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CZECHOSLOVAKIA

Jicinsky on Work, Problems With New Constitution

90CH0226A Prague LIDOVE NOVINY in Czech
14 Jun 90 p 10

[Article by Zdenek Jicinsky: "On Basic Problems of the New Czechoslovak Constitution"]

[Text] After long years of a totalitarian regime, democratic elections have again been held in Czechoslovakia for the highest representative bodies, the Federal Assembly and the Czech and Slovak National Councils. The representatives were elected for a period of two years and one of the main tasks which they are supposed to perform during this time is to work out new constitutions, the constitution for the Czechoslovak federation and the constitutions of both the national republics.

This will be a difficult and complex task for many reasons. The basic problem with which the creators of the new Czechoslovak constitution will have to deal is a new way of thinking through and defining the starting points, bases, and institutional forms of the Czechoslovak federation.

The problem of nationalities has everywhere come to the forefront in the process of the collapse of the system of state socialism of the Stalinist type in the European countries which was strongly stimulated by Soviet perestroika. Unresolved or suppressed nationality conflicts threaten to lead to the breakup of the Yugoslav and Soviet federations and to conflicts which sometimes appear unresolvable (e.g., the situation in the Transcaucasus and the Baltic states and elsewhere).

In Czechoslovakia, fortunately the nationality problem is not of this nature. It is not preceded by a history of bloody nationalistic battles. We can therefore presume that it can be settled by democratic means. Its specific nature and difficulty are found in the fact that Czechoslovakia is a country of two peoples, the Czechs and the Slovaks. This fact would apparently make solution of the problem simpler, but in its own manner it actually complicates it. From this aspect the Czechoslovak federal composition of the state is a unique phenomenon. It can perhaps be compared only with the constitutional and legal arrangement for coexistence of the Flemish and Walloon peoples in Belgium. However, Belgium has a market economy and the Belgian economy is part of the EC, which is a substantial difference from the totally state-run Czechoslovak economy which is now searching for ways and means of transforming itself into a socially oriented market economy. In Belgium there are about 60 percent Flemish people and about 40 percent Walloons. In Czechoslovakia there is a population of about 10 million inhabitants in the Czech Republic, predominantly Czechs, and about five million inhabitants living in the Slovak Republic, of which more than half a million are Hungarians. The relationship of Czechs to Slovaks in the CSFR [Czech and Slovak Federal

Republic] is 2:1. Even if both peoples are of equal legal status in the constitution, it is difficult to set up a system of federation in which would be guaranteed both the equal status of both peoples and that of the citizens in the political field.

An attempt at a federative arrangement of Czech-Slovak relations was made in 1968 as part of the "Prague spring." After its defeat by the military intervention of 21 August 1968, the federal system was preserved as the only feature of the reforms of the political system. It became, however, just a facade without any real content. This is confirmed by the fact that for the entire 20 years there was never worked out a constitution for the federation or either of the two republics and the various constitutional and other institutions at the federal and republic levels whose existence was required by the law on the Czechoslovak federation (for example, the constitutional court and others) were never established. The bureaucratic centralist system of CPCZ [Czechoslovak Communist Party] power oppressed both peoples, the Czechs as well as the Slovaks. Particularly on the Czech side, the newly created agencies, the Czech National Council and the Czech government, acquired no authority or trust. The Czech Republic did not take root among the Czech people.

Experiences in the development after the November revolution of 1989 up until the elections have shown that in the creation of the new federal constitution it will be necessary to take the wishes of both partners in the federation fully into consideration. The role of the national republics and their agencies is growing. It will be necessary to delimit anew the authority of the federation and the republics. We already know from 1968 that this is a complicated matter. The solution of this problem will be even more difficult at the current time because there is no "integrating force" here and the political structures in the Czech and Slovak Republics are developing differently. It will thus be necessary to achieve a basic political consensus on the extent and content of the integrating role of the federation. In doing this, it will be important to proceed in a rational manner and not to give in to various emotions which prevent us from finding an acceptable compromise and agreement.

Because of the political changes, the requirement for national liberation and national emancipation comes to the forefront along with the expression and ensuring of the rights of a people to decide on its own fate. In Czechoslovakia, this need is especially strong for the Slovak people, which is historically younger and thus much more sensitive to questions of nationality. It therefore also easily gives rise to the illusion of possibilities for a better national development in an independent Slovak state as urged by the proponents of separatism. They rely here on the support of certain groups of Slovak emigres.

In the work on the new Czechoslovak federal constitution, it will be necessary to resolve a dilemma. For the reasons stated above, the political representatives of the

nationalities will be interested in having the focal point of the state politics be in the republics, who will decide what authority will be entrusted to the federation. Currently, of course, if Czechoslovakia is to join in successfully in the integrational processes in Europe, it must enter into it as a single entity, as a relatively strong country. This creates a need for the authority of the federation to be relatively broad. This relates particularly to the legislative field, but the federation must also have the necessary economic instruments for it to regulate the process of the transition from a state-run economy to market economics. This is essential both within Czechoslovakia and also in regard to its international economic relationships.

This idea of setting up the federation's authority can run into a conflict with the interest in strengthening the role and independence of the Czech and Slovak Republics. It will therefore be very important to respect the principles of a rational solution to the authority of the Czechoslovak federation and that of the two national republics.

Meanwhile, some preliminary proposals for the new constitutional arrangement do not respect these viewpoints and are directed rather at a confederation. This is the case with both the idea and the limiting of the federation's competence and in its institutional composition.

In connection with this, it will be necessary to decide also about whether the parliamentary republic system will be preserved or whether there should not be a republic of the presidential type set up. In doing this, of course, there could not be a presidential system only at the federation level. Historical experiences to day indicate rather the preservation of the form of a parliamentary republic, even though currently the actual role and importance of the personality of the president exceed the office's constitutional concept. If the parliamentary form of republic is preserved, it will be necessary to renew the traditional relationships between the parliament, the president, and the government in the sense of a certain division of power among them, which in the current constitution is inappropriately simplified.

The question arises again, just as in 1968, as to what kind of structure the federal parliament should have and how it should be formed. The answer to this question also hinges to a considerable degree on the relationship of the federation and the republics and their mutual areas of responsibility. It is problematical whether the two-chamber parliament should be preserved further when the legal equality of the two peoples can be ensured in a single-house parliament. The federal concept of the state is hardly compatible with a concept of the Federal Assembly where its authority would be exercised in joint sessions of both national councils or their representatives, as is sometimes proposed. As far as a federal government and ministries are concerned, it is a matter of the extent to which the parity principle is applied.

Given that in the new constitution the federation's authority will be expressed more broadly, it would be more advantageous to incorporate in it the system of citizens' rights and freedoms. The specification of these rights and freedoms could be contained in the national constitutions without it being necessary to repeat all of the systems provisions. The federal constitution should also set up the constitutional courts and contain the basic principles for the organization and operation of the judicial system in general.

Currently all of these basic questions about the Czechoslovak federation and its constitution, as well as other questions, are open. To find answers to them we will have to seek out and to create new political and constitutional institutions and processes. The theoretical and practical experiences of other federations will be very important for us, even when they are not easily used because of the dual-member nature of the Czechoslovak federation. Another problem is the short amount of time in which this task is supposed to be carried out when you take into consideration everything in the legislative field that the legislative agencies will have to take care of. It is not a simple situation and they are not simple tasks. If there is, however, the necessary will for a political consensus on the part of the Czechs and the Slovaks, we will certainly also be able to resolve these constitutional problems as well to the benefit of both peoples and also of the nationalities living on the territory of Czechoslovakia. Success in these efforts is not just in their interest, but extends beyond the borders of Czechoslovakia. Indeed, the peaceful progress in Europe and the development of Europeanwide cooperation and integration is based on the idea that the economic problems and the overall crisis in the countries of Central and South-eastern Europe will be peacefully and successfully settled. Certain conditions have been created for the free development of all of Europe and its eventual unification, something not anticipated even a short time ago. Now the demanding nature of the new tasks and the necessity of joint efforts to carry them out is even more apparent.

Hajek Finds Socialism Still Relevant

90CH0192B Prague RUDE PRAVO in Czech 1 Jun 90
pp 1, 5

[Interview with Jiri Hajek by Marie Konigova; place and date not given: "Socialism Must be Revived"]

[Text] In the past 20 years our meeting would have been simply unthinkable and it would not have been at all possible for both of us to speak for the newspapers. Professor Jiri Hajek, currently a consultant for the Institute for the State and the Law of the CSAV [Czechoslovak Academy of Sciences], could only be published in the samizdat [underground press]. In the past 20 days it was also hard to get together for the meeting. Jiri Hajek is constantly on the road to congresses, conferences, and meetings here and abroad. Despite this, we succeeded in sitting down in his study on Narodni trida with the man

who has been connected for his entire life with democracy, socialism, Marxism, and humanism.

Discussions by a special unit of the Helsinki Conference on the Human Dimension set up last year in Vienna will start in less than a week in Kodan. After last year's first meeting in Paris, in Kodan they will talk about the human factor and the application of human rights as a prerequisite for the democratic development in the individual countries.

[Konigova] Why is this subject in particular so timely now?

[Hajek] The human dimension coming to the forefront of human rights is a substantial element for reinforcing democracy in the overall Helsinki process. The basis for a law-abiding state is respecting human rights, that is, setting a firm boundary for power against man, a defense boundary for human freedom. This must be firmly set in every law-abiding country so that even the state power must also respect it.

[Konigova] In the past 20 years here, however, the state power was subordinate to the power of the CPCZ [Czechoslovak Communist Party] apparatus. How can we then speak of the law-abiding state?

[Hajek] The agencies of state power in the past were actually often forced to ignore limits in their approach to citizens. But the substance of democracy is in the concept of the social contract of Rousseau and the contract means equality between citizens and power. This means that the state never has the power to be a master over society, but rather must remain its tool. Through the functioning of democratic institutes, society determines who is to manage this tool. At the same time, there must be checks by appropriate agencies and citizens' actions.

[Konigova] When M. Gorbachev first began to speak of the law-abiding state, few people could imagine what that was.

[Hajek] Gorbachev's great positive step forward is just this expression of that thought, but we should not forget our action program from 1968. Even though it did not use this specific terminology, it was substantially directed at making Czechoslovakia a law-abiding state. Remember what it says there about civil rights and freedom and about control of the state power from below. And what it says there about a different concept of the leading role of the party, which is that it is a task at which it must be striving constantly and not at all something which is given *a priori*. And if the effort is to be made, then it must be in a certain partnership relationship with the other social powers. It is true that this was only indicated because even thinking it through would have immediately brought us into a severe conflict with the dogmatists here and in Moscow as well.

[Konigova] But this was an incompletely expressed solution?

[Hajek] It is possible, let us admit, that we ourselves had not even taken the thought far enough for us to express certain things fully. Under the conditions at that time, however, the rejection of the superficial concept of the leading role of the party and the adoption of a partnership relationship to the other political and social powers was the beginning of true democratization.

[Konigova] Let me throw in a question: Do you think that everything would have succeeded if the allied troops had not showed up?

[Hajek] History does not allow for "what if," but I can give you some kind of estimate. We would probably have run into the same obstacles that Gorbachev is encountering today, but our conditions at that time were more favorable for success with our smaller country, more homogeneous economy, and democratic mentality of the people.

[Konigova] But even in the Soviet Union there were people who supported the developments here...

[Hajek] Yes, Sakharov, in the memorandum which he sent to the Soviet government, pointed out the crisis in the Soviet society at that time and the necessity for reform similar to that which perestroika is bringing today. Of course, the Soviet leadership did not pay any attention and thus the Czechoslovak reform failed not because of our own mistakes, but rather because of the lack of understanding on the part of our allies and their intervention by force.

