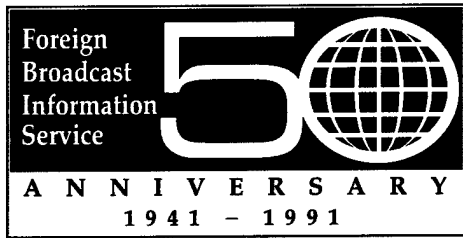


JPRS-EER-91-054  
26 APRIL 1991



# *JPRS Report*

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# East Europe

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# East Europe

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## CZECHOSLOVAKIA

### KDH's Constitutional Drafts Explained

91CH0467A Bratislava SLOVENSKY DENNIK  
in Slovak 16 Mar 91 p 5

[Report on roundtable discussion between Ivan Simko, Christian Democratic Movement, and two SLOVENSKY DENNIK readers by Marta Ruzickova: "Let Us Freely Embody in the Constitution the Will of Our Nations"—first two paragraphs are SLOVENSKY DENNIK introduction]

[Text] Recently the Christian Democratic Movement [KDH] has entered the stormy scene of Czecho-Slovak politics with two important proposals. The first is a proposal for a state treaty which the Christian Democratic Movement proposes to conclude between the Czech and Slovak Republics and within its framework also to agree to the form and conditions under which both equal partners are willing to live together in this union. The second proposal document is the Constitution of the Slovak Republic which representatives of the Christian Democratic Movement submitted to the Chairman of the Slovak National Council, Frantisek Miklosek, at the beginning of this week.

Member of the leadership of the Federal Assembly and Chairman of the Defense and Security Committee of the Federal Assembly's House of the People for the KDH, Ivan Simko, also participated in preparing the two proposal documents and he accepted our invitation and request to talk with our readers on the proposed treaty and Constitution for the SR [Slovak Republic]. We selected two readers from among those who called in on the telephone and had expressed an interest in discussing the subject. Both are from Bratislava. Albert Petr is retired and Andrej Medved is a recent graduate of a technical higher school.

A. Petr spoke at the beginning of the discussion, saying that he understands the social importance of the proposed treaty and even considers it as very important not only for society as a whole, but also for every individual. Despite this, however, he wants to use the opportunity to have various questions clarified in connection with the proposed treaty. He went right to the merits of the matter and addressed what the principle of the treaty consists of, what made it necessary, what the arguments are for implementing the treaty, and what is original in the proposal as a constitutional law between the Czech and Slovak Republics.

"In our election campaign platform, we committed ourselves to press for the sovereignty of the Slovak Republic in our policies," answered Simko and continued, "already in Slovakia people are leaning today toward the need to respect the sovereignty of the Republic which must as soon as possible be expressed constitutionally in a legal and binding manner in future constitutions of the Republics. And if there is to be any kind of a joint state of the Czechs and Slovaks, then these Republics must

have primary sovereignty and delegate part of their jurisdiction to the Federation on the basis of a voluntary decision. When the Federation came into being in 1968, it was formally created on the basis of an agreement. At that time both National Councils took action; the SNR [Slovak National Council] issued a decree and the CNR [Czech National Council] published its position on the federal arrangement. This was in essence a clear declaration of the will of representatives of both nations on the creation of a joint federal state. Later it was embodied to a certain degree in the constitutional law on the Czechoslovak Federation in 1968. The extensive updating of the law which took place in 1970, until then a relatively independent and sovereign decision by the Republics, literally paralyzed things. In the KDH we arrived at the opinion that if we are going to speak of the primary sovereignty of the Republics and the sovereignty of the Federation derived from it, then this is not possible on any basis other than a treaty between our Republics, a treaty as a legal act. A large part of our members and followers support this concept of the KDH. It is also supported by the Democratic Party which is in coalition with us at the republic level and several parties and movements which are in opposition also support it. As far as our other coalition partner, the VPN [Public Against Violence], is concerned, they have not rejected our concept and they recognize the principle of priority of the Republics' sovereignty, but so far they have not expressed themselves on the question of the treaty itself."

[Question] What response to the proposal for the treaty is the movement getting from the Czechs?

[Simko] In the last confrontation of opinions which the Czech partners at Vikarek, we submitted our idea and we emphasized that we will stick to it. Our Czech partners put up a number of the most varied legal arguments. In principle we at last got to the point where as far as the material aspect is concerned, it can be adjusted legally. It is really a matter of adjusting the law to life, and not life to the law. If it is our will on both sides to modify our mutual relationships by means of a treaty, then the legal form will be found. But on the part of the Czechs so far there has not been this willingness to adjust it that way. Our Czech coalition partners from Citizens' Forum do not recognize the principle of priority for the Republics' sovereignty. For them the Federation has priority of sovereignty. For us and, I feel, in essence also for our nation this principle of theirs is hard to accept and when we talk about interest in maintaining a joint state, then we must find such a form for this joint state as would be acceptable in each case by both parties, that is, by both Republics.

[Question] Let us get back, however, to the attitude of the VPN toward this treaty. Has the political crisis within the movement which has split it into two parts also crystalized the attitude toward the proposal submitted on the state treaty?

[Simko] Both current platforms of the VPN adhere to the Chance for Slovakia program. Both platforms also support the principle of the priority of the republics' sovereignty. Through the press I have learned of the position of the chairman of the government V. Meciar who, according to them, does not rule out this treaty and does not see in it any legal obstacles which would prevent it being signed.

[Question] The treaty is conceived of in terms of mutual coexistence in a federation?

[Simko] The treaty can be the basic for a federation or a confederation or some other possible form of state coexistence. Our proposal for a state treaty as it was formulated gives us the basis for creating a federation.

"A state comprised of two entities. Is not the number of two republics critical for one of them if it is smaller? Did you not also consider in the movement the possibility of a tripartite agreement?" This was asked of I. Simko by the reader Andrej Medved.

[Simko] It is true that when there are two partners, then there always can occur a stalemate where one is for one solution and the other for the other solution. One lacks the vote which would decide things. But this can always be worked out in some manner. As it is in a marriage, so it should be between nations as well. I do not consider this to be an insurmountable obstacle.

[Question] However, it is always somewhat more difficult in a state where there are several republics...

[Simko] This question is not so clear theoretically because we have here a very strong and vital movement in Moravia and the demand from them to change the concept of the state to a triple federation is relatively strong. We expressed ourselves on this in the KDH, that the idea of a joint state with three entities is possible and substantially realistic, but it is necessary to ensure a mechanism to prevent outvoting. We get this with a confederation arrangement in which all acts of joint agencies have to have the approval of the agencies of the member states in order for them to become valid in the individual member states. This is the principle of confederation and in this case it could not result in outvoting.

[Question] Does this mean that in the part in which the appropriate agency does not approve a certain act of the confederation, it is not binding on it?

[Simko] Yes. But we are speaking of this at too theoretical a level. This Moravian movement indeed supports a certain way of thinking, but it still has not clearly formulated it and so far there has not been any agency established which could constitute the will of this Moravian community.

[Question] The legal difference between a declaration and a state treaty has been clarified. What would be the

political and economic consequences if a declaration or a state treaty were signed? What advantages and disadvantages would this bring?

[Simko] A typical example of a declaration was the decree of 1968. It was surely a political announcement which could obligate the creators of the constitutional law on the Czechoslovak Federation and, since they felt themselves to be obligated, this was projected into the constitutional law. When the conditions then changed later, there was a consolidation and a new policy of the Communist Party was put into effect, then they simply changed the concept of the law to something else. Since the joint agreement of the national councils at that time had the legally binding form of a treaty which has a legal effect, in this case someone then first had to abrogate it in order to be able to perform an updating of the constitutional law in conflict with the declared will of the nation. Currently we are convinced that we can embody the will of our peoples in a constitution in a free manner and clearly also arrange for it from a legal standpoint. The treaty is a legal act which actually serves to establish clearly the relationship of the two partners. We see its conditions and its substance to be this. Legal theory also says that a federation is based on a treaty relationship.

[Question] An overwhelming majority of our readers asked in our telephone conversations how the KDH will behave if the Czechs do not approve the treaty. The CNR chairwoman's speech was obviously a strong stimulus for asking this question.

[Simko] As far as pure legal theory of the state is concerned, the parts of a federal state also have the nature of state units. That is, our republics are also states even though they do not have the full international legal status of a state. We did not call our proposal an international treaty, but a state treaty which is to be signed between the state entities who up until that time have been members of a federation. We do not at all think that it would be necessary to break up the Federation in order to implement our idea. And just what is our idea? The SNR will approve a constitution which defines Slovakia as a sovereign and supreme state and right in the introductory provisions of the constitution tasks about the possibility of that state entering into some kind of state union by means of a treaty. The constitution can go into effect from the day that the treaty is signed and thus it is possible relatively simply to maintain the status quo so that the Federation is not broken up before the treaty is concluded. And as far as an answer to the questions is concerned, if there is not a willingness by both parties to form such a joint state as would suit the other Republic as well, then obviously it will probably not be possible to continue further in this coexistence. Even the president has already said this. And it will then be an obvious matter which all political forces must respect. But we are convinced that the will to live together in one union will come through in the end.

[Question] Signing the treaty will, however, precede the acceptance of the constitution, in our case approval of

the Constitution of the SR. Work on it has been going on for several months already. Besides the official group entrusted with creating the constitution and a group in which there are representatives of the leadership of the political parties and movements in Slovakia, however, individual parties and movements have started to activate in this area and to present versions of their ideas about the future constitution. Even the SNR chairman himself has put out his own version. The KDH was the first to submit its ideas on the constitution to the SNR. Apparently there have now already been eight versions of it proposed. Do you consider this approach to be the correct one? Should not the parties and movements show greater trust in their representatives in the commission for preparing the constitution and count on them to press for those ideas and interests which the movements, according to their views, feel should be included in the constitution? Or have we already totally forgot the problems we had with just those two contradictory versions of the language law?

[Simko] There is a lot of criticism coming out about the political parties working up their own proposals for the constitution and that now they will compete among themselves as to whose is better and such. Even private persons are also sending in their own proposals. But the political parties are there in order to present their own political goals and they have familiarized their voters, and also those potential voters who may vote for them in the elections, with these goals. However, only the parliament can approve the constitution. As far as the Slovak Constitution is concerned, it can only be approved by the SNR. I do not see anything bad in the fact that the SNS [Slovak National Party], the Green Party, or any other party or movement have their own ideas about the future constitution. We in the KDH have also worked out our own ideas about the constitution. We felt ourselves obligated to create the proposal on it because we had submitted our concept of the state treaty and the future constitution will be the basis on which the state treaty will actually draw. In the end it will be the SNR which decides on both the constitution and on the treaty, a proposal for which we have submitted.

[Question] Is the movement offering these ideas of the KDH and the future constitution to the public for discussion?

[Simko] Of course, because we want the citizens to know how we are thinking and we also want to have them express themselves to us about these things.

[Question] At Vikarek the chairman of the SNR submitted a version of the constitution which was worked out by the commission. Does this constitution not correspond to the KDH's ideas for it? Are there any basic conflicts between the official version and yours?

[Simko] I would not call them conflicts. We simply want to be thorough. When we say that we want a state treaty, then the mechanism of that state treaty must also be set in some kind of constitutional status. This constitution

of ours worked out by the movement means primarily the creation of a basis with which the state treaty will also be consistent. And as far as the proposal which the working group of the SNR worked out is concerned, that proposal of a constitution is not basically in conflict. It starts off from a certain acceptance of the status and authority, but not on the basis of a legal relationship. We do not agree with this. The constitution must be a constitution with the full extent of sovereignty and only on the basis of an agreement in the form of a state treaty can the relinquishing of part of the Republics' jurisdiction to the Federation take place.

[Question] You are a deputy in the Federal Assembly. In it you represent the voters of the Slovak Republic and voters of the Christian Democratic Movement and lately there has been a lot of criticism directed at the federal agencies. Do you think that it is justified?

[Simko] The Federal Assembly is an agency which originated in a direct election from the Republics. There is representation there both Slovak and Czech. Sometimes in our Slovak press there appear attempts at discrediting the federal agency as if they were not agencies created from our nations. In the end I am myself a deputy to the Federal Assembly and I do not consider myself to be in any other category. These agencies after all also express the will of the Slovak nation as well. It is another matter if we in the KDH think that the Federal Assembly is not a representative of national independence. The Federal Assembly is the highest agency of state power, but within the extent of the Federation's jurisdiction. The representatives of the independence of the nations, and this is also in accordance with the constitutional law on the Czechoslovak Federation which is currently in effect, are the National Councils. For this reason we are of the opinion that when we speak of national republics as the bearers of original sovereignty, they must decide to what extent the Federation will have jurisdiction and thus, obviously, what will be the jurisdiction of the Federal Assembly and the other federal agencies.

#### **Socialist Elements Found in Independents' Draft**

*91CH0462A Prague LIDOVE NOVINY in Slovak  
20 Mar 91 p 6*

[Interview with Jozef Kucerak, Slovak government deputy chairman for economic reform; place and date not given: "It Is a Matter of Restoring Socialism"]

[Text] Recently our public has had the opportunity to get to know Jozef Kucerak, deputy chairman for economic reform of the SR [Slovak Republic] government, not only as an economist, but also as a politician. In the following, we present his opinions on criticism of the radical economic reform and on the current polarization in the Public Against Violence movement.

[LIDOVE NOVINY] In your speech in the SNR [Slovak National Council] you reacted to criticism of the reforms

presented by the Independent Association of Economists of Slovakia [NEZES]. Are you willing to carry on a dialogue with this group?

[Kucerak] We are willing to cooperate with everyone who wants to contribute constructively to implementation of the reforms.

I admit, however, that I have somewhat of an aversion to carrying on a dialogue with people that I know personally and know that they have committed themselves to a totally different direction. When I read the NEZES's declaration, I find a lot of things in it with which I cannot in principle agree. It contains the philosophy of state paternalism, of the "wise" decisions made at the center. From the declaration it is obvious that there is an attempt to resolve systemic matters within the framework of our Slovak economy. I must ask the basic question: Do we want a unified economy within the framework of a federation? If so, then we must participate intensively in the creation of the rules within the federation. After all, our deputies are in the Federal Assembly and our representatives are in the Federal Government.

If the trend toward creating our own economy prevails, at a time when the tendency toward unifying economies is moving forward, it would end up with ours being isolated for several years or even decades. And this is a dangerous game.

[LIDOVE NOVINY] Let us go back several months to the argument over the jurisdiction laws. At that time you very strikingly defended the specific nature of the Slovak economy in the dispute with the members of the FZ [Federal Assembly] Constitutional Law Committee. The rumor is that you were forced to make this declaration at that time by Premier Meciar.

[Kucerak] I did not have the feeling that he was pressuring me. We wanted to implement the jurisdiction laws to the extent and orientation that they have now. Later I began to realize that it was not a matter of resolving and expanding this law and applying a rational policy which would benefit Slovakia.

Jurisdiction was for some people only a first step which would create space for the following ones.

[LIDOVE NOVINY] Can this be specifically documented?

[Kucerak] Recently there were demonstrations about the proposal for a restitution law of the Federal Assembly and before that there were excessively heated questions about a gas pipeline. I have concrete experience with the fact that many matters can be resolved at the federal level by dialogue and gradual material discussions and not by impatience and immediately.

[LIDOVE NOVINY] Can, for example, such negotiations utilize the process of approving a law on rehabilitations outside the courts? The statement by the Slovak government was supposedly a reaction to an old proposal

which had meanwhile been reworked in Prague and sent by fax to Bratislava. But the new proposal was not discussed in the Slovak government....

[Kucerak] On Tuesday at lunch, when we met, a fax came from Deputy Valek of the Federal Assembly. When I studied this proposal for the law, I saw that it is almost identical with our ideas for rehabilitations outside the courts. I sent our premier a written request that he bring the Slovak government back into session so that we could reevaluate our position. It was still not too late since there was about 15 hours remaining until the vote in the Federal Assembly. However, the Slovak government did not convene....

[LIDOVE NOVINY] Back to the NEZES. Who is a member of this association?

[Kucerak] Some economists who were unknown prior to 1968 are members of NEZES. They occupied themselves quite long and in detail with analyses of Marx and Engels. It is interesting that the platform For a Democratic Slovakia has in its background people who are representatives of NEZES.

[LIDOVE NOVINY] Does this mean that they are after restoration of socialism?

[Kucerak] I think that this is the last try by the generation that thought and still thinks that way. The younger generation of economists does not want to give them a lot of credit for what they tried in the past. Obviously it is really the last desperate attempt to implement it.

[LIDOVE NOVINY] More than once you have mentioned the absence of any real rightwing political party which would have any material support. In substance there is none. It is rather in the intellectual field that the rightwingers are looking for supporters and in this case they do not have enough weight from the logical standpoint.

[Kucerak] Each layer occurs only on the basis of economic relations and economic prerequisites. The layer which knows how to think and behave independently is only now actually being created. The sooner we privatize our economy, the more rapidly this layer of society will be formed. It will not have within it the hidden elements of national socialism, but the elements of a liberal economy.

[LIDOVE NOVINY] But this is a long way off in time. Today the situation is urgent: Either the elements of national socialism will prevail or the approved scenario of economic reform will be implemented. Among the people, however, in today's period of social uncertainty there is more response to a populist trend promising social security, even though there is nothing with which to provide it.

[Kucerak] You are right. Unfortunately, one can understand this mainly on the basis of one's own experience and I am afraid that people will allow themselves to be deceived for a long time that these difficulties are being

caused by the economic reform that they believe "surely" was prepared at the federal level and for this reason had to be rejected. In the end they will discover that these difficulties are occurring just because the policies are not going in a liberal direction in support of democracy. But this can take several years and then we will "see the light" at the price of much greater sacrifice.

[LIDOVE NOVINY] For many people you are the guarantee of the approved scenario of economic reform. Is there a chance that you will resign from the job?

[Kucerak] That could happen if I found that my participation in the government is superfluous.

[LIDOVE NOVINY] Premier Meciar is currently traveling around Slovakia and contacting districts and workers. Does this qualify as an attempt at a putsch?

[Kucerak] All politicians who depend on too general a basis are taking an unimaginable risk. It does not pay to play around with such forces as the people and the nation. Just as the people take a liking to a politician, they also can very easily overturn him when they find out he is lying.

Everyone knows quite well that in Slovakia in 1968 Husak promised an improved federation which would benefit Slovakia. The only thing which he actually accomplished is today's deplorable state in which Slovakia finds itself. The citizens should be aware that someone is again trying to promise them something similar. If they understand tomorrow or the day after tomorrow, it will indeed be late, but better than never....

## HUNGARY

### Magyar Views of Slovak Government Changes

LD2304220191 *Budapest Radio in Hungarian*  
2000 GMT 23 Apr 91

[Excerpts] Protracted internal political arguments are expected in Slovakia after the parliament reshuffled the government. Evelyn Forro reports from Prague:

[passage omitted] The events mean a clear victory for the liberal line. Karoly Toth, general secretary of the Independent Magyar Initiative [Fueggetlen Magyar Kezdenyvezes—FMK] told Hungarian Radio. He also added that the movement Public Against Violence has also sustained losses, since it has had to hand over the position of premier to the Christian Democrats, and also to sacrifice one of the most important figures of the movement, deputy premier Vladimir Ondrus. The leader of FMK noted with pleasure that their own person, Gabor Zaszlos, was not recalled by the presidium of the parliament. Thus he, to be sure, will remain deputy premier. He also commented that the vote taking in the presidium was very tough.

Arpad Dukazolyami, one of the leaders of the Coexistence movement, expressed his hope that they would find

the path to the new premier. It is hoped that Jan Carnogursky will receive them, because during his time in office Vladimir Meciar did not receive the representatives of Coexistence even once.

Zoltan Sido, president of Csemadok [Association of Magyars in Czechoslovakia], in reply to my question gave a positive assessment of the change in the leadership of the Slovak Government, because in his view Meciar only aimed at popularity. In the meantime, Meciar glossed over the most pressing problems in Slovakia. "I would not be surprised," Sido said, "if the Slovak parties and movements of a national hue, as well as the Meciar platform which had separated from Public Against Violence, were to launch a no-confidence submission against the parliament presidium."

## POLAND

### Israeli Minister Hammer Visits Warsaw

TA1504104891 *Tel Aviv HATZOFE in Hebrew*  
15 Apr 91 p 6

[Excerpt] The Polish Government has informed Minister Hammer of a decision to adopt comprehensive educational measures to fight anti-Semitism. President Lech Walesa and his cabinet members are determined to strengthen ties with Israel in all spheres and are convinced that the most effective way to do so is through development of strong educational and cultural ties between the two nations and countries.

Education and Culture Minister Zvulun Hammer learned this from Polish ministers during a reception held for them by Mr. Meron Gordon, Israel's ambassador to Poland, on the occasion of Minister Hammer's visit to Warsaw. Three Polish cabinet members showed up for the reception: Minister of Culture and Art Marek Rostworowski, Minister of National Education Robert Glebocki, and Minister of Tourism and Sports Michal Bidas [title and name as published]. Also attending the reception were heads of the Israeli-Polish Friendship Society; some of the Righteous Gentiles; Polish university heads; Oded Kohen, the director of the Israeli Education and Culture Ministry's Youth Division; and various senior officials.

The Polish ministers formally informed Hammer of Lech Walesa's upcoming visit to Israel. The Polish president will arrive in Israel on 20 May for a three-day visit, the first [visit] by a Polish president to Israel. On Sunday, 9 September 1991 [as published], the Polish minister of culture and art will also pay a visit to Israel as Minister Hammer's guest. [passage omitted]

### Prospects of Parties in Parliamentary Elections

91EP0376A *Warsaw KONFRONTACJE in Polish*  
No 3 (38), Mar 91 p 4

[Unattributed article under the rubric "In Our Opinion:" "The Race to Parliament"]

[Text]

### 1. National Citizens Committee [KKO]

It is a transformation of Lech Walesa's Citizens Committee [KO]. Its president is still Zdzislaw Najder who clearly wants to keep up the political rank of the KO. The transformation into the KKO has systematized the citizens movement and shaped it into a separate political force of an undefined character, although close to Center Accord. In the elections, it will appear in various configurations, depending on the local politics of regional units. It may be a part of the Belvedere coalition, if such a coalition is created.

