely and he experiences this increasingly frequent feeling of pain and anxiety and of old impotence in these, the most promising months of German postwar history. An image, some words... Only now does Eberhard Wendel comprehend; on page 11 of the paper he recognized the—now open to the public—Stasi [state security] prison in Potsdam, the infamous "Lindenhotel," that hated penal institution in which he spent many a painful week during his incarceration, a time his mind always suppresses, in 1951 or even 1952....

In this country references to hidden segments of the lives of thousands of such innocent victims of perverted Stalinist justice can be found in file drawers in the form of well-thumbed release documents or, at best, in the form of charge sheets or judgments. Painfully a suppressed part of

life penetrates the conscious mind—sometimes accidentally, as in the case of our DER MORGEN reader—but inexorably, unavoidably. Eberhard Wendel's time in Potsdam was but one scene in a drama that lasted exactly six years.

The whole thing started with the locally much-heralded first Germany Meet in 1950. The 21-year-old Eberhard Wendel had no tolerance for the Stalinist tendencies in the German youth organization, which just then clearly emerged. He wanted to oppose the meet and carried a pocketful of leaflets but was arrested at the Potsdamer Platz. No leaflet had been distributed; he had been denounced. Now the diabolic logic of the dictatorship surfaced. The SED [Socialist Unity Party of Germany] and the FDJ [Free German Youth] were antifascist organizations; hence, anybody who opposed them fulfilled the criteria of Control Council Directive No. 38 for fascist agitators. Little did it matter that this approach was unconstitutional even then, violating at least Articles 9, 49, and 144 of the constitution. Wendel was convicted by the Berlin-Mitte German Court of Lay Judges and sentenced to eight years in prison and to seven years of penal servitude. The competent Berlin Landgericht [regional court] in its April 1950 plenary session, file no 207/51/35, "reduced" the penalty to a total of 10 years of penal servitude.

Not one of the always-forbidden books, no film, and hardly any Western newspaper story adequately describes the fate suffered by young German men and women under the iron fist of communist rule.

Immediately after judgement was pronounced Eberhard Wendel, chained hand and foot, was taken to Brandenburg-Goehrden in an open vehicle. Now came the daily prison routine: hunger, beatings, the cold. "One was just a number," reminisced Eberhard Wendel, "one's name was never spoken, one's head was shaven, one dragged oneself to the bucket with wooden clogs to spoon incessantly nothing but slop...."

It is tragic—a person seems to develop a "sense of belonging" even under the most adverse conditions. That became evident when Eberhard Wendel was forced to be "in transport" in that same Potsdam complex of cells which later became the Stasi prison. "At that time," said the victim, "it was still a detention center for the Russian NKVD [Soviet Secret Police] which had apparently inherited it from the Gestapo and later passed it on to the Ministry for State Security to serve the same function. I immediately recognized the site's square, with the white-washed structure containing the cells in the background and, to the left, the red brick building with its larger barred windows." The man, now 61 years old, details such things as the noon "Kapussta" soup and the bread which was used to mold chess figures, to play the game by using tapping signals; the showers and the disinfection ("dawai, dawai" [faster, faster]); the interrogations by Soviet officers sitting behind green tables; the dull thuds of shootings in the cellar....

Wendel, wanting to get back to Brandenburg, went on a hunger strike for several weeks and collapsed. After spending months in Potsdam he was actually returned to German "care" in Goehrden.

Then, not without making an impact on the prisoners, came the 17th of June 1953. Things became easier, also with work on a sewing machine ("I sew for my own needs even today") and the events in Hungary in 1956 also had an effect on the East German power structure. Eberhard Wendel was discharged after promising to remain in the GDR. He was released from jail but not from the claws of the jailers. Nevertheless, he wanted to leave in 1961 but they were already waiting for him in the West. "They were literally lying in wait for me," emphasized our interviewee, whose case remained firmly anchored in Stasi files.

Penal servitude under the Red banner—How many were broken by it. Eberhard Wendel found the strength to bury the past and to begin anew. Correspondence courses in economics for five years were followed by seven years of law (in a study group with the former violinist Lothar de Maiziere). He could not, of course, establish himself in a "career" before November 1989 but, nevertheless, succeeded in becoming chief of a legal trade section.

Eberhard Wendel remained, in any case, politically sensitized and was even able to be active beyond his private life. He understood what was happening at the LDPD [Liberal Democratic Party of Germany] in the summer and early fall, happenings which ignited a hopeful spark among the people. At age 60 the sorely tried man joined a party—the party of the liberals—for the first time and soon found himself, side by side with his student friend, de Maiziere, as a competent negotiator at the conference table.

Eberhard Wendel is now the legal expert at the Ministry for Research and Technology; he belongs to the Victims of Stalinism and has petitioned for cassation of his conviction; but he is still a loser. Six of the best years of his life were cruelly taken from him. Those in power threatened his life for more than three decades and almost extinguished the memory of his true self. Now the emergence of his unresolved painful experiences holds him in a form of postrelease emotional bondage. "I could not survive without the support of my strong and understanding wife," says a free man, a liberal; someone who at long last has been given a second chance after all.

Wendel Comments on Future Court

90GE0099B East Berlin DER MORGEN in German
11 May 90 p 3

[Interview with Eberhard Wendel by Michael Klonovsky, Juergen Heinrich, Sibylle Guette, and Erwin Jurtschitsch; place and date not given: "Freedom So Democracy Can Live"]

[Text] [DER MORGEN] Mr. Wendel, after the FRANKFURTER ALLGEMEINE had appointed you the designated attorney general came the correction that you were

a candidate for the office of chief justice of GDR's Supreme Court. What is the current situation? Are you going to be chief justice?

[Wendel] I only know that the incumbent chief justice of the Supreme Court has received a letter from the current prime minister stating that I am the designated choice for this office.

[DER MORGEN] As someone who had very pertinent experiences with GDR justice, do you feel personally rehabilitated by this office?

[Wendel] It would indeed be satisfying to become chief justice in a courtroom to which I was taken many years ago in handcuffs with a shorn head.

[DER MORGEN] After World War II men came to power, some of whom had been in a concentration camp or prison under the Nazis and who later sent people to camps and prisons themselves. Do you today entertain any ideas of revenge?

[Wendel] Recently in Weimar there was a very upsetting meeting of victims of Stalinism from East and West. It fell upon me to assume the role of chairman. The experiences revealed there were devastating; the things that happened during this time are almost beyond belief and it will surely take many years to assess it all. There were outbursts of rage when a young man explained that he was a PDS [Party of Democratic Socialism] member and had only come to listen. His statement led to the release of all the accumulated emotional tension. And I said: Please consider that we have not been in camps and prisons to continue now in the same vein and that we stand for the rule of law and for a return of ethics and culture to political life and relations between people and if that is our position, it cannot be right to act in the manner in which we are now acting. After that calm prevailed.

[DER MORGEN] There are two ways of dealing with the past: Crimes are either atoned for by constitutional means—or by following the "Asian example" (I only mean Cambodian—they never had a trial) or one adopts the attitude that whatever happened, happened and can't be changed. Toward which course do you lean?

[Wendel] Nobody in Europe would understand the second approach. We have suffered from the fact that in former days National Socialism was not dealt with in the Federal Republic—when, for instance, the old judges suddenly reappeared. The 52 million dead of World War II admonish us that one cannot let those responsible walk away. That would seriously affect our sense of justice.

[DER MORGEN] Would you, if I may backtrack, have preferred the position of attorney general?

[Wendel] Quite honesty, no; because it would involve serious restrictions also with regard to my family life and because my wife might be scared. A high percentage of PDS members live in our neighborhood; we know that

entire blocks were used as official apartments by the former Ministry of State Security—and these people are still there....

[DER MORGEN] But you would have greater authority.

[Wendel] To be sure, for instance, when I look at all the untouched work. For example, the investigative section of the chairman of the Council of Ministers, charged with investigating corruption and malfeasance in office, was disbanded as of 30 April. All these files are still sitting in former Stasi offices in the side wing of the fourth floor of the Electro-Industry Building on Alexanderplatz. There you can still find 100 cases relating to extensive, documented corruption and malfeasance on the part of former criminally culpable political officers. Some of the files were already forwarded to the district attorney months ago—but no definite information is being released. This applies particularly to the cases involving the psychiatric clinic, which the STERN unearthed; the cognizant district attorney was unable to provide concise information on the state of the investigation. Just looking at this one case illustrates how much work remains to be done. I intend to raise this issue before the cabinet and expose these still-existing conditions.

[DER MORGEN] Lately there have been many cases of exemplary rehabilitation. Will a general rehabilitation law be enacted soon, and what will happen to those who were never convicted, those who were interned, for instance?

[Wendel] The current status of the rehabilitation law is totally unsatisfactory because the working committee charged with drafting it has very little understanding of the victim scene. Besides, there are still a number of judges on this working committee who were involved themselves. If assumed this responsibility, things would change rapidly. Also significant is the broad purview of the law. It even relates to all the loss-of-assets cases, such as the Stasi confiscation of real property, for instance. Besides, I also think that children of victims are entitled to compensation. They were also implicated and affected. Now we must ask who should pay for all this. The claims which have accumulated over 40 years are enormous.

[DER MORGEN] Do you have precise figures?

[Wendel] No, but we are talking about billions. Including children, we estimate that there are about 250,000 such victims going back to 1945. The GDR alone will never be able to pay; all of Germany is obligated.

[DER MORGEN] Have contacts now been established with Soviet offices?

[Wendel] For 15 to 20 years many victims have approached the Red Cross in West Germany trying to get information. In 1987/88 the Soviet Red Cross responded for the first time. Specific deaths in the camps were confirmed, in other words, precise records do exist.

[DER MORGEN] To whom should interested parties turn?

[Wendel] If someone wants to get information he should contact the Red Cross in Munich which will pass the inquiry on to the Soviet Red Cross; the latter will provide the information.

[DER MORGEN] Besides the problem of the victims, there is also the problem of the perpetrators—in other words, 40 years of Stasi. What do you think should be done with members of the State Security Service: Amnesty, trials...?

[Wendel] We cannot, as I pointed out, proceed in a spirit of revenge. On the other hand, the rule of law demands that cases involving criminal culpability be prosecuted. As attorney general it would have been my plan first to determine the scope of Stasi's criminal character using the constitutional court to be created now. After all, not everything was criminal. Every country practices intelligence and counterintelligence. A deadline would then be set by which these people would have to report or they would be placed on a wanted list. That was my approach. Subsequently, with the help of the victims, one would have to consider each case individually in a legal and orderly manner. That is part of it.

[DER MORGEN] Recently accusations have been mounting against Justice Minister Wuensche because of the way he handled this office in the past. Where do you stand in this matter?

[Wendel] I find it difficult to comment. We, that is the Association of Victims of Stalinism, are planning to talk to him week after next. At that time everything will be discussed, point by point. If the answers are satisfactory the witch hunt must stop and one has to let him do his work. I know that the man feels burdened; he was, after all, elevated to this position—which he didn't want—by Lothar de Maiziere who was concerned with professional competence. One has to consider that. And he has a lot of work to do... If he is doing something that benefits our country, one should not trip him up continuously.

It would be a very serious matter if the conversation had a negative outcome because it would involve criminal justice, an area in which even de Maiziere's opinions are of no relevance. If the outcome were positive, which I certainly hope, the case would be closed. Then there must finally be peace.

[DER MORGEN] In future the much of the law of the Federal Republic is supposed to be adopted by the GDR. Doesn't that pain you occasionally? For instance, when you think about adopting the state of emergency legislation?

[Wendel] Not only then. The events, which we are currently experiencing, are historically unique. We are being turned upside down and must, at the same time, learn to walk without delay. That, of course, also applies to juridical adjustments. Citizens must first become familiar with the new law before they can learn to deal

with it. For 40 years we have been used to looking only to higher authority for orders. Now we have to help one another to live as free people. This process is made all the more difficult because the law in a free constitutional state calls for much greater individual responsibility and for the free expression of opinions in all areas. Suddenly there is a much greater scope for freedom of action which must, however, be exercised otherwise democracy cannot survive.

I worry about that and not about the emergency legislation. Now, suddenly, the economy is supposed to get going while the state and laws, everything, is moving much too fast; laws are being thrown together while we wait to adopt the law of the Federal Republic. And there is one aspect which must be considered when legal adjustments are being made: that is our economy. It is changing from a controlled economy to a market economy and that assumes familiarity with the new rules of the game. These rules are, in turn, defined by existing commercial law. Many of our enterprises are still unable to apply these rules and are sliding into the red; which is an item of much concern. All this is a very painful process which will still result in the loss of much political confidence because citizens often confuse cause and effect. The cause of the current losses and irritations is not, after all, the market economy (as the PDS always tries to tell us) but the controlled economy, the effects of which we are now experiencing.

This transitional stage has to cope with one situation: Many old incumbents—council chairmen, mayors, directors, etc.—who continue to sit in their chairs, are beginning in a dreadful manner to "look out for themselves." Nobody controls them; the new law is not yet in place; there is, in effect, a vacuum with regard to law.

[DER MORGEN] Thus, it could happen that we will soon have to cope again with the past in a different way from the last time.

[Wendel] That's how it is and it applies particularly to those who earlier believed they had to teach us and show us the way. Today some of these people turn out to be criminals.

[DER MORGEN] Will you be able to do something about that?

[Wendel] That is the job of the investigative authorities and of Mr. Diestel.

[DER MORGEN] After the change in course efforts have been made to prosecute at least some of the leaders of the old regime. So far no legal proceedings have been initiated. Is there an unspoken amnesty which prevails?

[Wendel] Judging by what is known, one can safely conclude that the investigations are being delayed. I cannot understand why it should be difficult to assess the legal aspects of a case and to draft an indictment. It was simply stupid to talk about treason.

Some actions are, of course, only morally significant but not with regard to the law, but that can't be the reason. Given the fact of 250,000 victims and the immeasurable harm done to the depressed economy, it must be possible (with a serious effort) to subsume, from the point of view of criminal law, what these people have left behind. I can't imagine why it should take five to six months to draft an indictment.

[DER MORGEN] Do we really have enough judges?

[Wendel] No, there is actually a staffing problem. My first call for help would go to Karlsruhe; I should also hope that as many jurists as possible—lawyers who have been working in the commercial area and are not implicated—would make themselves known so that we can do our job in some fashion. A high percentage of the gentlemen who are still sitting as judges will have to look for other work.

[DER MORGEN] But some of the older judges can remain—or can't they?

[Wendel] There are undoubtedly many judges who did good work in the past and who decided cases properly on the basis of applicable law. But others, the judges in Departments I and Ia (they are those who handled cases pursuant to Chapters I and VIII of the Criminal Code and who interpreted the facts of cases in a rather dubious manner—editorial comment), will have to go.

[DER MORGEN] How can one be sure that judges are clean and who appoints them?

[Wendel] Appointments are made by the minister. That is also the reason for the above-mentioned talk with Professor Wuensche. The problems will be personnel, we must find people, and the speed with which everything must be done. People here must notice one thing: that confidence in the legal system is slowly taking hold and that the rule of law will prevail. That is the reality people expect of us.

HUNGARY

New Soviet Ambassador Aboimov: 'MDF, Soviet Union Share Many Views'

90CH0142A Budapest MAGYAR HIRLAP
in Hungarian 19 May 90 p 4

[Interview with Ivan Pavlovits Aboimov, new Soviet deputy foreign minister and ambassador to Hungary, with the cooperation of the APN news agency, at the Budapest offices of APN; name of interviewer and date not given: "Interview With the New Soviet Ambassador: To Live in Understanding, as Good Neighbors"—first paragraph is MAGYAR HIRLAP introduction]

[Text] Ivan Pavlovits Aboimov is responding to questions asked by MAGYAR HIRLAP. He is a deputy foreign minister of the Soviet Union, and that country's

future ambassador to Budapest. The interview took place in cooperation with the APN news agency, in their offices in Budapest.

[MAGYAR HIRLAP] At the time you were a press attache in Hungary you endeavored to establish contact with the opposition political forces. How successful were you in this regard? Did you already believe in those days that after a certain period of time these forces would be in key positions?

[Aboimov] That question was suggested by an IZVESTIA article concerning the appointment of the new Soviet ambassador. By making a small change in Mark Twain's adage, please regard the information concerning my relations with the Hungarian opposition as highly exaggerated, even though the information concerns people who are expected to fill serious positions. The truth is that at the time I worked in Budapest as press and cultural attache, and as a counsellor at the Soviet embassy, not unlike many of my colleagues, I tried to establish contacts without limiting those to official persons, while observing the ethical rules that pertain to a diplomat and while preserving the proper rules of conduct vis-a-vis the Hungarian authorities, of course.

[MAGYAR HIRLAP] What impact do the changes in relations between the Soviet Union and the East European countries have on Soviet-Hungarian relations?

[Aboimov] I do not believe that the two matters should be dealt with separately. All East European countries are our neighbors, therefore continued relations with these countries are of first class significance to us. We intend to do everything possible in the interest of maintaining good relations, keeping in mind the principles of noninterference, equality, and mutual advantages. I believe that if we act in a considered and constructive spirit based on mutual interests, we will be able to avert the negative legacies of the past which make our relations more difficult; we will be able to preserve and we will be able to multiply all that has been positive in these relations. We also will be able to provide new content to these relations.

[MAGYAR HIRLAP] This year trade between the Soviet Union and Hungary has declined by 10 percent. Can this process be stopped, and if so, how?

[Aboimov] Undoubtedly, during the past two or three years one could observe a reduction in Soviet-Hungarian trade relations. Even worse is the fact that as a result of distorted pricing and accounting methods trade has become "mutually disadvantageous" for both countries. At the same time, such trade has remained vital from Hungary's standpoint. Both parties have reached the conclusion that the possibilities of the existing trade and economic cooperative mechanism between the two countries have been exhausted. As a result of this recognition we reached an agreement on the basis of which, beginning on 1 January 1991, we will change our trade so

that it is conducted on the basis of world market prices and is settled in freely convertible currencies.