[Konigova] You spoke of strong dogmatism in the CPCZ. You have been connected with the party for most of your life. Can you then evaluate what its position is in comparison with 1968?

[Hajek] The Communist Party in Czechoslovakia in 1968 had a one-time chance to show how Stalinist regimes could be reformed with the support of society. Part of the party was truly aware of this and showed that it is possible to create a certain type of democratic socialism. And our communist party never had so much trust as then, even though it came into conflict with its allies. When its new leadership put in by Brezhnev then forced on society a system which is today known as stagnation, the CPCZ threw away its chance.

[Konigova] And what about the CPCZ's chances today?

[Hajek] This is a matter first of all for its members.

[Konigova] But there is an enormous atmosphere of mistrust...

[Hajek] One must say that it is justified. The changes here have taken place against the will of the CPCZ leadership. They did not understand that a revolutionary situation had come about just as Marx described in his "Introduction to A Criticism of Political Economics in 1859."

[Konigova] To use Marx as an authority is not very popular today. How is it with his theory of revolution and its validity for today?

[Hajek] The forces of production felt themselves to be in a contradiction and in conflict with the relationships of production, that is, with the organization of management and the power of that society. And instead of supporting the development of these forces of production, the management and power became a drag on them. Here, as Marx says, is where a revolution takes place in the development of every society. But our dogmatists utilized this definition by Marx exclusively for the past. When we defended the actions of 1968, we pointed out the fact that it was a true case of where the communist party understood the conflict that he was talking about and got out front in the efforts at its revolutionary resolution. In contrast with November 1989, when they placed themselves against the revolution even though they had all the material and technical resources in their hands. It was therefore swept out. And it is therefore, for example, that Gorbachev today is trying to keep the communist party in the forefront of the political resolution of the situation.

[Konigova] What is the analogy here with 1968?

[Hajek] I grew up my entire life with the Marxist ideology and I have also tried my entire life to prevent its distortion by Stalinist elements. And I therefore truly think that our revolution itself is proof, at least for me, of the correctness of Marxism. The former CPCZ leadership, however, was a long way from accepting this and therefore found itself outside society.

[Konigova] So you still continue to be a Marxist, even in a period of strong attacks on this ideology?

[Hajek] If you will permit me, I will use Marx, who said about himself that he was not a Marxist. I understand him to be a great thinker who has the same importance for the social sciences as Newton for mathematics or Einstein for the natural sciences. But not creative scientist sticks just with the classics, but rather goes further and looks at what other people as well have brought for the development of the given field. Therefore I will also use as a basis a given classic in order to integrate all new knowledge in his understanding and inspiration. And obviously they correct some of Marx's views, but the correction is necessary and required for every scientifically thinking person.

[Konigova] Do you not have the feeling that the crisis of the society was also a consequence of the crisis of the theory?

[Hajek] Certainly. That came about also because the party approved the villainy called "Lessons Learned." I was horrified by its primitive nature, its nondialectic approach, and its anti-Marxism. That was truly a counterrevolution. Because if anything was, it was the attack of troops and the actions of the Husak and Jakes team. I said it at that time, but I could publish it only in the samizdat. The revolution was the Prague spring, with all its mistakes and all its shortcomings and inconsequential actions, but it was in

keeping with the understanding of a revolutionary situation exactly in the spirit of Marx's classical theory. And when a certain party discredits itself by counterrevolution, then it is very difficult for it to rehabilitate itself.

[Konigova] Do you suppose that the CPCZ can rehabilitate itself?

[Hajek] Today there are many attempts for the party to hang on, even with its own name, and even if it were to give up its name, it must free itself up from the past evaluation of history, including 1968. It would also have to give up those people who bear the responsibility for the contrarevolutionary actions of that time. Because even if they themselves personally and honestly came to be convinced that this "cut" is necessary, despite this I think it would have to be done for the party by people not burdened by the past. Otherwise the credibility of this action was be low.

I do not want to and cannot recommend anything to anyone, but the communist party, if it wants to renew itself, must begin with all of its history.

[Konigova] And what about socialism and democracy. Do they go together? You already referred to their connection in 1968.

[Hajek] I am convinced of the fact that Marx was a democrat and that the socialist movement played an important role in the democratization of society. Let us not forget that the original concept of the American and French revolutions led to putting regimes in power where the requirement for full citizenship was a certain material level expressed in a voters list. This meant that only people paying a certain amount of taxes were citizens with full legal rights. Universal voting rights and the other features of modern democracy was fought for by social democracy, that is, the socialist movement. The democratic intelligensia, including Masaryk here, came to support this. The workers movement was able to become the bearer of democracy and as a further development, its original political monopoly is expanding from the workers to other social strata as well.

[Konigova] But they say that socialism is dead and has no future.

[Hajek] It must be said that what was put out as socialism here was not socialism, but socialism as a rational and proper social order still remains a goal for which it is necessary to strive.

[Konigova] The November revolution has, however, definitely distanced itself from socialism...

[Hajek] Because what was forced on the people for years as socialism has discredited not only the word, but also its meaning. I am therefore convinced that it is necessary to renew socialism.

[Konigova] Thank you for the interview.

GERMAN DEMOCRATIC REPUBLIC

Party of Democratic Socialism Details Assets, Holdings

90GE0183A East Berlin NEUES DEUTSCHLAND
in German 14 Jun 90 pp 4-5

["Text" of statement by PDS [Party of Democratic Socialism] Deputy Chairman Wolfgang Pohl: "Figures and Facts About the Party's Wealth"]

[Text] Wolfgang Pohl, PDS [Party of Democratic Socialism] deputy chairman, reported in detail on the party's assets at an international press conference. NEUES DEUTSCHLAND publishes this report verbatim:

After its election in December 1989, the new party leadership was faced with great and difficult political tasks connected with the condition of the party and the country itself. That was the result of many years of miscarried policy by the SED [Social Unity Party of Germany] leadership. The party at that time carried great responsibility for the country. The party leadership, which had been almost completely replaced, was in a permanent state of overstrain so that questions of wealth could not play a decisive role.

Nonetheless, the presidium and party directional committee have always tried for political and legal solutions of these questions. The concept of its resolutions consisted in gradual implementation of the following principles with regard to wealth:

1. Precise assessment of party assets.
2. Divestiture of property whose origin cannot be clearly established legally.
3. Divestiture or transfer, respectively, of property whose maintenance contradicts the renewal of the party.
4. Divestiture of property which in future can no longer be financed by the party.
5. After the GDR law governing political parties went into effect, there was the added task of examining whether ownership of enterprises and installations was in accordance with the criteria of paragraphs 15, 16, and 23 of the aforementioned law.

Implementation of these five tasks cannot be considered concluded. Meanwhile there is also the consideration that the party's financial and material survival capability must be preserved in a unified Germany, whereby fusion with a sister party is excluded, and donations from corporations, customary in the FRG, will certainly not reach us.

A detailed listing of assets was planned and prepared for the period after 30 June 1990. But the known decisions

by the People's Chamber caused us to present the information today. However, that is also the reason why some of the figures cannot be stated with the desired precision.

We want to mention that up to the present time, neither the People's Chamber nor the government have established criteria for capital accounting of parties and social organizations, which adds to the difficulty of the task.

In our property decisions we also had to take into consideration, in addition to the aforementioned five criteria, that the number of full-time staff in the party apparatus and party-affiliated institutions must be drastically reduced in the course of the renewal of the party. Hence we had to study whether, and to what degree, holdings or the formation of limited liability companies [GmbH], respectively, meet the legal criteria of the law governing parties on the one hand, and how new jobs can be secured on the other hand. Only such limited liability companies were considered which simultaneously served the implementation of communal tasks in the region.

1. The assessment of wealth was a complicated task. It was due to the fact that the SED leadership, on the basis of its claim to exclusive rule, placed little value on orderly legal documentation. Sometimes extensive research was necessary to make precise assessments possible. To this day, the latter was not possible in all cases. A further difficulty consisted in the fact that, after election of the new leadership on all levels, some staff members of the former apparatus left the apparatus or the party, respectively; some showed little willingness to give information, and no real relationship of trust could be established.

Although great progress was made in assessing the wealth, the task still cannot be considered as definitely concluded. There were particular difficulties in identifying assets in foreign countries, which will be dealt with later.

2. As of 31 December 1989, the party had the following financial bank accounts at its disposal, including cash holdings.

a) Outside the balance sheet, a reserve fund of unused profits from party enterprises and, perhaps also from unused subsidies from the national budget up to 1984, in the amount of 3.041 billion marks [M]. This amount had been earmarked for investments in party enterprises. It was paid over in full to the national budget. Transfer of this money to the finance ministry was done in three installments between 9 February and 20 February 1990.

On 15 March 1990, the GDR Council of Ministers passed a resolution on the use of the M3.041 billion transferred to the national budget. The following purposes for its use resulted therefrom:

1. To improve supplies and care for older people, particularly in recreational and nursing homes, for reconstruction, maintenance and furnishings—M500 million.

2. For the health and social system, to improve material-technical conditions, particularly for reconstruction, maintenance and furnishings—M833 million, including:

- M400 million in psychiatric clinics and social rehabilitation institutions.
- M400 million in local hospitals as well as contributing to the construction of the bezirk hospital Berlin-Marzahn.
- M33 million for the special school for deaf and handicapped children in Eberswalde.

3. For promotion and support of cultural and artistic projects as well as reconstruction and restructuring measures in the culture and arts sector—M637.9 million.

Of these:

a) M150.0 million for the Society for the Promotion of Culture and the Arts, including interests of the "Cultural Preservation Association of GDR Artists."

b) M148.5 million for the Ministry of Culture's cultural fund, to support publishing companies, among other things.

c) M50.0 million for the reconstruction of the Andreas section of Erfurt's Old Town.

d) Support for urgently needed projects within the framework of the Leipzig restructuring program:

- M50.0 million for new construction of the Leipzig commission and wholesale book trade.
- M30.0 million for the reconstruction or modernization, respectively, of the Leipzig publishing company, including possible relocations.
- M10.0 million for the city and bezirk libraries, respectively.
- M45.0 million for reconstruction of the Leipzig University library.

e) M19.0 million for the Central Commission for Youth Initiation.

f) M135.5 million for other expenses and projects:

- M1.0 million for "Die Weltbuehne."
- M0.3 million for the Prenzlauer Berg children's cultural fund (pilot project for large cities, "Network Play Culture for Children").
- M0.2 million for the GDR PEN center.
- M70.0 million for the "Centrum Judaicum" foundation.
- M0.5 million for the Association of Jewish Communities in the GDR.
- M5.0 million for reconstruction of the "Babylon" movie theater in Berlin.
- M1.0 million for the promotion of Sorbic culture.
- M0.8 million for promotion of the culture of German-speaking minorities in East European countries.
- M20.0 million for reconstruction of the Metropol theater in Berlin.

- M5.0 million for the artistic development fund of the Leipzig opera.
- M10.0 million for Deutscher Dom [German cathedral].
- M9.0 million for the Museum Island.
- M1.5 million for Ernst Barlach's bronze sculpture "The Spiritual Fighter" for the Bebel square in Berlin.
- M10.0 million for a building complex of the Francke endowments (Halle).
- M0.2 million for repair of the Kreisau estate castle (memorial).
- M0.5 million for the Adass Jisroel community.
- M0.2 million for the European Humor and Satire Festival in Leipzig.
- M0.5 million for the "Wuhlheide" recreation center for children.
- M0.1 million for the Sorbic children's newspaper.

4. For the GDR Academy of Sciences—M60.0 million for the reconstruction of the Berlin-Adlershof research center.

5. For measures of environmental protection—M110.0 million, particularly for the following projects:

- M33.0 million for the Beesen waterworks.
- M41.0 million for the Kaditz purification plant (1st expansion phase).
- M20.0 million for the Delitzsch purification plant.