### 2. NSZZ [Independent Self-Governing Trade Union Solidarity]

The decision by delegates to the Third Congress commits the union to an independent putting forth of "a limited number of candidates". Time will show what this declaration means in practice. It is to be expected, however, that the Solidarity emblem will be used during the elections in various combinations, depending on leaders' regional connections and sympathies. The new president, heading an incomplete "national," will not be able to keep union discipline, but it is a fact that during the congress no [one] political force was able to bring the whole union under its wing. Maybe that is why the great Belvedere coalition (citizens movement, Solidarity, and parties supporting Walesa in the first round of the presidential elections) has little chance of success.

### 3. Democratic Union [UD]

The next unification congress will show the strength of the Union, but it does not seem to be too great. The clearly centrifugal tendencies in ROAD [Citizens Movement—Democratic Action] (the social-democratic group of Zbigniew Bujak) are accompanied by similar inclinations in the Forum of the Democratic Right [FPD] (especially in the Poznan, Lodz, and Krakow groups). It seems hardly possible that the two-day congress could manage to work out a common formula for the social-democratic and conservative wings, while these are the forces represented in the Union. It is possible, however, that tactical considerations will win and that the Union will go to the elections as a whole. If not, its members (the left wing ROAD and the conservative FPD) will seek other coalition partners for themselves.

### 4. Center Accord [PC]

It has begun its preelection offensive. The campaign in Gdansk failed (PC's favorite candidate, Lech Kaczynski, lost the competition for the chairmanship [of Solidarity]), but after the congress, it is obvious that PC is the strongest post-Solidarity structure with a clear ideological profile. The Christian-Democratic program of PC will draw in the whole Christian-Democratic coalition (several parties) and, perhaps, this will result in a complete unification of these groups. This type of unification, however, is not attractive to PC. It would prefer to

become the main pillar of the great Belvedere coalition rather than represent one ideological line.

### 5. Polish Peasant Party [PSL]

It also searches feverishly for a coalition partner. This time, however, it seems that the PSL may use the farmers' dissatisfaction to its advantage. Other rural structures are weak and the rural electorate clearly expects active participation in the politics of its true representation. The question remains as to what extent the new PSL is trusted by farmers. Bartoszcze, himself, has definitely better support than regional activists (usually former ZSL [United Peasant Party] members), and the elections may be decided mainly in regional centers.

### 6. Social Democracy of the Polish Republic [SdRP]

It seems to be still in a waiting stance but, in fact, it is ready to start the election fight. In its social policy, the main emphasis is on fighting the increasing presence of the [Catholic] Church in political life. In its economic program, it will oppose privatization. Its electoral partner will be the Movement of Working Peoples [RLP] that emerged from the All-Polish Trade Unions Agreement [OPZZ]. More frequently, organized strikes and demonstrations will accompany the open criticism of the government's economic program. It counts on votes of those groups that fear massive layoffs. Its candidates will be mostly young people.

### 7. Liberal-Democratic Congress [KLD]

There are many indications that it will enter the elections independently. This is its only chance to gain its own electorate identifiable with its parliamentary club. The slogan of liberalism may prove to be less influential, therefore, a wider coalition of liberal groups is doubtful (there are at least five parties using this adjective in their names). The most important issues for the KLD will be defending economic reforms and carrying out of privatization. Having four members in the government it will start from the position of defending the cabinet. The government's success in reducing the debts and acquiring financial aid will depend on a consistent economic policy, and this can only be secured by voting for the KLD. The KLD's weakness, however, is its lack of a strong nationwide structure.

### 8. Democratic Party [SD]

The April congress will determine the future image of the SD, but it is already possible to distinguish four platforms: Christian-Democratic, liberal, social-democratic, and one oriented towards the Center Accord. Which option will win? As a matter of fact, it does not matter. The congress will take place too late to step into any preelection partnerships. Some voivodship activists realize that and are making their choices independently.

### 9. Labor Solidarity [SP]

It is the first attempt to create a Solidarity alliance of the left. The main ideologues are Ryszard Bugaj and Karol Modzelewski. Jan Jozef Lipski of the Polish Socialist Party [PPS] also signed his name under the SP program. On Labor Solidarity's lists we might also find secessionists from the Democratic Union (the social-democratic wing of ROAD), some trade unionists, and unaffiliated activists of the underground.

### 10. Christian-National Union [ZChN]

It is trying to initiate a national-popular bloc, but its joining the Belvedere coalition would bring it greater success. That is why members of the ZChN are the greatest supporters of its creation. An independent start is not necessarily bound to bring failure. It is quite a real possibility that in the next parliament it will be able to create a parliamentary club composed of several deputies.

### 11. Confederation for an Independent Poland [KPN]

It counts, basically, on its own electorate and it is not looking for possible partners. Analogically to ZChN, it may quite realistically expect to have several of its representatives in the next parliament. They will probably come from regional lists in southern Poland where the KPN's influence is definitely stronger than anywhere else. In Lublin a wider "independence" coalition is possible.

### 12. Union for Real Politics [UPR]

Its weak organizational structure and modest financial means (a campaign requires billions) force the UPR to look frantically for partners. Its choice of partners depends, to a large extent, on local activists' sympathies, but in the majority of cases the partners will be national parties and associations. Such partnerships, however, do not guarantee either greater support or greater appeal. Their substantial effect is also doubtful.

### 13. Polish Green Party [PPZ]

It is difficult to determine the organizational power of the PPZ, because there are several structures using this name. Doubtlessly, ecological groups will also enter the elections. The popularity of the Green movement in the West is clearly diminishing, because all the parties, without exception, are dealing now with environmental issues. It seems that also in Poland separate lists of ecologists will have little support. There may be successes, however, of single leaders in the less politicized voivodships (e.g. the Green Unions in the Koszalin Voivodship).

### 14. Belorussian Democratic Union [BZD]

It is the only party that is concerned with defending a single national minority. It exists mainly in the Bialystok Voivodship, which is inhabited by a sizable Belorussian community (about 300,000 people). The leaders of the

BZD, well known and highly regarded in their community, are: Sokrat Janowicz, Wiktor Stachowiuk, and Mikolaj Sleksiejuk. If the voting regulations do not include a nationwide range principle, BZD has real chances to have a multimember parliamentary club. Otherwise, a coalition will be a must. The most probable one would be with the left.

### Parliamentary Reorganization, Expansion Discussed

91EP0382B Warsaw RZECZPOSPOLITA in Polish  
11 Mar 91 p 3

[Interview with Ryszard Stemplowski, chief of the Sejm Chancellery, by Zaneta Semprich; place and date not given: "At the Heart of the System of a Rule of Law State: More Than Four Staffers per Deputy"]

[Text] [Semprich] You have been the chief of the Chancellery of the Sejm for barely seven months, but from the outset you initiated radical changes in its organization. Why this haste? Was it really necessary?

[Stemplowski] This institution has always been and is a function of the responsibilities shouldered by the nation's parliament. Until recently the Sejm's role was limited to legitimizing the decisions taken quite elsewhere. But now it is in the Sejm that the legislative power is indeed vested. This, in its turn, creates new needs and requirements. The Chancellery should respond to this challenge by improving its structure and streamlining its performance.

[Semprich] It also should respond to the accusations of too much administering and excessive overstaffing. What would be the counterarguments?

[Stemplowski] Just one: the Chancellery of the past was good enough only for the past. It has since indeed acquired a larger staff than most other institutions. But in every normally operating parliament, 4.5 administrative employees per parliamentary deputy are the norm. Some parliaments go to a much greater extreme. For example, the United States Congress employs some 22,000 persons. But let me assure you that we shall not model ourselves on its experience. At the same time I am convinced that in this country the "4:1" proportion should also be achieved, after some time. As to when that will happen, only the deputies can answer. But let me emphasize that I do not advocate radical overnight changes, as these would be unrealistic and wasteful. The point is to attain the desired model gradually.

[Semprich] The staffs of certain Sejm committees have reached this proportion even now. They used to consist of just one administrative employee, but now they number several each.

[Stemplowski] Committee staffs provide highly important support services to deputies. Previously they had been underdeveloped, in every respect at that. In my opinion at least three staffers should serve every Sejm

committee. In some cases they should be administrative employees and in others specialists in the particular fields handled by the committees. Also needed are organizers and researchers.

[Semprich] The statute of the Chancellery of the Sejm has just been published; it still smells of printing ink. Its scrutiny indicates that the Department of the Director of Sejm Analyses is the most novel one.

[Stemplowski] We have expanded every department, though not uniformly. Yes, indeed, in the department you named as many as three of the five sections are new: Studies and Expertises, Publications, and Archives.

This is undoubtedly one of the qualitative changes taking place in the Chancellery. However, their effects will become tangible only after some time.

[Semprich] I am perplexed by the size of the Office of Studies and Expertises; it is conceived on the scale of some research institute. If it is to investigate, say, the financial effects of a law, then the experts it employs should be many and extremely competent. But is such an office really necessary at the present stage of legislative work?

[Stemplowski] The Sejm should have its own staff resources for analyzing the draft budget decree. Of course, the bulk of the most important information has always been provided by the sponsors of that decree, and this shall continue. It is to them too that the deputies will address their questions. But still the members of the chamber of deputies should have their own research staff, if only in order to test their hypotheses or investigate complicated matters independently. It is precisely these problems that will be handled by two subsections: one will handle budget analyses and the other investigate the anticipated financial consequences of the proposed laws. They shall, of course, cooperate with the Main Office of Statistics, the planning office—whatever its new name may be—and, of course, the Ministry of Finance. But they must develop their own techniques for budget analysis so that the assessments would not be intuitive, superficial, or arbitrary. We must, though, realize that developing these techniques will take time. The other subsection will investigate the anticipated consequences of proposed laws, will analyze law drafts, and present various possible alternative solutions. This is not a matter of detailed calculations, because these can always be obtained from the government. It is rather that the deputies must have on hand certain estimates, approximate figures, if only in order to ask intelligent questions of the legislators proposing new laws. It is no accident that, as the saying goes, it takes a lot of knowledge to ask the right questions. The deputies could be provided with such knowledge by the staffed sections we are establishing at the Chancellery of the Sejm.

[Semprich] You are establishing new departments, yet those already existing are far from performing well. For example, had the Legal Office, or, as it is now called, the

Legislative Office, performed better, the flaws in the legislation already passed could have been much less frequent.

[Stemplowski] Here the principal change consists in that the former Legal Office will confine its attention exclusively to legislation in the narrow meaning of the term. We plan to double its staff. Improvements in its performance will be linked to streamlining the so-called uniform texts of legislation, which will serve as auxiliary material in addition to the official Sejm texts. The novelty of this project consists in that computers will be used to compile the text of an amended law, the text passed by the Sejm, and subsequently, in later stages, the revisions incorporated by Sejm committees, the final text passed by the Sejm, and, lastly, any eventual amendments tacked on by the Senate. Work on this procedure has already started, but that is an extremely costly project which requires employing new people and retraining the existing staff. The principal effects cannot be accomplished overnight.

Moreover, the Legislative Office is one of many, just one element of the system, and thus attention cannot be focused on streamlining its performance alone. Causing one element of the system to work superbly without upgrading the other elements would be hardly productive, since the surroundings would soon pull it down to their level. Therefore, the Chancellery has to improve in not just one but many respects.

[Semprich] But let us dwell on this particular and, in my opinion, sensitive element. Employees conversant with the arcana of legislative work can be counted on the fingers of one's hand. Would not therefore hiring more employees produce illusory effects?

[Stemplowski] Actually, there does exist a community of experts distributed among various institutions, universities, and ministries. It can, I believe, provide individuals who not only are looking for a decent salary but also for the satisfaction of working as civil servants, and such satisfaction can be definitely provided by working at the Chancellery of the Sejm. After all this is the heart of the system known as the rule of law state. At the same time, we are trying to have the salaries of Chancellery employees fixed at a suitably good level. Moreover, we shall be training young postgraduate students through an internship process.

[Semprich] But why is it that "the heart of the system of the rule of law state" does not provide for handling interventions in individual cases? The Sejm's Office of Complaints and Interventions no longer exists.

[Stemplowski] At a time when institutions had not exercised their roles, or, more even, at a time when their roles were not always defined felicitously, an office of that kind was indeed needed. It was needed at a time when the citizen had to face the omnipotent officialdom or offices that abused their rights. It was precisely then that the natural tendency had arisen to petition "the Nation's Capital," speaking most generally, that is, to

petition the president, the primate, the Sejm—someone who would personally investigate the matter, show compassion, and remedy an injustice. If we are to rationalize the functioning of the government, there must exist some division of duties among institutions. It is good when citizens write the Sejm. But, on the one hand, the point is that their letters should be addressed to individuals rather than to institutions. Let us therefore write to our deputies, the ones for whom we vote, who maintain their own offices. On the other hand, let us address our complaints and demands to the Sejm only when these concern legislative matters. The Sejm cannot transform itself into one big office of complaints and petitions. Individual interventions are secondary to the activities of any parliament.

Currently we receive some 20,000 letters annually. We want to handle them in a twofold manner. For one thing, we transmit them to the proper government agencies instead of attending to the matter personally. But for another we want to analyze these letters with the aid of sociological instruments, from the standpoint of the creation, nature, and application of laws. In brief, the idea is to find in all the letters some common denominator that would be useful to the Sejm as a constituent legislative body. And that is why, I say, mail from citizens will be treated much more seriously than in the past.

[Semprich] To what readership will the publications of the Sejm Publishing House be addressed?

[Stemplowski] That publishing house will serve both the Sejm and the public. It should, among other things, improve the flow of information within the parliament so as to broaden it, cause it to circulate more rapidly, and provide it in an attractive and better addressed form. At the same time, we desire to provide the public with broader information on the work of the parliament and, more broadly, the government at the points at which the operation of its many agencies comes in contact with the Sejm. We shall therefore publish both bulletins on the Sejm's work and more broadly humanistic studies showing parliamentarianism in its social, political, and historical respects.

[Semprich] Do you have many allies for all these projects?

[Stemplowski] In the verbal domain, yes. No one is against expanding the Chancellery of the Sejm, with quite a few deputies proposing various solutions to this effect. In practice, however, we have to deal with such details as, say, the budget. The result is that the justified, evident, and necessary tendency to reduce to a minimum the expenditures on the Sejm, as we would put it, in the present, extremely difficult fiscal situation of the state, may cause more harm than good. For example, a lame duck Sejm may result in the Chancellery's not being prepared to service the new Sejm. Thus, it is not enough to declare one's support for the idea of expanding the

Chancellery; the deputies should also support this idea by supporting specific financial decisions.

[Semprich] How much money is involved?

[Stemplowski] We project expenditures of the order of 280, or at any rate less than 300, billion zlotys. This includes per diem pay for deputies, lump-sum payments, construction outlays, acquisition of equipment, etc.

[Semprich] Is the Sejm edifice to be expanded?

[Stemplowski] It should be, to say the least. In my opinion, Poland must enter the 21st century with a new complex of parliamentary buildings. This is inevitable! If we want to, e.g., expand the research staff, those people will need offices to work in. At present it is said, in disregard of the hierarchy of needs, that there is no money for this purpose. If the heart of the system of the rule of law state cannot work, then its circulation will not function well, if you will excuse such anthropomorphic figures of speech. I thus perceive a need for giving priority to outlays on the state administration in general and on the Sejm, or more broadly, on the parliament, in particular.

**Liberal-Democratic Congress: Program, Electorate**  
*91EP0379A Warsaw KONFRONTACJE in Polish*  
*No 3 (38), Mar 91 p 4*

[Article by Lech Mazewski: "The KLD [Liberal-Democratic Congress]: Party of Democratic Capitalism in Search of an Ideal"]

[Text] The fact that the Polish society is proceeding on the thorny road of capitalism under the leadership of a president who came out of the trade union Solidarity itself, and a part of the rightwing elite (especially the liberal economists), is a historical paradox. But is this enough to lead Poland stably through the transition period? It seems that the existence of a precise political base is essential for the systems transformation now taking place. Can the Liberal-Democratic Congress, one of the groupings of the Polish center-right, play such a role?

#### **Elections Party**

In the democratic system, two models of political parties developed—the cadre (committee) party and the mass party (party-community). It is obvious that in building their party the liberals can relate only to the traditions of the committee party. What is the result of this?

By way of evolution from a 19th century committee party, an elections party, characteristic for our century, also called a "catchall" party, is being formed. Just like the committee party, the elections party has as its goals the organizing of elections and the obtaining of votes. It is not aimed at gaining mass membership, but at gaining support in the elections. This distinguishes it from the party-community [type].

Specific consequences for the party structure ensue from the work to obtain a large electorate. It must have a certain flexibly organized apparatus and a cadre of party activists directing this apparatus and conducting propaganda and agitational work. As a result, the party structure would be much more developed than in the case of a committee party, although not as expanded as in a mass party.

The striving to obtain a large number of voters or supporters will also make it necessary for the liberal party to develop propaganda activities following the example of the party-community. The party cannot limit activities to the elections campaign period only. It must also employ the typical methods of mass influence—meetings, demonstrations, and even fairs and picnics. Training for party activists, at least in certain areas, must be conducted. Attempts should also be made to build auxiliary organizations functioning in different social circles, e.g., among youth, students, women.

The consequence of striving to maximize the effects of elections is an escape from the rigid and clearly defined ideologies of the party program. Polish liberals should restrict themselves to the possession of a “common store of values,” defined very broadly, and the rest of the program should be variable, depending on the circumstances, and shaped completely pragmatically. It is important that the particular principles of the program appeal to the widest possible number of recipients, and that they not repel any, or almost any, of the center-right constituency from the party.

It is obvious that if such a position is taken, a position which is to a large degree pragmatic or not ideological, there is the danger that Polish liberals will succumb to the most simple political opportunism. Wanting to save themselves from this in some way, they should as precisely as possible, thoroughly discuss the “common store of values.” A certain indefiniteness in the program may be a great trump card for the liberal party and that is why it should not be gotten rid of too hastily.

#### **The Building of Democratic Capitalism as a “Common Store of Values”**

It appears from the program proclamation that the KLD includes in the “common store of values” primarily the freedom of the individual and his responsibility for his own fate; respect for private property as a material guarantee of freedom and independence; a stable, and intelligible to all, law, as the basis of a lawful state; a limited government, regulated by law; and finally, the reliance, in public life, on universal Christian ethical principles.

The succinctly presented “common store of values” of Polish liberals turns out to be the ideal of democratic capitalism. The building of democratic capitalism is regarded by the Congress it to be the liberal party’s historical task. It knows, of course, that it alone is not

equal to the task, hence the desire to create a large coalition of diverse forces and groupings of the Polish center-right.

The KLD, giving itself the task of shaping a new vision of Poland, cannot be a integristically liberal party. Members of the liberal party may be all those who share its stand as to the social-economic-political shape of Poland. However, liberals are not interested in the philosophical decisions on which the procapitalist option was chosen. It is important only that together we want to fight for a democratic capitalism order in Poland.

For the Congress, liberalism is an extremely effective method of economic, social, and political life, however it does not encompass the spiritual world and life. Hence a separation of the planes of influences between liberals and Catholicism appears to be possible. But for this to happen, the [Catholic] Church must give up its ambition of voicing the truth in the area of sociomethods, and, in general, all methods, and the liberals must give up the right to express themselves on spiritual reality, on the meaning of human life, on the meaning of history. But this does not mean the privatization of religion, because it fully agrees with the right of the [Catholic] Church to evaluate temporal reality from the standpoint of the requirements of Christian ethics.

Acceptance of the concept “common store of values,” which is the building of democratic capitalism, implies decentralization of the party in the ideological sense. It means the necessity of permitting factionalism on the remaining issues, differences in program ideologies, and their corresponding intraparty groups. As a result, the KLD may take on a liberal-democratic-conservative or a liberal-Christian character, depending of the strength of the faction representing these options.

#### **The KLD Within the Framework of the Center-Right**

One of the paradoxes of the Polish political scene is the lack of a strong procapitalist grouping. Hence the need for the formation of such a force of a center-right character. What role can the KLD play in the process of establishing a political base for the building of democratic capitalism?

The place of the KLD in this process will depend on the further evolution of the Center Accord, and particularly on what kind of economic program this grouping will accept. If this is a radically procapitalist program, the role of the Congress will be similar to the functions which the liberal parties in the Western countries perform. They would probably be, following the example of the German FDP [Free Democratic Party] a deciding power, supporting the Christian-Democratic Center Accord. But if Center Accord did not develop a clear economic program, the situation would be different. At this time, the KLD should assume the role of organizer of the Polish center-right. It has all kinds of data with which to become a modern center-right party. The program ideology goals in the Congress are correlated

with the structure of the party and its method of functioning. On the one hand, this function is fulfilled by the rejection of rigid ideology and the acceptance in its place of a "common store of values," and, on the other hand, it is directly connected with the concept of an elections party. The linking of these two elements, in effect, gives a deeply decentralized organizational and ideological structure, assigning to itself as the main task the obtainment of voter support for the building of democratic capitalism.

In the political shaping of a procapitalist base, essential for the further transformation of the postcommunist system, the elections to parliament, which the KLD is awaiting, will play a fundamental role. In these elections the center-right groupings, which not only gave political support to the systems transformations being made, but also wanted to cooperate with Lech Walesa in this work, will have to win.

A victory by the anti-Walesa group will block the deputy system now in effect, for if Poland is to be governed without conflict, insofar as possible there has to be a stable parliamentary majority which, together with the president, would lead the state, appointing a government, and acting as a bridge between them. However, the absence of any kind of permanent majority in parliament will bring about a situation in which, from the very beginning, a balance will not be achieved between the main elements of public authority. This would cause a dangerous tilt towards a presidential system of the Latin [American] version.

#### The KLD Electorate

With only slight exaggeration it can be said that liberalism is now the most vital, if not the only live social doctrine in Poland, overshadowing even the social teachings of the [Catholic] Church. It is true that conscious advocates of liberalism are a relatively small circle of intellectuals and businessmen, but liberal ideas, sometimes even in a very radical form, fall on very fertile soil in all strata of society.