This may not increase mercantile trade strictly from a mathematical standpoint, but it will present a basis for the qualitative improvement of such trade. Objective criteria for considering national characteristics in the production of individual goods will be established. Obstacles in the way of establishing direct relationships among enterprises and cooperatives will be removed as a result. Demand for quality and technical standards with regard to mutually traded goods will significantly increase. This in itself must produce positive results in the structure of the goods traded, and it must enhance scientific and technological progress. In other words, we hope that the new cooperative mechanism will render the whole cooperative endeavor a healthier one.

True, there is one danger that we would like to avoid. I am thinking of the subjective aspect of economic activities, the possibility that Soviet enterprises will remove themselves quickly from the Hungarian market, and vice versa. This kind of development would hardly be responsive to the long-term interests of our countries, because factors like geographic proximity, the mutually complementing character of the two countries' economies, suggest that cooperation should continue, especially because it is always more difficult to restore something than to preserve it.

[MAGYAR HIRLAP] What is your view of the Hungarian Democratic Forum [MDF] statement concerning relations with the Soviet Union?

[Aboimov] The MDF position and our perceptions have many common features insofar as Soviet-Hungarian cooperation is concerned. We are also interested in the proper, equal, and mutually advantageous character of bilateral relations, we recognize that we must strengthen our relations at the state level, and we attribute particularly great significance to the "human dimension" of Soviet-Hungarian relations. The essence of our position is that there is no problem that touches upon the past, the present, or the future which could not be resolved through constructive dialogue in which partners manifest mutual respect for each other, which takes into consideration the legitimate interests of the two sides, and which does not offend national feelings.

[MAGYAR HIRLAP] What opportunities does your new assignment provide to you personally, and what are your related expectations?

[Aboimov] Your question is somewhat ahead of the events. In the event that I am appointed as the Soviet ambassador to Hungary, I will endeavor to utilize my experience and knowledge in the interest of developing Soviet-Hungarian relations so that the people of our countries may coexist in understanding and as good neighbors. This is my chief endeavor as a representative of my country, who fosters friendly feelings toward Hungary.

[MAGYAR HIRLAP] The term "oil weapon" was used for the first time in relation to Lithuania. Is it conceivable that this weapon will be used in practice?

[Aboimov] Since I have spent long years in the Baltic republics, I understand the endeavors and feelings of the people of those republics, and thus the Lithuanian people's endeavors and feelings. At the same time, however, any decision which involves the future of nations, and involves the interests of all the people in a given republic, and those in other republics and in the Soviet Union, must be settled in a constructive manner, through dialogue, consultation, popular referenda, and other similar means that are generally used in the civilized world. Any unilateral and forceful solution is inconceivable in regard to this issue.

MDF Representative on Local Autonomy, Grass Roots Movements

*25000717B Budapest NEPSZABADSAG in Hungarian
23 Apr 90 p 8*

[Interview with National Assembly representative Bela Horvath (Budapest-12 MDF) by Lajos Pogonyi; place and date not given: "Dismantling the Dictatorship, Building Freedom"—first paragraph is NEPSZABADSAG introduction]

[Text] Before I could ask a question he said that he had gotten into Parliament in the second round of elections with the support of the Christian Democrats, the Smallholders, the National Association of Entrepreneurs, and the Recsk Association. The Hungarian Democratic Forum's [MDF] newly elected representative, Bela Horvath, defeated no smaller opponents in the 12th District of Budapest than the city preservationist Mihaly Raday of the Alliance of Free Democrats, the Hungarian Socialist Party's school principal candidate Bela Fabry, the Christian Democrats' Laszlo Surjan who also chairs the Association of Persons With Large Families, and Gyorgy Balogh, the managing vice chairman of the Smallholders. This is no small accomplishment, particularly if we consider that Horvath is 35 years old, that he has previously not been in public view much, and that he had to formulate his political profile, image if you will, from the foundations. The engineer-economist representative is the father of three little boys, and he works at the National Market Research Institute. His wife is the head of a limited liability corporation. Horvath belongs to the Christian democratic wing of the MDF. In 1988 he was one of the founding members of the MDF in the 12th District. He would like to pursue his career as a representative in the form of a primary job, because in his view politics demands a person's full time. I conversed with him about how the MDF views the establishment of an autonomous governmental system.

[Pogonyi] To borrow an expression from political scientist Laszlo Lengyel, "microrevolutions" must take place in order for people at the local level to feel that the

system is changing in the country. All of this will not take place without the establishment of autonomous governmental bodies.

[Horvath] In agreement with the professional you just quoted, let me give you a specific example. Responding to a need expressed by very many parents, a Catholic school preparatory committee was established in the 12th District last November. Its purpose was to start an educational school system based on four plus eight years of study, and on a Christian outlook. Teaching would begin with this school year. Finally, on 1 April 1990 the Our Lady Catholic School Committee was established. This also is part of the aforementioned microrevolution, if you will. A group of people felt that they had to do something in order to bring about what they wanted, something that many people wanted. Another example: In February the Svabhegy autonomous government was established. They demanded that the council suspend all expropriations until the elections.

[Pogonyi] As long as you mentioned the elections, one of the MDF posters, the one that urged spring house cleaning, appeared to have frightened those who are part of the present council professional staffs. But the establishment of local autonomous governments cannot be perceived without them.

[Horvath] I am certain that many misunderstood or misexplained that poster. The MDF does not want honest council workers to leave the staff just because previously they were members of the state party. On the contrary, in our view, today's councils, which pursuant to tradition should be called prefectures or local authorities, must not be turned into an arena for partisan struggles. They must be nonpartisan. Corrupt leaders—wherever there are such leaders—must realize that they have no place in the new leadership. On the other hand, honorable people have nothing to fear. The dictatorship cannot be dismantled, and freedom cannot be built with frightened people. A natural selection process must take place within council staffs, i.e. the most fit persons must obtain the leadership posts. A legal background is also needed for the establishment of autonomous governmental bodies.

[Pogonyi] But in order to have that, a uniform law concerning local autonomy must be created.

[Horvath] That law must spell out the principle and practice of self governance by society. We support the idea that the local community be given exclusive authority to form or discontinue autonomous governance. Autonomous governmental bodies should be of equal rank, and their functioning should be governed only by the public interest and by the law enacted by the National Assembly. It would be beneficial to have the legitimate functioning of autonomous governmental bodies be protected by the judiciary.

[Pogonyi] If I understand you correctly, the MDF would like to see independent decisionmaking authority in every autonomous government. Let's play around with a thought: Would this apply, for example, to public security?

[Horvath] Of course. Local public life has withered on the vine during the past decades. They made it wither away. People must be brought to believe once again, or more appropriately, they should be convinced that the state apparatus is not some kind of an ivory tower that is beyond their reach. And as far as public security is concerned, I would find it conceivable to have the district police chief—whatever he would be called in the future—obtain his position on an elective basis, moreover from among several nominees.

[Pogonyi] Perhaps on a competitive basis?

[Horvath] Why not? If, for example, from among the candidates running on various programs the one who is most liked, the most fit, and has the greatest knowledge wins, he will also enjoy more confidence. Under no circumstances would the MDF want to place its own man into the police chief's chair, if for no other reason because the MDF supports the idea that the police should be free from politics.

[Pogonyi] As long as we have gotten to this point: When would you like to hold local elections?

[Horvath] Under no circumstances should one think in terms of a poster war. It is precisely for the sake of continuity that it would be beneficial if by then, and thereafter the professional staff would not disperse in every direction of the compass. Uninterrupted public management should be ensured by abiding by legal provisions that are now in force, until such time that autonomous governmental bodies begin functioning. In order to prevent the selling out of council property, such property should be sequestered immediately on a temporary basis.

[Pogonyi] All of this sounds very nice, but without economic foundations one cannot do magic and establish autonomous governmental bodies, even if in theory they sound very attractive.

[Horvath] Precisely for this reason we want a given proportion of taxes to be left with the autonomous governmental bodies, and such amounts would be available for disposition at their discretion. We would like to see to it that disadvantaged settlements receive state support. Autonomous governments require freedom with respect to managing their affairs and enterprising.

Local Autonomy: Smallholders Propose Structure

25000715A Budapest NEPSZABADSAG in Hungarian
13 Apr 90 p 6

[Interview with Dr. Arpad Gyorgyi, Smallholders Party legal counsel, by Tibor J. Keri; place and date not given: "Smallholders on Autonomous Local Governmental Bodies: Parties Should Be Represented on a Proportional Basis; Staff Should Be Neutral"—first paragraph is NEPSZABADSAG introduction]

[Text] All victorious parties agree that the system's change will be complete and become irreversible only

after the local elections. There is also agreement in regard to the need to hold these elections pursuant to a new law that provides for local autonomous governmental bodies. What individual perceptions exist in regard to local autonomy, by what method should the municipal legislatures be elected, and what authority should these new local power centers have? These are the questions we asked of experts in various parties. Dr. Arpad Gyorgyi, Independent Smallholders, Agricultural Workers, and Citizen Party [FKgP] legal counsel, was our first interview subject. He represented the FKgP at previous international conferences held for the purpose of preparing the local autonomy law.

[Gyorgyi] The creation of this law and the autonomous governmental bodies which come into being as a result of this law will have a decisive influence on the country's reconstruction. For this reason I regard the enactment of this law as one of the most important tasks of the National Assembly, and this must take place prior to the upcoming local elections this fall, at the latest. In our party's view the local autonomy law must be regarded as a pivotal law which has the force of the constitution. Its function is to complete the dismantling of the Soviet type council system, the permanent termination of monolithic, centralized state management.

[Keri] What principles will serve as a basis for the structure of the new self governing bodies? How should they be elected?

[Gyorgyi] In our view the truly good solution would be to hold elections which would produce proportionate representation by the parties in these bodies. Accordingly, all parties which operate in a given settlement should be represented proportionately. Therefore, different from the districts in which council members are elected, we propose a slate voting system to guarantee that all political forces receive proportionate representation in local government. Actually, this would be similar to the 1945-47 elections which were based on slate voting: Each party would publicize its slate of candidates in a given area, and the populace would choose from these slates of candidates. This would have a dual effect. Every person could proportionately enforce his rights on the one hand [as published], while every party would prefer to run candidates who as a result of their professional, human, or other attributes enjoy public respect. A mayor would function alongside the municipal legislatures. He would also be the head of that body, of local public management, and of the staff. This person would have to be elected directly by the people, and not by the municipal legislature, because in this way any kind of manipulation could be prevented.

[Keri] What kinds of legal and economic opportunities should these autonomous bodies have?

[Gyorgyi] In our view the powers of municipal legislatures should be established by a law having the force of the constitution. Their budgetary resources should also be spelled out in that law, of course. One cannot speak of

real autonomy as long as a financial base does not exist. Up to that point any proposal, any concept is only illusory. Previously the budget provided only crumbs to the councils, and made the grant of subsidies subject to high level decisions. In viewing developed Western countries, however, we find that on the average between 40 and 47 percent of the gross national budget [as published] is redistributed to local governments.

[Keri] As it stands today, the personal income tax will stay with the councils....

[Gyorgyi] This is the most unfortunate solution, because this form of taxation yields the least funds and is hardest to collect. In addition, because of collection problems and the time it takes for the money to run through the administrative process it takes two years before the councils receive the funds they are assessed. Considering inflation, this solution would lead to the full impoverishment of local governments, and may render their functioning impossible. Not to mention the fact that these revenues represent a completely different kind of income in a small municipality than, let's say, in the 12th District of Budapest. Developing backward areas presents a concern to every country in the world where local autonomy exists. In Italy, for example, the situation of local governments in the northern region is completely different from that of the backward southern local governments. Accordingly, central intervention is needed in order to permit a given area to develop. But such intervention must not manifest itself in the withdrawal of funds from local governments in developed areas.

[Keri] What is your proposed solution?

[Gyorgyi] We must provide an opportunity for local governments to determine their own revenue sources, so that they may choose from among various forms of taxation and establish tax rates. If in a given area they want to develop, for example, an industry branch, a certain type of activity, they should be able to reduce taxes. Taxes could be increased a few years later, once the enterprise prospers. Accordingly, local governments should be allowed to manage their affairs. The finance minister should not determine how much tax an entrepreneur should pay, irrespective of the part of the country where he operates. For this reason a differentiated taxation system must be introduced. To give you an odd example: It should be possible to increase dog taxes fivefold in given areas. Autonomous governmental bodies should have the power to assess certain taxes defined in advance, and should also have the authority to determine related tax rates. Central subsidies, on the other hand, should be determined in the framework of legal provisions having the force of the constitution. In other words, such subsidies should not be granted on the basis of how a person looks. Local governments should not have to lobby in order to obtain subsidies. A representative should not be held accountable by the voters on grounds of how much in subsidies he obtained or did not obtain for a given area.

[Keri] What kind of staff should local governments have?

[Gyorgyi] The professional staff must be segregated from the municipal legislature; the latter is only a body within society [as published]. The professional staff must be made nonpartisan. Entirely independent from autonomous governance, from changes in the government, this organization should be subject to laws only, and should perform its functions only pursuant to law in the future rotation system [as published]. For this reason I would not rule out the possibility of prohibiting public employees from holding membership in any party. At the same time, their work hours should be reduced, and the pursuit of all other kinds of employment should be prohibited.

[Keri] It would be appropriate to provide them higher pay in order to accomplish this....

[Gyorgyi] Yes.

[Keri] What kinds of ownership forms does the Smallholders Party want to authorize with respect to autonomous governmental bodies?

[Gyorgyi] Residents of small municipalities and small towns are most important from the standpoint of our party's character. It is in their interest that we propose that land not owned either by private individuals or by the state should be transferred so as to become local government property.

[Keri] What lands would these be, grazing fields, waste lands?

[Gyorgyi] Grazing fields, forests, agricultural tracts of land. The lands of cooperatives and state farms which may discontinue their operations or may be liquidated. These lands should be transferred to the ownership of local communities, so that they can make use of them by leasing the land or in some other way. At the same time, the municipal legislatures should be able to establish processing plants, commercial networks, cooperatives, and shops. For this reason the mayor must increasingly become a manager. And quite naturally, the enterprises established by local governments and the revenues derived from such enterprises should help to enrich the local community.

[Keri] To what extent do your perceptions differ from those of other parties?

[Gyorgyi] Differences exist with regard to the ways in which these municipal legislatures should be elected, and with respect to ideas related to autonomous governmental bodies at the county level. According to our perception, there certainly is a need for counties governed by autonomous governmental bodies—for the county system, because there are functions which cannot be performed locally. But even in this respect the principle of autonomy must prevail. Some parties disagree with this concept. They advocate that local governments be held accountable only by the National Assembly. I disagree with this perception because the network of roads, water supply, and other public works provisions exceed the potential sphere of individual local governments.

[Keri] How would the county level autonomous governmental bodies be funded? Would they withdraw funds from local governments?

[Gyorgyi] They would not be able to withdraw any kind of funds from others; they would not have taxing powers and could not distribute funds either. These autonomous governmental bodies would obtain revenues from their own resources and from the central budget. We feel that elections based on party slates would also be warranted in regard to autonomous county governments. This should be accomplished by adding up the votes cast for municipal legislatures, then distributing the seats accordingly within the autonomous governments in the counties and in Budapest. At the same time I would find it desirable for autonomous organizations also to have the right to comment. In other words, local industrial bodies, cultural societies, study groups, i.e. the self governing bodies of these organizations should have a say in regard to decisions that effect them.

[Keri] What kinds of new designations do Smallholders feel are appropriate?

[Gyorgyi] One should not depart from historical traditions. The old designations well symbolized the differences in size that exist among autonomous local governments. The justice of the peace would head smaller municipalities, a mayor would lead larger settlements, and in Budapest there would be a chief burgomaster.

Patriotic People's Front Folding

*25000718A Budapest NEPSZABADSAG in Hungarian
25 Apr 90 p 4*

[Interview with Dr. Istvan Kukorelli, managing chairman of the Patriotic People's Front, by Peter Fabian; place and date not given: "Is the People's Front the Last Satellite?"]

[Text] [Fabian] "Changing the system should not be impeded by an organization which in its roots is linked to the party state and exists as one of the last satellites of the party state." This statement of yours appeared in the 21 April issue of MAGYAR NEMZET. It is not only stunning that you were the one who said this, but I believe that as it was said it is out of the historical context and oversimplifies matters, and that by saying this you offended several thousand activities and friends of yours. Is this really your view?

[Kukorelli] I agree with all the judgments you made, because my view of the People's Front is different. Not to explain, I must note that all of this was said in an entirely different context, and not expressly in the form of an interview or statement. What I said was this: During the election struggles we were stigmatized with these adjectives, and not without success. In other words, we were judged not on the basis of the People's Front's history of preserving values, but on the basis of its past related to the party state. For this reason I want to take this opportunity to apologize to those whom I offended unintentionally. Those who know me on the basis of my decade and a half of work within the People's Front would not think that I would deny the

movement's true values, my friends. Moreover, they must know that during the past year I have tried to defend precisely these values. Unfortunately, I have not succeeded in this respect.

[Fabian] What values do you have in mind?

[Kukorelli] The People's Front movement serves to awaken civil society, because here, on Belgrade Quay, several alternative movements were established; it was here that a number of new ideas hastening a change in the system were spelled out. The People's Front provided not only a home, but also to a certain extent protection for these movements. Moreover, it provided support. I would mention the opportunity we provided for those who did not want to conduct political discourse within the party, yet they could take part in public life through the People's Front. We must not forget about the several forms in which we nurtured national consciousness, about the protection of the Hungarian language, about the movement to familiarize people with their home country, about local historical research, about the establishment of village museums, and about thousands and thousands of good deeds.

[Fabian] There is not complete agreement among you concerning the future. What will happen hereafter?

[Kukorelli] A majority of the presidium members, including myself, are of the opinion that the People's Front cannot continue in the form in which it was established. Its past link to the party state is an unbearable burden. The minority sees it differently; they are considering the establishment of a successor organization. We must also respect this view. The decision is up to the congress.

[Fabian] Are you going to continue?

[Kukorelli] Definitely not at this time. But I will be there; they can count on me later, when the ideal of the movement resurrects along the real values of the People's Front, and when it really organizes itself as a movement.