6. On the basis of other—already approved—projects for the health care system, environmental protection, culture, youth and sports, the minister for finances and prices was empowered by the resolution of the Council of Ministers to make appropriate payments, in accordance with the respective ministers—M200.0 million. Among others, support in the amount of:

- M4.3 million for the special school for emotionally and physically impaired children.
- M1.0 million for environmental measures, upon request by the Green League.
- M3.0 million for expansion of the special school for mentally handicapped children in Schmalkalden.
- M1.0 million for the Greifswald child care center.
- M2.0 million subsidy to the Burgwerben community, kreis Weissenfels.
- M30.0 million subsidy for sports.
- M18.0 million for the House of Youth in Dresden.
- M18.0 million for construction of a bypass road and bridge in Weissenfels.
- M1.2 million for the "Kinderkombination" in Buckow (upon request by the Round Table in Buckow).
- M10.0 million for new construction of a nursing home in Neuruppin.
- M0.45 million for technical aids for the Association of the Handicapped.

There remained an amount of M700 million which was to be used to establish a foundation. Through further requests addressed to us or to the Council of Ministers,

to our knowledge an amount of M500 million has meanwhile been decided on for disbursal, among other things:

- M0.3 million to the Association of Journalists.
- M297.0 million for further environmental projects (biosphere).
- M200.0 million for completion of investments in nationalized printing plants.

The party leadership does not know to what extent the transferrals have been carried out by the Council of Ministers for the individual purposes and projects. A decision by the Council of Ministers is still needed with regard to the remaining M200 million for the planned foundation.

b) The PDS also had at its disposal about M550 million which were earmarked for special purposes. This refers to the party's old-age insurance fund in the amount of M460 million, obligations in the amount of M51 million with regard to the firm of Genex, and unused subsidies to the former bloc parties in the amount of M37 million.

The money in the party's old-age insurance fund came from contributions by the insured, contributions by the enterprises, and interest. These funds were transferred in full to the national insurance of the GDR as of 1 March 1990. This achieved parity of the PDS old-age insurance with old-age insurances within other parties and societal organizations. The only difference is that our old-age insurance sets a maximum limit for the amount of pension. Other old-age insurances do not have the same regulations.

It is worth mentioning that party members who, in the course of renewal, were expelled from the party by 1 March 1990 were also expelled from the old-age insurance and do not receive payments from it. This also applies to the respective former members of the Politburo and the SED Central Committee. Hence this circle of people does not receive pensions or other payments from the party. (E. Honecker was not a member of the old-age insurance.)

The obligations with regard to Genex were paid off before the firm was nationalized.

The funds of the other former bloc parties were returned to the Ministry for Finance and Prices. We do not know what further use was made of them.

Thus the party no longer has disposal of the funds earmarked for special purposes.

c) Lastly, the party had at its disposal a circulating capital fund of approximately M2.6 billion from bank accounts, including cash in hand. It must be taken into account that the number of SED members had grown to 2.3 million in recent years. Membership fees were relatively high (for instance, 3 percent with a gross income from M1,200 up.) Due to wage and salary developments in the country, the average monthly membership fee rose constantly. From that resulted in recent years annual

membership fee proceeds of over M700 million (for example, about M722 million in 1988, about M710 million in 1989). Of the M2.6 billion, as of today's date the party directional committee still has approximately M820 million at its disposal, which also takes into account ordered transferrals, irrespective of their actual position of implementation by the banks. The bank and cash position stands at approximately M880 million, since M60 million of PDS income since January 1990 were added centrally. Also taken into account must be the financial means which are still at the disposal of bezirk and kreis directional committees, grassroots organizations and party institutions, whose rendering of accounts, however, was only planned for 30 June 1990, in accordance with the law governing parties. These funds can only be estimated at present at approximately M200 million. They already contain income, particularly from [membership] fees in 1990. The fees amounted to about M19 million from January to May 1990. They remained in full at the grassroots in the kreises and bezirks.

Thus there are still about M990 million available of the original money of the circulating capital fund, while the party's total financial assets including new income amount to approximately M1.08 billion. From this one can deduce that, in somewhat more than 5 months, about M1.6 billion were spent from the existing circulating capital fund. If one were to assume that the party's income since January 1990 were used in full to cover these expenses, expenditure of the original circulating capital fund would amount to approximately M1.5 billion. These figures are primarily linked to old obligations assumed from the SED, which are naturally borne by the PDS alone. Important expenses were, among others:

1. About M330 million had to be transferred to the national insurance for the party's old-age insurance fund as further enterprise contributions. Only in this way could it be ensured that the national insurance will not have to pay subsidies in the coming years to guarantee this old-age pension.

2. By May 1990, approximately M150 million were paid to finance interim payments, preretirement payments and other benefits according to the GDR's legal regulations for coworkers who lost their jobs due to the structural changes in the party's renewal process. Payments of this kind must be continued in accordance with the legal provisions. They are increasing every month, since the number of employees vacating office continues to grow. If the planned legal provisions of the FRG come into force in the GDR as of July 1990, then on the one hand, dismissal protection declines, but on the other hand, the enterprises' payments obligations will increase to a considerable extent. This will also apply to the PDS for employees who have left or are leaving, so that costs will rise considerably. Inasmuch as already approximately M150 million have been expended from the presently established social funds (M200 million), it becomes clear that the remaining fund of M50 million will have to be extensively replenished.

3. Approximately M40 million were used for the upkeep of buildings (among other things, energy supply, water supply, cleaning and maintenance). This applies not only to buildings still owned by the PDS, but also to those which have been surrendered in the meantime. In some cases, such payments were made and are still being made even after divestment of the buildings, such as the House of Parliamentarians. The change in legal title to this building was carried out on 1 April 1990. But all bills were still paid by the PBS until 31 May 1990. But we are well aware that we still used some of the rooms until mid-May. Also included in this amount of approximately M40 million are contractual investments in which the former SED was the principal.

4. Approximately M160 million were expended on wages, salaries and stipends of staff members of the PDS and its institutions. Here, also, precise figures will be available only by 30 June 1990, since the accounting by bezirks, kreises and their institutions is done on a quarterly basis. It must be taken into account that, with the reduction in numbers of staff members, these costs decline, but that simultaneously expenses for social benefits increase (see Point 2). As is known, in the course of the party's renewal the number of full-time employees was reduced from 44,000 to less than 10,000. Further reductions are needed. Dissolution of the former party college as of 30 June 1990 in itself affects 767 staff members and a great many students, and only a part of the staff can be taken over so that again considerable claims to social benefits arise. This example demonstrates that the remaining coworkers are not at all exclusively staff members from the party apparatus.

With regard to future payment of wages and salaries, it must be taken into account that the employer's share of contributions will increase noticeably. Although we intend to further reduce the salaries of political coworkers in order to lower costs, we cannot undercut certain social limits. With the reduction in subsidies and the expected rise in prices, at certain times even pay raises may become necessary, especially since we cannot expect that subsidies from the national budget will be paid to the party's coworkers.

We also want to point out that in the change of the party leadership there were several thousand national and foreign students whose departure and acquisition of the status of paid employee was often very complicated and in certain cases were also connected with social payments by the party. In the case of foreign students, their return to their homelands had to be financed.

5. Approximately M96 million of price subsidies for press products had to be paid in the first quarter of 1990, although most bezirk newspapers, for instance, had repudiated us and declared themselves independent of the party.

6. Approximately M14 million were made available for the formerly promised support of leftist movements all over the world.

7. Approximately M40 million were paid out as honorary pensions to party veterans (M100-200 per veteran and month) for one year with the proviso to herewith abolish this pension which had been instituted earlier.

8. To continue publishing the complete Marx-Engels edition, which has been proceeding for years and receives strong international attention, a MEGA Foundation Berlin e.V. [registered society] was established. A donation in the amount of M55 million was remitted to form ordinary capital.

9. To secure the historically valuable archives and the library of the Institute for the History of the Workers' Movement, a nonprofit association is to be founded, the "Archives and Library of the Workers' Movement e.V." This will not only secure the archives, the library and workplaces, but in the future also access for the public. To financially secure the activity, an amount of M7.2 million were remitted for the transition phase to the end of 1990.

10. Donations in the amount of M325 million were given, such as M250 million to the Humboldt University at Berlin, since it had not been taken into account when the Council of Ministers decided on how to use the M3.041 billion and the rector had requested such a donation.

11. Approximately M40 million were spent on the party's actual political activity. This includes the Party Congress, conferences and meetings, two election campaigns, publications, official travel, etc.

12. Approximately M280 million were spent by the party for the founding and operation of private companies (limited liability companies and trade enterprises). This was done to create or ensure, respectively, jobs, predominantly for dismissed coworkers. We made sure that local interests were taken into account. At the same time the founding of such companies served to decentralize parts of the party property. The provisions of the law governing parties played an important role in that. Proprietors are always persons, and the party's money is secured by loan contracts. Only in one case was special attention paid to gaining persons of great trust as proprietors. In no case does the party have any holdings. This means that it has no share in the profit or loss. In case of loan repayment, any connection is severed. We were quite aware of the risk that some of these enterprises might go bankrupt, so that the loans granted would not be repaid, or only in part. In some cases the loans have already been repaid by proprietors, so that the connection no longer exists.

13. The Dietz publishing company and the Neues Deutschland publishing company will be converted into limited liability companies by 30 June 1990. Here the party becomes one of the shareholders and had to expend approximately M35 million for ordinary capital, loss support, investments, increase of circulating capital and guarantee of continued wage payments.

d) Included in the aforementioned circulating capital were approximately 75 million valuta marks. Through interest, this amount increased by 2 million valuta marks, and slightly through proceeds from organizational activity. There were no other proceeds in the valuta accounts—with the exception of an incorrect entry that was retransferred. These valuta funds came from former profit transfers from party enterprises (Zimex and Genex), from interest and proceeds of organizational activity. They were, and are, exclusively in accounts at the Deutsche Handelsbank AG in the GDR. According to our findings there were at no time transfers from abroad. To the extent that in former years there were purchases of valuta marks from the Staatsbank [central bank] as planned in the national budget, according to available data they were in each case completely expended. The purpose was always clearly defined.

According to our findings, money from the commercial coordination sector was never put under the direct property management of the former SED. The funds made available were always sent on in full by the former Central Committee to support foreign communist parties, in particular the DKP [German Communist Party]. They were not included in the party's budget and balance sheet. In December 1989 it was decided to end any connection with the commercial coordination sector and the Ministry for Foreign Trade was informed that the new party leadership assumes that all former and future proceeds of this sector are solely at the disposal of the national budget. Therefore, the PDS has received no payments whatsoever from that sector.

With regard to the aforementioned 77 million valuta marks, an expenditure of approximately 30 million valuta marks results from the facts stated in the previous paragraph. The largest item is the expense for international solidarity in the amount of 14 million valuta marks. Further expenditures result from the granting of a loan of 6 million valuta marks, purchases, travel expenses, use of artistic performances, and expenses for political activity, including holdings in a limited liability company.

Thus there remains a favorable credit balance of approximately 48 million valuta marks. The presidium decided to make 20 million valuta marks available to the Berlin printing center for modernization of technical equipment, so that, after implementation of this order, there will be approximately 28 million valuta marks in the accounts.

e) With regard to PDS income as of January 1990, the amounts were already shown under Point c). They will be summarized here once again, as follows:

Income from membership fees up to May 1990 was approximately M19 million, which remained at the grassroots level in the kreises and bezirks.

Further proceeds of the kreis and bezirk directional committees cannot be listed precisely at present, since

the accounting will only be done on 30 June 1990 by the kreises and bezirks and party institutions.