On the other hand, there are the real interests of particular social groups, interests which are closely connected with the privileges that these groups benefited from during the communist period and which became the basis of their existence. Even the present private sector is not free of this.

The KLD electorate will be primarily that social group whose building of democratic capitalism concurs with its real, and not just its theoretical interests. The entrepreneurs constitute such a group, but unfortunately it is still in the embryonic stage, hence, the idea of hastily creating a middle class, [based] on the example of Western middle class, that would be a mainstay for liberal economic policy.

The liberals should also call upon the social instinct of self-defense against a growing demoralization and cultural degradation. This would help in accepting the costs

of change, or it might actually become a substitute for the economic interests which, in the past, brought about a transformation of feudalism. The more difficult it will be, within the framework of one-quarter capitalism, to meet social demands to an even minimally satisfying degree, the more probable this will be.

#### Miodowicz: OPZZ's Appeal, Plans, Politics

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[Interview with Alfred Miodowicz, chairman of the OPZZ [All-Polish Trade Unions Agreement], by Andrzej Witold Halicki; place and date not given: "Alfred Miodowicz, OPZZ Chairman, Speaks With Andrzej Witold Halicki"]

[Text] [Halicki] According to public opinion polls, sympathy for the OPZZ [All-Polish Trade Unions Agreement] is slowly, but systematically growing. Some sociologists and politicians claim that the source of this process lies in the OPZZ's programmatic negation of the new government. Despite changes in the political situation, antipathy to government is still strongly ingrained in the social consciousness....

[Miodowicz] The results of polls are something of an indicator, but in many cases they are far from what really lies in the social consciousness. Still, when public sympathy declines one cannot help worrying, and when popularity increases one cannot help being happy. However, I cannot agree with your statement regarding programmatic negation. It is not possible to cry out "No!" if there is no "Yes!" program. This would be political demagoguery. I think that our increase in popularity results from society's expecting a force which would be able, in its name, to interpret the normal, average citizen's concerns.

[Halicki] And what are those concerns?

[Miodowicz] The average citizen—I mean the working class—wants above all to work and to support his family through his work and not through selling at market. It is not true that the Poles have become Phoenicians overnight. Moreover, the market trade is marginal and the money a person makes at the market is small change. The Poles want to do good work, provided that the work is well organized and provided that it is possible to live on their earnings.

[Halicki] When I entered your office I saw a PPS [Polish Socialist Party] monograph. In the 1930's, the PPS was also the opposition which struggled for the good of the working people. However, the PPS struggled, for example, by building homes for workers. Is the OPZZ building or creating something?

[Miodowicz] I share your critical assessment of our organization. True, the point is not to talk or to demonstrate. Something must be generated, but we must primarily support ourselves within our given circumstances, and we take in a minimal amount from dues. Meanwhile, propaganda, contact with society, the flow of information, and interplant communications are very expensive. The organization of public works, housing construction, and the sponsorship of culture unfortunately exceed our capabilities. But that was, and still is, our planned direction. We must, first of all, emerge from the chaos to make it possible for the trade unions to build cheap housing.

[Halicki] I presume that this chaos is partly due to Balcerowicz's plan, to which the OPZZ generally has a negative attitude....

[Miodowicz] I am simply shocked at the failure of one government after another and one president after another to define what the state will be like in 20 years. In 1947 it was stated that Poland was to be an industrial state. Perhaps it was a mistake, I do not know, but since that time no team has stated its plans. I do not know where we are headed—whether Poland is to be an agricultural country, an agricultural-industrial country, an industrial-agricultural country, or merely an industrial country. The OPZZ favored the agricultural-industrial variant two years ago. Thus, Mr. Balcerowicz should begin by facing this basic issue, but he has begun by prescribing the model of the International Monetary Fund. And he has fallen into a trap because the terminal date for the period of social sacrifices is shifting further and further into the future. At first there was talk of six months, then 12, and now the date has been extended by another six months. Society will not take this any longer. What does it matter if we have a free market in trade and a stable zloty system if we do not have a free market in wages?

[Halicki] But at one time a worker earned \$20 a month and now he earns \$150.

[Miodowicz] Except that our industry is not operational now in the West and it must support itself on the purchasing power of the Polish population. The demand barrier is making development impossible, especially in agriculture and light industry. It is a complete collapse and not merely a recession. It takes years of tremendous effort, decades, to emerge from such an economic collapse. This work must be accompanied not only by formal changes but also by technological and organizational progress. If it becomes merely a matter of changing a given plant into a one-person company of the State Treasury—that is a fraud!

[Halicki] But you cannot deny the fact that private firms operate efficiently.

[Miodowicz] That is correct, and that is why I believe that the private sector should dominate. The state should control at most 30 percent of industry—primarily heavy industry and rail transport. That is all! Please note our

program documents from 1986. The OPZZ was the first to state that an apartment should become a commodity, and that the subject (the purchaser) should be subsidized and not the state cooperative. The OPZZ has battled the subsidization of the state cooperative since the beginning, considering the state cooperative a threat to housing construction development.

[Halicki] You are speaking, then, of guaranteed credit in the form of a mortgage.

[Miodowicz] Yes! And this is nothing new. It was the system that was universally used before the war. But let us return to Balcerowicz....

[Halicki] Okay.

[Miodowicz] Besides the fact that he has not responded to the question about what sort of country Poland should be, he has ordered his priorities wrongly in our opinion. He maintains that a balanced budget is the most important thing, then the struggle against inflation and, in the third place, supply and production. We always believe the opposite, and many experts from the World Bank confirm that we are right in our belief that supply is the most important thing. The budget does not have to be balanced (the United States is the best example of this). Thus, the order of priorities should be reversed.

[Halicki] Now let us analyze the political system. What are your goals in this area?

[Miodowicz] A true parliamentary system will not be created now during the parliamentary elections, when there are as many as 180 parties, but in the next elections four years from now. At that time three basic currents should emerge: a united people's movement, the Christian democrats, and the left split into a postcommunist and a post-Solidarity left. Extremist nationalist-chauvinist forces, however, will also develop—and on both sides. This is the result of the international situation. We find ourselves in the middle of a very formidable set of claws: on the one side we are threatened by Lithuanian and Ukrainian nationalists, perhaps still marginally, and on the other side we are threatened by the powerful Germans who will certainly seize our economic independence.

[Halicki] Should we, then, introduce some protective barriers against the influx of German capital into Poland?

[Miodowicz] No. We should only be concerned about Polish honor and a patriotic culture. Our internationalisms and our desire to enter into Europe weaken us. Poland is not merely a border issue; it is the fatherland of the Poles, who should work for this fatherland. To this end, however, something more must be done than Mazowiecki did in founding a new FON [National Defense Fund]. If we want to build a strong fatherland, then we must likewise sound a patriotic note. For the present we have only losses; we did not gain anything in the unification of the Germanies. Meanwhile, when

Kohl took down his wall, we could have settled the withdrawal of the Soviet army, we could have obtained reparations for the people who were victimized by the Third Reich, and we could have likewise resolved the economic security of our country. We could have received a great deal of aid to bring the western lands into cultivation such as the aid the GDR received long ago. But when these opportunities arose, we quarreled with Gorbachev and got ourselves trade barriers with the USSR. This had the effect of killing our light industrial production geared primarily toward the East.

[Halicki] Do you notice any differences between the cabinet of Prime Minister Mazowiecki and the government of Prime Minister Bielecki?

[Miodowicz] It is still too early and, at the same time, perhaps too late to answer that question. If I hear that the government will change in three months, then I do not know whether it makes any sense to begin talks with it. But one way or the other, the government cannot be deaf to the voice of society. But it is difficult to speak with the government about what is upcoming since there will already be a different government in the third quarter.

[Halicki] There will still be the Belvedere and the president's advisory team.

[Miodowicz] Well yes, that is really a different structure, providing certain guarantees.

[Halicki] Can this team be considered a shadow cabinet?

[Miodowicz] It would seem so.

[Halicki] Walesa, not long ago your television opponent, is today president of all the Poles. Are you a loyal citizen with respect to the president?

[Miodowicz] If we do not respect our president, then whom will we respect? The one in authority may be better or worse, but every Pole should be loyal to the government. But overall it is the worst year to begin governing and that is what I told him. Moreover, perhaps it is a question of fate.

[Halicki] When you talk about it being the worst year, do you have in mind social conflict on a broad scale?

[Miodowicz] I think that it may come to something worse—to a society that is so fragmented that we will forget that it is our Polishness that binds us together. I see that patriotic note in Mr. Walesa and I value it highly, but it does not result from a deliberate program. Will that patriotic note be enough by itself?

[Halicki] What is the stance of the Working People's Movement [RLP]? And just what is that movement?

[Miodowicz] The RLP makes it possible for people who are associated with the union or who sympathize with it to get their political start and to share in authority. At the same time, it removes this political dimension from the work of the union. I have serious reservations about the

rightness of starting representation of unionists in elections. A participatory and revindictory trade union cannot afford political brawls. Union leaders lose in political battles, they do not fulfill their tasks. The RLP offers this possibility; it creates a political platform for persons with a different temperament than the union temperament.

[Halicki] Will this be an autonomous structure or a party slated for alliances?

[Miodowicz] As an autonomous force, the RLP does not have a great chance. It must work within the left bloc.

[Halicki] What sort of coalition will this be?

[Miodowicz] If the post-Solidarity left combined successfully with the postcommunist left, it would be an absolutely dominant force. Unfortunately, this is not feasible at present.

[Halicki] Are you not afraid of internal opposition? Recently a great deal has been said about your conflict with Moric.

[Miodowicz] There is nothing worse than a lack of opposition. When that happens, everything stops and there is no mobilization. Please, let them even leave the federation. Then, after they leave, we will talk. Maintaining an artificial unity at any cost is absolutely unprofitable.

[Halicki] They accuse you of being too much a politician and too little a unionist.

[Miodowicz] Perhaps.

[Halicki] Do you consider yourself a politician?

[Miodowicz] With the position I hold, I cannot escape politics. Besides, the heads of all the Western trade union central organizations are politicians. Decisions about the amount of taxation and economic and social solutions are political actions. In this sense, everything that we do is also politics.

### Weekly Evaluates Strategies of Political Camps

91EP0378A Warsaw KONFRONTACJE in Polish  
No 3 (38), Mar 91 p 5

[Unattributed article under the rubric "In Our Opinion": "Political Games"]

[Text]

### The Belweder Camp

It has been greatly strengthened with Walesa's shadow cabinet (that is, the team of advisers). Of a certainty, many trade union activists with political ambitions will find a place for themselves under the roof of the Belweder. Thus, the program planks of the Belweder [Presidential Palace] camp will originate from the team of advisers, but will not necessarily be implemented.

Instead, a system for competitive duplication of the ideas and actions of the government will perpetuate itself. Walesa clearly likes to act by choosing between two possible avenues of action. The Belweder camp will focus on mechanisms for working out political decisions in the state. It appears that this is where it will come in conflict with the government camp and the presidential camp, which are more interested in current politics and in creating *faits accomplis*. The most immediate challenge to the Belweder camp is to develop a strategy for parliamentary elections as well as scenarios of change in government following the elections. It is working on a couple of scenarios of the probable unfolding of the political situation on allowing for the strength of discrete groupings and the changing alignment of forces.

#### **The Presidential Camp**

It will have to cope without the president. It will thus find itself in an exceptionally difficult situation. The concept of a presidential party (a presidential electoral bloc) will be of interest to Walesa to the extent to which he can benefit from it. The politicians of the presidential camp cannot count on ethos or symbols. Walesa eludes these categories. Nevertheless, the presidential camp wants to compete in the parliamentary games. However, it faces the important problem of what grouping to base itself on. Facing the disintegration of the bloc formed during the presidential elections, it will rely on the tried and tested alternative of rallying all political forces around one individual. It is not unlikely that that person will be one of the leaders of the Belweder camp, but not Walesa.

#### **The Walesa Camp**

Its pillar is the citizens committees and the traditional constituencies of workers' Solidarity. The Walesa camp will be increasingly disintegrated by the rivalry between the Belweder camp and the presidential camp for influence and electorate. Difficulties will also arise owing to the emancipationist tendencies of the members of this camp. After all, they may choose a road of their own and flout the scenarios of both camps. The other pillar of the Walesa camp, the Solidarity trade union, will become an internal anti-Walesa opposition, and thus an agreement among grassroots against the elite is possible. Walesa does not have to support the fragmentation of his electoral base but, in order not to lose face, he will consent to an inconvenient pluralism. The Walesa camp will rally around its recent supporters of Walesa who feel frustrated by the consequences of his policy, and hence it will be politically incalculable, that is, attractive to the opposition.

#### **The Government Camp**

It feels on its neck the breathing of Walesa's shadow cabinet. Contrary to its wish, it has become the party in conflict with the world of work. Yet it cannot submit to the demands of that world, as then it would forfeit the confidence of its political protector, that is, the Belweder

camp. The government camp will switch to politically neutral ground, which may mean a shrinking emphasis of its liberal identity. The Belweder camp should support the position of the government, because during the transition period (i.e., a period of major social conflicts and uncertain parliamentary elections) it is the government camp that may represent an effective barrier to the thrust of various forces that could threaten even the Belweder. The government camp will thus assume the role of a negotiator interpreting the strategic moves of the Belweder camp. Not necessarily in accord with its intentions! Such a position should yield advantages to the government camp as regards pacifying bad political moods.

#### **The Peasant Camp**

It will not drop its claimant stance but, instead of looking for allies, it will emphasize independent, uncoordinated action. It will want to ascribe to its influence any political event that may happen in the countryside. This may produce an effect different from that intended. Prior to the parliamentary elections the farm population should be mollified by having some of its problems resolved instead of becoming stirred by a growing list of demands. Of help in mollifying its mood could be the authority of the hierarchy of the Roman Catholic Church and of the activists basing their program on Christian-national ideology who belong to Walesa's close entourage.

#### **The Krakow-Mazowiecki Camp**

It skillfully exploits the anti-Walesa mood but not for its own purposes. That is certainly a consequence of its declared emphasis on the primacy of ethics over politics. Its remaining uncommitted so far as social conflicts are concerned, and publicly distancing itself from the presidential camp (but not from the president himself, nor, the more so, from the Walesa camp) is intended to test the possibility of renewing some of its former alliances. The politicians of this camp create certain gestures through their extremely principled response to certain actions of the president. As regards his mistakes, they prefer to avoid commenting on them. On the other hand, they firmly combat the presidential camp. This requires a unity that is not based solely on a critical stance toward the presidential camp. The Krakow-Mazowiecki camp is exploring the possibilities for influencing the nascent alliance between a part of the postcommunist camp and the trade union camp.

#### **The Trade Union Camp**

It has taken the road of convergence, prompted by the evident political advantages of opposing the government and Walesa. But that will be a negative convergence, that is, rapprochement of destructive attitudes. There can be no mention of any rapprochement of political attitudes, which are extremely burdened ideologically. The trade union camp offers a field for political maneuvers to all the camps competing for seats in the parliament.

### Weekly Evaluates Strategies of Political Figures

91EP0378B Warsaw KONFRONTACJE in Polish  
No 3 (38), Mar 91 pp 6-7

[Unattributed article under the rubric "In Our Opinion": "Political Games"]

[Text]

#### Lech Walesa

He is trapped in his own snare of promises given during the presidential campaign, promises of pluralism and the abandonment, with deliberate speed, of the domination of public life by the trade union Solidarity. Now the time has come to make good his political promises, although the dangers to his political position would seem to make it more advisable to build a united bloc of cooperation with the Belweder. Today this is rather difficult, since the camp of his recent supporters has broken up, with them scattering in all directions, exploring their own paths. The president himself also has discouraged many people by declaring, "I shall be the president of all Poles." Working out a specific political alignment that would reflect that declaration will be most time-consuming to Walesa. He will treat discrete political camps like objects to be exploited mercilessly in order to accomplish his principal objective, that of winning suprapartisan political prestige. Walesa fears no one, except God.

#### Jan Krzysztof Bielecki

As prime minister, he is trying to act the role of the greatest honest broker in the history of the Republic of Poland. This hardly gains him prestige in political life, but perhaps that is the point? It seems that Bielecki is a political minimalist, although he values and respects his own persona. Inserted in the orbit of the Belweder, he is hardly willing to get in the president's way. Sometimes, however, he has to, and then he accompanies only Balcerowicz. On the other hand, he is toiling to reinforce his reputation as a political expert. Bielecki's probationary period is over, and he has taken care to offer an alternative which will of a certainty promote his reaching an independent political orbit. At present, however, this is extremely difficult. That is because the prime minister has created vis a vis the president a situation of unwonted duress, because he is aware that neither Walesa nor his people desire to accept direct responsibility for current politics. Bielecki's survival in his post will in no way be attributable to pity; rather, it will be largely attributable to narrow, pragmatic concerns of the Belweder, whose occupant [Walesa] will tolerate criticism or even threats from his prime minister, since they are part of the risk involved in the whole undertaking.

#### Jaroslav Kaczynski

He is undoubtedly in a difficult position. He may become the vanguard by heading the entire pro-Walesa electoral bloc, but he is less and less willing to do so. That

bloc has fallen apart in all directions and Kaczynski, as the leader of the Center Accord party, is steadily losing the ability to keep it together. In view of this, he has begun to look for allies of Walesa on every side of the political landscape. He shall continue to play a key role in presidential institutions, but he shall slowly begin to adopt the methods and social engineering techniques of a cabinet politicians.

#### Jan Olszewski

A major candidate for a new leader of the pro-Walesa camp. Although he prefers to remain in the shadows, he plays a fundamental role in the political mass rallied round the president. If there is anyone whom Walesa respects, it is precisely lawyer Olszewski. Where will this road take him? It does not appear so far that he desires to become the leader of the entire pro-Walesa camp. He is waiting for a realignment of forces, because he wants to play a significant role in the future parliament. But he would prefer many political forces rather than just one to support his intentions. It seems that he has reason to expect such support.

#### Bronislaw Geremek

He has confined his game to parliamentary politics, which appears to markedly constrict his possibilities. Tactically he is right, because he can renew his mandate only as "the highest [nonpartisan] authority." After all, he is neither a party leader nor a regional activist. He avoids involvement in the skirmishes and games of his own camp. His line in that respect is followed by a group of trusted activists ready to make the greatest sacrifices. This suits him just right! But will that suffice to achieve all of his ambitions? Geremek is standing in place and pondering which road to take.

#### Adam Michnik

His criticism of Walesa has subsided. Perhaps he desires to renew relations. Of a certainty he is surprised by the anti-Walesa doings within Solidarity, but he would not be himself if he would not investigate that direction. But, given the problems within his own camp, does he have the chance to act credibly vis a vis Krzaklewski? Michnik's reputation as a prominent leading intellectual will grow, and this may bear fruit in a new attempt at rapprochement between intellectuals and trade unionists.

#### Wlodzimierz Cimoszewicz

He must overcome the resistance of his principled comrades who resent his ogling the post-Solidarity left. He will be helped in this by Tyminski in that the latter will distract part of the internal opposition. Cimoszewicz has more to gain than to lose thereby.

### Overview of Criminal Court System Presented

91EP0373A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 4 Mar 91 p IV

[Comments by Prof. Andrzej Murzynowski, chairman of the Supreme Court, as noted by Jan Ordynski: "The Supreme Court After Changes: The Criminal Court"]

[Text] During the first half of 1990, the Criminal Chamber had 43 judges; it is anticipated that there will be 20 in the reorganized court. But on 1 July of last year, when the new Supreme Court was formed, only 12 persons had been appointed and three were appointed subsequently as of 1 December, 1990.

At present, the chamber consists of three sections: the legal issues section, the extraordinary reviews section, and the revocatory reviews section. This is certainly not a permanent division, since we are counting on a reform of the criminal procedure in the near future that will return cassation.

At least once a month meetings of the whole chamber are held devoted to initial consultations pertaining to legal questions resolved by the Supreme Court, opinions on plans for the most important legislative acts and current organizational matters. Additional meetings were held recently to discuss the plan for a code of criminal procedure. Opinions on plans for legislative acts of lesser importance are discussed in narrower judicial circles.

### It Could Have Been Otherwise

An important and still difficult as well as distressing problem for us are the great backlogs. At the beginning of 1990, the chamber had to examine 251 cases of all kinds from the year before, including 121 reviews and 84 extraordinary reviews. This year, on the other hand, there are 679 cases to be examined, including 335 reviews and 324 extraordinary reviews. This state of matters, which satisfies no one, was caused by two factors: the backlog left by predecessors (at the beginning of July 410 cases remained for examination, including 184 reviews and 185 extraordinary reviews) as well as revocatory redress for verdicts and resolutions of voivodship courts which could be introduced into the appellate courts only since 1 October. Thus, one-quarter the number of judges had to examine the same number of cases as before (before 1 July).

The backlogs might be eliminated by the end of 1991, or at least certainly decreased, if the law recently adopted by the Sejm on recognizing as invalid the verdicts in cases of persons sentenced for activities in the cause of Poland's independence becomes valid and all the positions of judges in the Criminal Chamber are filled. This would enable us to concentrate more on considering resolutions pertaining to elucidating legal questions that occur in practice, matters to which we are unable now to devote the required time, although we try to deal with them as it becomes necessary.

In our opinion, this undesirable situation might have been avoided if parliament had taken into account the original proposal that, together with the creation of appellate courts, all appeals of sentences of voivodship courts which the Supreme Court was not able to process before 1 October, 1990, be turned over to the appellate courts for examination. Our postulates and arguments presented in this matter before the committee of the Sejm and the Senate were not taken into consideration.

### For the Benefit of the Defendants

In 1990, 591 extraordinary review cases involving 1,249 individuals were sent to the Criminal Chamber. The majority of these (75.5 percent) was decided in favor of the defendants. These defendants numbered 1,140 while extraordinary reviews with results unfavorable to the defendants involved only 109 defendants. Undoubtedly the type of cases which led to the appeals was decisive in scheduling extraordinary reviews as they were. Most of them, 62 percent, were cases of a political nature that dated back to the 1944-56 period or later, including cases from the times of the Radom incidents, martial law, and the years that followed, marked by a struggle for basic rights and civil liberties.