Privacy Protection, Freedom of Information Law Being Drafted

*25000718B Budapest NEPSZABADSAG in Hungarian
26 Apr 90 p 4*

[Interview with Dr. Lajos Varga, Central Statistical Office chief division head, and Dr. Pal Konyves Toth, chief counsellor, by Andras Sereg; place and date not given: "Data Protection and Freedom of Information: The End of The Era in Which the Citizen Is Defenseless; A Law With the Force of the Constitution Is Being Prepared"—first paragraph is NEPSZABADSAG introduction]

[Text] An international conference opened yesterday in Budapest, sponsored by the Central Statistical Office [KSH], the Janos Neumann Computer Science Society, and the Friedrich Ebert Foundation. The occasion for

the three-day scientific conference is the fact that after a year and a half of work, specialists at the Justice Ministry and the KSH not too long ago completed the first draft of a law with the force of the constitution concerning the management of personal information, and the release of information of interest to the public. We discussed this matter with the two organizers of the conference: Dr. Lajos Varga, KSH chief division head, and Dr. Pal Konyves Toth, chief counsellor. Both took part in the legislative development process.

[Sereg] When did the idea of creating the law first occur?

[Varga] The need for an information law was first suggested by academician Tibor Vamos, back in the early 1980's. Nothing happened for a long time, until the then KSH chairman wrote to Prime Minister Gyorgy Lazar in this regard. Shortly thereafter they returned the original letter, with a pencilled notation on the top corner by which the prime minister authorized the start of preparations. A committee was formed. I will add here: The concept at that time was entirely different from what we have at present. It did not treat extensively the separation of personal data from data of interest to the public, and in general with the rights of citizens. But that was in a different era, as we know.

[Sereg] In what respect did the concept change?

[Konyves Toth] In virtually every respect. Last year's amendment to the constitution mentions the protection of data as a basic citizens' right. The constitution states that every Hungarian citizen is entitled to the protection of information concerning his person, as well as to learn and disseminate information that is in the public interest. These two paragraphs serve as the starting points for the data protection and press laws. The legal provisions we drafted pertain to the protection of personal data and to learning about public interest information, while the detailed regulation of disseminating public interest information will be part of the new press law.

[Sereg] What is the difference between personal data and public interest data? I believe that a precise distinction in this regard is important from the standpoint of the law(s), because these two types of data—pursuant to the manner they are categorized—are placed on different tracks.

[Konyves Toth] There was heated debate about this issue in the course of preparatory work. For the time being let us settle with the view that information pertaining to the planning, the regulation of smaller or larger groups of society, of the state, of the community may be regarded as public interest information. On the other hand, information which contains the most characteristic information concerning a person, an individual should be qualified as personal. In my view the closer a piece of information is to the core of a person's personality the more personal that information becomes.

[Sereg] What prompted the creation of a data protection law?

[Varga] A data protection law is needed because the present spread of information technologies and computer systems presents a threat by which various data recorded in various places and at different times may be linked together, and this could render a citizen defenseless.

[Sereg] Does this threat exist today in Hungary?

[Varga] It does. At this time there is already an opportunity to concentrate data stored as parts of various records in one place. Let me just mention a historical example. Since the questionnaires of the 1940 census were preserved, there was no obstacle in the path of organizing the deportations of the Schwabian population on the basis of these questionnaires.

[Sereg] Accordingly, the need for data protection is not related primarily to the communication revolution.

[Varga] Undoubtedly, computerized systems render unauthorized use easier, but we must also understand that data concentration is not guided by machines, but by human intent.

[Sereg] Public opinion is most concerned about the use of personal identification numbers.

[Konyves Toth] I also believe that it would have been better to introduce an identification code which does not reveal the citizen's gender, and the year and month in which he was born. Let me say this much about the month of birth: There may be people who analyze a person's personality based on astrology. In other words, the identification number itself is suitable for the establishment of foundations for discrimination. The other threat: Widespread use provides an opportunity for a kind of data linkage which is totally alien to the original purpose of the personal identification number. One of the most important elements of the data protection law now being prepared is the fact that the use of data is tied to a purpose. In other words: Data may be used only for the purpose for which it was gathered.

[Sereg] The regulation of data protection and of the freedom of information is well ahead of us in West Europe. Moreover, not only have internal legal standards been developed; an international agreement, a convention of the Council of Europe, also touches upon this important issue. What could the present conference, at

which ten West European experts will make presentations, contribute to the development of the Hungarian regulation of information?

[Konyves Toth] Without ensuring the basic citizen rights it would be difficult to get inside the European House, mentioned by many nowadays. Data protection and the freedom of information are among citizens' rights. We may avoid very many pitfalls by learning of foreign experience, because in West Europe the so-called second generation of data protection laws is in force already, laws which include the legal developments of the past decade.

Final Distribution of Workers Guard Property

25000720B Budapest HETI VILAGGAZDASAG
in Hungarian 28 Apr 90 p 6

[Unattributed article]

[Text] For the last time, the Council of Ministers has distributed part of the former Workers Guard property. Nandor Gruber, the government commissioner in charge of this matter, was supposed to have dealt with the utilization of 90 pieces of real estate since last November. Thus far, in 41 cases the government has appointed a property manager, and has seen fit to call for a bid only in 19 instances. From property in the first category they conveyed property management rights for public use free of charge in 37 instances; in three additional instances they are expected to receive a piece of real estate in exchange from the grantee. Thus far, only the Lay Jewish School Foundation has been required to pay 55.3 million forints in exchange for receiving former Workers Guard buildings. In addition, two organizations, the Charitable Service of the Hungarian Maltese Knights, and the Aerocaritas organization, have succeeded in obtaining vacated real estate along with the state organizations which receive such property. International competitive bidding has been announced for five pieces of Workers Guard real estate designated for sale. These include the Rodosto House at Badacsonytordemici, the resort Club Tomaj and Badacsonytomaj, and the former Workers Guard base facility with close to 100,000 square feet of space on Bela Kiraly Street in Budapest's 12th District. Last week the Finance Ministry's Sequestered State Property Management and Utilization Institution announced the auctioning of an additional 14 pieces of real estate, with the proviso that the administration of this matter will be performed by Co-Nexus, Incorporated, a company interested in real estate affairs in several places.

Workers Guard Real Estate in Budapest Already "Allocated"

	Purpose	Manager
3rd District, Voroshadsereg Street 65-67	Development of a water sports base	Hungarian Physical Education University
3rd District, Zamezcey Square 1-6	Charity	Charitable Service of the Hungarian Maltese Knights
4th District, Munkasotthon Street 42	Police headquarters	Ministry of Interior

Workers Guard Real Estate in Budapest Already "Allocated" (Continued)

	Purpose	Manager
5th District, Ferenc Munnich Street 28	Court of registry	Ministry of Justice
6th District, Lendvay Street 17-19	Education (school to accommodate 12 grade levels)	Lay Jewish School Foundation
8th District, Vajdahunyad Street 3	Center for the care of homeless people	Budapest, 8th District Council (Shelter Foundation)
20th District, Torok Floris Street 74	Education	Budapest City Council Executive Committee Cultural and Sports Division
19th District, Hunyadi Street 2-4	Youth tourism, education, sports	Ministry of Culture and Education
13th District, Vizafogo Street 2-4	Education (college)	Ministry of Culture and Education
Piliscsaba (Budapest)	Shooting range	Ministry of Interior

YUGOSLAVIA

Statistics on Albanians in Macedonia

90BA0110A Zagreb VJESNIK in Serbo-Croatian
5 May 90 pp 4-5

[Article by Radovan Pavic, published in Panorama Sub-otom supplement: "Race With the Macedonians: All Indications Are That in the Future the Albanian Problem in Macedonia Will Be at Least as Serious as It Is in Kosmet"]

[Text] The Albanian problem in Yugoslavia is usually examined only with respect to Kosovo and Metohija, whereby not enough attention is given to the absolute number, the percentage, or the territorial distribution of Albanians in the SR [Socialist Republic] Macedonia, nor to the similarity of the problems existing in Kosmet and in Macedonia along the border with the SR Serbia and Albania. This border situation is shared in the SR Macedonia by all districts with a significant Albanian population, aside from the Kicevo district, which is nonetheless in territorial contact with the border districts of Gostivar and Debar. That border locality, which also signifies territorial continuity with the entire Albanian ethnic area in the Balkans, will be important in our further discussion.

Because of the similarity of the problem in Kosmet and in northern, northwestern, and western Macedonia, one must immediately observe that the Albanian question in Macedonia will represent not only a future and new serious problem, but that it can be expected that it will be even more serious than the one in Kosmet, for a simple reason: While in Kosmet, in the form of the SAP [Socialist Autonomous Province] Kosovo—thus, autonomy—there is already an institutionalized political framework with which Albanians are not necessarily satisfied, but which nonetheless can represent a basis for their political identification and a framework for resolving a number of problems, such a basis of political identification does not exist for Albanians in Macedonia. And since the problems are similar and are gradually intensifying in Macedonia due to natural Albanian population growth, the struggle for Lebensraum, general politicization, and the border situation with

Albania, which conditions the interests of greater Albanian extremists, the Albanian question can be expected to emerge in Macedonia as well. In fact, it is already arising, although for now it is in the shadow of events in Kosmet. And something else must be noted here: In the areas with the largest percentage representation (specifically, Gostivar and Tetovo with 62.5 and 69.8 percent Albanians in 1981), the Albanians do not have a large, economically developed, and attractive urban settlement similar to Pristina in Kosmet (108,000 inhabitants in 1981), which, logically, engenders a feeling of frustration by the Albanian population in Macedonian cities, (86,620 inhabitants in Skopje in 1981). Other urban settlements in districts with a very high percentage of Albanians are small (Tetovo less than 50,000 and Gostivar less than 30,000 inhabitants in 1981).

Growth and Percentage

The question of Albanians in Macedonia is primarily of importance in terms of numbers—whereby it is important to consider the absolute growth of the Albanian population as well as the growth in its percentage share, which immediately points to the potential problem in ethnic relations. Specifically, in the period from 1948 to 1981, Macedonians in Macedonia grew by 62 percent, while Albanians grew by as much as 91 percent.

In the same period, the share of Macedonians in the total population of Macedonia fell from 68.5 to 67 percent, thus to almost two-thirds, while the percentage of Albanians rose from 17.1 to 19.8 percent, thus to nearly 20 percent. In and of itself, this percentage is not dramatic for now, but something else is of greater importance, and that is the fundamental problem that must be taken as the starting point and that is engendering among Macedonians a feeling of being threatened—that in their republic they currently make up only around two-thirds of the population, meaning that one out of three inhabitants is not Macedonian, combined with the trend of a declining percentage of Macedonians.

However, this is not the complete problem. One must add to this the fact that those same five districts in northwestern and western Macedonia that have the

largest percentage of Albanian population (from 41.2 to 69.8 percent—Tetovo, Gostivar, Kicevo, Debar, and Struga) are among those with the highest relative population density in the SR Macedonia, aside from the Kicevo district, where the density is 60.2 inhabitants per square kilometer. In the Albanian zone, the density rises from the 60.2 cited above in the Kicevo district to as much as 150.4 in the Tetovo district, which is higher than the density in Kosmet (146 in 1981).

Thus, this general relative density, the significance of which is augmented by the fact that there are no major urban settlements there, could sooner or later raise the question of living space, and that question will obviously be on a national basis, so that conflict concerning it is inevitable. And there is reason to talk about the problem of living space (and living possibilities in general) when it comes to reconciling the high percentage of Albanian (and other non-Macedonian) population, the high natural rate of population growth, the high relative density for Macedonian conditions, and the inadequate economic development.

Situation and Territorial Continuity of the Albanian Ethnic Area

In order to understand the Albanian question in the SR Macedonia and SAP Kosovo, it is important to consider the territorial continuity of the Albanian ethnic area without regard for political borders. This continuity is the result of long-term and continual historical immigration which, it stands to reason, constitutes a struggle for what we call living space. But instead of this syntagm, we prefer to use the term *Lebensraum*—it is more reminiscent of and saddled with a negative geopolitical tradition.

The continuity of an ethnic area means the homogeneity of the population along a state border, and such a border situation has great political importance. We will mention here only the negative aspects—for the population on one side of the border it is always possible to raise the question of political loyalty and the dilemma concerning the country of one's homeland. Geostategic aspects come into play, as a result of which the ethnic border situation may condition ideas of a greater state (irredentism) on the one hand and the problem of separatism on the other hand. Furthermore, the situation of ethnic minorities at and near the border may also create ethnic constrictions that may then cause the majority ethnic group, under tumultuous circumstances, to aggravate ties with the other parts of the state and with kindred ethnic groups—as is the case with ties between Serbs and Macedonians and the SR Serbia and the SR Macedonia in the ethnically narrowed Vranje corridor, due to the existence of a strong concentration of Albanians to the west (the Presevo district with 85.3 and the Bujanovac district with 55.4 percent Albanian population) and Bulgarians to the east (the Bosilegrad district, with 66.4 percent).

Thus, ethnic continuity in the vicinity of borders has a completely different and much greater, politically more strained significance than isolated ethnic exclaves, such

as the Gradiscanski Croats and, practically speaking, the Hungarians in the Transylvanian region of Romania. In all this, it is worth considering that northern, northwestern, and western Macedonia in fact borders on two central nuclei of a "homeland" and two areas of concentration, one outside Yugoslavia—Albania—but also, and much more importantly, one inside Yugoslavia, the SAP Kosovo. The latter is of exceptionally great importance, since in forming a republic of Kosmet within Yugoslavia, which in the long term is a historical inevitability, the border between Kosmet and Macedonia could potentially be questioned.

And finally, in ethnic relations the question of one particular concentration of the Albanian population is important, namely that in Skopje: It is significant in terms of numbers (around 86,000 in 1981), but also in terms of its ethnic charge—in the continual Albanian ethnic area, Skopje is the second largest Albanian city after Pristina, but here in a "foreign" ethnic environment, and all this is aggravated by the fact that what is involved here is the national capital of a republic and an Albanian population largely characterized by ghettoization.

Cumulative Series of Problems

In all of which has been noted, then, it is possible to consider a cumulative series of explicit problems. First of all, there is the decline in the percentage of the Macedonian population. Because of this, Macedonians believe that they will be reduced to minority status in their own republic. In addition, it is critically important to emphasize that the process of Albanization in northern, northwestern, and western Macedonia is not the only thing that threatens the Macedonian ethnic group; consequently, let us remember the role of other non-Albanian ethnic groups, because of which Macedonians constitute only 52.2 percent of Kumanovo district, 63.5 percent of Skopje, 23.7 percent of Tetovo, 11.4 percent of Debar, 41.2 percent of Kicevo, and 53.3 percent of Struga (all as of 1981), whereby the situation in the districts of Tetovo, Gostivar, and Debar is in fact drastic. Secondly, the strong concentration of the Albanian population in the northwestern and western part of Macedonia—and thus right along the border with two Albanian ethnic and political nuclei, Kosmet and Albania—fulfills the territorial continuity of the Albanian ethnic area, with all the strains and possibilities that result from the border situation. Thirdly, the high general relative density could raise the question of living space, and because of the numerical situation and territorial expansion that could be and is solely at the expense of the Macedonian ethnic area. Fourthly and lastly, strong Albanian exclaves have formed outside the area with an already predominant or significant percentage of Albanians, which means that the stage is set for conflict and that its day will come.

Territorial Narrowing of the Macedonian Ethnic Area

Understandably, the Macedonian question as a whole has a essentially pronounced territorial component.

However, it is usually examined in its external aspect, which is the partition of Macedonia between Bulgaria and Greece (and Albania). Thus, it is necessary to examine the Macedonian problem from the internal territorial point of view as well. But the situation here is very simple but at the same time very difficult. Specifically, the question revolves around the territorial narrowing and compression of the Macedonian ethnic area, to the advantage of the numerical-territorial expansion of the Albanian population, but also the gradual conversion of northwestern Macedonia (the Tetovo and Gostivar districts) into a genuine Albanian ethnic area, if one takes a 70-75 percent share of ethnically homogeneous population in any territory as a criterion for an ethnic area. The problem in fact has dual significance: not only that an Albanian ethnic area is being formed, but also that it is located on the border of Kosmet, one of the Albanian homelands. The process of the formation of an Albanian ethnic area in northwestern Macedonia will obviously lead to problems, because for the Albanians in this part of the SR Macedonia it obviously cannot represent an ethnic and political homeland of identification, since that is located only in Kosmet. The conflict is thus logical and can be expressed in two ways: with a demand for autonomy within Macedonia as a provisional solution, and then hooking up with the Kosmet statehood entity! The consequence, then, is the obvious possibility of a territorial narrowing of the SR Macedonia or of the Macedonian ethnic area. In a significant part of the Macedonian territory, Macedonians are becoming a minority or their percentage is declining.

In addition, there is now a clear pattern to the conflict: At stake are two young nations, one of which (the Macedonian one) was recognized as such only recently, while the other (the Albanian one) was only recently affirmed, so that it is logical that sensitivities under such circumstances are very pronounced. The Macedonian nation today feels threatened because of demographic pressure, but also because of the narrowing of its territorial base—namely, if one looks closely at the area of those districts in the SR Macedonia in which the Albanian population comprises more than 40 percent (where Gostivar has as much as 62.5 and Tetovo 69.8 percent) amidst the trend of population growth, then one sees that that territory constitutes around 16 percent of the total area of the Macedonian republic. And if one adds to this the Kumanovo district (with 31.4 percent Albanian population and only 52.2 percent Macedonian), then the territory with a significant share of non-Macedonian population increases to 20.5, and thus nearly 21 percent of the area of the SR Macedonia. Thus, the ethnic-territorial base of a young, encircled, and divided nation that has not always been recognized is decreasing, and that cannot fail to have consequences.