The party directional committee itself had proceeds of approximately M60 million. They resulted from reimbursement for the election campaign costs for the election to the People's Chamber in the amount of M9.5 million, bank interest of approximately M24 million, sales of fixed assets in the amount of approximately M13 million, a profit transfer of M10 million for the year 1989 from the party-owned publishing company in early 1990, and beyond that from organizational activity, services rendered, and donations.

With the exception of the amount of M10 million just mentioned (which was for 1989), there were no more profit transfers whatsoever from party enterprises, independent of the point in time when they were converted into people's property.

f) The party has claims, as presented under Point d-12, due to the granting of loans in the amount of approximately M280 million. After the currency union, these claims are reduced to approximately M143 million, since only the claims for 6 million valuta marks will remain in the full amount, while all other claims will be cut in half. Since the loans were long term, no extensive repayments can be expected before mid-1991.

g) With regard to the remaining central financial funds in the amount of approximately M880 million, a reduction to approximately M860 million will take place after transferral of M20 million to the Berlin printing center. With a complete exchange within the framework of the currency union, this amount is reduced to approximately M444 million, since it contains a share of only 28 million valuta marks, and the other amounts are cut in half. Since the party in principle has no debts, no debt reduction occurs. On the other hand, the costs for wages and salaries, social benefits, taxes, insurances, and management and preservation of remaining buildings will increase considerably, as described. According to realistic estimates, the aforementioned party funds will be exhausted by mid-1991 at the latest, if income is not taken into account.

During this period of time, claims from the loan contracts will not be readily redeemed. The listing made it evident that most expenditures are due to the burdens assumed from the SED. It is our goal in the future to reach a balance between income and expenditure.

But this can succeed only when those obligations are finally paid off which result from the former activity of the SED, particularly the buildup of an overly large apparatus with its resultant economic burdens.

In case of nonconversion, all burdens would either have to be assumed by the national budget, or we would have to file for bankruptcy. In the latter case, the political goal of the party's liquidation would have been achieved.

3. As of 31 December 1989, the party owned the following organization-owned enterprises:

Enterprise	Assets on Balance Sheet
Zentrag, including Panorama and Zimex GmbH	M3,626.3 million
DEWAG	M307.0 million
Intertext	M22.6 million
School estate Liebenberg	M34.6 million
Forestry Liebenberg	M7.5 million
Dietz Publishing Company	M17.9 million
Genex	M44.1 million
10 party-owned book publishing companies	M72.9 million

Upon decision of the party directional committee, a partial transfer into people's ownership and other forms of ownership was taken. This decision was based on the endeavor to break the media monopoly of the SED (Zentrag) and to make it evident here, too, that the claim to sole rule has been abandoned.

a) From the Zentrag sector, enterprises and publishing companies were transferred to state ownership with a transfer value of M2,611.6 million as of 28 February 1990. The same applies to five party-owned book publishing companies (Aufbau publishing company Berlin with Ruetten & Loening, Berlin publishing company Volk und Welt, children's book publishing company Berlin, Mitteldeutscher publishing company Halle, Kiepenheuer publishing company with Dieterich book-selling company) with a book value of approximately M47 million.

Only for these enterprises and publishing companies is there an agreement on a deferred purchase price which comes due in case of sale to third parties, or after conversion to a joint stock company if more than 49 percent of the stock is in foreign hands. This agreement serves the goal of preserving people's property, in accordance with the party program. Employees' shares would in no way lead to the purchase price coming due. This agreement was never kept secret. It was demanded by the party grassroots and played a role in many public functions.

It is hoped that at least a larger share of people's property will be preserved to avoid private monopolization of the press sector, so that the purchase will never come due. If the purchase price should come due and is paid, the money is to be used for social and humanitarian purposes. In any case, it was our intent to erect a barrier to avoid party property that is transferred by us to people's property being directly privatized in its majority.

In addition, the foreign trade enterprise Zimex GmbH from the Zentrag sector was taken out of the party property by gratis divestiture of its shares to state-owned enterprises.

Furthermore, the enterprises of DEWAG with a book value of M307 million were also transferred gratis to people's property.

b) The party's shares in Panorama GmbH and in Genex were transferred gratis to state-owned enterprises.

In this manner, they are no longer part of party property.

c) Intertext with a transferral balance of M22 million as of 28 February 1990 was transferred gratis to cooperative property.

d) As desired by the staff of the other five party-owned publishing companies (Neues Leben, Henschel, Urania, Altberlin publishing companies, and Eulenspiegel book publishing company), these publishing companies were not transferred to people's property, but limited liability companies were formed directly. The shareholder contracts have not yet been concluded in every case. Since no people's property was formed, the transferral could not be done gratis. The book assets were granted as a loan. Where additional funds were needed for successful activity, further loans were granted.

These loans are listed under Point 2.

e) The Liebenberg school estate, the Liebenberg forestry enterprise and the enterprise and publishing companies of the Zentrag sector not listed under a) (Berliner publishing company, Berlin printing center, Berlin printing company, Visuell publishing company, Vordruck central publishing company, Tastomat, DPT-druckprint) were converted into limited liability companies, or are being founded as such. With the exception of the Berliner publishing company, neither Zentrag nor the party are shareholders. Proprietors are various corporate bodies. The book assets are made available as loans. In the Berliner publishing company, Zentrag—and hence a party enterprise—is a proprietor. In this case, the aim is for a limited liability company with foreign participation.

f) The conversion of Neues Deutschland publishing company with book assets of M41.5 million, and of the Dietz publishing company with book assets of M17.9 million, into limited liability companies was already dealt with under Point 2-c. Here the party will be a proprietor.

g) From the expositions presented above ensues the necessity of dissolving Zentrag by 30 June 1990. At that time a decision must also be made with regard to ownership changes of the remaining Zentrag vacation homes in Boltenhagen, Ebenheit, Bad Saarow, and Hessenwinkel with book assets of approximately M6.3 million, for which holiday vouchers up to the end of 1990 have already been issued to coworkers of former party enterprises.

4. With regard to the party's real estate property and buildings, assessment of its present value as of 30 June 1990 is planned, but at present these data are not available. On 31 December 1989, 145 properties were

being administered either centrally or independently. According to our survey, 333 properties were being administered by the party's bezirk directional committees.

Among the 145 centrally or independently administered properties were in particular: 47 single-family homes, 35 recreational and guest houses, 16 schools and educational facilities, 7 administrative buildings, 5 weekend houses, 2 bungalow settlements.

The other properties are garages, storage buildings, etc.

According to our survey, the properties administered by the bezirk directional committees were the following: 253 administrative buildings, 57 recreational homes, guest houses, single-family homes and nearby recreational facilities, 23 schools and educational institutions.

So far, a decision has been made about divestiture of 66 of the 145 centrally or independently administered properties. The measures concerning transferral to the new legal entities were coordinated with the appropriate state authorities. The process of divestiture is not yet concluded in some cases, because there are no takers or, respectively, the modalities of the divestiture are not yet clarified. Some of these properties are: 8 schools and educational facilities, 5 administrative buildings, and 26 recreational homes and guest houses.

To the extent that property was transferred to the health care and social system, it was done gratis. The same applies in most cases where property was transferred to municipalities. Contrary to press reports, in cases of divestitures to municipalities there was never an agreement to defer the purchase price until resale or privatization.

With regard to the single-family homes, weekend houses and bungalows, there exist rental and usufruct contracts which had still been concluded by the SED. As a rule, maintenance costs exceed the income from rents and user fees. Hence it was decided in December to sell the houses to the users. When it became clear that unjustified advantages were accruing to this circle of people, which consists mainly of managerial staff of the Central Committee, sales were stopped by a resolution of the presidium on 1 March 1990.

Thus it came only to a sale of a total of 11 single-family homes. Under GDR civil law still in force, so far there exists no condition to dissolve rental and usufruct contracts against the will of those affected.

Former members of the Politburo used only two of the party's weekend houses, whose lease was cancelled. The parties concerned have accepted the termination.

Although the overall current value of all the PDS's buildings and properties cannot be ascertained at present, it is already clear that the value of the properties divested or to be divested, respectively, is greater (by about 60 percent of value) than the value of the properties remaining so far.

For most of the remaining properties, their use has been transferred to others or has been shared with others.

According to our survey, 136 of the properties administered by the bezirks have been divested. It applies here, also, that the use of the majority of the properties has been transferred to others or is being shared with others, respectively.

With regard to real property, the process of establishing the type of legal title and ownership, respectively, was very complicated and is still not concluded.

Nevertheless, it can be said overall that, considering the short time since year's end, much has been achieved with regard to assessment, decentralization, divestiture and transfer of party property, if one takes into account the great number of tasks and the reduction in the number of staff members.

5. With regard to the SED's foreign assets, the new party leadership has not found any data. So we cannot participate in the speculations that have meanwhile become the norm. Through oral information, we were only told that in September 1989 a sale of shares was to have taken place. So far, we have not had any access to proceeds. We were also told that even in previous years, companies are supposed to have been dissolved. According to our ascertainments, at no time were there any financial transfers to the SED from such companies. On the contrary, evidently a number of leftist movements abroad, in particular the SEW [Socialist Unity Party of West Berlin] and DKP, were materially supported by the SED through printing services and financial subsidies.

The new party leadership, in a letter to the attorney of Mr Schalck-Golodkowski, had requested information on possible foreign assets of the SED that might be known to him. The attorney's written answer claimed that Mr. Schalck-Golodkowski has no knowledge thereof.

Social Democratic Parliamentary Leader Profiled

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p 2*

[Article by Christian Wernicke: "With the Cunning of Reason—Martin Gutzeit, Cofounder of the East SPD [Social Democratic Party], Pulls the Strings in the People's Chamber"]

[Text] He usually speaks of himself in the third person, as if this would enable him—for the benefit of self-knowledge—to gain more distance from his ego: "One needs to make oneself a pebble," Martin Gutzeit murmurs. In his spartan office on the fourth floor of the House of Parliament Members (the former stronghold of the SED [Social Unity Party of Germany] CC [central committee]), he sketches his youth and apprenticeship years as an electrician. Suddenly he covers his wan face with his hands. He is lost in thought. A pebble? Abruptly, in halting words, he explains the meaning of this self-portrait: "Alone, hard—through."

This social democrat, now 38, has indeed often managed to "endure" something and, above all, "get something done." As a rebellious student in a village near Cottbus, as a long-haired theology student in East Berlin, as a philosophizing minister in Mecklenburg—at no time did Martin Gutzeit allow himself to be subdued by the ever present power apparatus of the old GDR: "You can step on a pebble, it will not break." The SPD's [Social Democratic Party] parliamentary manager of today retains his potential for turning into himself. Friends praise his "extraordinary capacity for concentration," by which he removes himself from party turmoil. At such times he broods on new ideas, forges plans, "potters" around with concepts, "pores" over his computer that stores lists of dates and strategies. This blond bearded face with laugh lines around the eyes simultaneously radiates strength and warmth. Not even his closest friends are able to perceive any real breaks caused by the change of role from dissident to organizer of the new East German parliamentary democracy.

His shy, even introverted, nature made the transition easier for him than for many others who, in the past, used to wish to democratize the GDR and are now "merely" allowed to prepare the second German state for union with the Federal Republic. Though Gutzeit demonstrates "ambition for the cause," his personal modesty is attractive. He himself chose to move into the second rank, to take on the donkey work for the fraction. He who, behind the scenes in the People's Chamber Presidium, plans all plenary sessions, has never yet taken the rostrum for a speech. At best he manages to submit a motion on the agenda. The stage director shuns the political limelight, indeed—being a poor interpreter of his own words, he sometimes tends to stammer.