In the 229 extraordinary reviews filed in criminal cases (38 percent of the total) which involved 287 individuals, the findings in favor of the defendants were in the minority, pertaining to only 109 individuals.

As a first order of business, we tried to examine those extraordinary reviews that pertained to individuals serving sentences or waiting to serve sentences. We also examined many extraordinary reviews pertaining to sentences passed during the Stalinist period with respect to activists for independence and with respect to persons sentenced for political infractions when martial law was in effect. In general, verdicts of not guilty were issued in these cases since activity in defense of Poland's independence and in defense of basic civil rights cannot be considered an act that endangers the public, but as a commendable and socially beneficial act.

### At One Time a Crime, Today a Commendable Act

Therefore this activity cannot be considered as a crime in the sense of Art. 1 of the Penal Code unless it involved felonies, for example, murder, which cannot be fully justified by one of the previously mentioned motives for action. For this reason, entirely unwarranted is the reproach addressed to the present complement of judges of the Supreme Court made in a recent issue of GAZETA WYBORCZA, that in rehabilitating individuals who were convicted of activity in defense of independence and human rights, we falsely alter the activity's true character. For I can point to many verdicts of the Supreme Court in which in rehabilitating those sentenced, the statement is made that their activity in defense of the values mentioned cannot be recognized as a crime despite formal infraction of the law of that time. It must be straightforwardly stated, however, that such

resolution of criminal cases involving acts which, taking the matter formally, were an infraction of laws in force at that time—although these were sometimes draconian and vile laws—presented certain difficulties for the judges. The courts are normally based on the application of valid legal regulations, and not on questioning them, and, for this reason, we are treating with much support and interest the project of a law declaring the verdicts issued in past times which violated elementary human and civil rights of our citizens to be invalid.

There is no way to avoid the question of so-called undesirable reviews. What is concerned here is that an authorized person files for a review, petitioning not for a change in verdict and rehabilitation of the individual sentenced, but for an annulment of the verdict and dismissal of the proceeding in view of the expiration of one of the negative procedural premises or a premise from Art. 26 of the Penal Code. Meanwhile the individual involved in an extraordinary review initiated against the will of the sentenced individual protests against it. These examples indicate the need of immediate regulation by a single, general legal act of the matter of persons repressed for activity on behalf of an independent Polish state and basic rights and freedom of citizens.

#### Is This of Significant Value or Not?

The activity of rendering opinion based on interpretation of a law constitutes an important sphere of activity of the chamber. Its intensity depends to a large degree on the initiative of persons authorized to present legal questions. It is always intensified when new laws become valid.

In the second half of 1990, after the composition of the Supreme Court changed, personal initiative—specifically, mine—was resorted to more frequently than before in petitions for interpretation of the law, which resulted in two very important resolutions by seven-person committees.

In the first of these, dictated on the one hand by rising inflation and on the other by the elimination from the Penal Code of the definition of property of “significant value,” the Supreme Court, without waiting for eventual legal questions from the voivodship courts or other authorized persons, as early as in October, 1990, explained that the “basic criterion defining the concept of property of significant value at the time of an act should be a multiple of the average monthly compensation established on the basis of the most recent—with respect to the time when the infraction was committed—official data published by the president of the Central Office of Statistics with respect to regulations on providing for retired workers and their families, and as an orienting measure of the so-called property of significant value, a numerator no smaller than ”50“ should be used.

This resolution has far-reaching significance in practice not only from the point of view of making the limits of more severe penal responsibility more precise, but also

from the point of view of the need for ordering the competence of the courts and avoiding possible contention between voivodship and regional courts on this basis.

#### Filling the Legal Gaps

Another resolution issued in November, 1990, (with the participation of three judges from the Military Chamber) pertains to the exceptionally serious social problem of compensation for those serving individuals who, as a result of an extraordinary review or reopening of a case, were not exonerated but whose case was discontinued (especially in former years) due to expiration of the penalty for their acts. The resolution states: “I. Compensation for wrongful sentencing on the basis of Art. 487, Para. 1, Code of Criminal Procedure is awarded also to the defendant whose criminal proceeding was discontinued as a result of the reopening of a case or extraordinary review, for example, because of expiration or other negative procedural premise that excluded further continuance of the procedure, for example, amnesty or death of the defendant, if the basis for such discontinuance was the assertion that the defendant committed some crime and there was a basis for sentencing him, but for a legally less serious act. II. For a sentence which the defendant ‘should not have served,’ a sentence should be imposed that constitutes the difference between the sentence served and the sentence which, according to the evaluation of the court making the decision on compensation to be awarded the defendant, should be imposed upon proper legal evaluation of his act.”

This resolution, although it is dictated mainly by matters of rehabilitation, has a universal character and may be applied also to other matters and fills a unique gap in the law.

In general, I may say that the activity of rendering an opinion that sometimes fills legal gaps, and in all cases elucidates a series of doubts in practice, will become ever more significant. In the future—to the extent of personnel availability—there will also be a need for analyzing the decrees of the Supreme Court from the angle of examining certain views from past years.

#### Ethnic Tensions Lessen; Still Latent in Opole

91EP0352A Munich SUEDEDEUTSCHE ZEITUNG  
in German 14 Mar 91 p 10

[Article by Thomas Urban: “At Least German Is Taught in the Schools Now: Despite Reconciliation Efforts, Polish-German Relations in Upper Silesia Still Marked by Distrust”]

[Text] Opole, in March—“We are destined and have the ability to develop a model of genuine German-Polish reconciliation for the entire country.” This sentence from the pastoral letter of Opole Bishop Alfons Nossol on the occasion of Lent clearly signals that the climate in the Opole area in Upper Silesia has changed. Over a million people live in the voivodship of that name. Of

that number 150,000 adults are registered members of the German Friendship Circles, as the organizations of the minority officially registered early last year call themselves. It was only a year earlier that Nossol's pastoral letter, entitled "On the Need for Reconciliation Now" was more like an inflammatory speech in a climate of accusations, suspicions, even a little local violence.

At that time a polarization occurred between Poles and ethnic Germans in the voivodship. The cause was the regional special election to the Senate at which for the first time a representative of the minority, the veterinarian Heinrich Kroll, was a candidate. Kroll, who ran for office under his Polish name Henryk Krol so as not to arouse emotions but campaigned clearly against Dorota Simonides, a professor of ethnology and "Solidarity" citizens committee candidate, lost in the runoff election. At any rate Kroll had received a third of the votes in the voivodship.

Local elections during the early summer of 1990 confirmed that this result in fact corresponds to the share of the population that avows its German origin: representatives of the minority achieved the absolute majority in 25 of the 38 communities in which they were candidates for office. The villages in which ethnic German mayors now hold office without exception are located in a contiguous territory in the eastern part of the voivodship.

But there is no evidence of a polarization on the local level, Voivode Ryszard Zembaczynski stated frankly. The top administrative officer of the region even speaks of a harmonious climate of cooperation with good prospects for the future. The voivode himself gets good marks also from the representatives of the minority. Heinrich Kroll, who is a member of the executive of the Central Council of the Germans in Poland, says he cannot assert any fundamental grievances against the Polish authorities. But the Central Council deplors that the generously handled minority policy still lacks the legal basis. The minorities law, which does not provide for any privileges for the Germans, has not yet been approved by parliament.

But a recent discussion in the minorities committee of the parliament in Warsaw inflamed the passions. A Sejm deputy from Central Poland, as usual in the past, called the representatives of the Central Council "revisionists" and "revanchists," who joined forces with the Association of Expellees and only caused unrest in the region. "In faraway Warsaw some people picture Upper Silesia as if the conditions here were like those in Northern Ireland," Kroll said, who stresses all the time that he is a Silesian, Slasak in Polish.

For staff members of the Silesian Institute in Opole, just as for Senator Simonides, almost all people who call themselves Germans in truth are Silesians, members of a mixed race of Germans and Poles with primarily Slavic roots. Under communist rule it was the priority task of

the institute to document Upper Silesia's Polish, but at least Slavic, past, which allegedly was interrupted only by a short period of Austrian, later on Prussian, rule. This basic idea on which Polish nationalists and communists agreed was also the basis of the decision in 1945 not to expel the inhabitants of the villages and small towns in the eastern part of present Opole voivodship. At that time the authorities in Warsaw assumed that the Upper Silesians would very quickly become good Polish citizens.

"The opposite was the case," said the ethnologist Simonides, a Polish Silesian according to her own words. "The communist rule led to a Germanization of the people who prior to that regarded themselves above all as Upper Silesians." In the opinion of many local politicians, the discussion on who really is a German does not lead anywhere. It is regarded anyhow as questionable whether it was ever possible to draw precise ethnic borders in the region between Poles, Polish and German Upper Silesians, and finally Germans. For the present the question arises even less since the ethnic groups have intermarried too much. Thus Heinrich Kroll's wife is a Pole. In addition Germans as well as Poles here are Catholic and the common language is Polish. Only the older generation of ethnic Germans speaks flawless and fluent German. Up to the 1989 political change their children and grandchildren were not permitted to learn German in school.

Therefore cultivation of the German language was also one of the most important demands of the elected representatives of the minority. According to Kroll, the Polish authorities are supporting language instruction. Last year finally a section for German studies was established at the Opole college. In the meantime instruction in German is provided at 137 elementary schools, 18 university preparatory secondary schools, and 14 vocational schools. According to information from the Central Council, supply does not meet demand by far, but at any rate the total number of German class periods has doubled within a year. Since last fall also 10 teachers from the Federal Republic for the first time teach in university preparatory secondary schools and advanced training seminars for teachers.

The numbers come from a memorandum of the voivode on the German minority. Such an announcement would have been impossible two years earlier; after all, its existence was denied, just as the expulsion of the Germans from Silesia, Pomerania, West and East Prussia after World War II, now cautiously being brought up, was a taboo subject. According to a poll by the Silesian Institute in Opole, two-thirds of the Poles in the region are agreeable to the fostering of the German language on a large scale.

But there is a long way to go to achieve this goal. For this reason German language instruction is offered in many places by private initiative. The Association of Expellees (BdV) provides most of the teaching aids. Kroll, just as the majority of the chairmen of the German Friendship

Circles, is full of praise for the support from Bonn. "They are, after all, our people, our relatives who understand our problems." Moreover only the BdV in the past decades untiringly called attention to the crimes committed against the Germans. But the Association of Expellees has been made into a "giant monster" in Warsaw.

But in the opinion of Polish politicians the expellee functionaries only increase tensions in the Opole region. Thus the BdV functionaries were seen to be behind the rowdies during the visit a week before of Bundestag President Rita Suessmuth to the voivodship. The latest BdV attacks against the highest FRG representative to visit Upper Silesia thus far seemed to confirm the suspicions on the Polish side. The aggressive language of some commentaries, especially in the *Deutscher Ostdienst*, the news service of the expellees, conveys little of the much-conjured-up "spirit of reconciliation," it is said.

The Polish press unanimously charged that the BdV with its campaign against the border treaty now awaiting signature has created the illusion that some time Upper Silesia could become a German federal land. However, an opinion poll of the Silesian Institute confirms that this campaign has found only little response: According to the poll, last year at the height of the border discussion, only 13 percent of the ethnic Germans backed a union with the reunified Germany. But in the opinion of Opole sociologist Danuta Berlinska, this poll also documents that assumptions that the Germans are a fifth column in Upper Silesia are hardly justified.

But the distrust on both sides is still great. Only 40 percent of the Poles settled in the voivodship, most of them descendants of the generation who after World War II had to leave their homeland which was annexed by the Soviet Union, according to Danuta Berlinska, hold the view that Upper Silesia with its German minority can become "a bridge between both peoples and to Europe." One third of those polled by the Opole institute would like to get rid of the ethnic Germans, the sooner the better.

But the leading regional politicians advocate a course of cooperation. "They have recognized that it will be better for the region if they get along with the Germans," Kroll says. Indeed the Warsaw government has promised substantial funds for the development of the voivodship, not only to attract investors but also to keep the remaining young people from resettling in the FRG. Moreover the [FRG] Federal Government, in an arrangement with the Polish authorities, wants to finance specific projects for environmental protection, for the supply of drinking water, and for the improvement of medical care. All these projects, Bonn emphasizes, are to benefit the entire population.

The Central Council of the Germans apparently also backs integration. Thus it is trying to take over jointly with the Upper Silesian Association, which was founded

by Poles in Katowice, and the Association of Upper Silesians in Opole, whose members attach importance above all to their "Silesian identity," the *OBERSCHLESISCHE NACHRICHTEN* (WLADOMOSCI GORNO-SLASKIE), which is published in two languages. Thus far the friendship societies had their journalistic base above all in the *SCHLESISCHE ZEITUNG* published by the BdV, a newspaper which apparently regards Polish Foreign Minister Krzysztof Skubiszewski as the principal enemy. "We need a newspaper made by us for us," a member of the Central Council executive stated.

The relations between the organizations of the Germans and the BdV are not to suffer as a result. Kroll pointed out the diverse criticism by the Poles of the association: "Both sides only have to get to know one another better." A beginning in this direction has been made. Editors of the *SCHLESISCHE NACHRICHTEN*, which the BdV finances from federal funds, recently interviewed for the first time Janusz Reiter, the Polish ambassador to the Federal Republic.

## ROMANIA

### Shortcomings of Romanian Justice System

91BA0444A Paris *LE MONDE* in French  
22 Mar 91 pp 1, 9

[Article by Agathe Logeart: "Romanian Injustices"]

[Text] First one hears their footsteps, a soft shuffling sound, as if they were being careful not to disturb anyone. Then one sees them, about 20 inmates tightly bunched together in line like school children not daring to whisper, dressed in the prison garb made of coarse, striped wool. Wearing their kepis and with their hair just beginning to reappear on their shaven skulls, the ears seem disproportionately large and protruding. Nor can one catch their eye, for they immediately lower their glance. In the golden winter light with clouds of dust suspended in every beam, they slink toward their judges.

After all, these men have not yet been tried and, as the new code of criminal procedure modified since the revolution states in all seriousness, they are presumed innocent. Alongside this cadaverous band, two lycee students wearing their navy blue uniforms have taken their places in the dock. They have also had their heads shaved, which has exposed the napes of their childlike, sadly fragile necks. Arrested in May for stealing a scooter, taking a ride, and trying to sell it as parts, they have admitted their guilt. Their family has paid the damages. Found guilty, they will not be released until they have served "an educational sentence" of a minimum of two years. They already missed the beginning of school last year and are nowhere near resuming their training in industrial design.

In the icy corridors of the Bucharest Hall of Justice—which legend has it is made up of 365 rooms, one for every day in the year—peddlers sell cardboard-tasting

sweetcakes to a veritable microcosm that seems doomed to endless waiting: a caravanserai of murmuring, wide-hipped peasant women in short skirts with whirling pleats, tiny black-eyed Gypsy beggars, anonymous litigants warming their thick fingers on their coffee mugs. The building still bears the traces of last year's earthquake and workers make haste slowly amidst the debris.

In the military section of the Supreme Court, festooned judges have kept on their greatcoats. The clerk's typewriter clacks noisily away. Here the accused are in street dress, sport fine fur hats and thick overcoats. Indeed, there is Julian Vlad, former head of the Securitate, and Tudor Postelnicu, Ceausescu's former minister of interior, charged with brutality inflicted on demonstrators during the days preceding the fall of the dictatorship. Their families are present, blithely chatting with them, as are their attorneys, a privilege not extended to everyone. Privileges in court; privileges in prison also.

Jilava Prison is a few kilometers from Bucharest. Some 1,000 of the 26,000 persons held prisoner in Romania live—or, rather, survive—here. Another 600 or 700, like Vlad and Postelnicu, are housed at the prison hospital a few dozen meters away. After all, they are said to be "sick." It is better to go to Jilava during the daytime because there is a shortage of lightbulbs and one has to feel one's way around after dark.

#### "Entry Into a Community"

No precise records are kept of how many prisoners are held here. What good would it do, inasmuch as they are constantly coming and going? Most of the windows in these three-story, light pink buildings surrounded with watchtowers are broken, a possible reminder of the uprising that went on for 44 days straight exactly one year ago. The heating system does not work, which is why, except for their weekly shower, prisoners never take off their uniforms, "which are made of real natural wool, with no blend of synthetic fibers," one guard comments, half jealously, half seriously.

The arrival of visitors is signaled by a truncheon pounding on cell doors. The "corporal" faces the door, eyes lowered, arms straight down. The other prisoners, a dozen or so, immediately line up along the stacked beds. They turn their backs, facing the wall, silent. No personal item is to be seen: Books and letters are stuck under the mattresses of the neatly made beds. The prison uniform is in no way a punishment, guards on duty<sup>1</sup> explain: "It does not cause depersonalization, but merely denotes status and prevents the formation of any hierarchy among inmates or any kind of trafficking." Likewise, systematic head shaving is in no way oppressive: "As in the army, it is a symbol of one's entry into a large community." The accused and convicted are intermixed "because there is no way to make such a distinction."

In a common building, inmates assigned to general duty do the cooking: cornmeal soup and compote for those unable to work; peas, a little meat, and again the compote for those who can—and must, moreover, because

the law makes it compulsory. From 5 to 10 percent of what they earn working in the fields or shops is returned to them. The rest goes to the government. After all, it houses and feeds them!

Gone forever is the paradoxical time when "Little Daddy" Ceausescu, convinced of the uselessness of prisons in a socialist state, granted mass amnesties on the occasion of his birthday or party congresses and had the prisons that polluted his countryside razed. Little or nothing was known of the brutality of those days. The outside world was content with that image of apparent good-naturedness which actually concealed a discretionary and totally incoherent policy. Crime rates are spiraling dangerously and the totally disorganized penal administration no longer has a clear idea of what precisely is expected of it.

A surgeon is on duty at the prison hospital this evening. He is short of everything, he says, "medicine and doctors too." He is standing in the middle of an operating room where rubber gloves are hung out to dry like so many jellyfish. They are used for one operation after another. The door leading to the cell of prisoners staging a hunger strike should never have been opened and the blunder brings in the hospital goons. Is it possible to be any paler than those men, common law prisoners forgotten by the world? No longer do they have the slightest contact with the outside, no visitors or mail.

#### All-Powerful Prosecutor

They are beaten, they tell us to a man, for once looking their increasingly nervous guards straight in the eye. "A matter of strictly legitimate punishment" used on "plotters and swindlers," we are assured as soon as the door swings shut again. It gets dark so early in Bucharest in the wintertime that they hate to usher one out, even on the double, "because you can't see a thing at this hour of the night!"

The pathetic faces one leaves behind, the unwarrantable brutality, palpable in its acceptance on both sides, form a world of rejects onto which the doors are finally opening. What can have changed here since the revolution other than the very act of seeing—or glimpsing? Of the Romanian revolution's justice, the West retains the images of the trial and execution of the Ceausescus, those of their collaborators answering as best they could before judges in a hurry to get it over with. Sinister images which Romania, eager for international recognition,<sup>2</sup> would now like to erase.

Pledges and assurances must therefore be given, at least to the outside world. Which is precisely what Prime Minister Petre Roman does every time he has a chance to repeat that his country's break with its totalitarian past is "final." Big names in European law are also called in as consultants: Robert Badinter, who did not want all that much attention, is now introduced in Bucharest as the father of the proposed constitution to be studied in the spring. There are more and more exchanges, some incredibly similar to alibis! In January, a delegation from

the association of French barristers came to Romania full of good will and very moved by the destitute condition of their colleagues. The meeting resulted in the twinning of the 40 Romanian and 40 French bar associations and the creation of an Institute of Human Rights Training within the Bucharest Bar Association.

By January after Ceausescu's fall from power, the most repressive legislation had been cleaned up, from the death penalty to the outlawing of abortion and charges of denigrating the socialist state. Major legislative debate was underway. A new code of criminal procedure passed in November threw the past to the winds. It would henceforth be possible, when anyone is arrested, to know what charges are being filed, be guaranteed of having defense counsel present immediately, and even file appeals against the government if its decisions seem to be illegal.

However, upon careful examination, such legislation, far from being mere declarations of intention, reserves certain surprises. The length of custody is a good example. After a five-day holding period at the police station, the prosecutor, theoretically notified within 24 hours, may order that custody be extended to no less than 30 days, which period may be extended for yet another 30 days! Beyond that, it is the court which decides on any possible extension. Minister of Justice Victor Babiuc assured us he tried to reduce the periods, but ran into the all-powerful Procuratura, kingpin of the Stalinist judicial system, whose power has not weakened. An investigative and prosecutorial authority directly attached to the state presidency, it has remained, the minister of justice admits, "a distinct, uncontrollable, and insubordinate power."

It was seen at work after the events of June. While the government called in thousands of miners to restore order in the streets of Bucharest, offering up the city for beating and looting that targeted students and dissidents or those who might be mistaken for the same, the resulting prosecution was particularly selective. After the quarry, the destruction of opposition party headquarters and newspapers, the Gypsy hunt, and the deaths and injuries, with the exception of two soldiers and one miner, the Procuratura decided to prosecute only demonstrators or passersby rounded up indiscriminately.<sup>3</sup> Prosecutor Mihai Ulpiu Popa Cherecheanu now seems heartbroken. He is anxious to sweep away "the false impression of injustice," although over a thousand persons were questioned and the trials proceed apace.

#### Denounced as "Fascist and Legionary"

If police, soldiers, and miners seem to have escaped repression, they try to convince one that it was purely for technical reasons. How could one recognize the miners "when they were dressed exactly alike"? How to put together solid cases for the prosecution when victims were reluctant to file complaints and when those who had to be hospitalized were impossible to find "because they left incomplete addresses"?

One young man, an engineer in a big Bucharest factory, never thought he could go to prison. Denounced as a "fascist and legionary" by workers in his company who accused him of participating in demonstrations, he has lost his job and now sells newspapers illicitly. His story is just one of many. Picked up on 28 June 1990, he was released on 30 October, after long hunger, water, and silence strikes. Beaten, shaved, and jailed with 26 other prisoners in a cell at Jilava, when he was not put in isolation, chained, his legs hobbled, he was unable to see his attorney until three weeks after his incarceration and in a little over four months saw his wife only three times.