Ethnic-Territorial Threshold

All of this leads to the logical problem of defining the threshold below which one must question the Macedonian character of the SR Macedonia. Today, Macedonians constitute only 67 percent of the population

there, and in around 20 percent of the territory of the republic Macedonians have lost the majority, or this could happen. This is a serious problem for the Macedonian ethnic group and state, but it is not the only one. The threat is also expressed in other ways. First of all, nonrecognition on the part of greater Bulgarian and greater Serbian chauvinists, and in an ecclesiastical sense on the part of the Serbian Orthodox Church, while in Albania, admittedly, the Macedonian nation is recognized as such, but in negligible numbers and without corresponding rights. And all this is happening precisely in an era when the Macedonian nation is otherwise experiencing its affirmation. This type of controversial situation is not propitious for normal development and aggravates general conditions. And then one must add the fact that the Albanians as well were affirmed as a nation only recently and are in a process of an increasingly explicit need for further self-acknowledgment. Moreover, it should be remembered that Albanians are nonetheless a minority in Macedonia, and every minority that feels, rightly or wrongly so, that it is being shortchanged of its rights, will defend itself with numbers; by increasing natural population growth and homogenizing the ethnic area, whereby true ghettos can emerge in cities. In numbers, they are becoming extremely important—although it is true that Albanians cannot dominate Serbs numerically, they have already surpassed the total number of Macedonians (1,730,000 compared to 1,340,000 in 1981).

In short, Macedonia sees itself as threatened both internally and externally. Externally it is encircled (Albania, Bulgaria, Greece), and the Albanians do not share the feeling of being threatened. The ones in Yugoslavia have their homeland (the autonomy of the SAP Kosovo), and Albania too is a possible homeland, besides which they are experiencing demographic and territorial expansion. Thus, there is an essential difference between Macedonians and other ethnic groups: The threatened Serbs and Montenegrins in Kosmet also have their own homelands, their own uncontested republics, they have somewhere to go. Albanians from Macedonia or Serbia also have somewhere to go, Kosmet; Croats in Janjevac can go to Zagreb, and Turks and muhajirs (all Muslim refugees) can go to Turkey. However, Macedonians do not have a way out. They have only the SR Macedonia, and their identity is extremely fragile: They were recognized only recently, they are not protected by numbers, and they are afraid of a decline in their percentage inside their own republic and of a territorial decline in their ethnic area. Admittedly, the Macedonians too could increase their natural population growth as a defense mechanism, but it is obvious that that will lead nowhere.

Conclusion

All in all in the future the Albanian problem in Macedonia will thus be at least as serious as the one in Kosmet, but with one special characteristic: In Macedonia there is no politically institutionalized framework

whatsoever for Albanian affirmation in the sense of what the SAP Kosovo represents, and that too means an additional problem.

Naturally, there is a solution to the developing situation—it lies simply in the genuine realization of rights for all and in a reduction in natural population growth, especially among Albanians, but not in demographic competition, which could only intensify the struggle for living space and opportunities under conditions of overpopulation. But no matter what, the spillover of the Kosmet problem into the territory of the SR Macedonia can be expected, as the demonstrations by Albanians in Kumanovo in mid February of this year show. In view of all that has been noted, it is logical that both the SR Macedonia and the Macedonians as an ethnic group must be opposed to the transformation of Kosmet into an Albanian republic within Yugoslavia, since it is feared that the ambitions of Albanian statehood would spread into the territory of the SR Macedonia, for which there exist—and there will exist

to an ever greater degree—objective ethnic foundations that threaten Macedonian territorial integrity.

A nation is a spatial fact, sensitive to the loss of land that is living space and a symbol of identification. In addition, the ideal of "blood and soil" is geopolitical but utterly logical, regardless of the ethnic area in question. And all of this is happening to the Macedonians in their own republic. The natural growth of the Albanians and their territorial expansion is not regarded as expansion by a part of the Yugoslav community, but rather as pressure from a foreign element, accompanied by the fear that the territorial link between the Macedonian and Serbian ethnic groups could in fact be broken, since in the Kumanovo-Presevo corridor a declining amount of land is held by Slavs. The question of relations between Macedonians and Albanians in Macedonia is not a question of equality. Equality could be established, we suppose idealistically, without the problem being resolved, since the true question is the one concerning numerical and territorial dominance through numerical and territorial expansion.

BULGARIA

Decree Aimed at Overcoming Agricultural Crisis Enacted

90BA0122A Sofia DURZHAVEN VESTNIK
in Bulgarian 6 Apr 90 p 8

[Text] Council of Ministers Decree No. 24 of 23 March 1990 Amending and Supplementing Economic Conditions, Regulators and Standards Governing Agricultural Activities

To surmount the state of crisis and to stabilize and increase agricultural production and to create economic conditions for intensifying material incentive to farmers and converting the sector to the principles of a market economy, the Council of Ministers decrees the following:

Article 1. (1) The establishment of national and territorial balances for basic agricultural commodities will be based on concluded contracts with labor cooperative farms and other commodity producers for 1990 and subsequent years, without assigning state orders for the sale of agricultural commodities.

(2) Priority will be given to resources related to agreed-upon quantities of grain, milk, meat, sugar beets and sunflower.

Article 2. The agricultural producers themselves will choose the means of marketing the agricultural commodities produced as well as their trading partner, based on contracts with purchasing, processing and trade organizations, or within their own commercial network.

Article 3. (1) The purchase prices of agricultural commodities as per appendix No. 1 are approved as of 1 April 1990.

(2) The purchase prices of agricultural products not included in Appendix No. 1 will be based on free contracting in accordance with supply and demand; minimal contracted purchase prices will be set for products as per Appendix No. 2.

(3) The Committee for Prices and the Ministry of Agricultural and Food Industry must, by 31 March 1990:

1. Differentiate among the new purchase prices on the basis of quality, variety, strain and area, as per the addenda to the preceding paragraphs;

2. Determine and register new wholesale prices of goods for the industry processing agricultural raw materials and fish, reflecting exclusively the actual increase in purchase prices for agricultural commodities.

Article 4. Starting with 1 January 1990 the labor cooperative farms and the other agricultural organizations will pay a 10 percent tax on profit from their overall activities. The same percentage of tax will be levied on the other economic organizations engaged in agricultural activities.

Article 5. The debts incurred by labor cooperative farms and other agricultural organizations for loans for capital investments until 31 December 1987 and debts on loans for shortage of payroll funds for 1988 will be forgiven.

Article 6. The labor cooperative farms, the other organizations engaged in agricultural activities, and private and individual farmers and lessees who directly export their own goods, whether fresh or processed, in 1990 will have the right to keep 50 percent of the thus earned foreign exchange.

Article 7. (1) Starting with 1 January 1990 the Ministry of Agriculture and Food Industry will set up a "Stimulating the Development of Agriculture and the Food Industry" fund. The assets of the fund will be collected from payments made by purchasing, processing and commercial enterprises, companies, and others, the activities of which are related to the development of agriculture, and funds contributed by the state budget.

(2) By 15 April 1990 the Ministry of Finance and the Ministry of Agriculture and Food Industry must formulate the procedure for collecting and disbursing the assets of the "Stimulating the Development of Agriculture and the Food Industry" fund. The budget contribution to this fund must be anticipated starting with 1991.

Economist Cautions Against Hasty Privatization

90BA0120B Sofia IKONOMICHESKI ZHIVOT
in Bulgarian 11 Apr 90 pp 1, 14

[Article by senior assistant Zhivka Sarachinova, candidate of economic sciences: "The Road to Europe and Privatization"]

[Text] Many are those who see no way toward Europe other than the one which mandatorily goes through "purely" private ownership. There also are many supporters of the concept of the absurdity of a conversion to a market-oriented economy not only without the official, i.e., the legal establishment of private ownership and giving it a real socioeconomic content, but also without its priority development passing through the other forms of ownership. But let us see what the study of the origin of the process of privatization in the Western European countries reveals.

It is true that allowing private enterprises to engage in activities which were being handled by the state, in France for example, was legalized in 1986. However, the special law of 2 July 1986 on the privatization of some state enterprises was adopted not as an anticrisis but as a postcrisis measure. The role of the anticrisis step, as far as the question of property is concerned, was played rather by the Law No. 82,155 on nationalization, which was adopted on 11 February 1982. In addition to the traditional areas of the state sector, such as power industry, transportation, communications, and the credit and financial system, a qualitative feature of nationalization was that it covered mostly technological and high-technology sectors (extracting, automotive and

chemical industries, machine building, aircraft and rocket manufacturing and metallurgy).

A comparison among the EEC members concerning the share of the state sector in the economy (based on the aggregate indicator, computed in accordance with the size of employed manpower, added value and pace of accumulation of basic capital), the highest share of the latter is in Austria, with 25 percent; it is followed by France with 22.8 percent; Greece, 22.3 percent, Italy, 20 percent; Great Britain, 16.7 percent, Ireland and Portugal, 15 percent; and the FRG, 14 percent. The highest share in the overall state sector in the EEC countries is that of the FRG (27.9 percent), followed by France (27.1 percent) and Great Britain (20.4 percent).

Naturally, the opposite argument could be immediately pointed out, that in terms of the nature of crisis parameters, the economic crisis in the developed countries at the start of the 1980's was of an entirely different nature compared to the one in which our country is entering. In those countries it was due to overproduction. Furthermore, during that period Great Britain was implementing the "program for denationalization of the Thatcher government" which, although not part of the electoral manifesto of 1979, subsequently and, particularly, after 1983, affected, to one extent or another, the nationalized enterprises. The lesson which could be drawn from the European experience in this area, however, applies to the role of the state in coming out of the economic crisis. The second lesson deals with the fact that the state sector can be efficient only if it is really democratized, i.e., if state control does not clash with the autonomy of economic units but stimulates their enterprise and market flexibility and if it is not comprehensive but functions under the conditions of a mixed economy. The third lesson is that even in developed market economies it is becoming increasingly necessary legislatively to apply the public principle in ownership relations. A reflection of this social principle is found in the various forms of social appropriation, worker participation in the management of property, the growing share of output and socialized economic sectors, to one or another extent, in forming the gross national product.

The main problem, however, is that to come closer to our partners in Western Europe, should the basis of anticrisis steps be privatization in the primitive interpretation of this process, i.e., the "parceling out" of the land and implementation of an agrarian reform which will once again distribute the land among the Bulgarian population and should state enterprises be sold to individual private owners?

The answers to this question consists of two parts:

According to the latest encyclopedic literature, the privatization of ownership does not simply mean denationalization. It covers, above all, changes in control relations and relations of appropriation. The right to handle and appropriate a private enterprise is increased at the expense of the legally removed control functions from

the hands of the state. In all cases however, it is a question of changes in the ownership structure. In this aspect, the privatization taking place in Western Europe is inapplicable on a broad basis in our country because of limited financial and property possibilities of eventual purchasers. It could be applied at a much latter stage, only after financial and professional possibilities have been acquired and if the objective need for this appears. However, we could convert to partial privatization as of now through mixed enterprises involving foreign participation, in trade, public catering, and services and in some agricultural areas. However, in such areas as well it would be expedient only if labor productivity does not decline and the quality of output is increased or else remains no lower than it is in the public sector.

Taking into consideration the specific socioeconomic conditions, immediate readiness and objective necessity, there are three ways in which the state monopoly can be restricted throughout the economy: through partial denationalization but with the state retaining no less than 50 percent of ownership of state enterprise. The remaining 50 percent could be held as shares by individuals or other enterprises (stock holding, private, mixed, or cooperative); by retaining state ownership of the enterprise but upgrading its autonomy through legislatively regulating the state's intervention; in some enterprises the level could reach total liberalizing and elimination of the state monopoly over a specific period of time.

With the existing state monopoly of ownership in our country and the extensive state sector, a conversion to total denationalization could bring about, as the experience of the developed countries in Western Europe indicates, a new monopoly—private—which in no case would democratize the economy. A guarantee for true democratization is achieved by giving a socioeconomic content to the individual and the mixed forms of ownership; the only criterion of their viability should be the competitiveness of their output. The governments of the EEC countries have resorted to denationalization after carrying out the structural reorganization, when they were facing the task of limiting overproduction.

The study of the anticrisis mechanisms applied in EEC countries in order to come out of the crises they experienced after the deep depression of the 1930's led to the appearance of a common trend which is present to this day. This applies to the socialization and multinationalization of ownership.

While the process of socialization applies to nonmonopoly private property, multinationalization affects private monopoly and state monopoly ownership. One of the direct results of the socialization of ownership is the creation of a powerful cooperative sector in Western Europe. The 2.5 percent of national income of the EEC countries comes from the cooperative sector and 60 percent comes from the overall agricultural output. Currently the cooperative sector in Western Europe rallies

some 120,000 enterprises which are members of different associations and unions, and 100,000 independent production cooperatives. There are 60 million members of cooperatives, i.e., 19 percent of the overall population of the EEC members, accounting for 45 percent of the active population. These figures indicate that it is not the private or petty but cooperative ownership that is the foundation of agricultural production.

A study of the potential of the cooperative form of ownership to function successfully under the conditions of a market oriented economy leads to the conclusion that the most competitive are the cooperative complexes and associations. This is exemplified by the large cooperative "Mondragon" Complex in Spain, the 17 marketing cooperatives in Great Britain, the credit cooperatives in the FRG and France, which play a determining role in the credit structure of these countries, and the Italian worker cooperatives, thanks to whose dynamic development Italy has risen to fourth place among the European countries.

The form of ownership applied in the Western European countries, the United States, and Japan which is most resistant to market competition and crises manifestations is the cooperative. In the course of its functioning, characterized by an ever increasing process of multinationalization, advantage is made of the different cyclical nature in the economies of the individual countries. Such differences in economic cycles allows the cooperatives to avoid the hard blows of national crises, blocking their direct impact by intensifying their activities and concentrating on financial operations in their foreign branches in which the economy at that time is in a state of upsurge. About 3 million corporations in the United States account for 90 percent of the overall income of all enterprises in the country. In 1987 there were 2,262 corporations in the FRG with a total capital of DM119.6 billion. The overall trend of corporate ownership has been a decline in the control packet of shares from 51 percent at the start of the 20th century down to three percent in the 1980's. The reason for this is the ever intensifying separation of capital—a function of capital ownership—and the ever growing participation of the working people in this form of ownership.

The supporters of global privatization as one of the mandatory steps leading to a "shock therapy" cite as their basic argument the fact that a single European market will be established by the end of 1992. Let us see what characterizes similar preparations made by the Western European countries. Above all, the process of mergers and absorptions is developing at a high pace. This process affected most strongly the agrarian sector in which in the EEC countries in the first nine months of 1989 alone, there were some 80 mergers and absorptions totaling FR40 billion. Western experts link the question of mergers with the impossibility of creating a unified European market without the development and full functioning of a unified internal market within each participating country.

Consequently, the following conclusion can be drawn from the facts pertaining to the real European processes:

The path to Europe does not demand the total privatization and the priority development of the single ownership private property in Bulgaria. Private initiative can be stimulated through cooperative, corporate, lease and mixed ownership and, within expedient boundaries, the private form of ownership. In order to enhance private enterprise for the purpose of upgrading labor productivity and eliminating alienation from labor, in addition to legislative activities on problems of ownership, interdisciplinary collectives consisting of scientific and economic specialists should develop a strongly differentiated tax, credit and price policy and an overall system of socioeconomic regulators.

Trade Union Leader on Labor Reforms, Unemployment

90BA0115A Sofia DUMA in Bulgarian 5 May 90 p 5

[Interview with Ognyan Krumov, deputy chairman of the Confederation of Independent Trade Unions in Bulgaria, by Nikolina Yambolieva; place and date not given: "68,000 Unemployed and 66,000 Job Vacancies"—first paragraph is DUMA introduction]

[Text] The electoral campaign marathon is distracting our attention, albeit temporarily, from pressing social problems, and the roundtable meeting did not get to them. Now, with their complexity, they are drawing the attention of the Confederation of Independent Trade Unions in Bulgaria. In discussions with the government and the employers, the Confederation is an opponent supporting the interests not only of its members. What are the problems as seen from the trade union standpoint? We sought answers in a discussion with Ognyan Krumov, deputy chairman of the Confederation.

[Yambolieva] Comrade Krumov, the trend followed by the leadership includes social problems of particular sensitivity to our society at present: labor employment and skills, labor conditions, social security, legal protection of labor, social legislation and labor conflicts. What concerns you the most?

[Krumov] The most serious problem to me is that of unemployment. Production lines in enterprises which are inefficient or, in connection with the conversion and for ecological considerations, are being closed down. On the surface, there is no particular reason for concern. According to the labor offices, by 30 April there were 68,480 unemployed registered, including 6,560 on the basis of the 57th Resolution of the Council of Ministers. Of these, 4,074 were reassigned to new jobs and 2,316 found employment. The officially announced job vacancies, again based on bureau data, totaled 66,110 and, whereas in the past they exceeded the number of registered unemployed, today they are fewer.

In my view, however, this is not the real situation. We have the decision of the government to reduce capital

investments in construction. However, many of the investors have still not stopped investing. Therefore, in that sector as well many people will be laid off and there is no program for their reemployment. In connection with the conversion, the Ministry of Economics and Planning drafted a project. However, it has such a technocratic slant and pays so little attention to employment that, in this respect, it is worthless. We were able in a general agreement with the government and the employers to accept that the releasing of workers will be based exclusively on formulated programs for reassignment and retraining.

[Yambolieva] Could the trade unions influence such processes, and if so how?

[Krumov] We provided the government with a list of legal rules which at present are hindering the free movement and choice of job. The general agreement includes the stipulation that they will be deleted. There has been a reaction but it still does not satisfy us. Nor is there a program for opening new jobs, which is the most important opportunity for resolving the problem of unemployment. Problems of employment should in no case be based exclusively on reassigning personnel but also on specific plans for opening new jobs wherever necessary and in the type of sectors and activities in which they will be efficient. On the purely human level I am trying to understand both the government and the ministries: They have only a few months in which they must resolve problems which took decades to accumulate, under a situation in which the emphasis is on actions of political prestige and activities related to the forthcoming elections.

We submitted to the government also a proposal according to which the economic managements would mandatorily, by law, provide information projecting for at least three months in advance how many people will be laid off and, one month before that, a name list with the basic sociolabor characteristics of the people. Currently matters are developing without control and we have very little opportunity to intervene. We could submit specific sectorial and regional decisions and views and provide ideas.