In terms of analyses and conceptions, though, Gutzeit is usually far ahead of the pack. In fact, a few years ago he was the very first: While writing his doctoral thesis on Hegel's philosophy and "the logic of reconciliation," he conceived the idea of establishing the SPD in the GDR. Among trusted members of the opposition, he refined his method of "getting something started simply by telling others." At that time, his preferred listener was his old student friend Markus Meckel, currently acting SPD chairman and GDR foreign minister. Together they had soaked themselves in the dialectic and philosophy of objective idealism as far back as the late 1970's; assisted by Hegel, they had "acquired the knowledge of the reality of relations from their inner truth and certainty." Attendance at the barber's served as a quasi-external sign of this perception—the hip-length hair was cut because "I had my freedom anyway."

Since January 1988, the minister's son—by now himself a minister and father of two—had busied himself drawing up plans for "a game," the internal logic of which he considered bound to result in liberty. Though the revolution arrived earlier in the GDR than he had expected, though last autumn's demonstrations would have driven out the old SED guard even without the SPD's establishment—whenever Gutzeit remembers last

summer, he claps his hands in childish glee and starts laughing aloud. "It was a positively metaphysical pleasure" to simultaneously handle the SPD's claim to power and its history. This pleasure in perceptions gained by profound reflection lent wings to this Hegel disciple, allowed him to coolly "unmask the SED paper tiger" and accept the possibility "that one might also get shot in the process." To those who shy away from such phrases, Gutzeit explains the psychology of these events as follows: "We would never have managed that, if we had not laughed the system out of court well beforehand."

This almost elitist certainty about the stratagem of reason is paired with a profound sense of responsibility, nourished by Christian faith. Gutzeit wanted more than just end the SED bosses' and Stasi spies' "occupation of the truth," he wanted to "break through the limitation of my individuality to just a pebble and to say: No!" The philosopher alone might have been able to look on "as this beautiful country was being destroyed," the theologian, however, insisted "that this reality surely belongs to my children and all other humans." The pebble set off a rolling stone, helped triggered an avalanche that buried the dictatorship.

Consequently Gutzeit was disappointed but not unduly upset by the SPD's defeat in the People's Chamber election of 18 March. After all, he had achieved his most important goals—freedom, democracy, the legal state. With almost naive pathos he rejoices "that I witnessed for the first time that people may go to vote with dignity." At the same time he quickly grasped the SPD's tactical scope with respect to the CDU [Christian Democratic Union]. This astute thinker who, in expectation of his own election victory, had already entered in his computer the preliminary plans for taking over the government (his watchword: "Idleness is the root of all mischief"), advised his party to enter the coalition negotiations. His disgusted expression reveals that he thereupon "discovered the egoist behind the facade of the noble idealist." Still, he did not allow himself to be deterred from "politics as an opportunity for organization."

Action and negotiation—this pair of conceptions arouses something like passion in Gutzeit. His blue eyes light up, his sometimes volatile gesturing is used to pointed effect. This "total and consistent" conscientious objector was allowed under socialism to get his high school diploma at night school only and could not realize his dream of studying mathematics. While his strategy is outlined playfully, it is soundly reasoned. He uses patience rather than pressure and brute power politics to reconcile conflicts and contradictions. The organization of processes, the creation of rules ensure for him a minimum of reasonable results. Gutzeit thinks in concrete terms, seeks more than a synthesis: "Reconciliation means that we should accept differences." That is one of the reasons why, in the words of a friend in the fraction, he is "even more popular than respected in the SPD."

Could this minister take a seat in an all-German parliament? He grimaces and cringes at the mere thought of the compulsions of media politics in Bonn: "I know my limits!" He would prefer to complete his doctoral thesis and also misses the long walks in the woods, accompanied by his family. On the other hand—and here Gutzeit smiles roguishly—I have "always done that for which I am not really suitable." "In any case, I must preserve" the talent to be a pebble, to fall back on myself.

YUGOSLAVIA

Kosovo Albanian Official on Police Repression

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18 Jun 90 p 7

[Interview with Riza Aljaj, Kosovo Albanian delegate to the SFRY Assembly, by Dragica Pusonjic; place and date not given: "Good Servant, Bad Master"—first four paragraphs are BORBA introduction]

[Text] If the cat-and-dog fight in Yugoslavia in the past has been about anything, it has been about the fact that everyone needs a market economy and civil liberties, without which we will otherwise receive only a yellow card, if not a red one, from the Europe toward which we are heading or at which we have already arrived (this is a matter of dispute).

Precisely such an agreement makes the very scandalous cases in which government agencies attack civil liberties difficult—and now this attack is in the center of attention, and the issue becomes even more sensitive if it involves violation of the immunity of "national representatives" in the institutions and organs of Yugoslavia. The worst thing, then, is when these problems arise in Kosovo, which for a long time has been the political abyss of Yugoslavia.

In our search for an interviewee for a series on police action among the delegates in the SFRY Assembly in Kosovo, who do not spare this service at all in parliamentary debates, we witnessed an interesting phenomenon. People fled in panic as soon as they heard that they were being asked to make a statement for the press (we must say that this was not because BORBA was asking), and the few who either definitely refused to give an interview or were willing only to hear what subject was involved most often said "not me, please." It is pertinent to point out, of course, that similar symptoms are also manifested on other occasions.

And so it was a real surprise when Riza Aljaj, coordinator of the Kosovo delegation to the federal committee of the SFRY Assembly (he has been the general director of Pristina Radio and Television, has served on various regional bodies in the area of education, and has been a lecturer at Pristina University) almost immediately granted this interview to BORBA and answered all questions.

[Pusonjic] In our country Kosovo has had the greatest opportunity to experience the meaning of government repression and police action. How would you sum up this experience and where would you draw the boundary line between the actual need for employing police action in Kosovo and excessive use of such police action in unjustified government political repression?

[Aljaj] The boundary line between actual need for using police action in Kosovo and excessive use of such action in unjustified government political repression is very simple to draw and is obvious. If the goal of police action is to calm down a situation, then the need for it ceases when the situation has calmed down. If it is a question of reaching political goals, repression continues until these goals are reached. As soon as the police action becomes unjustified repression, it becomes clear what these goals are.

But We Do Not Know What They Are

The statement that Kosovo is experiencing most acutely what police action and government repression are is an objective one, because we have been feeling their sharp sting for almost 10 years now without letup. In reality, this is a repeated experience; something like it also occurred in 1966. Government repression is merely a means of achieving immediate, but very specific, political goals of the party and government oligarchy. If the evaluation of the situation is correct, if the aims and measures, even if they are some of the harshest ones, are honorable, if the repressive measures will contribute to pacification and restoration of order in a situation, it is quite certain that they should not be in effect for very long.

Analysis of government repression and police action up to 1966 has shown two things. The first is that by design an incorrect assessment was made of the Kosovo situation, and the second that accordingly the repressive measures were dishonorable and that their aim was not to put the situation in order but to achieve specific political aims. If an analysis were to be made of the repeated experience during this decade, and this will probably be done—but I do not know when—it would be found that incorrect assessments of the Kosovo situation have often been deliberately made. Remember the notorious nonexistent "staff document" that Lazar Mojsov waved in the faces of delegates to the SFRY Assembly when giving reasons for introducing a state of emergency in Kosovo. In this context allow me to point out that the so-called headquarters of the revolution has not been discovered after an entire decade. All this gives one pause to think, and to doubt.

To recapitulate: employment of police action to pacify a situation and ensure the safety of persons and property, equality of rights of peoples and ethnic groups, and functioning of lawful government and institutions of the system is essential wherever there are reasons for it, and so in Kosovo as well. But if it turns into the opposite, the use of repression should be ended, and the sooner the better.

[Pusonjic] Aside from the use of police action to calm down the permanent political tensions in Kosovo, how else should a way be found to arrive at a final solution to the Kosovo problem, naturally within the framework of the existing borders of the country?

[Aljaj] Order can be restored in the situation in Kosovo, and positive trends can be initiated, exclusively by means of a lawful government, by dialogue with the people, that is, with the Albanians and Serbs, Montenegrins, Turks, Moslems, and Gypsies who live there, and not by the repressive means currently being employed, paradoxically "in the name of the lawful government."

Neither Committee nor Commission

[Pusonjic] Even though as a delegate to the SFRY Assembly you enjoy the immunity guaranteed by the Constitution, to put it in the mildest terms possible you have had unpleasant experiences with the police in Kosovo. What is involved, from whom did you demand and receive adequate protection, and what position has been adopted by the SFRY Assembly in the matter?

[Aljaj] I want to make it immediately clear that I did not present my case for my own sake but to inform the SFRY Assembly and the Yugoslav public of the fact that individual members of the Combined Detachment of the Federal Secretariat for Internal Affairs either have so much authority that they do not shrink from violating provisions of the Yugoslav Constitution, and treat delegates to this Assembly like any potential criminal, even in public places where the largest number of citizens have assembled, thereby demonstrating something that is not in accordance with their fundamental mission, or they are blinded by hatred and deliberately overstep their authority, or possibly both factors are involved. Hence it occurred to me to take preventive action. All that has happened and is continuing to happen in recent days unfortunately supports my conviction that the question I asked the Federal Executive Council has borne no fruit.

[Pusonjic] Almost simultaneously with the delivery of the reply by the Federal Secretariat for Internal Affairs to your question as delegate about violation of immunity, statements were to be heard to the effect that the Federal Executive Council general secretary was (un)officially pardoning you by failing to answer.

[Aljaj] That is correct, and it points up the inevitable consequences of unleashing this force that every society truly needs.

[Pusonjic] Is there a commission subordinate to the Kosovo Assembly that supervises the work of the State Security Service, and are you informed about its work, if it exists? That is, to what extent are the citizens of Kosovo trying to solve their problems with the police action, which the Kosovo delegates are mentioning with increasing frequency in the Federal Assembly, by means of this commission?

[Aljaj] It sounds improbable, but it is true. The Kosovo Assembly has no commission supervising the work of the State Security Service. It does not even have an internal policy committee. In view of the multiethnic makeup of Kosovo and the bad experiences citizens have had with the conduct of the internal affairs organs and services, it is more necessary than ever to form these two parliamentary bodies to supervise their work.

What Is Not Constitutional

[Pusonjic] To put it bluntly, what you are saying is that the police action in Kosovo is political?

[Aljaj] Every society and every government needs a state security service whose basic mission is to preserve the social order established by the Constitution. In this context governments with a single-party system form a political police force that classifies as enemies of the country all persons who do not think as the party apparatus does, and especially those who think the opposite way. In democratic states based on the multi-party principle, those who think differently from the ruling party can and do constitute an opposition, but by no means an enemy. Consequently, I believe that changes are impending for this service in keeping with the changes that have started to take place in the government and in society as a whole.

[Pusonjic] In view of the increasingly dramatic conflicts between the Kosovo and Serbian Secretariats for Internal Affairs, what comment do you have to make about the relationships among the internal affairs secretariats of Kosovo, Serbia, and the federal government?

[Aljaj] Although I am not familiar with the details, the relationships among these authorities are regulated by the Constitution, laws, and instructions are issued on the basis of powers granted by law. Not just in these bodies but in others as well, relationships must be conducted in accordance with regulations deriving from law. However, the situation itself in Kosovo has raised a number of questions about jurisdiction and authority and in connection with the objective and subjective impossibility of successfully carrying out certain operations and missions. As a result of the 1989 constitutional amendments, Serbia obtained a number of interventive powers in this area, especially for action in complicated security and political situations. Even in these situations, however, the Serbian Constitution does not jeopardize the functioning of the provincial internal affairs organs. Nevertheless, the measures applied by the Presidency of Serbia in effect have suspended the operations of the internal affairs organs of Kosovo, and this is at variance with the Constitution and the laws of the republic.