He still had not been tried by the beginning of the year and now risks 15 years in prison because of the combination of the notorious Decree 153<sup>4</sup> inherited from the Ceausescu era and still in force, which punishes "violations of morals" and "parasitism," and several articles in the criminal code that punish the destruction of public property and unauthorized entry into a public institution.

Is it a "sensitive" case because of its political implications? Perhaps, but such an excuse is not valid for two women who admitted the theft of wine worth some 7,000 lei, about 1,000 francs. Arrested in March 1990, they became eligible for provisional release in December by virtue of the new text. They should have been freed on 20 December, as the court ordered, but were not until 4 January, forgotten in a prison located 60 km from the capital. "That is how things really are, not the pompous reforms they tell you about," says one young female lawyer. "They talk of the right to have a lawyer present as soon as one is arrested. Fine, but the attorney has to be notified! Families sometimes take weeks to contact us because they themselves are not notified by police. Neither at the police stations nor in prison can we meet alone with our clients. In court, we do not even have a copy of the file."

The makeup of the judiciary, without even mentioning the police or the reorganization (under a different name) of the Securitate, has changed little since the revolution. If the minister of justice is disconsolate that he could not do better (300 out of 1,300 judges have been appointed since the resolution and 250 posts remain vacant), the Bar is no better off. Like the schools of economics, history, and philosophy, law schools comprised the hotbed of Ceausescu's *nomenklatura*. "Jurists" serving the state and many "securists" thought they could enjoy brand-new respectability by registering with the Bar when they felt the wind shifting. The old apparatchiks do not hide. Moreover, the Romanian Bar, to which all Romanian lawyers belong, scarcely inspires rock-hard confidence in this respect.

#### Long History of Brutality

The very idea of law and its value as a rule is a new concept that has difficulty making headway in a Romania so profoundly marked by the past. Only the old people harbor a fading memory of having lived under a

state of law. "But they have lost contact with immediate reality," says Mrs. Marianne Celac, one of the oldest dissidents and president of the Civic Alliance. "Young people are still marked by the idea that right and truth are always on the same side. The system taught Romanians to give up in advance. All personal and social experience told us it was not worth the trouble to take the trouble. Here we lived in a social arrangement that taught us to live with a law that was punitive and violent."

In his *Bucharest*,<sup>5</sup> written some 56 years ago, Paul Morand makes an almost identical observation about the Romanians: "These poor people have been bent over government windows for so long that they have permanent curvature of the spine." Further: "A centuries-long history of brutality, torture, exactions, and mutilations has taught them the art of waiting."

#### Footnotes

1. Since 15 January, prisons have been under the Ministry of Justice rather than Interior, but all members of the prison administration are police officers.

2. On 1 February, Romania received the status of special guest of the parliamentary body of the Council of Europe, which "tries to encourage the country in question to pursue the democratization process" before it can, if such is the case, be accepted as a member. At the same time, the European Commission, which froze its decision due to the events in June, authorized Romania to receive economic aid from Western countries to be used to rebuild East Europe.

3. In this connection, one can read the detailed research done by Mihnea Berendei, Ariadna Combes, and Anne Planche: *Romania: The White Book. The Reality of a Neo-Communist Government* Ed. La Decouverte, 95 francs.

4. For the most part, this is the law used against Gypsies after the interethnic confrontations in Tirgu-Mures in March, which left five dead and several hundred injured.

5. Paul Morand, *Bucharest*, reprinted by Plon in 1990.

## YUGOSLAVIA

### Mesic on Relations With Army, Knin Situation

91BA0535A Belgrade NIN in Serbo-Croatian 12 Apr 91 pp 12-14

[Interview with Stipe Mesic, vice president of the Yugoslav Presidency, by Vesna Knezevic, in Zagreb on 9 April: "The Man From Caruga's Alley"]

[Text] In the northern wing of Banski Dvori in Zagreb, in the office of the vice president of the Yugoslav Presidency, Stipe Mesic, who will be serving a one-year term as president of a state which has already survived several suicide and murder attempts, is crossing off the days left

before he moves to Belgrade. "It is not true that all we do in the Presidency is squabble," Mesic says. "Those who came before us squabbled even more, but no one was supposed to know about that."

A peaceful Slavonian from peaceful Slavonia, which now is restless and is being cruised by tanks, comes from an area in which Jovo "Caruga" Stanisavljevic is mentioned as the last choleric. Nevertheless, while Mesic is a politician with the relaxed manners of the plains, it is possible that his year in the Presidency will last less than 12 months or even end before it begins. This interview was conducted on behalf of those who do not believe that.

[Knezevic] Let us begin with the events since Monday with the interruption of the trial of Martin Spegelj and the seven, with the demonstrations in front of the Military Court in Gajeva Ulica in Zagreb. Did you anticipate that development of events?

[Mesic] No one had any need for that trial—neither we nor the Army, and least of all the defendants. The whole thing is absurd because it is a fact that the Croatian Government adopted a decision to arm its police. It first attempted to do this from domestic sources, was unable to do so, and it turned to the trade network and succeeded. All the defendants received arms from the government and were supposed to distribute them among the police reserves. The manner in which they are now being charged with taking part in an armed rebellion is not...is not reasonable.

[Knezevic] Have you offered any practical solution that would be acceptable to the top leadership of the JPA [Yugoslav People's Army]?

[Mesic] Yes. My proposal, made in one of the meetings of the Yugoslav Presidency, was that we need not go all the way to abolition, but it might be a solution if the arms of the entire reserves were returned to police stations. The order of the Yugoslav Presidency on 9 January then for all practical purposes no longer had meaning, it should simply have been said that it was consummated, that it had been carried out, and people would have calmed down.

[Knezevic] Now that the trial has been interrupted, who is the loser?

[Mesic] I think it is the Army. Because on the one hand they are demanding that they be accepted by everyone in this country, but in specific situations they are reproachful of everyone. The normal stance of the Army is to collaborate with the legal government—but what you get from them are denials that they collaborated with the republic authorities in the Plitvice case. And then they are still demanding money from us! They have not been able to work out their own position in all these contradictions, and that is why I think that in the case of the trial before the Military Court in Zagreb they are the losers. But that is not all that terrible for the Army because the moderate wing of the leadership is slowly

prevailing in it, that wing which is taking the Army as far away from politics as possible.

[Knezevic] The tension between the Croatian authorities and the command of the Fifth Army District, judging from what one can see in Gajeva Ulica today (9 April), has not relaxed?

[Mesic] How does it appear now?

[Knezevic] There are four armored police vehicles around the courthouse and three just like them belonging to the Army in front of the entrance, each one with its special troops.

[Mesic] And what are they doing?

[Knezevic] Looking at one another.

[Mesic] Yes. When we were in Slovenia on Monday, I had a call from Konrad Kolsek; they were wondering whether they themselves should disperse the demonstrators. I said that that was not necessary, that the republic police would restore order. They waited a bit longer for the republic police, and they were able to see what it looked like.

[Knezevic] It is said that neither the top military leadership nor the republic authorities in Serbia any longer object to Zagreb resuming jurisdiction over the territory of the entire republic. The only condition is that this be done peacefully, without casualties. The problem, then, occurred when the Croatian police were not in a position to honor that condition?

[Mesic] It is not true that they were not able or will not be able. Nor is it true that peace is impossible or far off. In Croatia, there are groups of militant Serbs who do not want any dialogue. However much we have tried to meet with the presidents of the opstinas and local governments from Knin and neighboring opstinas, during the time I was prime minister of the republic, never did they respond to that invitation for discussion. It is enough, for instance, simply for the Serbian Assembly to put on its agenda a decision to annex a part of Croatia to Serbia—it does not need to be adopted at all. This already makes it more difficult for us to engage in dialogue with some of the Serbs in Croatia. The Serbian Assembly should have taken a position toward that demand for annexation. Are its deputies aware—and they ought to be—that the Croatian Constitutional Court has annulled the decision on formation of the Krajina? Accordingly, all the decisions which have come afterward are also null and void. That is why they should have said that this is Croatia's problem and it must be solved in Croatia, through the institutions of the system. Then those militant circles of which I spoke would be discouraged from going further.

[Knezevic] Regardless of the decisions in constitutional law, the relations between Croats and Serbs are becoming worse and worse in the Krajina; they are already talking over the barrel of a gun. What is to be done to reestablish the minimal threshold of communication?

[Mesic] There is no conflict in places where both are old settlers. They do exist in the parts where people have moved in; often they have not even adapted to that environment. Do not take it as an absolute rule, nor does it apply to everyone, but in such cases when someone else comes from outside and begins to spread stories that there are higher goals for the formation of an expanded Serbia, that this, moreover, is possible and certain, then people's behavior is logical. And especially if someone also pays them! And sends weapons! But that will come to nothing, I think that it will very quickly become evident that most of the Serbs are loyal to this republic.

[Knezevic] Where are the money and weapons coming from? When I put that question to the minister of police, he reads me some article from the Christmas constitution.

[Mesic] According to the information reaching me about the arming of the villages near Borovo, they came by the Danube. People arrived in small boats and distributed weapons.

[Knezevic] From Serbia?

[Mesic] Well, from Vojvodina. Which means from Serbia. And that is not to mention Knin. The leaders in Knin, Babic, Martic, and the rest, said in the first month that they had turned over their weapons, but now they are armed, they were coming to Plitvice with hundreds of people! Then you see that this is a farce. This means that someone is giving them weapons and someone is paying those people. All of the policemen who refused obedience to the Ministry of Internal Affairs have been suspended and taken off our payroll, but they are still being paid. Martic has several hundred people—and they are all being paid! We have to imagine where that money comes from; I, for instance, am certain that Slovenia is not the source. It would not be difficult to ascertain where it is coming from, but the voters in that republic could put the question to their government of whether that is why they are paying taxes?

[Knezevic] Do you think this is a connection that goes directly by way of the republic authorities in Serbia?

[Mesic] Milan Babic and Mile Martic are saying that they are in direct communication with Serbian President Milosevic. He still has not denied it. That would be pleasant to hear.

[Knezevic] Perhaps they feel betrayed?

[Mesic] Perhaps. We saw how they reacted in the case of Plitvice. The last thing they expected was that the Army would be neutral! But they have to realize that Knin cannot become a part of Serbia. Just as Nis cannot become a part of Croatia. When that kind of logic is adopted, the level of communication established is also minimal. The Croats are genocidal, the Serbs are afraid of '41. Why? The Croatian police, you know, had not wounded anyone before Plitvice. But there, 100 armed people took over a work organization! In what normal

country can a group of armed civilians arrive, scatter the management, take over with the threat of violence, and also defend itself with weapons when the lawful police arrive?

[Knezevic] In your opinion, would it have helped if last May there had been some emotional act at the very beginning when the transfer of power took place? If at that time Tadjman had gone to Jasenovac, made a symbolic bow to the people killed there, treating them all, regardless of nationality, as victims?

[Mesic] All of that is mere speculation. People are making politics on the basis of Jasenovac, but it is history. Those who suffered at Jasenovac were Croats and Jews, Serbs, Gypsies, Czechs, and even antifascist Germans. And now, you see, whatever the Croatian Government did last spring, it would be.... Here, I tell you that if Tadjman and I and I do not know who else went to Jasenovac, Martic, Babic, and others would accuse us of hypocrisy. Accordingly, there is nothing one might do that would satisfy them. There is no gesture that they would accept because their aims are different.

[Knezevic] In a month you become president of the Yugoslav Presidency. Do you intend, like the present president, Mr. Jovic, to "use" your position?

[Mesic] I am conscious of the position of the Presidency and of its constitutional powers. But the president is only *primus inter pares*, he is the one who coordinates the effort, and I think that abuse is absolutely out of the question. The problem of the Presidency lies elsewhere; in a certain sense, it is illegitimate. We are not equal there if the Republic of Serbia chooses its member of the Presidency, and the Assembly of Serbia also chooses the members of the presidencies in Kosovo and Vojvodina. At the very least, this might seem like a farce, but it is not funny. In a game of cards, someone who always starts out with three aces must count on winning.

[Knezevic] But if you recognize Krajina, you will get two aces in the Presidency.

[Mesic] That is out of the question. Because Serbia has abolished its provinces, but has kept its three votes. I do not know by what logic Croatia is now supposed to form the Krajina. After all, even if it is regarded as a problem of the Serbs in Croatia, only 15 percent of the Serbs in Croatia live there. And what about the other 85 percent? What would happen if the Krajina were treated as an administrative region? Are we going to move those 85 percent to Knin? Well, the first thing that they would do would be to rebel against those who brought them to Knin!

[Knezevic] That question about "using" the position of president had to do with a comment you made that your first move as president would be to receive a visiting delegation of Vojvodina Croats.

[Mesic] I will receive everyone who seeks to be received, and I will help everyone I can. But I will not receive

unlawful representatives, and that is exactly what is happening during the current term. President Jovic and Milosevic have been receiving representatives of the Krajina, which does not exist. Many people in Serbia are not aware of where that policy is headed. When it is said that all the Serbs ought to be in one state, then they are talking about another 2 million Serbs who are now outside Serbia. And in Serbia at present there are about 3.5 million who are not Serbs! And how many more non-Serbs would come to Serbia if the territory outside Serbia were united? What problems would arise for Serbia if they all demanded to live in one state, their own state?!

[Knezevic] What of your own will you personally incorporate into the powers of the president of the state during the one-year term?

[Mesic] My contribution will be to act in accordance with the precepts of the Constitution, the law, and the operating procedure. But because every republic has enacted its own statute proclaiming a portion of the federal Constitution invalid, I think I see my role as doing everything to arrive at a historic new agreement on life together—a transformation of Yugoslavia into a democratic community. And all we have to do for a start is to face realities.

[Knezevic] How much room does President Tadjman leave for you to operate on your own?

[Mesic] I am not in the least a man who allows himself to be used, but I am certainly the representative of a policy, a representative of the most moderate current of that policy. Accordingly, pressure cannot be applied to me in the sense of my being given certain specific tasks which I am supposed to perform. I make my own decisions.

[Knezevic] Why is it getting more and more difficult for President Tadjman to communicate with the public, why is he so long-winded in expressing his thoughts in press conferences, why does he fall into contradictions?

[Mesic] That is not how I would put it. My answer to you would be that we—and he more than I—every day receive too much information, and it all indicates that the crisis is intensifying. What is more, you have forgotten about the media war.

[Knezevic] What was the upshot of your discussion with Blagoje Adzic, chief of the General Staff?

[Mesic] It is by no means over. It is my opinion that a man who presents falsehoods in a meeting of the Yugoslav Presidency should be held accountable. It is immaterial here that Adzic perhaps did not know that those were falsehoods, in which case the departments which supplied him with false information are to blame. It had to do with the Ministry of Internal Affairs intercepting and taking into custody officers in civilian clothes who were escorting Boljkovac. Adzic took it for granted that the officers had been arrested and mistreated, which means that proceedings should have been instituted

against the person who supplied him such information. In the Presidency, we would not dare allow ourselves the luxury of coming in and insisting on information which is not true.

[Knezevic] Do you know that they are selling cassettes with Ustasha songs on Jelacic Square?

[Mesic] Perhaps, there are always unreasonable people. However, they can only make us miserable, but that is not a characteristic of this policy. Democracy is a sword that cuts both ways. All interests become possible, even those which are full of life not only make such interests possible, it soon flushes them out to the margin.

[Knezevic] So, just as Germany, France, and Austria have their neofascists, Croatia will have its neo-Ustashi?

[Mesic] The thin layer of neofascists in the body politic of those states cannot threaten their democracy, nor can it do so in our case. A democratic society must have a built-in defense mechanism against such extremes. Without police, without a ban, but just so that it becomes evident that that marginalized group does not represent anyone.

[Knezevic] And by way of conclusion, what would be your choice: Do you favor an independent Croatia or a Yugoslav alliance of states?

[Mesic] I think that I have already answered that I favor an alliance of sovereign states, a community at the level of the European integrations. It is indispensable that we be compatible with the European model, we would fit in easier like a Lego piece.

## CZECHOSLOVAKIA

### Czechoslovak Bank Establishes Foreign Presence

91CH0476D Prague HOSPODARSKE NOVINY  
in Czech 20 Mar 91 p 9

[Article by Marcela Doleckova: "Czechoslovak Banking Penetrates Europe To Build Confidence in Czechoslovakia"]

[Text] "We are not merely a bank. To some extent we are also Czechoslovakia's economic emissary in Germany. We are striving to combine financial services with persuading foreign clients not to be afraid of investing in Czechoslovakia and to have confidence in Czechoslovakia's future."

That was said by Kurt Sigmund Peters, a member of the board of Prager Handelsbank AG, headquartered in Frankfurt am Main. Prager Handelsbank is Czechoslovakia's first joint venture in banking abroad. The partners in the joint venture are Ceskoslovenska Obchodni Banka (it holds 45 percent of the equity), Deutsche Genossenschaftsbank (30 percent), Zivnostenska Banka (10 percent), Austria's Raiffeisen Zentralbank (10 percent), and Berliner Handels & Frankfurterbank (5 percent). This last bank is a German private bank. Prager Handelsbank was founded in October 1989 and opened for business last July, with a capital stock of 22 million German marks.

Admittedly, not an enormous sum. But that does not matter much, considering that the bank, albeit a universal one, is specializing in financial services of a certain type. Of course, the joint venture neither can nor wishes to compete with the giants in banking. Instead, it is striving to find a niche in the market for financial services. That includes providing credit to finance trade with Czechoslovakia, which is the bank's specialty. Because Germany is one of Czechoslovakia's most important European trading partners, Frankfurt has not been a random choice. Moreover, it can also serve as a jumping-off point, first to German-speaking Europe and then perhaps even beyond.

Interest in Czechoslovakia—or perhaps Czechoslovakia's credibility—appears to be declining lately. That is evident, among other things, also in the tightening of credit terms for anyone interested in becoming a player in the Czechoslovak economy. To reverse that trend, and to document that Czechoslovakia is a promising country, Prager Handelsbank is offering three-year loans, whereas other German banks are extending merely one-year loans.

Also in this context, K.S. Peters and F. Sejnoha, director of the bank's foreign exchange department, are in complete agreement that Czechoslovakia does not know how "to sell." They cited Hungary as an example. The Hungarians are better able to present their results more aggressively, even though, in the opinion of the two bankers, Czechoslovakia has an advantage over Hungary

in terms of the level of its technology and the quality of its personnel. Therefore also Prager Handelsbank offers consulting, to foreign partners regarding the conditions (including statutory regulations) in Czechoslovakia, and also to partners in Czechoslovakia. On how to prepare financial statements that are lucid and understandable to foreign clients, for instance.

### Economists Critical of Slovak Economic Sovereignty

91CH0476B Prague HOSPODARSKE NOVINY  
in Czech 19 Mar 91 p 3

["Excerpt" of a statement titled "Standpoint of a Group of Czechoslovak Economists Regarding Slovak Economic Sovereignty"]

[Text] From the very start of their practical implementation, radical economic reforms have confirmed the expected differentiation of their regional effects. Those effects are a natural consequence of the differences that exist between the regions in terms of their economic structures, labor productivities, their enterprises' levels of technology, and the content and territorial orientation of their external economic relations.

That reality has explicitly reinforced the previously already noticeable tendency of certain political and economic groups in Slovakia to perceive the solution of Slovakia's present economic problems in the following:

- a) In ensuring the complete "economic sovereignty of the Slovak Republic" (the appeal of NEZES, the Independent Association of Slovak Economists; that document also speaks of the right "to decide for ourselves the organization of our own economy"; similarly, the draft Declaration of the Slovak Republic's State Sovereignty also emphasizes the right "to create our own economic system").
- b) In employing Slovakia's own model of economic reform, so far as the reform's general concept and the mode of its practical implementation are concerned (instead of a reform "that the federation prescribes for us from above"—NEZES).
- c) In creating monetary and tariff protection for the Slovak economy, against the other part of the single national market and against foreign countries as well.

These and other related standpoints are based on several questionable or distorted points of departure and assumptions:

1. For the concept of a natural economy [the aforementioned standpoints] substitute artificial state-socialist constructions that persistently assign state dirigisme a decisive role. In conjunction with this, economic sovereignty within a given economic space is not understood to mean the economic players' sovereignty to freely determine the conditions of an open and competitive market. That democratic and liberal concept is replaced

by political representation's sovereign right to make arbitrary decisions regarding the economy and its "organization" on the given territory.

2. The aforementioned standpoints shift to clearly distorted positions the question of national aspect in the economic sphere and artificially associate it with economic phenomena and processes that have no direct bearing on the national aspect.

Disregarding history, they transplant the concept of national economy from the period in which the early bourgeois states were formed, into the completely incomparable conditions of today's open, world economic system that is integrating on an ever wider scale.

Differences in the structural and other properties of the Slovak Republic's economy are designated as specific national economic characteristics, even though it is quite clear that merely substantive differences in the economic conditions are involved, without the least bit of any national peculiarity. It really remains valid that, under a certain set of conditions, the practical consequences of these differences can influence favorably or unfavorably the financial circumstances of the population, and hence of the nations and ethnic minorities living on the given territory.

The question of the relationship between a given nation's political and economic sovereignty likewise finds itself today in a completely different historical situation. Provided that economic sovereignty is not interpreted and practiced in its narrow, state-socialist sense (outlined above), a nation can be entirely sovereign also on the basis of a completely liberalized and internationally integrated economy, in whose functioning on its own territory the state does not intervene significantly.

3. [The aforementioned standpoints] identify the common national concept of a radical economic reform as the principal source of the economic problems with which the Slovak Republic is currently struggling. At the same time, they play down the fact that a substantial proportion of Slovak industrial capacity was created after the war, under the conditions of central, command-directed management. The structure of Slovak industry was shaped under the decisive influence of the administratively implemented principle of balancing in physical terms the [two] Republics' economic complementarity.

That principle disregarded the territorial distribution of comparative advantages and the soundness of regional integration. It presented the static balance of resources in a region as real economic efficiency. From its very beginning, the reform has clearly been uncovering—consequently, it is not causing!—the weaknesses thus built into the Slovak economy's structure and performance. Thereby the reform is also confirming the inevitability of radically restructuring the Slovak economy, in the direction of a more productive structure and greater general competitiveness. Which raises the fundamental question of how to carry out that task the most

advantageously for the economy, and as quickly as possible. Because the original causes of the Slovak Republic's economic difficulties stem from the previous economic system that the radical reform is now thoroughly altering, departure from the reform's accepted basic concept obviously is not the way to successfully eliminate those difficulties.