Today state institutions and political parties are speculating with problems of agriculture and the fact that it needs cadres and will absorb a high percentage of the unemployed. How many? Has anyone mentioned a number or made computations by municipality? We are laying people off and waiting for them to go to the countryside rather than providing new jobs.

Let me point out, however, than many of the deadlines about which we agreed with the government applied to legislation—the law on Bulgarians working abroad, the law on labor conditions and recategorizing and overall updating of this system, and the law on social security and the trade unions. After the disbanding of the National Assembly work on such documents actually stopped. I am concerned also by the fact that the

roundtable ended the moment the political problems were clarified and that no one touched upon social and economic problems. It is as though no party is willing to deal specifically with them.

[Yambolieva] Under inflationary conditions the living standard of large social groups will depend not only on the Law on Social Security but also on the approach taken to compensate for the consequences of inflation. What will be the approach of the trade unions?

[Krumov] For the time being no such agreement has been concluded. The proposal submitted by the Confederation of Independent Trade Unions calls for a faster indexing of low-income groups of pensions and wages. In our view, what would be most socially fair is a 100 percent advance compensation for the lowest pensions and salaries; the next group will be a 100 percent subsequent indexing; in the higher income groups it will follow a diminishing coefficient. It is precisely they that should assume most of the burden, for this will not have a substantial impact on their living standard, whereas the socially deprived—the 1.5 million pensioners—as it were are barely able to make ends meet.

[Yambolieva] In recent months, in a number of conflicts the independent trade unions were to play the role of an intermediary between the government and the ministries, on the one hand, and the labor collectives, on the other, in connection with demands for recategorizing and improvements in labor conditions. What will be the policy of the trade unions in the future and what characterizes presently the social picture from this viewpoint?

[Krumov] Unfortunately, at this time these problems cannot be resolved radically. We are following the path of compensatory mechanisms: We pay for the people's health and life, we are being deprived of manpower and strength through recategorization and early retirement. Meanwhile, we have no adequate funds to solve radically the problems, i.e., to provide normal working conditions. The present approach to the solution of the conflicts created new disparities and social and economic inequities, separating the various worker groups and categories.

It is proper for the people who work under harmful conditions to be taken out of there after a certain period. In many cases, however, these requirements are dictated by their desire both to retire and, after that, to remain at their jobs. As a trade union we should not and we do not agree with such a view, for in the final account this affects the interests of both the individual and of everyone in society. A damaged health entails additional costs for everyone. In that sense even a socially equitable resolution of individual cases is not always the most equitable in terms of the correlation among the different groups. A new legal regulation must be adopted. We shall insist to the end on a basic change of policy in this respect: Everything which we provide as compensation and pensions or, in general, as subsequent expenditures

to society for people who work under hazardous and difficult conditions should be gradually redirected toward jobs which would ensure normal labor conditions.

As to our role as intermediaries in conflicts, at this stage most of the conflicts break out not only because of labor conditions and recategorization. We also have conflicts with managers who allow arbitrary behavior toward people, including violations of the law and actions which conflict with the legal act and the Labor Code. The Confederation of Independent Trade Unions has agreed to changes in the Labor Code which thus eliminates the election of managers by the collective which, in our view, is entirely accurate, as we convert to the principles of a mixed economy; no such elections exist elsewhere in the world. Unfortunately, under our circumstances, this once again assured some managers that they could do whatever they want. Nonetheless, they must be reminded that they are not invulnerable. There is a stipulation in the code—Article 330, paragraphs 1 and 2—which gives us the opportunity, through the corresponding territorial authorities of the trade unions, to demand the release of economic managers for manifestations of bureaucratism, poor sociopsychological climate and incompetence. Although the procedure is more complex, in the final account, we are the supreme instance. In several cases we have already applied this procedure.

Whereas in the past few months we have acted as firemen, i.e., middlemen, in suppressing conflicts, in the future the trade unions will assume their true role. They will not put out fires but will organize strikes, for many economic managers display a scornful attitude toward the demands of the collectives, delaying the resolution of basic problems which do not require the intervention of the government. Such a neglectful attitude became particularly intensified after said amendments made to the code.

[Yambolieva] A final and specific question: How will the trade unions give support to the unemployed and the strikers?

[Krumov] On the one hand, they will receive official compensation as per Resolution No. 57. In the future, the legal base will be improved thus broadening the opportunities for pay compensations under conditions of unemployment. This will take place with the adoption of the new law on social security and the new Labor Code. On the other hand, the Coordination Council of the Federation passed a resolution on the creation of two funds: social assistance and strike. Together with the trade union bank, which is still at the planning stage, they will acquire funds and provide opportunities for strictly trade union compensations outside of the state insurance system. Both for the bank and the administration of the specific funds we are using expert consultations by trade union centers, such as the Austrian and the West German, which have long experience. We hope that no later than June everything will be settled.

CZECHOSLOVAKIA

Extreme Caution in Economic Reform Area Criticized

90CH0041C Prague HOSPODARSKE NOVINY
in Czech 23 Mar 90 p 3

[Article by Dr. Milan Cap, director, Institute of Economic Law, Prague: "Big Fear of Even a Small Bang?"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] On the proposed legislation on the economy: The economic public is impatiently awaiting the "package" of laws which have been under feverish preparation since the beginning of this year: the law on state enterprises, laws on cooperatives, the law on stock companies, the amended law on foreign economic relations, the amended law on enterprises with foreign capital participation, and the law on private enterprise by individual physical persons. Their promise is seen in providing the foundation for setting up a variety of subjects in the economic sphere capable of conducting entrepreneurial activities, and that this will also be facilitated by a corresponding regulation of mutual relationships expected from the amended Economic Code which is also part of the package. What is the situation?

There was some disappointment over reports that the draft legislation on state enterprises fell through in the federal government and that the amendment to the Economic Code was returned for amplification. The only draft laws that passed included those on individual enterprises and on stock companies. The others are scheduled for a later discussion by the government.

Of course even those draft laws which got government approval are not yet certain winners. They await discussion in parliamentary committees which will undoubtedly be quite a different thing from the past. Thus it is already clear that the original time frame for promulgating the new laws will not be met. Hence the disappointment of the interested public.

The Law on State Enterprises

Why did the draft of the law on state enterprises and the amended Economic Code fail to win approval? To an extent it was due to the haste with which they were drawn up. Even if the concepts were unequivocally clear, it is not within human power to work out in barely two months legislatively perfect and mutually integrated statutes. But was there really a clear concept when the work began?

Originally the legal statute for state enterprises was conceived as a partial amendment to Law No 88/1988 of the Collection, with the purpose of making possible:

—the breaking up of mammoth state enterprises created as a result of faulty interpretation of the original law on state enterprises, when in the most important

industrial branches the signboards of the former VHJ's [economic production units] and concerns were repainted to show them as state enterprises;

- the transformation of state enterprises into other forms of entrepreneurship (especially stock companies where suitable);
- the privatization of ailing state enterprises, subject to approval by a representative body (in accordance with their authority either the Federal Assembly or the National Council).

In the course of the deliberations it was decided that rather than amending the old law on state enterprises a new one will be drawn up. The proposed version included three types of a state enterprise: with the founder's participation, for services in general public interest [public utilities], and self-managed.

This was not an auspicious concept, if only from a legislative-technical point of view. It created three new types of a state enterprise, none of which resembled the state enterprise according to Law No. 88/1988 of the Collection. Moreover the transitional rules of the new draft stipulated that enterprises created in accordance with Law No 88/1988 are regarded as enterprises created according to the new law. But what regulatory effect would the new law have if existing state enterprises cannot recognize themselves in the new types? Which of its provisions should apply to the existing state enterprises until they reconstitute themselves into the new types? The proposed concept wholly repudiated one of the most important legislative principles—continuity.

A still greater fault in my opinion involved the substance of the proposed solution. According to the draft of the new law we would have for virtually the entire remainder of 1990 a double restructuring process in the existing state enterprises. According to the proposed transitional rules the center (represented by the founder) would be charged with carrying out a structural refashioning of the existing state enterprises, in the sense of granting independence to those of the current intraenterprise units where such organizational units can be deemed capable of existing independently as state enterprises. Concurrently with this the enterprise would have to arrive at a decision into which of the three proposed types it will reconstitute itself. The choice was essentially only between two: either an enterprise with the founder's participation, or a self-managed enterprise (a decision to adopt the third form—that is, an enterprise serving general public interest, was in the draft law reserved for the Government). The first restructuring process is the unavoidable consequence of an incorrect application of the original law. But why that second restructuring?

The risk of a double restructuring is evident at the first glance: It would turn enterprises for many months ahead into discussion clubs on what their future shape should be. And production, already now declining alarmingly, would probably decline even further. And once the

enterprise would complete the second restructuring, disillusionment would probably set in: The enterprise collectives would find that they are essentially in the same situation as before. And then we would have a further, third stage of restructuring a procedure for which may not be expressly laid down in the draft law but which is promised in the report on the legislative intent: the transformation of some (or most?) enterprises with the founder's participation into stock companies. And again the enterprises would turn into discussion clubs: Should we remain a state enterprise with the founder's participation, or should we become a stock company or some other form of enterprise?

Even though the various versions of the draft law on state enterprises have not been made public they nevertheless percolated into the enterprise sphere in a variety of forms. And thus emerged the cloven foot of the law's concept. Its authors entered the game with the notion that the prevailing type into which the existing state enterprises will reconstitute themselves will be a state enterprise with participation of the founder whose representatives will hold one-half of the seats on the enterprise council.

In sharp contrast to the authors of the new law's concept, a large majority of executives in enterprise management prefer the self-managing enterprise type. This was expressed persuasively by Skoda executives in a letter "To Government members V. Komarek, V. Dlouhy, V. Klaus" published in issue No. 17 of LIDOVE NOVINY. They wrote, *inter alia*: "What is the sense of this irrational organization of the entrepreneurial component one-half of which consists of state employees lacking in both the necessary knowledge of the enterprise and sense of responsibility for its prosperity. How can such an enterprise be a subject of the market?" Further on, they note: "We are aware of the concerns that enterprise employees represented by their enterprise council will not know how to carry on entrepreneurship. Allow us to counter this by the fact that 'state officials' have already proved their incompetence."

I don't want to be arbiter between two opposing views even though I believe that the truth is rather on the side of the Skoda people. I only want to point out that the polarization of views suggests the possibility of a very sharp dialogue between founders and enterprise collectives on the future shape of enterprises, and that a victory scored by one side or the other might turn out to be a Pyrrhic victory not only for this or that enterprise but for our entire economy.

As indicated by reports from the federal government's meeting there probably will be no dialogue because the recommendation was to rework the draft law on state enterprises in a way that would exclude the alternative of a self-managed enterprise. Thus after 1 January 1991 we would have only enterprises with founder participation and those serving general public interest. But because the decision on the status of an enterprise serving general public interest is solely within the government's powers,

this would leave only one alternative for the future form of a state enterprise: with the founder's participation. Is it viable?

Let's leave aside the practical aspect—that is, whether it is at all physically possible for each founder to round up a sufficient number of qualified representatives to fill one-half of all enterprise councils in all enterprises within his jurisdiction. Let us rather turn to the question where all this may lead to. There is no doubt but that state interference in enterprise activities will be thereby reinforced beyond the extent envisaged by Law No. 88/1988 of the Collection. The founder will be able to exert influence on the enterprise's activities not only from outside (as an organ of economic management) but also from inside (through his representatives on the enterprise council). The intent of the authors of this concept of the law on state enterprises is evident: They want to reconstitute the existing state enterprises as subjects of economic activity from the center. Although I do not question the good intentions and recognize the qualitative difference inasmuch as this is something being undertaken by a different government than those preceding it and that it is going to be carried out under democratic conditions, nevertheless I am seriously worried. Past experience has shown quite convincingly that for any center this is a task exceeding its abilities. This was always the view also of the economists who are now members of the government of national understanding and enjoy our confidence. Isn't there a very great risk that they may not succeed?

The danger of subjective error in administrative decisionmaking remains equally great as at any time before. And have the authors of this concept given sufficient consideration into whose hands they actually entrust the decision on the future form of the enterprises? Are they genuinely convinced that the apparatus of the founding ministries are already thinking in different ways than they did before? And isn't an enterprise with the founder's participation in effect an unnecessary intermediate stage between the existing state enterprises and that promised, let's say ultimate, solution which is to be a transformation into genuine subjects of entrepreneurial activity? Will not an enterprise with the founder's participation serve as a retarder rather than an accelerator of the desired development?

Amended Economic Code

The new entities which are to be constituted must develop substantially more liberal relationships among them. The more it is necessary to liberalize relations between the subjects of economic activity and organs of economic management. Therefore it is essential for the amended Economic Code to come into effect simultaneously with the package of laws on entrepreneurial entities. But the amended version too was worked out in an incredibly short period of time and hence is not likely to be free of legislative shortcomings. Yet the reason why

it failed federal government approval is rather surprising. A logical requirement for liberalizing relationships is a radical restriction of contracting obligations. The proposed amendment therefore abolished all special categories of contracting obligations and retained only two: the duty to conclude a contract on the basis of the planning act (depending on the future version of the law on national economic planning and the government's actual policy on whether and to what extent the specific targets will be set and how they may be detailed down to enterprises by means of planning acts), and a contracting obligation on the basis of an agreement governing preparation of supplies.

However, several branches raised objections to this restriction of contracting obligations and demanded retention of the original categories of contracting mandates.

Contracting obligations began to be restricted in the Economic Code as early as in 1988. At that time an amendment abolished the so-called general contracting mandate stipulated in paragraph 158, section 2, item c. During consideration of the amendment as well as after it went into effect this restriction of the contracting mandate was the subject of extensive discussion, in which some of the operating managers welcomed eliminating the provision while some others protested it. Briefly, those who favored elimination were in all enterprises the marketing executives while those engaged on the supply side expressed fears that this may endanger supplies to production. Based on experience gained since the 1988 amendment went into effect it can be said that abolition of the general contracting mandate had no deleterious effect on supplier-consumer relations.

On the contrary, experience amassed over a long time has shown convincingly that an overly extended contracting mandate has never in the past contributed to a balance in supplier-consumer relations but rather exacerbated the existing disproportions. The contracting obligation of this sort had an essentially automatic and indiscriminate effect, in its consequences leading at times to an inflationary element in contracting with suppliers of shortage items. The inflationary decisions created merely an impression that the obligation to supply is contractually secured, although in fact there was no material backing for part of the compulsorily entered obligations. Insistence on a contract obligation fashioned in this manner then led operating managers to practice bureaucratic alibism by seeking to obtain an arbitrator's decision in a precontract dispute, without regard to its unrealistic nature and only to show proof that they made an effort to secure the needed supplies. The various specific categories of contracting mandates which are now slated for abolition had essentially similar effects.

I am convinced that it was precisely the abolition of a general contracting mandate which began to have a salutary effect on the thinking of enterprise managers,

for now they were compelled not to rely on administrative pressure but rather begin looking for more rational ways of mutual cooperation that would lead to effective assurance of the needed subsupplies. The same may be expected from the abolition of special categories. Restoration or preservation of a broader extent of contracting mandate would mean a step backward and delay transition toward introducing the principle that the predominant standard for the structure of output utilization should be determined on the basis of economic management methods. A provision for contracting obligation cannot effectively substitute for these economic methods, even temporarily.

Indeed, can someone still believe that a discredited institution from the days of management by decree which even then worked to distort supplier-consumer relations, would be capable of mitigating the gap between supply and demand and help bring us nearer to a market mechanism?

A Big Shock, or Exercising Caution?

Mr. Lionel Stoleru, state secretary for planning at the office of the prime minister of the French Government, recently explained in the Valdstejn Palace his philosophy of our economy's transition toward a market mechanism. In his view this transition must not be a brutal shock, but a certain bang with gradual follow-up steps is imperative. The gradual steps with which our Government wants to insure the transition to a market economy were explained by Prime Minister Marian Calfa in the Federal Assembly. As the first step he designated the creation of legislative prerequisites; the second step should consist in correcting the present value relationships and evaluation of criteria and parameters. The third step should be opening up our economy to the world, liberalization of imports and capital movements with the aim of achieving convertibility of our currency.

The sequence of the necessary steps is undoubtedly correct. The question is only how thoroughgoing they will be and how rapidly they will follow each other.

As can be gathered from what I've said earlier, the first step seems overly hesitant. The legislative approach to the law on state enterprises contains some elements of retardation and a certain step backward is demanded also from the proposed amendment of the Economic Code. Moreover, the first step appears to be insufficiently comprehensive. Already during 1989 I pointed out that state enterprises founded according to the law No. 88/1988 had come into being in the old financial-economic climate of administrative direction. That it is not enough to merely create new entities, but that it is necessary to create a corresponding economic climate for their operation. I drew attention to shortcomings in the laws on levies, revenue tax, in the foreign currency legislation, in the government decree on financial management of state enterprises, in the law on macroeconomic planning, in the government decree on compulsory negotiation of supplier-consumer relations and on

the actualization of concrete outputs of the state plan. With particular emphasis we pointed this out in the opinion of the CSSR State Arbitrage rendered on 27 November 1989 which was—as already more or less a historical document—printed in No. 1/1990 of the ARBITRAZNI PRAXE journal. All the legislation mentioned therein, prepared still under the previous government, was however endorsed without change at the end of the year and it is likely that it will remain valid for some time to come. A revision of these laws is probably contemplated as part of the second gradual step.

I understand the complexity of the whole situation. I am aware that the finance minister's efforts are geared primarily to the crafting of a state budget with a mild surplus, and that he therefore does not wish to unhinge financial-economic relations by an abrupt restructuring of the tax system and a genuine price reform. This could lead among others to a decline in the state's budgetary revenues and thus to a 1990 deficit in the nation's economy. A similar concern may pertain to the issue of amending the system of macroeconomic planning where evidently there are still worries about insufficiently assured supplies especially for production needs, public health services, domestic trade, and the armed forces.

But on the other hand we must also recognize that even if we succeed in constituting truly enfranchised subjects of economic activity (which for now does not seem quite certain) but let them enter an economic environment debased by old financial-economic elements, they will be doing about as well as we citizens in an environment polluted by sulphur and nitrogen oxides. Will these newborns be really able to breathe entrepreneurship in this kind of environment? Aren't we unduly afraid of even a small bang and aren't we needlessly prolonging our way to a market mechanism?