Castration—A Political Truth

All these matters in dispute should be settled by the authorized organs of Serbia and Kosovo, with federal authorities mediating. In a multiethnic environment such as is Kosovo, suspension of operation of such a

sensitive body can have far-reaching negative consequences. These consequences are obvious at the very outset of the suspension. These are serious matters that require a refined political sensibility in addition to respect for the Constitution and the Law.

[Pusonjic] Albanian delegates have given a number of instances much smaller than that indicated in the Assembly, but they still have alleged that the police has overstepped its authority, from Malisev to solitary confinement. Nor has there been an official response to the statement by Fehma Nalbanij (in the discussion about the report by president Dr. Borisav Jovic on the security situation in the country) that there have "even been instances of castration" in Kosovo. This was clarified a few days ago by Redzep Hamiti, who stated to the Social Policy Committee that "a shepherd in Djakovica has been castrated." What comment do you have on this matter?

[Aljaj] This has become a political truth that has caused bitterness among citizens, although we must wait for an objective evaluation and expert opinion to arrive at the material truth about this repulsive, unprecedented act. Hence I do not want to say anything more until the matter is fully cleared up.

[Pusonjic] Lastly, what comment do you have about the Yugoslav police of yesterday, today, and especially tomorrow?

[Aljaj] The police is a force that every society needs. It is like a force in nature, good as long as it is a servant to man but very bad when it becomes master. It is beneficial if it is an agency of a lawful state, if it operates in accordance with law and within the framework of constitutional decisions, but it is very unpleasant—and this unpleasantness has made itself felt in Kosovo—if the police evades control by society and becomes an element in a political police state. If this happens, the commanders pursue aims of their own, mainly unscrupulous ones, striving to make them "untouchable," "infallible," and the like and scaling down the importance of major errors by the police and of blunders in its work.

[Box, p. 7]

Let the Assembly Be the Judge

[Pusonjic] You mentioned the consequences of suspension of the Kosovo Provincial Secretariat for Internal Affairs, stating that they are far-reaching and negative and already obvious. What consequences do you mean?

[Aljaj] If you read the newspapers, you know how much is being written about the excesses connected with the behavior of the police. Consequently, I launched an initiative in the SFRY Assembly that a parliamentary commission be appointed to investigate and evaluate the work and behavior of the police in Kosovo. This analysis cannot be made by the entity that is the "subject" of the analysis, that is, the police, because it would be its own judge. Objective evaluation of the actions of the police in

Kosovo can only be made by someone "on the side," that is, only by the Assembly, because it is the highest organ of power.

(Last Sunday this initiative was stricken, with no reason given, from the agenda of the session of the Internal Policy Committee—Editor's note.)

[Box, p. 7]

Why Do They Not Recognize Riza?

[Pusonjic] It is incomprehensible that several delegates, including you, have on several occasions stated directly at sessions of the SFRY Assembly that the police "have violated the immunity of Riza Sapundzija," a member of the SFRY Assembly from Kosovo, and that up to the present there has been no clearcut public denial by official organs. For example, Husein Hodzic stated that "Comrade Riza is not recognized by specialists on Kosovo, even though it is their business to do so."

[Aljaj] It really is impossible that a member of the Federal Secretariat for Internal Affairs would examine Riza Sapundzija's identification papers for an entire quarter of an hour, and that this should happen in Pec, where Comrade Riza was born and where everybody knows him, and that this member would not know that he is a member of the collective leadership of the government. Are the police personnel really so untrained and uninformed that they do not recognize a member of the SFRY Presidency when they see him? They demonstrated something downright dishonorable in front of the people in broad daylight. For other details ask Comrade Riza and the "official organs" you refer to.

[Box, p. 7]

Everything Revolves Around the Goal

[Pusonjic] You have stated that in 1966 an erroneous assessment was made of the situation and on its basis dishonorable repressive measures were applied to reach certain political goals. What are these goals, and whose are they?

[Aljaj] What I refer to is the assessment made by the State Security Administration and the Fourth Party Plenum that Albanians represent an "unreliable element" in Yugoslavia, after which the destruction of the people in Kosovo began. The purpose of making the deliberately erroneous assessment was to create the assumption that all Albanians are "unreliable," a "factor in instability of the state," so as to justify all the sanctions that followed this assessment. Inasmuch as the goal was precisely to make deliberately erroneous assessments, the measures that followed naturally were not beneficial.

Controversial Actions, Views of Kertes Cited

90BA0181A Zagreb DANAS in Serbo-Croatian
12 Jun 90 pp 20-21

[Article by Slavisa Lekic: "Clown Without Portfolio"]

[Text] The original property of the myth, which was to make it possible to conceptualize and evaluate things and phenomena, has frequently become the subject of many mythic peoples. The myth of Mihalj Kertes, member of the Presidency of SR [Socialist Republic] Serbia and a figure whose popularity is unique in many respects, possesses these properties, but one can also speak with almost 100 percent certainty of a "refurbishing" which official Serbian history will not in any way be able to avoid. It is a question, that is, of more and more "honest Serbs" approaching official politics as they do sports thanks to the "Kertes case": Of course, one should celebrate the victor in the 5,000 meter race, but a good part of the favor and applause also go to the "rabbit" who "led" the favorite until just a few laps before the finish line! The fact that official Serbian politics still does not practice antidoping tests concerns least of all the fable of the "antibureaucratic revolution," the author of the project, and Lord knows Kertes himself....

It is the usual thing for all important phenomena in Serbia to begin imperceptibly. Kertes, for example, does not recall his birth, but he remembers his first conflict with the autonomy-minded (autonomaski) bureaucrats. The opstina official in Backa Palanka supposedly did not hear correctly the name Mihajlo which his father intended for his son and entered the name Mihajl in the official records. Because of his directness, insiders also say because of his gallantry in the coffeehouse, he was "awarded" the nickname "Braca." On the eve of, during, and after the events of the "mass movement, they allegedly called him "Miha" or "Mika."... Kertes categorically denies this today and says that he could furnish at least 100 witnesses who would uninhibitedly back up his words that that same year, in 1971, in the heart of Ilok, he and his buddies sang "our songs, Serbian songs, including the one about Sindjelic"! The director of GLAS SLAVONIJE, which published the news about Kertes' doings in 1971, died two months after "fabricating the lie." ("Heart attack. There is a God...I mean as a figure of speech.") Kertes today does not conceal the fact that he likes the title "minister for the people" or the nickname coined in the newspaper "People's Joy"!

He entered politics, Serbian politics at the top level, "by accident, but out of spite." By profession a social worker, he realized only a few years ago that compared to the world around him he is nevertheless a virgin. His autobiography [as published] begins with the "justified rebellion of the people when they wanted to behead me and Pankov"! The walk from Backa Palanka via Belgrade to Novi Sad and even the "yogurt revolution" sung gusle fashion opened up the door of the Presidency of SR Serbia to him. "By the will of the people," Kertes says today, "but Sloba also concurred"! An impressive villa

on Dedinje "with servants, rooms, and buttons" and an official car with armed bodyguards had a boomerang effect: "I said to myself, Braca, damn it all, did you fight against this or for it?" Today, he lives in an apartment like any "ordinary citizen," he drives an old "Golf" which he inherited from Petar Gracanin, and sometimes he eludes his bodyguards.... "As far as that is concerned," he said during a recent interview, showing me a secondhand pistol in a white holster he always keeps with him.

He has become a middleman between the government and the people "in the interest of the people" and "at his own request!" As one of the leaders of the "antibureaucratic revolution," the cynics also speak of a "Potemkin democratization of the people" (in part because of spontaneity, in part because of other things) and a person with a driving political spirit, he soon saw that spontaneity is actually only a question of formality. As the spokesman of the project of the "people happening," he was among the first to dispel the myth about the Serbian political hemophiliacs: Unlike Trifunovic, Sokolovic, Smiljkovic, and others, who feel that even the slightest scratch can cause disastrous (personal) loss of blood, Kertes is of the opinion that "cuts and gashes" in the people and from the people, including even personal loss of blood if necessary, are more like a transfusion than a vein-letting of Serbian blood!

Although it can be said with certainty that Kertes is one of the brilliant examples of political imagemaking and an authentic representative of the caste of politicians who seem to have received their training in Disneyland, his approach to the "Serbian question" confuses even the politicians from "Serbia proper" themselves! As a rule, the ceremonial of an interview with Kertes begins with his interpretation of a little joke in which the Serbs, Slovenes, and Croats go off to "pay a visit to the Lord" as a "delegation of the homeland" to see how "our people are living up there!" They are, of course, all in hell and, of course, they are all cooking in separate cauldrons. There is a sentry in front of the one containing the Croats. And also in front of the one with the Macedonians...and the Slovenes, and the Albanians, and the Montenegrins.... The only one where there is no guard is where the Serbs are "cooking." The punch line is no surprise: "These are the Serbs, and as soon as someone tries to get out of the cauldron, the others pull him back down!" "So, that is how we Serbs are, brother," Kertes says resignedly, adding that he has not come "to save the Serbs, but to help them to save themselves!" The fact that a series of attacks on the career and personality of Comrade Mihalj Kertes have received no comment from any of the countless "authentic" representatives of Zivorad Minovic and Dusan Mitevic, and that his "defense" among the assembly delegates passed over quite a few dissenting votes, as well as those referred to as "abstaining," could be a sign that the central figures in the unified Serbian political orientation are turning Kertes' "Serbian traumatology" over to those familiar with it—anthropology.

In Serbian politics, as indeed in any other, it is a rule that one should pretend to be honest and stupid, without being either one. And especially not both at the same time. "Comrade Braca" is the last person to fit one of the most accurate definitions of politics—"the art of deception"! For the simple reason that every statement he makes, and this is already becoming a daily "tyranny," compels "serious Serbs to the conclusion that Kertes has fallen in the trap of a political philosophy of which, to put it mildly, he has no idea. And if history is witness that only inept despots have used the bayonets of tyranny, there is no doubt that our everyday life is witness that politicians who are not sufficiently able serve those who consider the daily changing of opinion the only possible means of arriving at the right and "necessary" opinion when and if there is no order to the contrary.

If we omit the happening of the "Serbian people" in Vojvodina, the two-day fast ("on bread and yogurt"), and the "accidental" telephone contact with those in positions of responsibility, Mihajl Kertes experienced his political promotion at the moment when he attacked the "autonomy-minded politicians" who built the "quay along the Danube so that they could stroll and strut in the evening." Right after that he got another boost from Azem Vllasi and Serbia's "open wound"—Kosovo. Having to choose between promises (Milomir Minic), a smile with nothing behind it (Zoran Andjelkovic), and a loud voice (Mihalj Kertes), the people opted for the "Donald Duck of Serbian politics" as he has been called by a colleague. He did not go on to say who is the "Mickey Mouse" in this entire game, which is by no means innocent, nor whether this means that the top political leadership of Serbia is actually only a far-flung branch of the celebrated "Disneyland."

A masochist in politics, since there obviously is no dilemma about that, he displayed a certain measure of political cleverness (?) at the point when he publicly threatened all Shqipetars who are not in favor of "this Serbia the way it is," that "transportation presents no difficulty whatsoever for the state of Serbia." Since a boot in the softest part of the human rear end is for him one form of transportation, he has threatened with it a large number of those who do not know how to form the Cyrillic letter "V" with two fingers! As an active member of the Commission for Pardons of the SFRY State Presidency, "Braca" tried to convince the "noncomrades" that "terrorists and others in Kosovo" have no objective grounds for anyone to pardon them except those whose task it is to coddle them. But, since Stipe Suvar, chairman of that commission, and Janez Drnovsek, former chairman of the SFRY State Presidency, had "a totally uncivilized and above all anti-Serb opinion" and accordingly prepared and signed a decree on clemency, a reaction ensued which can be reduced to its conclusion that the SFRY State Presidency is a "pack of pigeon breeders"! And Drnovsek...!?