4. The authors of the two cited declarations see the solution in Slovakia's economic independence and isolation from the external environment, in the application of the principle "every man for himself." They seem to be assuming that a shift toward the expansion of direct decisionmaking authority and direct disposition over economic resources will automatically enable the given republic to adopt more advantageous economic solutions that are clearly targeted on its own needs.

This illusion practically denies the advantages that a larger economic unit and a wider market offer, and it also abandons the integrating and "synergistic" effects that NEZES representatives like to point out. The ill-considered projection of this illusion into practical economic policy created at the end of last year great political pressure to put in place the present budgetary regulations that in practice deprive the Federal Government of ability to pursue an active and adequately funded regional policy. Such a regional policy, one that is typical of federal states and flexibly maneuvers the system's specifically allocated resources, to the benefit of every link within the system, is just what our economy sorely needs in its present transitional stage. Unlike the "self-help" version offered by NEZES, such a regional policy would undoubtedly make considerably easier also the mastering of the demanding economic and social problems of the transformation process in Slovakia. In the end there thus remains the following question: What exactly lies behind the gamble that the two considered declarations are taking? The real, essential interests of the Slovak Republic's citizens, or narrow power ambitions that exploit the citizens' national feelings and their understandable fears for their livelihood in the current complex period?

Signed: Josef Baksay, Slavoj Czesany, Vladimir Dlouhy, Pavel Hoffmann, Kamil Janacek, Tomas Jezek, Milan Jurceka, Ivan Kocarnik, Miluse Koumarova, Josef Kreuter, Antonin Pesek, Ladislav Rusmich, Miroslav Soucek, Zdenek Tlusty, Josef Tosovsky, Josef Vaner, Marie Vavrejnova, Jaroslav Vostatek

### Minister's Goal: Profitable Railroads

91CH0476A Prague HOSPODARSKE NOVINY  
in Czech 19 Mar 91 pp 1-2

[Interview with Federal Transport Minister Jiri Nezval by Alena Adamkova; place and date not given: "Is the Railroad on a Dead-End Siding?"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] Rail transport is the only mode of transportation not affected (so far) by the Law on Power Sharing. Even

so, the railroad has more than enough problems of its own. We interviewed Federal Transport Minister J. Nezval about the causes of the railroad's problems and how to solve them.

[Adamkova] Is there a final decision on not splitting up the railroad?

[Nezval] No, there is not. When the representatives of the three governments met in Senec in January, agreement was reached on the future of all modes of transportation except the railroad. While the Federal and the Czech Governments feel that the railroad should be kept whole, the Slovak Government continues to advocate splitting up the railroad. It was agreed that this question would be submitted to the Commission on Power Sharing, which will be functioning until 30 June. Before the adoption of a new Constitution, however, the railroad most definitely should not be split up.

[Adamkova] What is your opinion regarding the railroad's possible splitup?

[Nezval] From a technological viewpoint, it would cause immense complications. For instance, a number of additional institutions—interchange stations, etc.—would have to be established. This would reduce the efficiency of rail transport and cause additional financial losses, something we most certainly cannot afford today. Not to mention the international impacts of splitting up the railroad.

[Adamkova] A splitup would not cause complications in the other departments?

[Nezval] For the most part, no. Except in surface transport where construction of the expressway network would become somewhat more difficult, and there obviously would be complications in pooling resources and coordinating a common approach. A splitup should not cause any trouble in the other modes of transportation. Incidentally, the federal level will retain authority, for instance, over the statutory regulation of transportation matters, transportation installations and routes, the state administration of transportation, and the setting of the principles of transportation policy. In the Czech Republic authority over other matters should be transferred to the Ministry of Economic Policy and Development (as of 1 April). There is no decision as yet in the Slovak Republic, but the possibility is not excluded that a separate Ministry of Transport and Communications might be set up there. At the same time, the Federal Ministry of Transport will be reorganized, and also its staff will be cut.

[Adamkova] Among all the modes of transportation, the railroad is probably the worst off. The CSD [Czechoslovak National Railroads] is coping with serious technical insolvency. What are its main causes, in your opinion?

[Nezval] Yes, the railroad has truly been the worst off for some time, and not just recently. That is because the

railroad is the only mode of transportation that has been required to cover the costs of maintaining and developing its roadway, for which it has lacked about 3.0 billion Czech korunas [Kcs] a year. That is why here, for instance, 60 percent of the capital assets have been written off, and substantial infusion of capital will be needed to raise the transportation infrastructure to a level where the railroad will be able to link up with the European network (the required capital investment is estimated at Kcs51.3 billion). In my opinion, the direct causes of the railroad's serious technical insolvency at present (its deficit last year was Kcs1.835 billion) are twofold: the railroad's unequal conditions in comparison with the other modes of transportation, and the fact that the higher costs of the railroad's inputs have not been offset sufficiently by increases in the prices of its output, i.e., in the railroad's freight rates and passenger fares.

[Adamkova] Then the 100-percent increase of fares last September has not produced the desired effect? Will you be forced to raise fares again?

[Nezval] No, the fare increases have not produced as much of an effect as we had expected. That is because the number of passengers has declined in comparison with the preceding years. Moreover, the CSD has lost revenue because the higher fares became effective only as of 1 September, rather than as of 1 June. This year we definitely do not wish to raise the basic fares, although we expect a loss of Kcs7.036 billion in passenger service. The state is to offset a part of that loss by reducing the rate of our payroll tax from 50 to 20 percent, which will amount to Kcs3.172 billion, and with a subsidy of Kcs100 million to preserve the social nature of passenger fares. But the CSD itself will have to cover the rest of the aforementioned loss.

[Adamkova] That is an unenviable situation. A deficit of nearly two billion last year, and an even higher deficit expected this year. How will you manage?

[Nezval] A few days ago the Federal Government discussed the 1990 income situation of the CSD. To cover last year's deficit, the state treasury will release subsidies and loans totaling Kcs805 million, but the CSD itself will have to come up with the rest. This year we will get Kcs2.0 billion for the transportation infrastructure, as well as the mentioned Kcs100-million subsidy and the payroll-tax abatement to preserve the social nature of passenger fares. That is an area which states everywhere in the world are subsidizing. Otherwise we will have to fend for ourselves. If we fail to do so, we could face a loss of Kcs8.0 billion this year. Therefore we are preparing a series of measures, on some of which we will have to consult with all three governments. The increase of freight rates, for instance. But that alone would not help us much, because the volume of freight handled last year dropped sharply in comparison with the preceding years. We have to harmonize the conditions of all the modes of transportation, because the other modes now have an advantage over the railroad in that they are not bearing

the costs of their transportation routes. Thus their operating costs—and hence also their tariffs—are lower, and the railroad is unable to compete with them under these conditions.

But not even harmonization would be enough, and therefore we have prepared several versions of economy measures, some of which are fairly drastic. For instance, we are considering temporary discontinuation of service on some of the nonprofitable, marginal lines that account for 23 percent of the total length of our railroad network. It seems that we will begin to close such lines already this year. We have approached individual regions with requests that they contribute toward the costs of maintaining service, but they do not have any money for the time being. However, it is possible that service on some of these lines might be resumed after 1993, by when the communities will have funds available from local taxes.

A further measure we have been forced to resort to is the reduction of our work force by about 1000 workers. The staffs of the central and regional directorates will also be cut, by 20 percent. The railroad is also striving to be entrepreneurial: it is letting its buildings and land, earning advertising revenue, and is resuming less-than-carload shipments.

[Adamkova] Are you aiming to change also the management structure of the CSD? After all, its organization is said to be one of the most ossified ones in our country.

[Nezval] Yes, we are aiming to do so. But that is a complex and long-term matter. Therefore we have assigned the preparation of a study on restructuring to specialists of the World Bank who are working together with our own experts. The study should be ready by January of next year, after which the restructuring should take two years. The Law on the CSD, which is now being drafted, will also establish conditions for the new behavior of the railroad. The draft should be presented to the Federal Government for discussion in mid-April.

[Adamkova] What about help from foreign capital or possibly a loan from the World Bank?

[Nezval] That, of course, is being considered. But a loan can come into consideration only after approval of a state transportation policy's principles that respect the rules of the EEC. The material should be presented to the Federal Government for deliberation during March. Foreign capital is interested mainly in new construction, but less interested in reconstruction. The Italians, with whom we are cooperating within the framework of the Pentagonale, are the only exception. They will be participating in the reconstruction of the Prague-Ceske Velenice line to bring it up to European parameters (a speed limit of 160 km/h). We have also tested a set of Spanish Talgo cars with swinging bodies that permit an increase of 10 to 15 percent in the speed limit on ordinary lines. We are negotiating also with French firms.

[Adamkova] In view of the CSD's present situation, it is probably useless to inquire about the improvement of services for the traveling public, the introduction of high-speed railroad lines, etc.

[Nezval] This year we are able to improve the quality of passenger service only in areas that do not require any investment; such as, for instance, treating passengers with courtesy, the cleanliness of the cars, etc. A study is being prepared on high-speed lines, but we will be able to start building them only in the year 2000.

### **Moravian Oil Industry Prospects Viewed**

*91CH0476C Prague HOSPODARSKE NOVINY  
in Czech 20 Mar 91 p 7*

[Article by Milan Morkovsky, Geofyzika, Brno, and Jaromir Krejci, Moravian Oil Fields, Hodonin: "Moravia Is Not Texas"]

[Text] Moravian Oil Fields is now selling its crude oil for between 6,700 Czech korunas [Kcs] and Kcs7,900 a metric ton, depending on the quality of the crude; and its natural gas, for Kcs1.92 a cubic meter. In a market economy these prices will change constantly, in accordance with how prices develop in the world markets.

At the previous prices for crude oil and natural gas (Kcs1,380 per metric ton and Kcs0.85 per cubic meter, respectively), Moravian Oil Fields was highly unprofitable and would have had to go into bankruptcy very soon. At the new prices, however, the enterprise is profitable. After payment of all bills outstanding from last year, there will even be money left for further geophysical exploration and exploratory drilling in the oil fields.

We are often asked whether it will be possible to increase petroleum and natural gas production in Moravia. We can reply in the affirmative. About 50,000 metric tons of petroleum and 100 million cubic meters of natural gas are being produced in Moravia annually. Within a few years, after the completion of the production center for the Zdanice and Uhrice fields, we expect to double our petroleum production. In comparison with our total consumption, that is an entirely negligible quantity: not more than 1 percent. Obviously, this production does not have much of an effect upon import.

The importance of petroleum production in Moravia stems from the quality of the crude. It contains no sulfur, and very little paraffin or none at all. That preordains the crude oil for the production of special [lubricating] oils. Such oils cannot be produced from Soviet crude, for instance. If we were not producing petroleum, we would still have to import crude of similar quality or the special oils themselves, and we would be paying prices higher than the benchmark price in the world markets.

From a financial viewpoint, prospecting for petroleum and natural gas is expensive. For example, a preliminary survey to find a potential petroleum deposit can cost

several million korunas (depending on the area). And then the existence of the deposit has to be verified by drilling. The cost of drilling a 3-km well is about Kcs30 million; that of a 6-km well is over Kcs100 million. When we contemplate the development of the Moravian petroleum industry and stop to consider for what objectives our available resources—financial as well as technical—will suffice, it becomes obvious that we have to cooperate with serious foreign firms. In cooperation with Compagnie Generale de Geophysique, a renowned French firm, work is now in progress on preparing an invitation to tender that will be announced in the international petroleum markets and will cover the area extending from Mikulovo to along the Orava. All Czechoslovak enterprises and institutes concerned with prospecting for, and the production of, petroleum and natural gas are helping to prepare this invitation to tender.

No way will the invitation to tender result in the squandering of our national assets. Our mineral wealth remains the property of the state. The forms of cooperation and the terms of the concessions will conform to Czechoslovak law. The terms of the concessions will strictly define the conditions under which land can be leased for exploration, exploratory work and production can be conducted, and how the profits will be shared.

It is also necessary to take cognizance of the fact that, under the Mining Law now in force and the new one that is being drafted, property owners do not own the mineral rights and are not entitled to royalties on the petroleum or natural gas produced; unlike in, say, the United States. In every country of Europe, mineral rights are reserved for the state. According to the draft of the Land Law, the owner on whose property a drilling rig or production installation is erected can claim only compensation for the lost profit from his land. Therefore the efforts of certain "gardeners" to purchase land in the Hodonin area, in the hope of getting rich the way Texas farmers did at one time, are futile.

## HUNGARY

### Privatization, Ownership Strategy Proposed

91CH0526A Budapest FIGYELO in Hungarian  
28 Mar 91 p 3

[Article by Bertalan Diczhazy, economic cabinet chief counselor: "Proposed Strategy Regarding Ownership and Privatization"—first paragraph is FIGYELO introduction]

[Text] In his proposal prepared for the Ownership and Privatization Committee of the economic cabinet, the cabinet's chief counselor suggests the repeal of the law on transformation and the adoption of a new enterprise and privatization law.

My proposal does not primarily reiterate principles contained in earlier documents, such as those adopted by the cabinet in August 1990, reported in FIGYELO No.

34, 1990. Instead, the recommendations pertain to the legal, financial, and technical implementation aspects of the ownership transformation process.

### Principles

The general principles and goals are as follows:

1. The ratio of state property must be reduced below 50 percent by 1994.
2. The foreign ownership share may reach 25 percent by 1994, from the present 3.5-to-4-percent level.
3. There should be no free of charge distribution of property, except for indemnification purposes, or to the social security administration and to autonomous local governmental bodies.
4. In its present form, the existing institutional system of social security is not suited for the large-scale management of property. For this reason, property in the form of securities amounting to only 25 billion forints should be transferred to the social security administration in 1991.
5. The primary revenues of autonomous local governing bodies consist of local taxes and central subsidies, therefore, the state's entrepreneurial assets, including land owned by the state, should not be transferred to local government ownership without compensation.
6. In selling state property, one should endeavor to realize the market value of property. For this reason, privatization must be controlled.
7. Revenues flowing from the sale of state property should be used only to reduce the state's indebtedness, to support private enterprise, and to develop the infrastructure.
8. The process of selling state property should be decentralized in order to accelerate the privatization process; the number of steps in the decisionmaking process should be reduced.
9. Branches of the economy and enterprises in which 100 percent of state ownership, 51-percent state ownership, 51-percent national (state + Hungarian private) ownership, or 25-percent state ownership is warranted should be designated. Certain entitlements of the state should be secured in the form of special stock.

### Instead of Enterprise Councils

The enterprise structure in which enterprise councils or workers' general meetings provide direction should be gradually eliminated. The recommended management forms to replace these entities are as follows:

- a) Public service enterprises under state administrative direction (e.g., the Postal Service and the Hungarian State Railroads). The Ministry having jurisdiction should appoint the management.

b) State syndicate. These are corporate systems headed by a stock corporation or limited liability corporation wholly owned by the state which serves as the central office for the syndicate. Replacing the present trust enterprises, independent corporations would be established below the syndicate level. The syndicate would exercise initial dispositional rights over the stock (business shares) of these independent companies. It would be possible for these independent corporations to sever their ties with the syndicate, of course. The syndicate's stock would be held by the ministry having the appropriate economic scope and jurisdiction. A few state syndicates could be established within the electrical energy and crude oil industries.

c) State holding company. These would be stock corporations wholly owned by the state. State holding companies would only perform stockholder functions, i.e., in a manner different from syndicates, the holding companies would not professionally manage the corporations they own. It would be appropriate to place under the management of state holding companies the stock owned by the state which could not be sold in the course of privatizing the so-called vacated enterprise headquarters. Only the State Property Agency and the finance minister would be authorized to establish state holding companies. Quite naturally, so-called normal holding companies not owned by the state could be established at the grass roots initiative of private corporations, autonomous local governmental bodies and the social security administration.

d) State enterprises under state administrative management. Enterprises temporarily owned by the state could operate within this structure. Firms which do not become corporations prior to 1 January 1992 would become subject to state administrative management.

e) Commercial corporations (limited liability corporations, stock corporations). Enterprises which traditionally operated under state administrative management would be transformed into commercial corporations by 31 December 1993. The simultaneous partial or full privatization of state enterprises and their transformation into corporations continues to remain the goal.

f) Public service enterprises managed by autonomous local governmental bodies. These are not state enterprises, nevertheless it will be necessary to regulate their legal status.

Consistent with the above, there is a need for a new law which governs the legal status of business organizations and which replaces the present law on business organizations. The new law should take effect on 1 January 1992.

#### Privatization Law

The law on transformation should be repealed. The chapter concerning state enterprises should be discontinued, provisions for changing from one type of business organization to another should be made part of the

new corporate law, and provisions concerning the transformation of cooperatives into corporations should be made part of the new law on cooperatives.

The transformation and sale of state enterprises would be governed by a new, so-called privatization law. This law would not mandate transformation, it would only establish rules for how to transform into corporations, for benefits related to employee stock purchases, and for other possible ways of distributing assets. Privatization policy has as its goal, to ensure that as much as possible, privatization and transformation into a corporate structure occur simultaneously. State enterprises for which buyers could not be found by the middle of 1993 should be transformed into stock corporations or limited liability corporations wholly owned by the state, consistent with the corporate law.

Privatization may be proposed by state institutions which exercise ownership rights, by the management of the enterprise to be privatized, and by outside investors. The maximum benefit to be granted in conjunction with employee stock purchase should not exceed an amount which is equal to six months of wages earned by a worker. The finance minister should be responsible for the sale of commercial bank assets owned by the state, and the AVU [State Property Agency] for state-owned assets in the rest of the enterprises, except for state property covered by the small enterprise privatization program.

A simplified, accelerated privatization process may be implemented relative to some 300 small, state-owned enterprises designated by the government. The whole or part of state enterprises whose assets are of a relatively low value and which employ a small number of employees will be transferred to private hands by way of self-privatization. The AVU will prepare a list of advisers on privatization and a list of firms which make property appraisals. The management of the small firms will have to choose the required personnel from these lists. Enterprise management will seek a new owner with the help of the advisory firm, and will determine the worth of the enterprise assets with the help of the property appraisal firm. Consequently, the AVU will not have to approve the privatization of such firms.

Pursuant to the law governing the AVU, state-owned parts of property temporarily transferred to the AVU may be contracted to competing property management firms. The legal conditions are given in this regard.

A property management program is being initiated for the more efficient utilization of state property. Property management may take shape in several forms. In the event that a contract is in force with a property management firm, the AVU should yield to the property manager the contractually specified part of ownership rights, but the property manager should not acquire a right to sell these assets. In case a property management leasing contract exists, the property manager should agree to maintain the worth of the property at a level specified in

the contract and should exercise dispositional rights over the assets, except for the right to sell. In the framework of a portfolio, property management agreement assets worth a certain amount of value are being transferred rather than specific parts of property defined in the contract. In such cases, the property manager may sell or exchange all, or a contractually specified part of such property at any time, and may exercise unlimited ownership rights.

If state enterprises are privatized through normal privatization processes an opportunity should be given to workers to purchase stock on installment up to 15 percent of the worth of basic capital. Relative to any individual worker the worth of the benefits received may not exceed the equivalent of wages the worker receives in the course of six months.

Beyond this, an opportunity should be given to employees in certain branches of the economy, porcelain painting, planning institutes, foreign trade, etc., to purchase 30 percent of the basic capital with preferred interest rate loans (Hungarian National Bank privatization loan program). These loans would be repaid from dividends earned on the stock (business shares) acquired in the form of partial employer ownership of these enterprises. "Donations" contributed to the Partial Employee Ownership Program (MRP) will be exempt from under entrepreneurial profit taxes and personal income taxes.

### Social Security

That part of the state's property which is not entrepreneurial in nature is defined in the law concerning treasury assets.

Treasury assets will be managed by a property management organization under the finance minister's supervision.

Property policy guidelines presently in force enable the state to place assets at the disposal of social security in the form of securities without receiving compensation. In addition, the state may transfer certain social welfare, health care, and recreational assets to the social security administration.

The purpose of transferring profit-making assets to the social security administration is to establish an appropriate reserve of assets (and income) in times when revenues and expenditures fluctuate. The social security administration is in the process of becoming independent. In other words, the income earned on assets transferred by the state may be used to finance current expenses only when the social security administration is not able to satisfy its payment obligations as a result of fluctuations in the business cycle.

A property management organization must be established within the social security administration along the

lines of the portfolio concept, to manage both the transferred and the social security administration's own property. Conditions for the utilization of assets transferred by the state without compensation must be established by law.

The enterprises' income and financial withdrawal system must be changed so as to permit the evolution of profit levels that are attractive to investors. Further development of the banking system, and the modernization of the system of the registry of firms are indispensable from the standpoint of the rapid implementation of privatization. Restrictions applicable to foreigners regarding the acquisition of real property must be relaxed.

Large state enterprises with significant amounts of assets will be subject to the state-initiated privatization program. The techniques to be applied will be: the public sale of stock on the exchange; the private sale of stock based on competitive bidding; the attraction of new owners by way of increasing capital; the securing of an opportunity for workers to acquire property; credit and the exchange of stock.

Privatization to be recommended by enterprise management should be the chief method of selling state property. Enterprises will want to form mixed-ownership corporations primarily with their professional partners, by increasing the amount of basic capital. The sale of ownership or leasing rights to independent shops and workshops in the fields of retail sales, the hospitality industry, and consumer services continues.

In the framework of investor initiated privatization processes, the outside investor should make a statement of intent concerning the acquisition of state property. This statement should then be made the subject of competitive bidding, followed by the consummation of a sales agreement. There will also be an opportunity to purchase enterprises if enterprise managers and employees initiate the process.

### Debt Relief Proposal Discussed, Rejected

#### History, Status Assessed

*91CH0514A Budapest HETI VILAGGASZDASAG  
in Hungarian 30 Mar 91 pp 5-7*

[Article by Ivan Lipovecz: "Hungary's Indebtedness: Where Do We Belong?"]