Progress to Market Economy Problems Evaluated

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[Article by Prof. Eng. Miroslav Tucek, candidate of sciences, director general of the Investment Bank: "On the Reform With Pragmatism"]

[Text] In the discussion about ways and means of realizing the economic reform, of its stages and conditions, the need to define the goals of economic policy is emerging more and more. The individual participants in the discussion outline the goal which is closest to them for one reason or another: creation of a market mechanism, disengaging the state, restructuring, increasing economic efficiency, achieving economic balance, opening the country to the world, growth in the standard of living, etc. However, it is clear that the success of the economic reform depends on the fact that not only a single goal will be pursued, but an entire series of goals—simultaneously. There is no magic "main link in the chain"; because the economy is multifarious, its revolutionary reform cannot be limited to solving a

single goal. Even though the priorities will change during the course of the reform, they must be categorized not in terms of ideological priorities, but in terms of pragmatic priorities resulting from the changing situation. This is the spirit in which the author perceives his approach to the economic reform.

In the case of a broadly perceived economic reform, it is not possible to expect that it can be accomplished in a short time frame, but rather that the entire process will require at least 10 years and possibly more. After all, even in Western Europe, for example, the transition toward full free convertibility of national currencies and toward the full opening of national economies required decades. In France and in Austria, the transborder movement of capital was not fully permitted until 1 January 1990—in other words, decades following the currency reform.

The economic reform in Czechoslovakia should, therefore, have a number of radical steps which will be pragmatically arranged in such a way as to have each large step prepare the way for additional “small” steps, but also have the ability to facilitate subsequent “large” steps. In other words, we are not looking at a single reform “package,” but a number of “packages.” Small steps can even precede large ones, but must not be in conflict with them.

The Risk of Pseudomarket Chaos

Following last year's November revolution, the central management of the economy essentially fell apart and is, in practical terms, limited to some branches and some processes. Enterprises buy into it in cases where it affords them protection or advantages. A number of centralized organs are more oriented toward coordinating the expansion of subordinate enterprises, toward strategic considerations which, however, those enterprises to whom they apply may, but need not take into account. Detailed centralized coordination of production and money in circulation no longer functions; a classical market is still not functioning. Where negotiations for deliveries occur between enterprises, this is a quasi-market, which is monopolistic and unbalanced, a market arising out of traditional relationships involved in material-technical supplies, but augmented by “creative” approaches on the part of its participants (deviations from delivery conditions, from established wholesale prices, etc.). Thus, for example, commercial enterprises continue to have an interest in fulfilling the retail trade turnover plan and that is why they are willing to share not only the business span with a producer or goods in short supply, but also the trade-loss compensation fund; that is why they are willing to purchase goods for their own account and “not burden” the manufacturer with expenditures for transportation, etc.

This status which involves a crumbling momentum cannot last long. There are two solutions: returning, for a time, to detailed central management (renewing it) or undertaking the accelerated development of the market

mechanism. The former could be accomplished by the apparatus; the latter is possible only by destroying the old management apparatus because new functions which it should undertake are unknown to it and it will not master them.

Should the transition to a market economy take a long time, a pseudomarket chaos would ensue in the economy: supply would crumble (in first place, supplies for production and construction), there would be payment of unmerited wages, something which is occurring at an ever greater pace, and the result would be a deterioration regarding the supplying of the market with consumer goods. For this reason, it is not possible to wait for national economists and the central organs to agree on a concept of various “packages”—it is necessary to act pragmatically and operationally, irrespective of election campaigns (this year there will be two!). If the government does not want to renew central management, it must proceed even in the knowledge that its progress could contain errors (of the type involving overly large devaluation of the Czechoslovak currency, which occurred in January this year) and that a proper market will not come into being instantly without serious causmatic deficiencies. We still have a number of years to wait for that kind of market.

What Is Possible Immediately

In opening up a market, a number of measures for deregulation offer themselves, primarily:

- There is nothing to prevent the ministries of commerce from breaking up today's territorial (kraj) commercial establishments, from turning today's wholesale establishments loose, from rescinding their territorial jurisdictions, and from selling off the sales outlets or renting them to the present managers or cooperatives composed of members of the working collective (particularly with respect to large-scale sales outlets). It is possible that production enterprises might buy some of the sales outlets themselves as their own marketing networks. The present status is characterized by the corruption of route salesmen, employees of various fund departments, and, frequently, also by the corruption of managers of commercial enterprises who have “their own” sales outlets to which they accord preferential treatment while moving supplies, and who supply “their own” clients through the back door. Moreover, some sales outlets for industrial goods are making their own arrangements anyway for acquiring merchandise outside of the “fund” distribution system. The entire apparatus of directorates of commercial enterprises is superfluous and should devote its efforts to those sales outlets which have been closed for years.
- There is nothing to prevent the binding control of prices, proclamations on delivery conditions, etc., from being applicable only to those enterprises which are monopoly-type producers (suppliers). In these enterprises, however, there is a need to check on adherence to these provisions because consumers,

who are fully dependent on monopoly suppliers, cannot assure such controls. It is only a matter of defining monopolism and of introducing special state control activities pertaining to it.

- There is nothing to prevent restaurants and catering establishments from being immediately sold off or rented—possibly through the form of auctions—as long as their employees do not show sufficient interest (after all, private entrepreneurship has long thrived in this area and the state gains nothing from it).
- There is nothing to prevent OPBH repair teams from being made independent as private entrepreneurs or as cooperatives and halting their living at the expense of the state because, as things are anyway, only a fraction of the working time is spent working for their own official employer and they invariably work with his materials.
- There is nothing to prevent the national committees from immediately ordering the vacating of all unutilized sales outlets, restaurant facilities, etc., and placing them at the disposal of private individuals. Moreover, they will save money normally spent on maintaining so-called agitation centers.
- And what is to prevent the government from issuing a binding indicator covering the relationship between production and other employees for all those enterprises which are losing artisans? Otherwise, only the original inflated administrative apparatuses will remain in place without regard that anything is produced or any services provided. Does anyone really think that a number of production cooperatives and municipal service enterprises can survive in competition with private individuals?
- And finally, what is to prevent a Rempo-type supply enterprise or a Technomat enterprise from breaking up into a number of local independent units which will compete with each other? Which will be purchasing idle inventory and will be actively offering it on the market? I assume that the state enterprises would have to wish to be rid of surplus inventory.

It is surely possible to think up tens of other such measures. But does anyone want that?

However, for purposes of opening up a market, it is necessary to not only permit private entrepreneurship, but to actively support its development. For the present, the view of the private sector is more than sad. In newspaper commentaries, it is being said that workers are leaving their jobs and are "waiting" for the law to adjust their activities. They are not waiting, but are already engaging in entrepreneurship, without permission, without paying taxes. This is attested to, among others, even by the advertisements. What is involved are services and the doing of repairs, but sometimes only the provision of advice. On the other hand, more serious undertakings which require investments, space, bank accounts, the allocation of materials are, for the present, universally disadvantaged and cannot escape financial controls. The flat rate taxation of income without the possibility of accelerated write-offs is unsuitable. The

banks have no risk funds to provide credits. The state insurance institutions do not know how to offer credit insurance, deposit insurance, or insurance against halting operations as a result of random events. Payments are exacted for various permits. The ministries of industry for the individual republics are responsible for the development of private industrial production. What have they accomplished for this production?

Disengaging the State From the Economy

Methods for disengaging the state (denationalization) of the economy are, for the present, being discussed more at the cabinet level. All national economists know that it is necessary to undertake it, that its principles should be approved by parliament and by the national councils. However, there is considerable puzzlement about how to accomplish this move. According to my information, there are at least four fundamental concepts impacting on this question.

1. Cede the property of enterprises to established self-administration enterprises, that is to say, change the collectives of workers into owners of enterprises, and possibly, at the same time, reevaluate the property of the enterprises involved. In doing so, we start with the view that the enterprise actually belongs to the workers, since they keep it alive. However, the objection is heard that this method of disengaging the state is unjust, because the major portion of state property would go to citizens working in better equipped enterprises. And what would be left for those who are working in institutions which remain under state control?

2. Enterprises could redeem themselves from state control by gradually paying off the basic capital (this was written about in *HOSPODARSKE NOVINY* by Eng. Nesvera and Dr. Sulc) or by even paying off the prices of land. This is a concept which is based on the fact that the enterprise which is endowed with better equipment will pay off more than the enterprise which has worse capital equipment. No difference should be made with respect to whether this is a state enterprise of today or a joint stock company. The concept is based on the present valuation of actual basic wealth, on present-day inventories (at acquisition values), and on the value of basic assets.

3. By changing state enterprises into joint stock companies in which, in the beginning, the state would be a shareholder, it would be possible to achieve commercialization (privatization within the sense of changing enterprises into civil rights entities), whereby the state would have the opportunity of gradually selling off its capital participation in individual enterprises as demand arises (selling to other enterprises, to private individuals). It is proposed that these joint stock companies be organized from holding companies which might be state controlled. This model was worked out particularly for the engineering and electrotechnical industries.

4. Compute the amount of state property subject to denationalization allocated to individual citizens—each

citizen to receive a voucher for the purchase of shares at the established value and then sell off the share capital of individual state joint stock companies, or parts of this capital, at auction. This form, as well as the previous form, can be combined with reserving a part of the shares for the employees of the enterprise (employee shares).

No matter which of the above ways of denationalization, or their combination, the government decides upon, the following must be solved at the same time:

- The realistic valuation of accounts receivable and accounts payable for individual state or stock companies.
- Their excess indebtedness (the excessively high share of bank credits and obligations vis-a-vis suppliers).

It is typical for our economy that the accounts payable of enterprises are derived from their accounts receivable—something which is unimaginable in a market economy. However, in the event the accounts receivable of an enterprise includes supplies valued at, say, Kcs 2 billion which have virtually no value (and should have long since been written off if there was not the effort to “fulfill” the profit plans and profit levies at any price), then this means that a number of enterprises have no basic capital at all. They are only in debt to banks and to suppliers.

The majority of enterprises today are overly indebted. I do not have in mind only foreign trade enterprises, where this phenomenon is particularly problematic (in cases where they do not even have their own building), or enterprises engaged in domestic trade, about which this is generally known. I have in mind industrial enterprises which have more credit resources than resources of their own. Every instant of relaxation pertaining to the payment of invoices threatens them in the event the supplier should demand payment in “cash.” Many enterprises are staying alive only as a result of the current benevolent climate prevailing in the issuance of bank credits, when the permanent credit amount is issued as a short-term credit. However, the credit participation of banks extends primarily to savings by the population. These cannot be canceled and must be paid off.

Plans for denationalization should not skirt around the burning question of purging enterprise management. They cannot involve only pretty, principled thought structures, but denationalization should, after all, provide the impulse for the improvement of enterprise operations, for the improvement of the health of the economy.

The careful Mrs. Thatcher did not entrust the privatization of the economy to any government office, but to the banks. The banks did not suffer a loss and privatization became a contribution to the economic growth in the United Kingdom. Our considerations regarding denationalization remind me somewhat of the method used in the one-time restructuring of wholesale prices—where the state lost money in each case.

And one more remark: The economy must continue to operate while denationalization is being accomplished. We must not block deposits, halt the arrangement of joint ventures, the sell-off of sales outlets and workshops to private individuals. The market must develop and we must not wait until the price of land, air, milk, etc., becomes “objective,” until a solution is found as to whether the dairy is a state-run operation, a cooperative operation, or a joint stock company, or some other form of operation. And it cannot be accurately determined ahead of time who will earn more or less from one or another of these operations.

Restructuring

The restructuring of the economy must proceed simultaneously. For the accuracy of thought: In market economies, there is a tie-in between the restructuring of property, the restructuring of the organizational aspects, as well as the restructuring of the technological aspects (sales). When the restructuring of some concern or branch of industry is written about, this includes all of these aspects. Their mutual interrelationship constitutes the source of success. If the Czechoslovak economy is to recover, if it is to master the changes in its external aims, the conversion of military production and the essential technical and technological modernization, then this requires not only plans for the suppression of some production processes and the expansion of others, but also requires changes in the concepts governing the organization of the “production base” and a change in property relationships. For the time being, each of the above aspects of restructuring is being discussed in isolation. Moreover, the discussion is ongoing without the financing banks. In a market economy, this is something unimaginable. In the future, we must expect that the banks will demand not only property guarantees in financing projects (an aspect which, for the time being, none of the captains of industry have even contemplated), but will frequently also insist on organizational and property changes, for instance, foreign capital participation.

For purposes of restructuring our economy, the most important aspects are precisely the ownership aspects (property), which are not restricted only to denationalization.

To increase the efficiency of the national economy, it is necessary to overcome autarkic thinking which is an expression of nationalism in the economy, irrespective of whether it is Czech, Slovak, or Czechoslovak in nature. A form for overcoming autarky is not only that which is referred to as joining into the international division of labor, but, primarily, a capital connection with the world, the importation and exportation of capital. This is not a one-way street, even though, in the foreseeable future, and as a result of the shortage of capital in the CSFR, the importation of capital will predominate, particularly in the form of direct foreign investments.

Under present conditions, the fundamental key to restructuring the economy is direct foreign investment because:

- Only through capital participation will it be possible to modernize an entire series of production processes and to assure their product sales in the free currency area.
- Only direct foreign investments will make it possible to effect radical shifts in the status of the infrastructure, but also in the status of a number of traditions.
- Only the participation of foreign entrepreneurs in our economy can make it possible for even Czechoslovak firms to begin to conduct themselves in a market-oriented manner.

We need foreign capital as a source of investment (the extent of savings does not facilitate an expansion of investing), as well as a source of foreign exchange, without bringing about a growth in foreign indebtedness. From the financial standpoint, direct foreign investments are more advantageous than credit indebtedness, primarily because it is possible to create a climate in which no one would be demanding that they be "returned" (repatriation), but also because in credit financing of investments, only the debtor carries entrepreneurial risk, whereas in foreign joint financing, for example, through the form of joint ventures, the risk is shared even by the foreign investor. This does not mean that joint ventures will not compel even certain foreign credits.

However, for the present, conditions for direct foreign investment in the CSFR do not exist.

We lack a finished commercial law for a market economy, foreign investors do not feel an adequate degree of political security for their investments in the CSFR.

Also, there is no entrepreneurial infrastructure—beginning with the fact that the Czechoslovak side cannot offer office space and accommodations, we lack linguistic and specialized knowledge to undertake commercial negotiations, and we are short of properly functioning communications, an adequate airfield, etc.

Our enterprises do not have personnel stability among managers as a prerequisite for long-term commercial relationships and, in the final analysis, the Czechoslovak side does not have any prepared commercial projects which could be of interest to foreign investors (with the possible exception of rebuilding the Prague Airport). In other words, there is no climate which could be evaluated as friendly and investor-attracting.

The political steps made by the president of the Republic and by leading government officials, their foreign travel and international negotiations are, therefore, not commercially utilized. Bankers and entrepreneurs who might commercialize the political capital, people who might enter the open doors, are not following in their footsteps.

I believe that negotiations with foreign investors regarding foreign capital participation should be the starting point for restructuring. This cannot be accomplished by deciding everything ahead of time (the organization of the enterprise, the direction of production, the property structure) and only then look around as to how this hybrid organization, created under domestic conditions, can be financed with foreign exchange. If, for example, we face the question of restructuring the textile engineering industry, we cannot begin by establishing some kind of an enterprise (organizational) unit, we cannot decide to whom the enterprise will belong and what it will produce, and only then begin to seek foreign partners because without their capital participation, know-how, marketing experience, etc., we cannot get by. It is possible to say the same thing regarding the pharmaceuticals industry or any other branch of the consumer industry. It is only in exceptional cases, perhaps with respect to infrastructure projects, that it is possible to utilize the opposite form of management and put out requests for a proposal.

In other words, it is high time to stop hesitating and to set principles for opening the economy to foreign investors. After all, the loss of time not only means a loss of money, but also a loss of international prestige for Czechoslovakia in the world (in comparison with the neighboring countries, who are likewise striving to acquire foreign capital).

In other words, the restructuring of the economy cannot be accomplished by a single legal bill, by a single government decision. It will most certainly take a number of years and it must actually be undertaken. And it represents many "packages." The largest West European banking houses, which had, at one time, engaged in similar restructuring operations, for example, in Great Britain, have offered to participate in this effort of ours by stating that they would, at the same time, assure investors by issuing securities in foreign markets, etc. Would it not be worthwhile to make use of this opportunity as well?

Economic Balance

If we understand economic balance to mean a balance in the market for goods, in the financial markets, in the labor market, and in the balance of payments, then the policy of economic balance is an essential component of every economic policy. However, it cannot be the single long-term goal because it is a condition for efficient long-term growth, but it is not the only condition: in and of itself, it can best be assured in a stagnating and internationally isolated economy because any growth disrupts it. Even in our condition, therefore, it should always be only a condition for growth and restructuring, a condition for the entire reform.

A key question in balanced growth is the creation of savings and their most efficient use. The volume of savings in the CSFR is declining seriously and, for the present, no policy for supporting the creation of savings

is being implemented. It all begins with the fact that a citizen who brings his savings to a savings institution must stand in line. The creation of savings is not aided by the system of taxation; there is an inadequate palette of forms for depositing money, there is no supplemental health insurance (or private health insurance), there are no tax incentives for citizens who wish to pay life or income insurance, the confidence in koruna savings is being undermined by the "dollarization" of the economy. The government should conduct a consistent policy to support savings and do so in broad conjunction and should make use of radical reforms pertaining to taxing the incomes of the populace in implementing this policy.

In advanced market economies, a substantial portion of savings occurs in the form of so-called forced savings, that is to say, by the creation of reserves by pension and health insurance institutions, which form the principal portion of the available capital (demand in the security markets). The establishment of a developed capital market is not possible without the institution of official investors who are not trying to create industrial concerns, but who deposit their resources only in line with two criteria: the assurance of their safety and the acquisition of their optimum yield. However, this is simultaneously an efficient mechanism for assuring the efficiency of real investments.