Pushing in front of himself the "shield of the law-governed state," whose decisions must be respected, Kertes has thus promised the Serbs and Montenegrins in an arena (sports) in New Belgrade that Kosovo would be restored to order "or would cease to exist!" In the largest academic settlement in the Balkans, the "Veljko Vlahovic" Student City, he reproached the students because a sizable number of them "did not consent" to go off to the university in Pristina.... He referred to the Albanian alternativists as idiots in public and let them know that there would be no talk with them until "grapes grow on the willow" or until "Karadjordje is born." Although it does not fall in the political domain, we certainly should also mention the case of "the uncle's exhumation," since Kertes, according to what has been written in the Vojvodina press, has cast doubt on the natural death of his uncle and arranged exhumation....

The Serbian people and ethnic minorities experienced the most recent "happening" of Kertes in the pages of NIN. That is, Stefan Grubac, a staff member of that weekly, literally proposed to Nedeljko Sipovac, chairman of the Vojvodina LC [League of Communists] Provincial Committee, that he "abdicate." In view of the "nonparty orientation of that magazine, as some of those (over)employed in it like to say, this precedent in Serbian political journalism might somehow have been swallowed, but the fact that Grubac, along with Petar Ignja, the new rodent at DNEVNIK in Novi Sad, has been marked in public as a "disciple of Braca's clan," indicates that the stories about Kertes' rapping the knuckles of those who disobey and all those he has anything at all against have a real foundation. Kertes' actions against the "autonomy-minded leaders who are raising their head more and more frequently," insiders say, are yet to come. He has said in public, on the occasion of the recent awarding of a plaque on Security Day, when the one bearing his name had been left locked in the safe, and he, although compelled to respond, felt aroused enough to say that "the differentiation is still not over, and the work on this has yet to be done in SUP [Secretariat for Internal Affairs]!" The conflict with the leaders of "Solidarity" in Novi Sad and the feigned exchanges of fire in public are just evidence of farcical politics. The question is, however, is it just on the part of Kertes?

Mihalj Kertes sooner or later had to pay the price of entering the circle of those who design Serbia's policy: The first installment was "worked off" when he consented to the role of a lightning rod that would attract the thunder and lightning from outside the "Serbian public"; the second is the caricature of realistically presenting Kertes as a politician of the Serbian New Deal; the third installment is just now being paid! It is worse than ridiculous to lodge charges against Kertes because of all of this! The negative memory of events in which he has participated and his "new role" have put an end to the polarization of emotions: If we divide politicians like physicians into those who take the pulse and

those who wag a threatening finger, there is no question in which group Kertes belongs, but before everyone begins spitting on him, we still should ask who is "prescribing" this type of treatment for the people.

Politicians, just like satire, become ripe in bad times. And although Mihalj Kertes is far more precious than all those who are trying to explain the "authentic" views of

the people with empty political talk, I would prefer to move on to better days without him and people like him!

There is no room on either side for the man who says of Slobodan Milosevic: "He is not of this world."

Even for his own good!

GERMAN DEMOCRATIC REPUBLIC

More on Stasi Operations Disclosed

90GE0149A Bonn DIE WELT in German 6 Jun 90 p 6

[Part of continuing interview with unnamed former Stasi officer by Manfred Schell and Werner Kalinka; place and date not given: "The Truth about the Stasi—Diplomats Targeted by Stasi in Case of National Emergency—MfS [Ministry for State Security] Built Extensive Bunker System"—first paragraph is DIE WELT introduction]

[Text] As part of alert exercises in the course of which riot squads would even drive up to the homes of dissidents to be arrested Stasi regularly prepared for national emergency situations. A high-ranking official of the former ministry for state security states that plans were perfected about three years ago with the aim of establishing [detention] camps. The interviews and the research were conducted by Manfred Schell and Werner Kalinka.

[DIE WELT] Is the information with regard to internment camps correct?

[MfS Officer] It is absolutely correct. Part of these plans was to prepare for a national emergency. It assumes a life of its own when you are playing around with things of this sort.

[DIE WELT] ...that was perfected then?

[MfS Officer] From start to finish. Each unit had to go through two alert exercises a year. The first part was how fast the staff got to work. The main part—all these things were carried out for the national emergency—was always the same: Two sides, the evil forces, if you will, have just decided they will now invade the GDR and we have to do this and that. And then, every time, the main part was practiced: the arrest of these opposition individuals. In every department, in evaluation, in information, in the operational departments and the kreis offices there were yellow cards, an operational file. That was where these cards were who was to be interned, as you reported in the 26 April issue of DIE WELT. There were three categories, in the sense of this one has to be nabbed. Then make sure about the arrest and start surveillance. In other words, independent of his other activities. That is how the actions were spaced. And that was practiced twice a year. And in the case of every alert exercise—the main departments were not authorized to schedule such a thing—that was all ordered by the AGM [the minister's working group]. Then we had so-called referees who worked with a stop watch. Everything was worked out ahead of time.

[DIE WELT] In other words, the camps were actually practiced.

[MfS Officer] It wasn't just in past few years that I went through those things but as long as 10 years ago. We also made arrests then. Arrest squads in passenger cars drove

up to the house of the person concerned and played through the scenario—longer driving time and everything else. The decisive thing, that was always prevented throughout these years because one was always saying okay we are doing all these things but where to put these people? The diplomats were to be interned, too. Where? A solution would be found.

[DIE WELT] Which diplomats?

[MfS Officer] Diplomats are interned in case of war, too. It said so on these things. The diplomats from the prospective conflict nations. The question remained open and then, maybe three years ago, the decision was made that the camps would be ordered ahead of time, too. Where are the people to be collected; who will do the guarding? In effect, that was the last piece in the whole puzzle.

[DIE WELT] After Krenz took over as SED [Socialist Unity Party of Germany] general secretary he did not rescind any of the previous Stasi orders because otherwise plans for internment camps could not have been made as late as the end of October 1989?

[MfS Officer] Then things would not have gone as far as they did in October. Nothing, nothing, nothing. I tell you once more: On that day in November Mielke found some allies (when he tried to mobilize the SED with the help of Stasi); he would also have carried it out in this organization. First, he would surely have had to throw maybe one-third of his staff in jail immediately but the remaining two-thirds would have carried it all out afterwards.

[DIE WELT] And how would the NVA [National People's Army] have reacted in the case of such a conflict?

[MfS Officer] As far as I know the NVA did not lend any support because senior officers in Strausberg turned down such a solution. It is said that their decision was based on assessments of the politico-moral state of the soldiers. The rapid demoralization effect on the combat troops, that was actually the most significant sign of crisis in October. Because look: At the time of the so-called high points of the GDR even when the alert police was not considered reliable, the combat troops stood in the first rank. That worked extremely well. But in September it turned out—the New Forum took brilliant advantage of it—that handbills were saying there was treason among the combat units. Your daughter has joined the demonstrators! The conflicts surfaced right inside the families. And when one noticed if the combat units are no longer sticking to their job, then what about the young conscripts? It wouldn't have worked any more. Under no circumstances.

[DIE WELT] Did a bunker system exist to the MfS and to other cities?

[MfS Officer] Of course. I would say that the things which have come to light in the meantime certainly did not originate, as they did in the case of Securitate, but

ours was to be looked at from the point of view of how do the operational structures continue functioning in crisis situations and in case of war, then one must go below the ground. All the bunkers were built on orders of the MfS.

[DIE WELT] In Berlin?

[MfS Officer] In Berlin, in the entire GDR. The entire bunker program in the GDR. For the bezirk and kreis operational centers and for headquarters construction proceeded under the management of the minister's working group. And as a matter of course MfS bunker structures were always being built simultaneously—as in Wandlitz—according to the principle of how could the party and the government exist without us in a crisis situation. But considerations such as how to deal with street fighting did not arise for the very simple reason that their thinking did not go that far. They were so sure of their power that they never expected an uprising to occur.

[DIE WELT] These were extensive bunkers and bunker systems, is that correct?

[MfS Officer] The works. The leadership could have had anything they wanted. Comfort galore. And Sindermann said that in contrast to some ministers (of the Bonn emergency parliament) they did not have stand-ins represent them, who would impersonate the chancellor there.

[DIE WELT] What was the mood like?

[MfS Officer] I tell you what happened once. Two years ago, a huge investigating committee had to intervene at the MfS. The department that was in permanent charge of these bunkers had taken on a bunker mentality. They greeted each other as in the old Reich Chancellery—like Herr Fuehrer, Herr Obersturmbannfuhrer (SS Colonel), I am making my report to you. They all did this, these guys. They set up a genuine SS regime down there. Then one of them was caught in a disciplinary proceeding and was supposed to be thrown out. He said to them: I have to go because of small things. If you only knew what is going on outside. And then they formed an investigating committee which found that it was really true. So the whole unit was dissolved and things were decentralized more. There were no young guards any longer but it was decentralized.

[DIE WELT] We are always hearing negative things being said about Stasi. Was there anything positive about it, from your point of view?

[MfS Officer] I will give you an example: That horrible series of child murders, from Oranienburg all the way up to Rostock, where children were cruelly dismembered and abused by a sex maniac. The criminal police had called a halt to its investigations and did nothing more. The anxiety among the population, it could be a Russian after all because the crimes were always committed close to military installations. The special commission of the MfS—the best trained and best equipped criminologists,

in my view—headed by Gen. Piccard was put on the case. Four weeks later they caught the criminal. He was a master sergeant in the NVA who sat in one of those above-ground missile silos and also kept book on his crimes in there because no one else could enter it. Or let us take something that goes back two years: a mafia crime on GDR soil. A Swiss businessman is kidnapped on our territory under the pretext of a business deal by citizens of the FRG and held captive and drugged in a rented apartment for two weeks. With weapons they have smuggled in they shoot over his head and he is then forced to transfer money from his account in Vienna to the German Export Bank where it is then withdrawn. We cracked that case, luring two of the culprits into the GDR and locking them up with the help of the KGB. The funny thing is that they actually worked for the KGB. The whole thing was set to be released to the press; but Mielke wouldn't have it. That was another aspect, this false image of a hale and hearty world in the beautiful, socialist GDR—in the sense of: this wall keeps out all the garbage of the Western world.

Underground—Banned Under Socialism

Document VVS JHS 001—201/79 contains an attempt by the Potsdam Law School to draw up ideological guidelines for the Ministry for State Security for the "definition of political-operational measures to prophylactic prevent and counter underground activities directed against the state and social order." Under the heading of "research findings," the document characterizes "political underground activities as an expression of the attempt by imperialism to break out of the historical defensive into which it has irreversibly and irrevocably been forced by the fundamental shift in the international balance of power in favor of socialism." Political underground activities are "active hostile acts directed against real socialism." They are directed "against all sectors of socialist society."

The Stasi ideologists also felt that "special attention must be paid to released prisoners who already engaged in activities hostile to the state as well as demoralized and criminal elements." This is immediately followed by a statement equating the above with persons who attack the political motives of the SED [Socialist Unity Party of Germany] leadership. "The enemy tries as best he can to take advantage of everything that can be used or misused to further his aims." In planning for their "long march through the institutions," such individuals "seek out persons amenable to antisocialist arguments and/or imperialist influence who occupy a particular position in social organizations or institutions, in educational institutions, in the state apparatus or the economy." The document goes on to say that the term "underground" has no place in Marxism and points out that the attempt is made to combat socialism "from the inside out on a long-term basis." Individuals suspected of "political underground activities" are discovered everywhere. These activities are "directly tied to espionage, political-ideological diversion, slave trade hostile to the state,

unlawful departure from the GDR, economic interference, subversive abuse of entry regulations and sojourns by foreign nationals."