[Text] Even from a technical standpoint it would be impossible to implement a "Polish-style" debt relief in Hungary. Financial management avoids even the semblance of contemplating the chances of seeking debt relief. On the other hand, conceptually reviewing the possibilities of debt relief might not be useless.

A small, but more noisy group of "superactivists" in Hungary managed to find and contribute a new issue to the many issues already being dealt with by the public, the press, and the outside world who are watching the

developments in Hungary. Upon learning that Western governments forgave about 35 percent of Poland's indebtedness, the siren sounds heard earlier in Hungary became louder: Hungary had enough of the foreign bounty, of repaying the foreign loans taken by the previous government with interest on top of interest, and the government should take steps to have these loans, or certain parts of these loans written off. At the same time, the economic policy package plan entitled "A Program for Hungarian Economic Transition and Development" has the following to say: "The government finds no realistic basis for, and therefore rejects the idea of seeking a smaller or larger debt relief effort, rescheduling of loans, or reduction in interest payments on loans for Hungary...a step in this direction would cause more harm than good."

Financial leaders and independent experts abundantly expressed their views and provided every reason why we should not and must not celebrate Poland's present "victory." They described the fundamental differences between the internal structure of the two countries' indebtedness, the past differences between the Polish and the Hungarian conditions, the absolute differences manifested by economic indicators, and that Poland, a country spliced between Germany and the Soviet Union, may be viewed differently than Hungary because Hungary is less critical from a geopolitical standpoint. For the time being, however, there are no opposing views in the argument provided by professionals, instead they are akin to the religious debate typified by the homoousian-homoiouian argument.

For many years, Hungary's indebtedness has been shrouded by mystique, and from a certain point of view, that shroud still exists. Beginning in the middle 1970's, even the party-state, with its most jealously guarded secrets, did not deny taking out convertible currency loans abroad for some purpose or another. "Only" the aggregate figures remained veiled, for example, the total amount of indebtedness, whether it increased or decreased in a given period, the extent to which convertible currency export and foreign tourism revenues paid for interest and principal when due, and so on.

The country almost became insolvent at the end of 1981 and the beginning of 1982. At that time the veil was slightly lifted to permit somewhat greater revelations than the mere acknowledgement of borrowing. But it took another year before the public was able to learn about the situation by reading between the lines. At that time the award of state prizes and other high decorations was justified by "superhuman" efforts made by certain persons to avert bankruptcy that would have flowed from indebtedness. One should not be embarrassed by the fact that today, several of these persons hold leading positions in the Hungarian National Bank and in Hungarian financial institutions.

But a relatively long time had to pass before the Nemeth government performed its final act in 1989 and acknowledged to the country and to the world that the published

figures were not entirely correct, and that a gaping abyss of \$2 billion existed between the publicized and the actual magnitude of indebtedness. Those who today seek the heads of the former borrowers would be better off if they inquired about the reasons for the foolish camouflage and the persons whose interests it served, to find out whether several years of manipulated figures contributed to someone's personal gain. Newly installed Prime Minister Karoly Grosz was first to discuss Hungary's convertible currency indebtedness in specific terms; he did so in the parliament in September 1987 and "confessed" to a \$16-billion debt.

Due to party resolutions to boost the unchanged economic structure, foreign indebtedness, significantly reduced by 1984, began to grow in 1985. The 100 million forints of the 1985-87 cumulative budget deficit, and the \$3-billion balance of payments deficit was boosted by an even greater debt increment. The increased indebtedness occurred when decisionmakers viewed Hungary's international liquidity situation as particularly favorable and found it appropriate to once again replenish the central bank reserves. Probably only the true insiders of those days could tell whether Grosz was really aware of only \$16 billion, or if someone revealed to him the actual figures.

In retrospect, all of this may appear as incidental because the trickery was revealed in the end. Except that in terms of gross indebtedness, the MNB [Hungarian National Bank] was forced to recognize even this additional sum of \$2 billion, carrying all of the related burden and even the risk of being "caught." In comparing the dual data, one finds that a larger part of the difference consisted of short-term loans. These also served to ensure continuity in making installment payments. Come to think of it, Hungary's international financial situation in the second half of the 1980's was just barely more stable than in the earlier part of the decade. Yet another calamity struck in 1989 when the relaxation of customs duty regulations and foreign exchange provisions to individuals, relative to the global passport introduced a year earlier presumably for political reasons, were given too long a leash. This action became a decisive factor in creating a \$1.4-billion balance of payments deficit and a need for additional borrowing. On 4 December 1989, the state secretary of the Finance Ministry told National Assembly representatives that a declaration of insolvency by Hungary was inevitable, nevertheless, ten days later Miklos Nemeth tried to persuade British head of government Margaret Thatcher, in London, to the effect that the West not delay financial aid to Hungary until the March elections, because the country could collapse in the meantime.

Aware of these facts, the MNB leadership, which meanwhile has changed, deserves credit for succeeding to convert almost \$1 billion worth of short-term credits into medium- and long-term loans in 1990, and that by the middle of last year the combined total of loans granted by the International Monetary Fund [IMF], the

World Bank and the Common Market represented one-tenth of our indebtedness. But this also means that 90 percent of Hungary's creditors are banks, investment companies, and perhaps private persons with whom a "Polish-type" debt relief could not be arranged, if for none other than sheer technical reasons. This applies in particular to the holders of the \$4-billion worth of bonds, which have recently been the main source of MNB borrowing.

During the second half of the 1980's the international money market witnessed a dynamic growth of bond issues. The volume of bonds issued has increased from \$100 billion in 1984 to \$250 billion in 1989, and constitutes about 60 percent of all international borrowing. But growth of the volume of bonds sold came to a halt in 1990, and has even declined in certain sectors. Therefore, borrowing opportunities in the international money markets have significantly deteriorated last year. The question is the direction this trend will take in the early part of this decade.

As far as Hungary is concerned, it will require additional loans in order to ease its debt obligations, regardless of a better than expected performance in 1990, and regardless of how favorable this year's balance of payments will turn out to be. Between 1991 and 1996 Hungary will have to annually repay an average of \$2 billion based on earlier borrowing, and one has to add to this the interest on the gross amount of the \$21 billion borrowed. This should be calculated at an annual rate of 8 percent, at best.

But perhaps comparisons speak louder than absolute numbers. According to official statements, debt service will consume between 11 and 12 percent of the gross domestic product in the early 1990's. The magnitude of this item is frightening by all means; reflecting upon the above described "historical route," it is at the least, doubtful whether such burden can be managed from a financial standpoint, and if so, whether it is tolerable from a sociopolitical standpoint. True, as a result of the secretiveness we described, and because of the outright fraud that was involved, there is no basis to find out just how these macroeconomic indicators compare with the situation of eight or ten years ago.

However, comparison is possible on the international scale. Hungary's gross indebtedness, and the related annual debt service, as compared to the country's total convertible currency revenues (mercantile and service exports), is approximately the same as the Latin American average. This comparison is not exactly a flattering comparison in terms of global economic statistical data, and suggests that instead of embracing or criticizing, depending on one's point of view and political-economic faith, the Polish example, ponder whether the Brady plan could be adopted, and draw ideas from that plan. Why is it that Mexico's debt-service ratio vis-a-vis its GDP was reduced by more than 3 percentage points between 1988 and 1990? It might be worth thinking about exchanging debts for property, about the possible repurchase of

bonds in secondary markets, or about some other techniques without anyone, publicly or secretly flirting with the idea of rescheduling.

One thing is certain: Even the heaviest debt service would be more tolerable in Hungary than a situation that would follow rescheduling at a time when we are trying to board a vehicle which is not clearly visible for the time being, but which would take us in the direction of a market economy. In a country where the economy has bordered on insolvency twice in the course of a decade, it should be permissible to account for theoretical possibilities, despite all national pride and rigor manifested by the IMF.

#### Annual Amounts Due on Medium- and Long-Term Gross Convertible Currency Indebtedness

(Status as of 30 June 1990, in Millions of Dollars)

1991	2,117
1992	2,225
1993	1,963
1994	1,982
1995	2,093
1996	2,010
1997	1,462
1998	761
1999	757
2000	154
After 2000	443
No maturity date	360
Total [as published]	17,440

Source: MNB

#### MNB Against Debt Relief

91CH0514B Budapest FIGYELO in Hungarian  
28 Mar 91 pp 1, 9

[Interview with Imre Tarafas, MNB [Hungarian National Bank] first deputy president, by Gyorgy Varga; place and date not given: "Debt Management; Beliefs and Credits"—first paragraph is FIGYELO introduction]

[Text] The act of forgiving part of Poland's debts created a great stir in Hungary and reinforced the beliefs of those who urged initiatives to have part of Hungary's indebtedness written off, alternatively, that debt-service payments be suspended. It appears that debt management is not purely a matter of economics or banking, but in certain instances, it manifests itself primarily as a political issue. Imre Tarafas, MNB [Hungarian National Bank] first deputy president has already issued a statement in VILAGGAZDASAG claiming that "there was no comparison between the Hungarian and the Polish indebtedness situation." Gyorgy Varga also inquired from the deputy president about other contexts of debt management.

[Tarafas] Indeed, it appears that word about the partial writeoff of Poland's debts created a great stir also in Hungary, even though such reaction was hardly justified from a professional viewpoint. In recent years, the lending banks partly forgave the debts of a few countries, such as Mexico, Costa Rica, and the Philippines. This took place in the framework of the so-called Brady Plan. The only new feature with respect to Poland is that in its case, governments promised the partial writeoff of loans that they granted or guaranteed earlier. In this respect it makes no difference whether the loans were granted or guaranteed. In the likely event that an agreement is reached with the governments, the banks which gave the credits will also go along with some kind of Polish debt reduction. Both with respect to the Brady countries and Poland, the essential fact is that these countries have been insolvent and therefore, not credit worthy for many years. As a result of the insolvency, the economic performance—production, exports, and the standard of living—of these countries showed a dramatic decline. Accordingly, it became increasingly unlikely that these countries would ever be able to resume normal payments of their debts. For this reason, the worth of their debts in secondary markets dropped to a fraction of the nominal value of these obligations. Further, as a condition for receiving partial debt relief, these countries committed themselves to develop and implement an economic program acceptable to the creditors, including the creditor banks and governments. In Poland's case, this means that the debt reduction will take force when Poland reaches an agreement with the IMF regarding an economic policy program.

[Varga] Would it not be true, that Hungary, with historical merits in redrawing the political map of Europe, also deserves a political treatment equal to that awarded to Poland?

[Tarafas] Merits have nothing to do with either the money market or politics. In Poland's case one might search for political motives behind the strong approval given by certain governments, making Poland the first country to reduce demands for payment made by governments, but it's not worth the effort to search for such motives. It is not worthwhile to do so because the aforementioned economic and financial conditions were definitive, the issue of debt reduction could not even have arisen in the absence of these conditions. Thank God, the situation is entirely different as far as we are concerned. We enjoy orderly economic conditions, convertible exports show a rapid increase, and production has barely declined despite the fact that an economic structural transformation of historic significance and scope is in progress. A price has to be paid for this of course, in terms of a declining standard of living, inflation, and discontinued workplaces. These sacrifices are unavoidable because of the structural transformation, and not because we pay our debts and interest regularly. If we were to refuse payment of debt service, or if we sought a reduction in debt service, our international economic and financial environment would immediately

change. We would lose our credit worthiness, foreign exporters would demand cash on delivery, and as a consequence, Hungarian exports would be further reduced. Unemployment would increase as a result of the domino effect, and the standard of living would plummet. But inflation would also accelerate, and foreign operating capital would go far to avoid this country. This scenario exists in every country which follows this path, just as it is apparent that debt reduction may be achieved only after sliding for several years on a downward economic spiral.

[Varga] Despite all of this, one finds factors in Hungary who try to persuade the government to initiate a debt writeoff or debt relief. FIGYELO No. 11, 1991 reported the position taken by the expert council of the Hungarian Society of Economists concerning the government's economic policy program. A majority of the council members took the position that it would be an illusion to assume that the Hungarian economy could recover from its crisis by relying on its own strength, while coping with the debt service burden. The conclusion is obvious. What is your view?

[Tarafas] Believing that anyone would be willing to underwrite or to write off the whole or part of our debts is the illusion. As I tried to convey before, a partial writeoff of our debts is always the consequence of a multiyear process in which the debtor is not, or is only partly capable of paying his debts and the interest, thus causing a loss to the creditors. In turn, the creditors, to encourage leniency, do everything possible to make miserable the debtor's refusal to make debt service payments. The one who confuses this process with for instance, the approach taken by the charitable services of the Maltese Knights toward the fallen, makes a grave mistake. As far as the other side of this issue is concerned, by now it is difficult not to recognize (even distant observers have recognized this) that since early 1990, ever since we have pursued an appropriate economic policy, and in particular since the middle of last year, ever since this has been supported by political change, the economy has been recovering from its crisis at a pace which surpasses all earlier expectations, while next door to us a world power is in the process of collapsing. Following a balance of payments deficit of \$1.4 million in 1989, we achieved a more than \$100-million balance of payments surplus in 1990, while the structure of our exports has improved to a greater extent than before. Positive developments which have exceeded our expectations continue this year: Our January balance of payments surplus exceeded \$200 million, and there are indications that this surplus continued to increase to this day, despite the fact that the Soviet export market has collapsed.

[Varga] I do not regard as an encouraging sign in the Hungarian borrowing structure that in the past year or year and a half, and this year even more so, interbank and consortium lending is on the decline and that Hungarian borrowing from official financial institutions

and through bond issues is on the increase. The private sector's retreat is not a good sign.

[Tarafas] It is true that in the framework of our recent borrowing activities, the ratio of private banks has decreased. But this is far less applicable to the private sector as a whole because our bond issues are also purchased by the private sector. The primary reason for the structural change that you mentioned is that the preparedness and ability of banks, including Japanese and German financial institutions which play the lead role in Hungarian credit transactions, is weaker today than it was before. German bank resources are increasingly committed to burden related to the unification of that country. The preparedness of Japanese banks to provide credit has been weakened by the internationally recognized so-called capital conformity requirement established by the Basel committee. The capital conformity requirement is the ratio of bank capital and reserves as compared to the final balance, in which the final balance is multiplied by degree of risk involved in various assets. This ratio must reach the 8-percent level by 1993.

This requirement prompts the international banking community to increase its capital and cut back on lending, and this applies primarily to the Japanese banks whose capital supply was struck by last year's large-scale plummeting of the Japanese stock exchange and of the Nikkei index. In addition, it is equally true that consortium loans in general have also declined in the international money markets in favor of securities.

The following factor has a regional character: Being located in Central-East Europe is not the best letter of recommendation, particularly if one has to count on a collapsing Soviet economy, and do not forget, the region as a whole was harmed when Bulgaria declared its insolvency. Hungary is located in the middle of a region tormented by peaceful and less peaceful changes.

[Varga] But it is a relatively stable island for the time being.

[Tarafas] That is true. The Western banking community appreciates this fact, just as they take note of our performance. Now the banks and international financial institutions treat the various countries of the region in different ways, but the "neighborhood problem" is going to stay with us for quite some time.

One should also mention some specifically Hungarian considerations. First is the disappointing economic performance between 1985 and 1989, and within that, the external economic performance. The second factor is political uncertainty, which is understandable in the months of a system change. It takes time before the effects of a political change can be felt in the money market, just as it took time for the money market to register the improved economic performance beginning in early 1990.

[Varga] Is this really an issue? The new government made it unequivocally clear virtually from the first day it took office that it accepted the indebtedness accumulated by the previous system and that it would comply with the debt service obligation when it becomes due. Yet the money market did not "jump" in response. Even though the money market reacts to changes within the hour. Accordingly, something else must be involved here.

[Tarafas] I must contradict you. After four or five years of disillusioning economic performance one cannot expect an outbreak of euphoria in the market based on a few quarters' encouraging statistics. During the "liquidity crisis" that began at the end of 1981 and lasted to the middle of 1983, we learned that the market reacted with at least a year or a year and a half delay to encouraging developments in the real economy and in terms of economic policy.

[Varga] When do you expect this reaction to take place in the present case?

[Tarafas] Market confidence is rebounding; by now mostly the Soviet events have a disturbing effect. The clouds will disappear from over our heads when it becomes apparent that we have survived the collapse of our Soviet exports. I believe that presently, and in the upcoming months, Hungarian-Soviet economic relations have, or will have reached their low point from where the only possible way to go is up.

[Varga] Survival will not suffice. Economic integration with Europe is possible only by becoming competitive, and I do not see that these conditions exist. Don't you think that the recommendations of the already mentioned expert group should be considered in light of a decade of decline in the domestic utilization of the GDP, a 1990 investment volume which substantially lags behind the 1980 level, and at a time when this year's forecasts predict a further decline?

[Tarafas] From the standpoint of future competitiveness the decline of the volume of investments is not decisive, if you consider the fact that in the 1980's a significant part of the investments consisted of major investment projects like the Bos-Nagymaros barrage. We do not have such "development" projects today. Today's investments are more efficient because this is the third year of liberalized machinery imports, and during these three years machinery imports showed a dynamic growth. Today we are most certainly creating more competitive capacities than before, when we tried to give preferences to domestic and socialist investments into machinery.

All of this should not be construed as a disagreement with your statement that investment activities are by far not satisfactory. There are two fundamental reasons for the unsatisfactory investment activities. One is the radical market and structural change which is accompanied by much uncertainty. It is understandable that in times like this entrepreneurs are cautious and that they take

advantage primarily of reserves. They try to adapt to the changed market conditions mainly by reducing the sources of loss, rather than by making large-scale, new investments.

The other reason is inflation. It undermines the possibility of making rational calculations, i.e., it casts doubt over the reliability of predictions concerning the expected return on capital investments. Investors become reluctant in times like these.

[Varga] I will readily accept the latter part of your argument, but the first part of your argument is at least debatable. This is because the constraint to switch markets should be coupled with a constraint to make developments.

[Tarafas] This is true, but after the appearance of a forceful constraint to adapt, and I believe that this became part of Hungarian consciousness some time in early or middle 1990, entrepreneurs do not immediately find developmental opportunities that are consistent with the new requirements and which carry no greater risk than what is rational.

Investments supportive of adaptation were not initiated in Western economies in 1973, in the year of the oil shock, but only after several years of delay.

This is also proven by the fact that part of the World Bank credits earmarked for structural transformation purposes are not taken advantage of. I'm certain that this is not a favorable phenomenon. But I would like to dispel the notion that there is no money. There exist resources for developments which carry sensible, rational risks, and which satisfy the general profitability requirements. The latter is symbolized by the interest rate.

#### **SZDSZ Concurs**

*91CH0514C Budapest HETI VILAGGAZDASAG  
in Hungarian 30 Mar 91 p 6*

[Interview with Marton Tardos, Alliance of Free Democrats (SZDSZ) economic expert; place and date not given: "Indebtedness Squeeze"—first paragraph is HETI VILAGGAZDASAG [HVG] introduction]

[Text] We asked SZDSZ [Alliance of Free Democrats] economic expert Marton Tardos if there is a chance that Hungary's creditors recognize that it would be in their own interest to relieve the pressure on our indebtedness, even though Budapest presents itself as a reliable debtor who pays its bills on time.

[HVG] As compared to the position stated prior to last year's parliamentary elections, has the SZDSZ view changed regarding the management of Hungary's debt?

[Tardos] At that time we felt that the successful, bloodless Hungarian transformation presented a momentary situation in which it would be easier to discuss debt relief than at any other point in time. This favorable moment has passed, and meanwhile, we have come to understand

the situation. In my view, the situation is characterized by the fact that the international banking world does not intend to relieve the pressure that has been created by the debt burden. On the other hand, it is visible that Hungary is capable of discharging its obligations. Nevertheless, this situation does not suggest that Hungary will be able to cope with the societal burden that accompanies the discharging of our obligations so that we are simultaneously able to establish the foundations for an uplift. And if as a result of the burden created by our indebtedness the threat of long-term stagnation or perhaps of a deepening crisis exists, it is in the interest not only of the debtor, but also of the creditor to contemplate what could be done. This is because the creditor's assets in Hungary will be secure only if those assets are utilized properly. Despite this fact, I believe that at this time, the banking world attributes greater importance to the short-term management of its own disturbances, than to the long-term resolution of political and economic issues. They will not offer debt relief on their own, they prefer to take the risk of witnessing a conflict which in the final analysis also deteriorates their situation. The banks greatly reduce their risks anyway by organizing bond issues, because debtors are unable to initiate negotiations with thousands of Japanese and German citizens.

[HVG] And how about the Polish case?

[Tardos] Yes, the public is visibly, and not unjustifiably nervous about the fact that we must pay while part of the Polish debt has been forgiven. In this respect, however, we must consider the fact that Poland has been insolvent for more than 10 years, and that during these years it was unable to finance its economy on credit, it was able to offset its purchases only with exports. In addition, Poland's indebtedness has increased during that period because the creditors charged the interest due on these loans. This alone doubled their indebtedness, just the way our indebtedness has doubled. On top of that, Poland began not to make payments on principal and interest. Previously their debt structure was similar to ours, but this is no longer the case. They borrowed most of their money from states, while we are indebted to the private sector. Political arguments are far less effective vis-a-vis private lenders in the course of debt management negotiations.

[HVG] Accordingly, is there no other alternative than to acquiesce into this matter and to punctually pay our debt which amounts to about \$21 billion?

[Tardos] One knows already that because of the crisis that evolved in our trade with the former CEMA countries, our balance of payments will not be as favorable as was anticipated under the belt-tightening political conditions expected by the international banking community. This is because the negative factors weigh more heavily than the improvement that may be expected from Hungarian economic performance. If we had no cooperative relations with the international banking world there would be no opportunity to finance our added requirements, and our borrowing could also be

renewed only in part. The interest burden on loans would increase because penalties would be added. Economic growth alone provides the real solution. We should also quickly exceed last year's \$7-billion convertible currency exports, and the inflationary pressure created by excess exports over imports should be harnessed. We would need temporary support to ensure the success of this kind of program.

[HVG] Would it be conceivable that the foreign partners recognize on their own the threat which exists according to you, and relax the credit terms?