The creation of balance in the goods markets requires not only the restriction of demand, as was typically the case for the past 40 years, but, primarily, support for the growth of goods and services. To accomplish these ends, it is not enough to have a general restrictive policy (even though in this country, particularly in some areas, it must predominate), but injections are necessary to overcome a shortage of available goods and services. Let us take the market for consumer goods and services: We cannot get by with highly sophisticated systems for regulation pertaining to population incomes, it is necessary to offer more. Enterprises have surplus inventories worth billions of korunas, it is impossible to sell a rental house (even for partial credit), an inn, or a sale outlet from the state housing inventory. We discourage private individuals from offering goods essentially because we do not know how to tax their net gain. We tax the increases in the volume of merchandise offered by enterprises through confiscatory rates of levies (and through overhead costs of foreign trade enterprises). However, without an increase in the volume of goods and services offered we cannot relax the formation of retail prices, without this aspect, a market system will never come into being—and, thus, there will be no well-being.

That which is suitable for one market must not necessarily be suitable for another; in our case, for the market in intermediate products. A number of enterprises in heavy industry have financial resources (however, no foreign exchange) and account for the majority of the demand which exists in the investment market. For the time being, no one is compelling these enterprises to finance their supplies from their own resources and to

pay off their credits. This is a result of an inadequate internal structure of the monetary policy, as well as the inadequate assurance inherent in the credits granted. Therefore, some banks find the lowering of the volume of credits granted to be a difficult monetary task to solve.

A fiscal and monetary policy aimed at achieving balanced growth must be successful only in the event that the managing entities react to it rationally. This was not the case in the past. In other words, it is necessary to solve a whole tangle of problems which interfere with the effectiveness of fiscal and monetary policy. They are concentrated in the area of property responsibility, that is to say, of real ownership, without which even a capital market will only be a game similar to a bank draft good until the moment that there is any certainty that usury laws are functioning.

Housing Market Restoration Viewed

90CH0048D Prague HOSPODARSKE NOVINY
in Czech 30 Mar 90 pp 8-9

[Article by Dr. Eng. Jaromir Cisar: "How To Restore the Market"]

[Text] The restoration of the market character of our economy necessarily concerns also the meeting of housing needs. We must begin to restore the housing market. How to achieve it is less obvious.

Many authors focus their attention on the level of compensation for the use of apartments from the state housing stock. They see in it—and rightly so—the source of social injustice, unprofitability of the housing management, and other shortcomings.

I believe the transition should consist of a balanced system of measures. An essential condition is that it take place in concert with the restoration of the market for other articles of personal consumption. The housing market is always a local market.

Houses and apartments are subject to all existing forms of ownership, that is, state, cooperative, private, and personal. Enterprises and organizations are also owners of houses and apartments. Certain forms of ownership are appropriate for different forms of occupancy.

Different economic conditions involved in meeting housing needs mean that every form of occupancy requires a specific process of creating demand as well as specific methods for attaining a balance with supply.

The restoration of the housing market will obviously require the functioning of a number of separate housing markets, structured according to the forms of ownership and forms of occupancy:

1. rental apartments which are still owned by the state
2. rental apartments which are privately owned

3. apartments in multiapartment family houses which are privately owned
4. apartments in cooperative ownership
5. apartments in private ownership
6. single-family houses in private ownership
7. apartment houses with rental apartments in private ownership

The current concept of housing policy was based on the idea of a single national housing market. Almost all the value instruments were subject to it. Thus, for example, owners of single-family houses were forced by administrative measures to charge the same rent for their apartments as for apartments from the state housing stock.

Only a set of systemwide measures that respect the conditions in individual markets can lead to the restoration of the housing market.

Thus, for example, we can hardly doubt the need for an adjustment of the rents for state-owned apartments. But that cannot be achieved by a mere increase. First, a systemwide measure must be enacted which will lead to a fundamental change of calculating the rental.

The extent of this adjustment is a similar case. To base it on the current level of management of the housing economy and the amount of granted subsidies means nothing else than to put up with the same method of administering the housing stock, that is, considerable wastefulness and a total alienation of the users from its ownership. It is notorious, for example, that part of the repair costs has been spent on repairs that were never performed. According to the estimate of VUMH [expansion not given] Prague, the share of such repairs was as much as 65 percent. It is obvious that without a systemwide measure to regulate the administration and management of this housing stock an adjustment of rents will be only a contribution to an inflationary spiral.

An easier matter is to restore the market for apartments in single-family houses, that means, the leasing of apartments and rooms not used by the owner. The only serious obstacle will be the income level of the current tenants in view of the expected rent increases.

A considerably more complicated solution will be required to objectivize the situation in the single-family housing market. The present form of state assistance contains strong discriminatory elements, and, in essence, is a substitution for the inability of the appropriate organizations to ensure their construction by means which are a matter of course in other countries. That means, delivering a house according to the wishes of the customer in a "turnkey" condition.

Another requirement of the system is a fundamental restructuring of the house tax, which the financial theory and practice left entirely at the periphery of their interests.

The restoration of the single-family housing market, as well as the privately owned apartment buildings market, will not be possible without systemwide measures which will lead to the establishment of a land market and above all a financial market. This market especially should have an important place in this process. It would make the people's money available for investment and objectivize the relations between the builder and supplier, i.e., the building organizations, on the basis of supply and demand.

We can arrive at our goal only gradually, by dividing the system of measures into certain stages, in accord with the overall objectivization of personal consumption.

HUNGARY

Japanese Banking, Business Executive Secretive, Confidential

25000713A Budapest NEPSZABADSAG in Hungarian
20 Apr 90 p 4

[Article by P. D. "Your Internal Market Is Small, but...Japanese Scouts in Budapest"]

[Text] Our investments in Hungary depend largely upon the kind of market we gain access to. Your internal market is small, but like Austria and the CSFR you belong to the German economic zone, and you are also neighbors with the Soviet Union. This announcement was made on Thursday at a press conference held at the Budapest Hotel Duna-Intercontinental by Ikeura Kiszaburo, chairman of the Japanese Industrial Bank.

Ikeura heads a 66-member group composed of Japan's most significant trading houses and industrial firms. The group spent six days in Hungary to assess the possibilities for Japanese capital investment. The Far Eastern businessmen held discussions with Prime Minister Miklos Nemeth, MDF [Hungarian Democratic Forum] Chairman Jozsef Antall, and Commerce Minister Tamas Beck. The financial scouting tour is the result of Prime Minister Kaifu Toshiki's January visit. Prior to coming to Hungary, the Japanese delegation investigated investment opportunities in Poland.

Ikeura Kiszaburo said that for the time being no specific investments had been discussed, and that the purpose of the group was to obtain general orientation. Later on some thorough assessments and negotiations will be necessary to clarify who the real partner is. Ikeura told this newspaper that Tamas Beck recommended 20 areas in which investments could be made. The bank president termed the Hungarian economic environment as "sufficiently good," and said he was aware of our external indebtedness and of the difficulties in orienting ourselves away from CEMA and toward the West. On the other hand, he was not willing to take a position on which field of the economy may be most attractive for Japanese firms. "This decision is up to the businessmen," he said.

Members of the Japanese delegation welcomed with satisfaction Hungarian Government endeavors to develop a market economy, and voiced hope that the next government will be able to continue with this policy. At the same time, Ikeura pointed out that the privatization of property is not the equivalent of the privatization of management, i.e. it is important that the transfer of property into private hands also produces an ownership mentality.

Early 1990 Statistical Office Economic Report

25000719C Budapest FIGYELO in Hungarian
3 May 90 p 6

[Article by "-ER": "KSH [Central Statistical Office] on the Start of the Year; Will There Be a Market Change?"]

[Text] The administrative restriction of exports to socialist countries was not in vain, nevertheless we are rather far from the highly desired market change, according to a Central Statistical Office [KSH] report concerning industrial and broader economic data for January and February. One matter is clearly favorable: The balance of trade subject to settlement in convertible currencies shows a \$29 million surplus (as compared to a \$48 million deficit during the first two months of last year), and the current balance of payments shows a \$108 million surplus (as compared to a \$49 million deficit a year ago.) For the time being the KSH has no accurate data concerning the January-February situation of trade subject to settlement in rubles. But based on a report by the International Economic Cooperation Bank it appears that along with a reduced volume of trade, it is likely that there is a 116-million-ruble surplus(!), as compared to the 76-million-ruble deficit of a year before. And as far as the balance of payments in the ruble relationship is concerned: Although it is lower by 100 million rubles than the balance at this time last year, even this way the first two months closed with a 360-million-ruble surplus.

What details are revealed by the production data of various productive branches? In January and February the gross production of organizations employing more than 50 persons has declined by 4.6 percent as compared to the same period last year. In and of itself this could even be regarded as favorable. (The structure of reduced production refers to this: The decline amounted to 15 percent in the foundry industry, while the processing industry produced three percent less.) But industrial sales declined by 8.1 percent, which is greater than the decline in production. Accordingly, temporarily(?) business organizations are producing for inventory. Fact: During the first quarter, enterprises received 18 percent fewer orders than a year before. It is known that this took place mainly because of the administrative and actual restraint on ruble and domestic demand. But export orders subject to settlement in convertible currencies do not suggest an expanding market either! And as far as the rest of the year is concerned, even fewer orders have been booked than last year.

Except for a few products, official price controls have been discontinued in January. As one may recall, the government introduced free pricing. Reporting requirements exist only in certain areas of base material production (foundry, main chemicals), and the price consultation system continues to function today in only part of the machine and chemical industries. Thus, industrial domestic sales price levels in January and February increased by an average of 18.9 percent compared to the same period last year, and increased by 12.2 percent as compared to December 1989 price levels. Price increases were higher than the average in the energy resource and food industry sectors.

During the first two months of 1990 a total of 1.2 million persons were employed in industry. This is 8.8 percent less than a year ago. To a lesser or greater extent the number of employed persons declined in every branch, and within that by 20 percent in the mining industry, 17 percent in the foundry industry, 11 percent in the light industry, and between seven and eight percent in the machine industry. Productivity deteriorated in the building materials industry and stagnated in the chemical industry, while it improved in the rest of the industrial branches. As a result, per capita production increased by 4.6 percent overall. Unfortunately, this increase cannot be credited to improved technological levels, and no substantial improvement may be expected in the near future as a result of investments. It is true, however, that in January and February business organizations spent 25.4 billion forints on investments (71 percent of which was financed from enterprise resources), and this is a larger amount than last year even at comparative prices. Of this money they spent 11 billion forints for construction purposes (this exceeds the construction value in January-February 1989 by 11.6 percent), and 12.5 billion forints on machinery, (an amount that is 1.6 percent less than last year).

According to Hungarian National Bank [MNB] data, last January the populace received 79.1 billion forints from central resources, which is 15.9 billion forints more than last year. On the other hand, not even half (48.9 percent) of revenues has its origin in work relationships, whereas this includes sick pay, child care support, per diem compensation, etc. in addition to wages. On the other hand, private entrepreneurial revenues amounted to 7.1 billion forints, which is 78 percent higher than the amount of revenues produced in January 1989. This may provide some small hope that we will indeed become a country of entrepreneurs.

Franchise Prospects Described

25000721A Budapest HETI VILAGGAZDASAG
in Hungarian 28 Apr 90 pp 86-87

[Article by Istvan Janosi: "Coming: Franchising, Chain Merchandising"]

[Text] An enterprise organizing method called franchising has established an extraordinary record in the

West. Although only traces of this method may be found in Hungary, it is likely to spread within a short period of time. The system may also acquire an important role in privatization. Tradeinform, Economix, Incorporated and the International Management Center will hold an international conference on this novel subject on 26-27 April in Budapest.

Did it ever occur to you, dear Hungarian citizen, that in the upcoming, most certainly difficult years, you could earn a living by preparing last wills and testaments, moreover, that you could pursue this career as part of a so-called franchise system? Most likely it did not occur to you. But in Paris at an International Franchise Exhibit organized in late March by the Quill Group, precisely this was offered to potential French clients. In England 70 percent of the adult population do not have a valid last will and testament, and this represents 30 million prospective clients, according to the Quill Group's prospectus. In their view the situation is no different in other countries, meaning that this is the world's best business. In England 200 associates and 400 agents make an excellent living by pursuing this occupation, and they have already exported the system to Australia, New Zealand, and Ireland.

The Quill Group system is not typical, but it illustrates the business structure yet unknown in Hungary, one that has spread under the name "franchise." Hotel and motel chains are far more classic examples. It turned out at the already mentioned Paris fair that if a person has had enough of toiling in one of the few thousand hotels or motels in Paris as an employee, and has a few million francs to spare—70 percent of which he may obtain from the state or from the bank at favorable terms—he may decide right there, on the spot, to start an independent entrepreneur's life at last, and to join for between 10 and 15 years one of the already successfully developed motel chains.

It is extremely difficult to provide a brief definition of the franchising concept, and it is even more difficult to do so correctly, by translating the term into a single Hungarian word. Perhaps the best we could do is to say that a franchise is the leasing of know-how. In any event, let the official definition used by the German Franchise Association formed in 1978 be printed here: "A franchise is the vertically organized sales system of entrepreneurs who, from a legal standpoint, are independent. The service provided by a franchiser is a franchise package. This consists of the following: procurement, sales and organizing concept, use rights and the right to be protected, training provided to the franchisee, as well as a commitment made by the franchiser to actively and continuously support the franchisee and to constantly further develop the concept. The franchisee operates under his own name and on his own account, he has a right and obligation to use the franchise package in lieu of compensation. He contributes work, capital, and information."

Accordingly, in regard to franchises the issue is not whether an enterprise opens a new store where his employees work. Instead of such a relationship, an

entrepreneur decides independently that he will establish a new store "jointly" with the enterprise chosen by him, but at his own risk.

On the other hand, the great disadvantage of franchise arrangements is the limited independence, because the franchisee is not permitted to make changes according to his own imagination on the leased system. At McDonald's, the Big Mac must always be prepared at the same temperature, a matter McDonald's regularly verifies.

Undoubtedly, the widespread popularity of franchising may be attributed to the high level specialization that can be found in Western societies, to a demand for competence, and to hard competition in the marketplace which has a beneficial effect. As the experts proclaim, the key to popularity may be found in the fact that a franchise combines the advantages of large and small enterprise: professionalism and motivation. The model was developed in the United States. According to estimates in 1987 some 2,100 franchise systems were in operation. Each year more than 350,000 people establish their own enterprises with the help of one or another franchise system. In addition to the already mentioned McDonald's system, the best known franchises include Burger King, Foto Quelle, Shell, Benetton, Novotel, Hyatt, Holiday Inn, Coca-Cola, Pepsi Cola, Yves Rocher, Goodyear, and Ihr Platz.

Franchises are most popular in commerce and in service provisions, but as the example concerning last wills and testaments shows, within the fields of commerce and service provisions it is only a matter of imagination as to who will organize what into such a system. The most typical examples are fast food restaurants, hotels, motels, cosmetic salons, hair dressers, car wash facilities, gas stations, car dealerships, food stores, bakery stores, language teaching, clothing stores, house cleaning, furniture repair and maintenance, wine stores, and computerized preparation of horoscopes, temporary labor, or thread and sewing specialty stores with computerized inventory management. Certain systems provide exclusive regions to their franchisees. The Meinel firm, for example, commits itself to its franchisees that it will not open another delicatessen store within an area with 3,000 inhabitants. If such exclusivity encompasses an entire country—this would represent the exportation of the system already—the activity is called master-franchising.

Primarily due to a lack of conditions, Hungary has thus far "successfully" withstood franchising, but as far as domestic trends (privatization, the stimulation of enterprise, unemployment) are concerned, the country appears to be fertile ground for the expansionist endeavors of the foreign systems. There are, however, within Hungary certain merchandising and service systems which could be franchised, and some could be formed for exportation to the West, perhaps even to countries in the East. The former include for example the S-model stores, Dreher beer halls, the Aranypok network, and the City Grills. The latter could involve, for example, restaurants of a Hungarian character.

"Only" a few conditions need to exist in order to accomplish the successful spread of franchising in Hungary—ultimately to the consumers' satisfaction. These are entrepreneurial initiative, commercial building space, knowledge of languages, entrepreneurial capital, favorable credit conditions, and demand that is backed by an ability to pay. Fundamentally it depends on the existence or establishment of these conditions whether in a year or two a franchise may be regarded as a way to become a successful entrepreneur.

YUGOSLAVIA

Favorable 1st Quarter Trends in Foreign Trade

90BA0098B Belgrade *EKONOMSKA POLITIKA*
in Serbo-Croatian 30 Apr 90 pp 24-25

[Article by Davorka Zmijarevic: "Foreign Trade: A Forced Success"]

[Text] The splendid figures on the growth of exports and throughout the entire foreign trade sector, along with the "rising" figures on the status of foreign exchange reserves, are being taken, especially by the government, as one of the crowning proofs that the beginning of the reform has taken a good course. The growth of exports at relatively high rates is also being used as an argument in the debate over whether the exchange rate of the dinar and its fixed rate against the most important European currency has already become an inappropriate situation and is acting as a disincentive on exports themselves. The government is taking as its basic measure of "realism" supply and demand on the foreign exchange market, where the National Bank of Yugoslavia purchases every day the surplus of the offering of foreign exchange which does not find another buyer (from the beginning of the year to mid-April, the net purchases of the National Bank of Yugoslavia have climbed to about \$1.4 billion); if the central bank were not absorbing that surplus, the value of the dinar would have been even higher, that is, foreign currencies would have a lower rate.

The facts can, of course, be used in various ways, and the consequences of the fixed rate of exchange certainly have not as yet had their extreme effects on exports. Meanwhile, they have had more effect on imports, which at the beginning of the year, after several years of import abstinence, experienced an expansion, especially in the consumer goods sector. The high degree of liberalization of imports was also one of the reasons for this.