[Tardos] Yes, it is conceivable that certain states grant credit to Hungary, or that these states establish conditions by which banks could relieve our debt burden. Although it would not be irrational for the international community and the banks to think in these terms, this is not the case at the moment. We must adapt ourselves to the tough conditions established by the strong ones under such circumstances.

#### Poland's Situation Compared

91CH0514D Budapest HETI VILAGGAZDASAG  
in Hungarian 30 Mar 91 pp 74-75

[Article by Kalman Mizsei, vice president of the Global Economic Research Institute: "Should We Envy the Polish People?"]

[Text] Upon hearing about the Polish debt reduction many people raised the question of why Hungary pays its installments so punctually, "as long as there is another way." Quite naturally, political opportunists also capitalize on this sure bet and once again demand that our debts be written off. But even among those who do not favor such extremes, many feel that the Western world of money penalizes proper debtor conduct, while it rewards the unreliable debtor. This situation needs urgent clarification unless we want Hungary to suffer losses amounting in the billions. This is because the international world of money is rather sensitive, shaken confidence costs a lot.

It is not true that Poland "took the easier route and thereby reaped benefits." To the contrary, Poland has been tormented for 11 years with the rescheduling of its debts, until it found itself in a hopeless situation in which it had nothing to lose as a result of nonpayment. That country has not received a single cent in foreign loans ever since 1982, nevertheless, each year it was forced to squeeze out of its economy a substantial balance of payments surplus. Accordingly, from the Polish standpoint, debt reduction was not a matter of free choice, in an economic sense that country's blood was drained during the 1980's and there was no alternative left.

Before being overcome by envying the Polish victory, it would not hurt to wait and see the final decision regarding the ultimate extent and conditions by which Poland's debts were forgiven. If rumors hold true and

between 50 and 70 percent of Poland's debts are forgiven, the remainder, say 30 percent, will have to be repaid in installments under nonpreferential terms. At that point, if Poland is unable to obtain similar alleviations from private creditors, Poland's financial situation may drastically deteriorate even in the short term. This is an unlikely scenario nevertheless, because geopolitical conditions support an agreement that is favorable from the standpoint of Poland, and an appropriate number of international factors with sufficient bargaining power are interested in the success of Poland's stabilization program.

Undoubtedly, Hungary's situation is different. We have managed to avoid rescheduling, and even though with difficulties, we are able to obtain credit in the money markets. The country is engaged in an export offensive, the ratio of our convertible currency exports vis-a-vis our debt service has improved in recent years. Hungary's foreign exchange balance has further improved during the initial months of 1991, and the financial situation of enterprises has not deteriorated to the extent suggested by the scream of death often quoted by the press.

In this situation, what would be the consequences of a Hungarian Government initiative to forgive our debts? As a result of an initial reaction by the money market our long-term and medium-term credit, and for a while even our commercial credits would cease. The inevitability of this consequence is proven by a series of international precedents. The stalled credits would cause huge problems in financing our imports; not even the total foreign exchange reserves of Hungary would suffice for such financing. Significant amounts of capital have been withdrawn from Hungary as a result of the Bulgarian debt crisis last spring, and because of statements made at the time of the parliamentary elections in opposition to paying our debts. Our reserves have just begun to increase, it would be unfortunate to halt this process with clumsy statements which serve narrow special interests. Even at that, the results of a debt writeoff action would be felt only after several years, yet the country would suffer extremely hard for these.

We should also avoid stepping into the trap of seeking outside solutions to our economic difficulties. The Polish requests for debt relief also carry the threat that Polish society becomes overly accustomed to hoping for external redemption, and develops a sense of "having the right" to receive outside help. This is a self-endangering frame of mind....

Instead of feeling envy we should hope for Poland's success. Expressions of disappointment by responsible Hungarian personalities concerning the treatment of "forgiveness" received by Poland will not evoke good reactions. The Hungarian Government is unable to influence the merits of this process, but it could establish unnecessary obstacles in the path of regional cooperation. On top, the success of the Polish economic program could provide several advantages to Hungary. Following the rather significant assistance provided to Poland, we

could also count on more active Western help than what we have received thus far. However, such help need not necessarily manifest itself in the form of forgiving our loan obligations. There exist methods of support that are more useful even from our standpoint.

## POLAND

### Market Poses Dilemmas for TV, Radio Programming

91EP0380A Warsaw *KONFRONTACJE in Polish*  
No 3 (38), Mar 91 p 22

[Article by Karol Jakubowicz, programming director for Polish Television: "Order on the Air: For Many or For the Few? Hope for Freedom"]

[Text] Let us assume that order on the air means a legal, institutional, and financial system which determines who has an opportunity to broadcast and who is doomed to being only a viewer. As is known, until recently, there was supposed to be just one broadcaster. How is it supposed to be now? Frankly, it is not at all clear. The express desire of the previous government to postpone a reform of radio and television was tantamount to restricting the number of broadcasters. In essence, this is also what the Ministry of Communications, possessed by the spirit of Thatcherism, is now headed for; it persistently promotes the principle of allocating frequencies by bidding, or to those who pay more.

However, leaving a free field for the laws of the market and thus seemingly giving up a policy of shaping order on the air, is also a policy. After all, it is known precisely what the result is going to be. When a free market is allowed into a sphere of life, society loses control over it.

This is conclusively shown by the case of Italy. The cancellation of the state monopoly on local radio and television in 1975 caused a real explosion there; thousands of new radio stations and hundreds of TV stations have been set up which, for the most part, accomplish social and cultural tasks and speak for various social groups. It appears that the goal of opening up and pluralizing the system of radio and TV has been attained. However, the market mechanism has caused these stations to commercialize. The process of the concentration of capital has occurred, and almost all of private television has ended up under the control of a single person, Silvio Berlusconi. A new Italian law on radio and television, passed last year after 14 years of debate, could only legalize the existing state of affairs, i.e., a duopoly of Berlusconi and the RAI [Italian Broadcasting Corporation] in which Berlusconi dictates conditions.

The free market does not only restrict the number of broadcasters but also influences the content of what is broadcast. Professor Peter Bruck from the University of Salzburg stated this, as follows, in his study "Bye, Bye Wajda, or a Clash Between the Interests of the Market in

Radio and Television" prepared for the Commission for the Reform of Radio and Television Broadcasting:

"The market...may bring about enslavement. In radio and television, the market counteracts the fulfillment of the hope for freedom which the market itself encourages. It forces radio and TV systems to subordinate their programming efforts to the goal of gaining the greatest possible number of viewers. A market philosophy seriously restricts the role of radio and television in promoting culture and also restricts their freedom to create comprehensive and varied programming.... The free market is a destructive influence on domestic audiovisual production, the quality of programming, and on meeting the informational needs of citizens which are typical of a democratic system."

Precisely the same process as in Italy may now occur in Poland. Now is our last chance to prevent this. The issue is not to keep the market out of radio and television but rather to implement a wise policy of creating order on the air. This is an issue of key importance for the condition of social consciousness and the functioning of Polish democracy. The freedom of broadcasters should be placed within a legal and institutional framework which will ensure the pursuit of the supreme public interest.

### Three Sectors

In a democratic society, order on the air makes it possible to express in broadcasts the entire variety of social and political thought, tradition, and culture. There should be many broadcasters; at any rate, real conditions should exist for those who really want to become broadcasters.

Broadcasters operating in a truly open and pluralistic system may be classified into three different sectors: the public sector, the social sector, and the commercial sector. Only when these three sectors are strong and fully capable of operation may we say that a fully developed and comprehensive system of radio and television exists.

A reformed and transformed Polish Radio and Television should become the public sector. This sector is the only one which has a duty to be apolitical, impartial, and pluralistic, and to broadcast programs of high quality which contain all types and genres of programming, a sector performing all the functions of radio and television and meeting all the needs of the audience throughout the country, including the need for entertainment and relaxation. It cannot be made into a temple of high culture, education, or essays.

By virtue of its nature and task, the public sector has an obligation to create forms of access and to ensure the political pluralism of its content. If it is to do all of its duties in full, it should operate both on an all-Polish and regional scale.

By definition, the public sector should be independent (also of the government) and socialized (through the

participation of representatives of typical social forces in managing it). It cannot accomplish its tasks if it does not have a powerful financial position which is secured, among other things, by broadcasting commercials and sponsored programs (only the BBC [British Broadcasting Corporation], the Japanese NHK [Japan Broadcasting Corporation], and the public radio and television systems of Sweden and Denmark are financed exclusively by subscription fees). However, this cannot be the main source of its revenue because, in essence, this means commercialization. Therefore, this sector should have an opportunity to count on subsidies from the public funds in case of need.

The commercial sector serves to create an audience of a proper size and composition for commercials. This entails direct influence by advertisers and sponsors on programming decisions, the production of programs and, so on.

Most frequently, this brings about broadcasting attractive programs for all and the actual restriction of the selection to box office varieties which attract a large audience (forms of advanced specialization of satellite channels or cable television known to us from the United States occur only in saturated markets and given a large production potential). The programming of the commercial sector, especially if it includes satellite television, cable television, and video, makes it possible for the audience to fully meet, among other things, its need for entertainment, rest, and stress reduction.

By virtue of the nationwide extent of its operation, the public sector should address its programming to millions. In general, the commercial sector also avoids creating programs for minorities. In view of this, only the prosperity of the social sector may create conditions for a complete pluralism of content within the confines of the radio and TV system.

The social sector consists of nonprofit stations, generally small and frequently amateur, set up by various parties, groups, organizations, minorities, and local and regional communities. All social groups have an opportunity to speak with their own voices due only to the existence of this sector.

Of course, the cost of setting up, and especially of keeping such stations on the air exceeds the potential of many parties and minority groups. In turn, financing these stations exclusively by means of commercials ends in their commercialization and the loss of social character. In view of the fact that this sector is a necessary element of a democratic and pluralistic system of radio and television, the need exists to create, at the central and local levels, forms of support for this sector and of participation in the financing of existing stations, charging smaller fees for the allocation of frequencies and permits to create and distribute programming, tax relief, and possibly even forms of subsidization. This is precisely where the greatest leeway exists for pursuing an education policy driven by the spirit of public interest.

#### **Against Monopolies and Domination From the Outside**

A strong tendency toward the concentration of capital (horizontal and vertical integration) and internationalization occurs in the commercial sector.

Ultimately, both forms of the concentration of capital produce a monopoly or an oligopoly which runs counter to pluralism and openness, and the local or regional character of stations which form a network. This is why legal safeguards against the unrestricted concentration of capital in the field of mass communications have been introduced in many countries. Detailed regulations in this sphere also appear to be necessary in Poland.

The internationalization (of capital invested in radio and television and their programming) is very dangerous for the national and cultural identity. Therefore, in this case Poland should be protected as a weaker partner in the international exchange, just as the weaker sectors of the Polish radio and television system which are necessary for the entire system need to be protected. Otherwise, [Poland] may turn from one of the potential entities of international circulation into the subject of a unilateral international transfer of capital, services, and programs from the outside into our country.

To this end, many countries use restrictions on the share of foreign capital in broadcasting establishments and quotas for domestically produced programs [as percentages] of total air time. The levels of these restrictions, ways to apply them, and the necessary forms of supporting domestic audiovisual creativity should be thoroughly thought out and consistently implemented in Poland as well.

#### **Obstacles in Forming Rural Shareholders Bank**

*91EP0375B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 5 Mar 91 p III*

[Article by Zbigniew Wyczesany: "Their Own Bank, Their Own Money: Problems of Rural Shareholders"]

[Text] The formalities involved in putting the Rural Shareholders Bank into operation are becoming protracted. The initiative of forming such a peasant bank that would promote private farming without relying on government funds, by utilizing the capital contributed by shareholders to promote agriculture, has unexpectedly encountered an obstacle in the form of the banking law.

That law subordinates all (old and new) banks to the NBP [National Bank of Poland] and makes them thus dependent on it even in such a fundamental respect as the disposition of the funds derived exclusively from the shares bought by the members. It also curtails the autonomy of banks so far as determining the loan interest rates and the interest paid on depositor accounts is concerned.

The unconventional idea of the peasant bank and the basic guidelines for its operation, linked to the ideas of Stefczyk banks [Stefczyk, Franciszek, 1861-1924,

founder of peasant savings and loans cooperatives], were worked out right after August 1980 by a group of farmers who were, oddly enough, associated with the Club of Peasant Publicists. This was followed by the concept of the Church Farm Fund, also derived from the same wellspring. At the time certain funds were accumulated. It is said that they are yet to be utilized, perhaps precisely in the Rural Shareholders Bank.

In the meantime the Provisional Council of the Rural Shareholders Bank has already been formed, as has a provisional governing board, and about 4,000 membership declarations have been gathered. The size of the individual shares is reckoned in tons of grain (wheat), and the accounting is based on the quantity of grain contributed. In the future the shareholders are to be also paid dividends in grain but on the basis of its world price.

The assumptions of the Rural Shareholders Bank unfortunately conflict with the guidelines of the banking law. This is not to be a conventional bank in the form of a joint-stock company but an institution for loans to private farming, operating in close connection with chambers of agriculture, which program agricultural production, and processing in kinds and proportions which will of a certainty assure marketing on the domestic and foreign markets.

Loans to farmers would be granted only for particular purposes consonant with the production and marketing programs of regional chambers of agriculture, as well as of gmina chambers of agriculture (the first such chambers have already been formed). The loans will require collaterals in the form of farm produce and their processed forms as reckoned in terms of grain according to world grain prices.

It seems that the activities of the regional chambers of agriculture and the related activities of the Rural Shareholders Bank resemble to a large extent the operations of the State Agricultural Marketing Agency, with the difference that this novel form does not expect subsidies from the State Budget for procurements of agricultural products or for investments in and stimulation of exports. Such funds are provided by the shareholders themselves from their own savings, but at the same time they demand that the bank differ explicitly from the currently existing banking structures subordinate to the NBP as the central bank.

The rural banking system is on the eve of a fundamental modernization. There is a growing clamor for replacing the traditional role of the Food Industry Bank, which has ceased to be a peasant bank. Many cooperative banks have already broken off all ties with the Food Industry Bank, and others are certain to do so soon. If impetus is to be given to agriculture, the banking law must be amended rapidly, according to Stanislaw Domanus of Myslenice, one of the spiritual authors of the Rural Shareholders Bank. It is not just the Rural Shareholders

Bank alone that views such amending as offering a great development opportunity for itself and for agriculture as a whole.

### Light-Industry Reconstruction Detailed

91EP0375A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 15 Mar 91 p 1

[Article by Marian Strzelecki: "Competition a Cure for the Crisis: Restructuring the Light Industry"]

[Text] How [can one] halt the recession of the light industry? What recovery program would be most realistic under our conditions and at the same time also advantageous in the longer run? Such are the questions to which answers are being explored by not only enterprise managers but also by the decisionmaking agencies of the state.

Recession in the light industry also means thousands of jobless and a decline in the earnings of those still employed but whose skills and time are not always being fully utilized. Thus, within the light industry, there is growing discontent among spinning machine operators, seamstresses, knitters, dyers, and weavers. So far the recession has not been halted, and thus its consequences, manifesting themselves in the impoverishment of many families, continue. Desperate workforces proclaim protest actions, threaten strikes, and are unsparing in their sharp criticism of enterprise managers and the authorities. Lodz is the city where these occurrences are reaching their peak.

The assessments and analyses so far of discrete subsector groups and institutions have not been comprehensive, although they contain many interesting comments and recommendations.

This gap has recently been filled. Namely, between September and December 1990 the Boston Consulting Group, in cooperation with Piprowlok and the Ministry of Industry carried out a study of the Polish textile and garment industry. This study, performed on behalf of the Polish government and the World Bank, led to a program for restructuring of that industry.

The study extended to the processing of cotton, wool, and flax, to the garment and knitwear industry, and also to dyeing and finishing operations, as well as to the supply of basic raw materials for that industry.

The study not only diagnoses the situation but provides many recommendations for improving competitiveness and developing marketing strategies with the object of rescuing the Polish light industry from its recession.

The principal causes of the present recession in that industry are, among other things, the faulty structure of enterprises, the excessive energy intensiveness of the machinery pool and its incomplete utilization, and the obsolescent state of spinning, weaving, and finishing (dyeing) plants.

The findings of that study thus point to the need to break up the vertical structure of this industry (spinning mill, weaving mill, dyeing plant, finishing plant) by privatizing discrete factories (departments) rather than entire enterprises. Privatization combined with the breakup of traditional structures will enhance competitiveness.

The study evaluates critically the excess wage tax, viewing it as a factor reducing the possibilities of textile enterprises for attracting skilled (marketing, export) personnel and one affecting adversely the possibilities for linking wages to labor productivity. Such blocking of the differentiation of wages is criticized, since these should be made contingent more than previously on the degree of difficulty of the labor performed, its nature, quality, and productivity.

The study also considers indispensable additional investments in finishing operations, since these largely determine the quality and the exportability of the products.

Furthermore, the study concludes, enterprises also are burdened by excessive indirect employment and lack sophisticated sales and marketing departments, and, while paperwork at them is excessive, at the same time they lack access to sufficient information as well as good management.

## YUGOSLAVIA

### Dr Joze Mencinger on Law on Privatization

91BA0430A Ljubljana DELO in Slovene 20 Mar 91 p 4

[Unattributed article summarizing speech by Dr. Joze Mencinger, deputy prime minister of Slovenia: "Nationalization Cannot Be Avoided"]

[Text] "Only a few people are satisfied with the draft laws on privatization, the Slovene agency for privatization, and the Slovene fund for development. They are being criticized by those who have read them, and even more by those who have not, those who understand them and those who do not, the parties in the coalition, and the parties in the opposition. Knowledge that has not been taken into account is dissatisfied with them, especially the knowledge of those who just a few years ago were writing treatises and doctoral theses on social property, but are now primarily interested in the profitability of privatization," Dr. Joze Mencinger, the Slovene deputy prime minister, stated among other things in his opening speech at a session of all three Assembly chambers.

He then mentioned the most important changes in the draft law on privatization, in comparison with the proposal for issuing the law: The law is now simpler; the definition of social capital has been changed and also includes nonbusiness liabilities; the areas to which the law applies have been changed; any planned privatization must be publicly announced; a system of reserving funds or shares in an enterprise for claims from former

owners is being introduced, with the aim of protecting both the former and also the new owners, and also making it possible to coordinate the timing of this law, the law on denationalization, and the law on cooperatives; the former internal privatization will be opened up to other physical and legal persons with majority ownership by physical persons; a more precise distinction is being made between the sale of enterprises and additional capitalization, counting on the fact that autonomous privatization will primarily be additional capitalization, since enterprises will thus retain the purchase price. The fear that the state will be enriched, according to Mencinger, is thus superfluous; at best it will become poorer. More precise methods have been specified for assessing enterprises. The terms for cash payments have been reduced to 10 or 15 percent; discounts have been increased to 30 percent, with the addition of 1 percent for each year of employment up to a total amount of 50 percent, or 20,000 German marks. After the final account, the liquid funds from privatization are to be turned over to the Republic of Slovenia, and for the needs of SPIZ [expansion unknown] as well.

The Assembly committees and the public have formulated new proposals for amendments, which can be taken into account without demolishing the basic concept of the law, Dr. Mencinger stated. These are mostly proposals for making the benefits in autonomous additional capitalization equivalent to those in a sale, proposals for different discounts, and also for the free distribution of some of the shares in an enterprise to employees, as an additional incentive to purchase a controlling portion of the ordinary shares. He also enumerated some other proposals, and added that the Executive Council was prepared to accept all those remaining within the framework of the three principles, i.e., decentralized instead of centralized, controlled instead of uncontrolled, and profitable instead of unprofitable privatization.

"The law is being criticized on the grounds that nationalization will occur. Yes, it will happen, if we consider nationalization to be the transfer of shares, without management rights, to a fund as a state institution, and if we do not take into account the fact that this has to do with the transfer of shares without management rights, because they are going into the fund precisely because there is not enough capital for privatization. There will quite certainly also be nationalization of enterprises that cannot be privatized because no one wants them. What other possibilities are there, however? General free distribution, which would allegedly be fairest and through which owners would be found immediately? Everyone wants free distribution for himself, but only a few would purchase shares. We do not know what there is to divide up, however. We know even less about how to divide it up fairly, and we know least of all about how this would increase economic efficiency. Everyone would become some sort of shareholders in Slovene social property, which we already are; now with paper shares we would get it in writing, but nothing would be changed. We would all remain owners of all the machines, but no one

would be the owner of his own. Let us say that a free distribution of paper shares would take place within a year. Many of those who received them would use them to buy shares in Elan. Its value would increase considerably, but Elan would fail all the same. The fundamental problem of social property, in fact, is precisely its inefficiency, which arises from the poor management of property that is owned by everyone in comparison with privately owned property, and also arises from the constant drain from that property," Dr. Mencinger vividly illustrated.

In Mencinger's opinion, the difficulties that are occurring in the attempted privatization, through which the Slovene economy is supposed to attain the efficiency of European economies, are understandable. In his opinion, an attempt to change a socialist economy in such a way that it would attain the efficiency of a capitalist economy while remaining essentially socialist, is also doomed to failure. Either such an economy will turn into a capitalist one, where some will be owners and others will not, or it will remain inefficient. The general dissatisfaction with a law that is trying to solve the unsolvable problem of how to harmonize economic efficiency with justice is therefore completely understandable.

Regardless of who will write a new law if this draft is rejected, something is obvious, Dr. Mencinger stated. It is necessary to hurry with the law on privatization; there is probably no theoretical answer as to how it should really be done, and if there were, it would already be irrelevant when we found it. It is becoming more and more obvious that social property will soon be plundered, and that it will be plundered by the most enterprising and inventive. It is difficult to conceive of legislation that would effectively protect social property from joint owners. Nationalizations, expropriations, collectivizations, agrarian reforms, and other forcible confiscations of private property have completely shaken the application of moral standards. According to Dr. Mencinger, actually everyone has appropriated something for himself—some by loans at a negative interest rate, others by housing rights, yet others by tax evasion. In his opinion, the law on privatization came at the wrong time, even though it is part of the government's program in establishing a normal system and seceding from Yugoslavia. It would be otherwise if we had had it before, and not at a time of profound economic recession, Dr. Mencinger stated in concluding his opening speech.

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