Initial Successes of the Reform

Looked at statistically, the figures on exports and imports do in fact confirm the government's arguments about the initial successes of its project. Whereas last year exports started out at very low rates (in some months, even a drop) and developed relatively slowly and with difficulty up to the final annual rate of 6.1 percent (9.3 percent with the convertible area), while imports achieved an increase of "only" 12.2 percent

(slightly more, 17.2 percent, when we look only at purchases for convertible currency), this year's export stampede began with a rate of 58.6 percent in January, all of 73.6 percent when it comes to convertible exports. This, of course, is quickly explained precisely by the low base to which January exports are being referred, since the subsequent growth rates have taken on a much more natural and normal pattern of growth. March ended with a growth of exports of 21.4 percent, 29.3 percent to the convertible area. Similar trends are also evident in the 1st half of April, when the high growth rates of exports began to calm down.

Whereas convertible exports, especially to the advanced Western countries, have been growing at high rates, the effects of the government measures in the area of bilateral exchange are becoming ever more evident. According to the figures for the 1st quarter of this year, exports to the bilateral payments area amounted to 16.7 percent of total exports, so that the drop in value terms was only about six percent. In 1989, the share of these exports in the total was 21 percent.

However, what is more interesting than the rates of exports themselves is a certain shift within the structure of exports that occurred in the last three months. That is, production supplies and raw materials constitute the bulk of Yugoslav exports, the share of consumer goods is far smaller, and equipment and capital goods, those products with more relevant technological status, have the smallest share. Thus, last year production supplies and raw materials comprised 59 percent of total exports, consumer goods about 26 percent, and equipment 14 percent of total exports. The figures for the first three months of this year show, of course, similar global proportions, but with certain rather favorable shifts. Thus, the share of the first sector of products in total exports has dropped to 53.3 percent, the share of equipment has risen to 16.3 percent, and consumer goods have gone up to 30.3 percent. Three months, of course, represent a short period to draw conclusions on the beginning of a trend which should result in any essential change of the structure, and thereby also the quality of exports, especially since certain other elements are lacking in the very policy toward exports that would be aimed at that goal. One of the explanations for this change might actually be the foreign exchange market itself, that is, the fact that producers of these products do not have to sell on foreign markets at any price just to obtain foreign exchange. Another reason lies in the changes and price variations of certain very important products on commodity exchanges (especially metals, which have a quite significant share in Yugoslav exports). At the same time, we do not know whether any new features have figured in export strategy, if we can even speak about a strategy in this area.

The expansion of imports, especially in the consumer goods sector, might be taken as a counterargument to the government's assertion that the realism of the exchange rate of the dinar is artificial. However, here again we cannot overlook the role of the referent value from last

year and the previous years, when imports were problematical because of difficulties with the balance of payments and troubles in purchasing foreign currency.

After three months of this year, imports recorded a growth rate of 35.8 percent, which was unthinkable last year. The high degree of liberalization of imports, however, has had an influence on changes in the structure of imports, where there was a sudden increase in the share of consumer goods which became an eloquent proof of how cramped this segment of the domestic market had been.

Whereas last year consumer goods had a share of 9.3 percent in total imports, during the first three months of this year their share was 17.2 percent, accompanied by a drop in the share of imports of raw materials and production supplies from 74.8 percent in 1989 to 68.2 percent in the 1st quarter of this year. The share of equipment also dropped slightly from 15.8 to 14.5 percent.

A Deficit That Is Not Disturbing

The markedly high growth rates of imports (in the 1st quarter, there was even a lively movement of imports from the bilateral payments area) of 35.8 percent and 39.3 percent with the convertible area contributed to a growth of the trade deficit, which in those three months reached a value of \$700 million in total trade and \$631 million in convertible trade, but people in the government say that this fact does not have a negative impact for the balance of payments, since the overall net result of current transactions is favorable.

The "republic" pattern of Yugoslav exports and of total trade still remains unchanged. Slovenia's leadership is still unchallenged with convertible exports at 29 percent and 27.7 percent of total exports, according to the figures for the 1st quarter. The share of Serbia with its provinces is a few points less, followed by Croatia, which also has more than a 20-percent share in both items of Yugoslav exports.

One other favorable trend is obvious, at least statistically, in this year's exports, and that is the greater orientation toward the markets of the most highly developed countries. In 1989, about 53.5 percent of total exports went to those countries, while in the 1st quarter of this year that destination received a share of over 60 percent. A certain reorientation from the bilateral payments market to these markets was also brought about in part by the way in which exports to the bilateral payments area are collected for, which Yugoslav exporters seem still not to have altogether "absorbed." The present method of collection, with the so-called waiting room, that is, leaves many exporters without liquid assets, and in general this is today a critical point for overall business operation, and for that matter it accounts for some of the explanation as to the splendid export success, which the government has often been calling for.

No Way Out

The intensified competition on the domestic market, the shrinking of that market because of the lack of dinar funds, the high price of capital, these are those elements which can be offset only through export transactions and also by bringing foreign exchange into the country rapidly. From that standpoint, the debate about the exchange rate could really become of secondary importance, at least over the short term, since the decline of production, it seems, can be mitigated only by augmented exports. This is actually becoming a critical dilemma for many enterprises. The question is only how long the more relevant segment of the economy, which is accounting for most of the Yugoslav exports, can remain in it. In that sense, there is something to be learned from the story about "Elan," which is probably the best known Yugoslav exporter, which in addition is able to handle those standard transactions and marketing philosophies which still have not fully taken root in Yugoslavia.

Recently, this firm found itself the center of attention of the business public because of the liquidity squeeze it got into, pulling an entire local bank with it. The reasons lay to some extent in the conditions of the market, since "Elan's" principal products, skis, have actually not had a market over the last three years, since there was no skiing, but mostly in the present situation surrounding the export sector of the economy. Present business operating conditions, the Ljubljana economist Lojze Socan reminds us, present the greatest threat precisely to exporting enterprises and enterprises with sound business ethics. After all, never has a company like "Elan" developed and grown anywhere without support of the banks or without a domicile market for capital. What is more, the poor financial discipline on the Yugoslav market presents the greatest threat to enterprises and banks which respect the regulations and have an above-average orientation toward exports, and the present policy of high mandatory reserves, Socan says, has hurt most the two republics which are providing the bulk of the convertible exports—Slovenia and Croatia, since they have high rates of saving.

Recognizing, at least indirectly, that exports truly could be in a squeeze, some time ago the government began to speak about the possibility of reintroducing export incentives. Exemption from customs duties, especially imports to meet the needs of export transactions, seems not to be sufficient to maintain these growth rates of exports in the future. However, incentives, whose sources are still uncertain, if one would like to reduce budget expenditure, would again be a solution only for a certain time. After all, the reform has not yet even taken a bite out of the main problem of Yugoslav exports, an overall economy that is unproductive and inert.

Exposure of domestic industry to foreign competition at a time when all the postulates of the system that are in effect (beginning with ownership, employment relations, and the access to capital) have actually tied the hands of industry for any move toward productive production

and a more aggressive involvement on the market and other performances rather than just lowering prices could have only negative consequences for that same industrial sector. A reduction of the growth rates of exports, and thereby of revenues from exports as well, will be an inevitable consequence of that paralysis, and then the net balance of current transactions in the balance of payments will have a different sign in front of it. The rather lasting deflation which began last month would raise the real value of the fixed rate of exchange. However, exporters have been operating under the conditions of a fixed exchange rate for the last three months, when domestic prices were moving downward, which certainly did not fail to have an impact on their financial balance. Especially since the prices of certain inputs have risen even though they were frozen in the government's anti-inflation program.

Data on New Zagreb Privately Owned Bank

90BA0084A *Belgrade EKONOMSKA POLITIKA*
in *Serbo-Croatian* 23 Apr 90 pp 30-31

[Interview with Ivo Tarle, president of the Zagreb Small Business Bank, by Vladimir Grlickov; in Zagreb, date not given: "Market Offering"]

[Text] Ivo Tarle, the head man at the newly founded (three months ago) Small Business Bank in Zagreb, does not conceal that changes in the direction of more advanced forms of financing (securities and shares) are still awaited, and that his institution is making the final preparations. But how much it develops through those and other conventional banking transactions also depends on the room that is opened up by monetary and credit policy. It has been announced that the newly established banks will be allowed to develop their business to a greater extent than up to now on capital strength (multipliers) and actual opportunities. We talked on all these topics with Ivo Tarle in Zagreb.

[Grlickov] We are introducing your Small Business Bank, which was established on new shareholding principles. What have been the first experiences in these 3 months since the bank was established?

[Tarle] Our bank was established at the end of last year, but the founding phase is still not over: it will last until 30 April. This is the period which we envisaged for subscription to the founding shares. By contrast with other banks, our bank is being established on a pure shareholding concept. "Fresh" capital is obtained by selling shares, while the old banks issued shares in order to attach a name to existing capital.

We have about 1,200 shareholders; they have paid in \$3 million, that is, 35 million convertible dinars. About half of this balance-sheet sum that has been "created" consists of shares, and half is conventional deposits and other sources.

[Grlickov] The founding phase of the bank is not yet over. What changes are still possible with respect to the size and structure of capital and with respect to other sources for the bank?

[Tarle] We estimate that we could double capital and other sources. There is great interest, since we are a bank open to representatives of all forms of ownership: to small and medium-sized enterprises in the socialized sector, and at the same time we are not bothered by a large firm provided its standing is good, and then there are all the independent operators and the general public. The shares are being bought in dinars. I would like to say that up to now we have shares which have been purchased representing all forms of ownership and all forms of currency.

[Grlickov] What is the ownership structure of the capital invested in the bank?

[Tarle] By ownership sectors, individuals and private businessmen represent the largest number of shareholders, about 85 percent. But with respect to the amount of capital, the split is approximately 70 percent from the socialized sector and 30 percent from the private sector. The situation is changing constantly, and we expect that by the end of the subscription period the ratio between socialized and private ownership will change in favor of the latter.

I will give you an indication of the interest. We specifically expect that by the end of the subscription period we will increase the inflow of foreign resources from Yugoslavs working abroad. This means that we anticipate an inflow of private capital, which means that there will be a stronger foreign exchange component, whose share in capital would increase to 20 percent.

I think that in the three months of our existence we have done quite a bit to develop interest in the bank, and in this connection I would say that we have been trying to give it Yugoslav features to a maximum extent. We already have branches in Novi Sad, and we will have them in Sarajevo and Mostar, as well as in many towns in Croatia. We are guided here by a market-oriented interest, we are going where there is a market and an interest for the bank. We have no reasons to shut ourselves off from any interest whatsoever, from any form of ownership or any entity, provided they are quality business organizations in good standing. That is why we first verify what interests they have and are they economic and predominantly the interests of shareholders.

[Grlickov] This is a new bank, one which has no inherited mortgages or the need to pay them back with revenues. This will probably make it more competitive, that is, cheaper when it comes to the prices of credit and more capable of offering better conditions to investors of capital and to depositors?

[Tarle] It is a new bank, one which has no mortgages. It is not the successor to any old bank, which is certainly a

favorable fact. In the establishment, every single dinar represents an inflow of fresh capital and new deposits.

We have also adopted the principle that we are not setting up a new bureaucratic institution, but an institution to be guided by entrepreneurial principles. That is why we have a small professional team, one which up to now has operated efficiently under the given conditions, we are guided by the principle of having capable and well-trained people, not bureaucrats. And that is one of the conditions of our competitiveness.

Since we are a bank for small business, I think that we will be able to guarantee a high dividend, one that no other bank in Croatia will be able to provide. Second, even today we have a high interest rate on deposits, 23 percent on time deposits over 90 days, and 27 percent on deposits over 36 months. Of course, those interest rates are not "fixed," since we have a variable approach and many of the so-called intermediate arrangements which make it possible to reach agreement (within certain limited proportions) to offer special incentives (with respect to interest) depending on the term and the amount of the deposit.

[Grlickov] And what is the situation with interest rates on credits?

[Tarle] On the credit side, we have no conditions that would be worse than other banks. We are not taking advantage of the present illiquidity situation to behave like usurers. As for credit terms and conditions, we are not less favorable than other banks, we even offer somewhat more favorable terms. We have an exceptionally favorable profit ratio, which today actually represents our greatest advantage.

In any case, we are preparing an up-to-date software package which was written on the basis of our knowledge and efforts to keep up with what is being used in the world. The offering which we will be promoting will be seen as much broader by individuals and the business community than what is being offered by other banks.

I do not want to seem like a eulogist in saying that we have world-class software, but I think that experience will actually confirm this.

[Grlickov] Let us go back to the topic of the bank as a shareholding company. You have said that today the proportion between share capital and deposits is approximately 50-50. Who prefers deposits?

[Tarle] In the process of establishment, we have tried to have as much of our own "created" capital as possible. As for the deposit sphere, it was distributed earlier, since these are civil juridical persons with whom the deposits, terms, and withdrawal conditions were contracted for in advance, transfers, and so on. We also have new firms who have opened revolving accounts in our bank: To tell the truth, the amounts are modest, but they will grow in time. We also have two sociopolitical communities

which have entrusted their deposits to us, and finally, we are working with the deposits of individuals.

As for the proportion between capital and deposits, it is customary and normal in the world for a bank's own capital to represent 10 percent of the value of deposits. That is the goal we are striving for, which indicates that we have to strengthen our deposit base through our business policy.

[Grlickov] Founding shares are something new in banking. What kind of shares are these in your case?

[Tarle] These are ordinary founding shares which carry management and property rights. Of course, the quantum of rights is related to the amount of capital invested, and in our case this is one of the basic principles on which management of the bank is based. Since we have large shareholders, we perhaps imposed an improper restriction: a shareholder who has less than 10 shares cannot be a member of the bank's assembly, but he can join a coalition with other shareholders, also small, who thus would have a joint representative in that body for governing the bank. But the reason for the restriction was the technical impossibility of constituting an assembly of the bank and holding an assembly with several thousand shareholders. Yet the essential thing here is that the shareholders who have fewer than 10 shares represent only two percent of the bank's total capital, which means that the problem is actually solved by that fact.

[Grlickov] From the property standpoint, the shares carry the right to a dividend. Is this a dividend guaranteed in advance which brings a higher yield than the interest rate?

[Tarle] The rule in shareholding economics is that investments in shares bring a higher yield than all forms of interest.

[Grlickov] I have heard that the minimum dividend in your bank is 18 percent, while the interest rates, as you said, are 23 percent and 27 percent. Aren't these relations different from the rules of shareholding?

[Tarle] As a matter of calculation, we set the minimum rate of the dividend, and at the same time we think that it will be higher in practice. We will be trying to make investments in shares as lucrative as possible, since in actuality it is only on that basis that the risk is being borne.

[Grlickov] What yields have you been providing during these months since the bank's establishment? I am thinking of credit activity and its orientation.

[Tarle] We have had a certain credit activity since the day we opened. In the initial phase, it developed through the Money Market in Belgrade, since it was not advisable for us to keep our money in an account. But even by the end of the 1st month we had direct credit financing of the economy and even certain private operators. To be sure, these were only short-term credits, simply because

we had to create certain revenues: After all, we have operating costs, material costs, as well as certain other expenses.

Of course, the structure of capital in the bank is such that it allows for a different structure of credit. We are preparing appropriate proposals in that regard and even by the end of the fourth month we should be engaged in the practice of credit financing of all purposes. In all of this, we are avoiding use of the term credit financing. After all, our objective is to develop a practice in which credit is only one of the alternatives of financing. There must also be other market instruments for financing the economy: direct financing, the issuing of our guaranties, and so on.

Especially important in this connection is our software which we would offer the market. Here, we could be the purchasers of all (or blocks) of the securities issued, including shares.

We would figure as an institution which buys and sells securities on the market at its own risk.

We will also be going for certain securities, such as notes and guaranties of notes. We will in general be shaping a market, that is, insuring it so that others might purchase that paper along with us. And the clientele with which we are working is small business in the socialized or private sectors which is very vital financially and has a certain confidence in us. That is why I think there will be no problems with our offering securities for certain sound firms that can find customers.

[Grlickov] Financing development and shareholding now seem to be in the background?

[Tarle] Well, we want to finance development, with credits and with securities. We could play an important role, for example, in developing a stockholding economy in enterprises in either the private or socialized sector, and here we might figure as owners or co-owners of firms.

Banks can do this, and we can orient 20 percent of our capital toward the purchase of securities and participation in the ownership of firms. Accordingly, why should the bank not purchase real estate not just to acquire ownership, but to "prepare" the terrain for performance of those transactions? Our capabilities are not small, since the software we are introducing makes this possible.

[Grlickov] The large old-new banks are also preparing for the transactions of ownership transformation of

which you speak. If they succeed in this operation of transforming the debts of enterprises into ownership shares, they eliminate large ballast and fictitious assets on their balance sheets. Once those losses are gone, the banks become more competitive.

[Tarle] I think that this is one of the ways in which the banks can become more market-oriented and competitive. However, our advantage is that we have neither debts nor fictitious assets, so that we can work immediately with new firms and enterprises. Certain differences do exist between us and other banks, simply because we are not transforming old claims into participation in ownership, but we are evaluating a project in which it will pay to invest. We are investing on the basis of an assessment that this is a good thing to do, and that difference between us and the old-new banks is very essential. Nevertheless, I am happy that all the banks are thinking in a new way, about "establishing" a new practice, since that is the right way to help this economy. Both the banks and the economy must be equally interested in that overall market-oriented philosophy.

The consequences of the practice in which the banks were a service department of associated labor are well known. Nevertheless, I must say that that philosophy is alive even today in some places, both in the economy and in the banks. Then the bank does not figure as an equal partner and entity in its own right, as a kind of external economic coercion toward anyone who wants to obtain any kind of financing.

[Grlickov] Finally, what would you as a new bank propose in the way of general monetary and credit regulation, which is calling for respect on lending limits, that is, market criteria in the form of so-called multipliers, which are linked to the size of the bank's capital reserves?

[Tarle] We come under the regulations, and here there are certain differences between banks which have their own history and us, since we are a new bank. You are aware of the dramatic measures concerning repayment of the loans of banks or their reduction by the end of the third month. At the same time, there is a market multiplier for us as a new bank which relates credit activity to capital: that is how the credit multiplier is determined. But even in this area there has been a certain liberalization for us: It would suit us not to have special limits, but to apply the rule of the multiplier (in accordance with Article 16 of the Law on Banks). Here, the multiplier for a new bank would be four, which would create greater opportunities for activity, in line with its capabilities.

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