"Political underground activities represent a great danger to society," the document states. "They are antiprogressive and antihuman. They are themselves criminal and are the cause of crime. They are destructive of morals and conducive to crime. All political-operational units of the MfS must combat them diligently, resolutely and with political acumen on account of their great danger to society."

SED Anxiety Following CSCE

The addresses, particularly those by President Bush, before, at and after the NATO council meeting in Brussels as well as the outcome of this meeting make it plain that the goal of imperialism to destroy socialism is being assigned an even more central role in its policy. Proceeding from the assumption that the socialist community of nations is experiencing a systemic crisis and arrogantly contending that socialism is bankrupt, Bush said the time has come to "go beyond the containment of communism toward a new policy for nineties."

Regarding a second aspect of the enemy's strategic plan, i.e., the propagation and infiltration of new dimensions of bourgeois ideology, of Western democracy, freedom and values into the socialist countries. This principal thrust is directed at subverting socialist ideology and our communist teachings; to destroy the development of socialist consciousness of our people and to replace them with the bourgeois ideology of Western ethics and values; increasingly to influence and support developments in the sense of so-called bourgeois liberalization and democratization inside the socialist countries and to establish and increasingly promote western market economies in the socialist countries.

As is well known, Bush urged both in Brussels and in the FRG that glasnost be extended to Berlin. Nor do others let any opportunities go by to tell us what to do and how we should restructure our republic.

For some time now an ever larger part of the strategic actions of imperialism is taken up by the abuse and exploitation of negotiations and agreements, particularly of the CSCE process, in order to constantly expand possibilities of influencing events and applying pressure. In connection with the CSCE follow-up meeting and its outcome, the enemy's policy of interference and pressure through the abuse and exploitation of the CSCE process has reached new heights of volume and intensity. The activities by the NATO countries on the authority of the CSCE documents prove that the NATO members view the CSCE process to an even greater extent than heretofore as the principal instrument to bring about systemic change in the socialist countries:

Exploitation of the bilateral control mechanism with regard to humanitarian issues and the human dimension

by the Western CSCE nations with the aim of interfering in the internal affairs of socialist countries;

Legalization and freedom of action for opposition groups in all socialist countries, and

Expansion of opportunities to influence events via targeted operations by propaganda broadcasts and modern means of communication, via the "free exchange of persons, books and ideas" and the expansion of contacts on all levels and of the working conditions of Western correspondents and journalists. (Mielke in June 1989)

Enemy assessment of the Final Act of the Vienna CSCE follow-up meeting with regard to the planned follow-up meetings as well as intensified media campaign directed against individual socialist countries since the conclusion of the Vienna meeting—especially the GDR, among others—by making reference to the Vienna document offer evidence of the Western intent to continue misusing the CSCE process for its policy of interfering in and differentiating between the socialist states. Human rights issues continue to be viewed as the most promising ideological line of attack in order to stimulate and/or support evolutionary processes inside the socialist states in the sense of Western democratic and value concepts as well as the establishment and legalization of opposition organizations. In conjunction with the difference in interests among the socialist states which became apparent above all during the final stage of the Vienna follow-up meeting and in the evaluation of its outcome and with an eye to current developments in some of our states, the West also figures that chances are good at present to differentiate between "proponents" and "enemies" of reform.

In line with the foregoing findings, it may be assumed that an increasingly central role will be played by demands citing the CSCE document for the realization of human rights in the sense of the document. (The head of the SED Kreis Directorate in the MfS, Felber, 1989)

Effects of Stiller Defection From MfS Revealed

90GE0164A Bonn DIE WELT in German 11 Jun 90 p 8

[Continuing interview with former Stasi officer by Manfred Schell and Werner Kalinka; place and date not given: "The Truth About the Stasi—1979—A Fateful Year for the Ministry for State Security"—first paragraph is DIE WELT introduction]

[Text] The flight of Stiller in 1979 made it clear that Bonn had penetrated the MfS [Ministry for State Security]. "Never again a Stiller affair" was the subsequent dominant slogan. While SED [Socialist Unity Party of Germany] bosses lived in luxury, the pressure on those below them became more and more brutal. "The MfS broke many in its own system," reports the former high-ranking officer of the MfS, whom Manfred Schell and Werner Kalinka interviewed.

[DIE WELT] You spoke (sequel number two in the series—the editors) of the fact that the employees of the MfS were also severely disciplined.

[MfS Officer] The employees of the Ministry for State Security themselves were the top internal enemy. At the end, the work was endless, for everyone was viewed as a potential enemy. About three years ago, there was a tip that a former woman citizen of the GDR living in the FRG intended to get a major—not further identified—of the armed authorities out of the GDR through an organization that helps people to flee. Thereupon an immediate comprehensive investigation was ordered to determine who as an employee of the MfS might at some time have had contact with this woman. The fact, for example, that 10 years before two employees of the MfS, who were even considered quite trustworthy, had lived in the same apartment house as this woman was thereby sufficient to have the residences of both bugged over night (it was the night of the 23rd to the 24th of December). They were treated as enemies. One of the two even held a key position. It did not take three hours to set up a complete control mechanism around both of them. The slogan was: Never again another Stiller. It was astounding how everything that was made available to the competent main department for enemy engagement was again and again aimed at their own employees to discipline them. This development was similar to what could be observed under Stalin in the Soviet Union.

[DIE WELT] What did Stiller mean for the self-understanding of the MfS? What were the effects of his flight?

[MfS Officer] The effect was devastating. One must consider the ideology. Everything had gone well until Stiller. Certainly there were a few deserters in the years before that but this was not really so disturbing. In the public as well as within the ministry, it was believed that people could rely on each other in the MfS. Whereas there was a great internal order in the National People's Army [NVA], there was in reality an insane disarray in the MfS in accordance with the motto "We are all colleagues and everything works here." I was not surprised that Stiller could take the path over the Friedrichstrasse station. I can report from my own experience that previously I also spent afternoons there. When I waited for someone and he did not show up, then I busied myself there with the collection of information.

After Stiller, no one trusted anyone else. And after this point in time, especially in the case of superiors, in case of doubt the decision was always made against the involved individual. One always assumed the worst about suspected persons; this development is also identical with the period of time in which disciplinary matters were in their own incumbency and more and more severe and merciless action was taken against employees. In this time, the MfS broke many people in its own system—unexamined.

[DIE WELT] For example?

[MfS Officer] The symptomatic case of Trebbeljahr, who worked as a major in Potsdam. In this connection, a few explanations about articles that appeared in the FRG. Trebbeljahr was a simple main case worker with responsibility for the Brandenburg Steel and Rolling Mill and for the IFA [Industrial Association for Motor Vehicle Construction] marketing in Potsdam. Two points doomed him: for the construction of his house, he acquired building materials through the possibilities of the plant, which was customary and frequently practiced in particular by key employees of the MfS. In addition, he gave preference to key employees of the MfS in orders for motor vehicles. At some point, however, he lost the good will of his own people and acquired the reputation of being "a big profiteer." It was decided to cut him out, especially since he was also bothered by health problems.

He fled in panic but made the mistake of calling the Permanent Mission [of the FRG]. Mielke gave the order that this "traitor" must be found, for there must not be a second Stiller. It can almost be said that the entire MfS in Berlin was occupied in all the streets and railroad stations in finding Trebbeljahr. He was caught. He was hardly given an opportunity to justify his actions. As instructed by Mielke, he was shot to death without a long judicial investigation—a clear case of perversion of justice. Trebbeljahr should never have been executed for the crimes of which he was accused. But it happened in order to give a warning example and to deter anyone from considering following the path of Stiller. The disgraceful thing after that was that a piece of information to the key employees of the MfS pointed out the case as an example with the observation that the supervisors should make it clear to their employees that this is what would happen to anyone who "gets out of line." Although officially everything was strictly secret, naturally everything possible was done in other ways to convey this to the employees. There were also some during this time who were sentenced to life imprisonment. Some disappeared and to this day no one knows what became of them.

[DIE WELT] Zakrezowski? (He is also known under the name Baumann; as a rear admiral of the NVA, he provided information to the West and was shot to death in the GDR in 1979 shortly before he could flee; he was a friend of the physician Frau Schumann, who was imprisoned for several years in the GDR—the editors).

[MfS Officer] As for Zakrezowski, it must be said from today's view of things that his alcoholism, which ultimately caused his problems in army intelligence, was of his own doing through the pressure under which he stood. When the same people who had put him in this position should have helped him, they let him fall. Zakrezowski—this was never recognized in the West—had already been brought to prison on a Christmas Eve years before that, an ominous matter. According to a report from the Main Administration for Intelligence Collection, an officer was supposed to be smuggled out of the country by an organization that helps people

escape. Zakrezowski was one of seven people on the list. He was brought to a conspiratorial installation. There, to be sure, it turned out that he had never had anything to do with the story but it was feared that he would resent this.

[DIE WELT] The MfS was rattled?

[MfS Officer] The shock after Stiller had meant that, despite the assessment in the MfS that everyone could be trusted, one suddenly ascertained that the enemy, in this case the agencies of the FRG, had been able to penetrate the MfS. There arose an atmosphere of mistrust, mutual suspicion and prosecution of the most minor matters with disproportion means. Naturally there was some differentiation. When then deputy director of Main Department 18 was caught building a luxury villa, it was played down in a "gentlemanly" way. The only consequence for him was that he was not allowed to move into the villa. And that was all. The chief of Main Department 8 also got by with a "black eye" when he was caught in the manipulation of conspiratorial facilities and enrichment through operational funds. In contrast, other standards were set for other people—in the case of the director of Department 18/4, for example. When it was discovered—he escorted aid and solidarity shipments of the GDR abroad—that he had bought more abroad than his daily allowance allowed, he was immediately arrested and made an example of. Just to prevent this disappointed and excessively punished employee from going public, he was sentenced to a long prison term and disappeared for good in Dresden.

Or let us take another case. A former chief of army intelligence embezzled millions. He built himself a house in Berlin-Gruenau that would have been suitable for any millionaire in the FRG or United States. He founded several firms so that he could manipulate money. He was, to be sure, dismissed from his function on orders from Honecker but he remained a general and was transferred to the Ministry for National Defense. But the lieutenant colonel who had to carry out everything on his behalf was put in a situation that led to his suicide.

This lieutenant colonel had to supply the top officers of the NVA with Western goods beginning in the mid-1970's at the latest. And the wives of these NVA bosses became more and more audacious: at the end, gold rings were no longer good enough; they had to be platinum. The most expensive items were procured. This was also known by the political leadership. And especially by Mielke, who had these facts clarified by the MfS employees who were responsible for the security of the NVA, not with the consequence of initiating a criminal prosecution but with the objective of covering up these cases. In contrast, the subordinate employees with the NVA or MfS who had been involved in a small irregularity were disciplined and punished in the party.

There was also corruption at the top of the MfS. Houses were grabbed up precisely by key people in the area of Main Department 18, where several deputies had to be dismissed because they went too far.

[DIE WELT] Was there no dissatisfaction among the MfS employees?

[MfS Officer] I remember very well the beginning of December 1988. In view of the liberalization of the travel regulations and the uneasiness that had arisen in the armed bodies because they could neither travel nor buy in Intershops, the party had proposed to them that they loosen up their regulations. When an appropriate draft was prepared and presented to the top leadership of the MfS, a special atmosphere prevailed. No one was allowed to write anything down. Everything was strictly secret. Subordinate leaders were not supposed to be informed of the existence of this service regulation. When unrest arose, one of Mielke's deputies blurted out: "Do we know who among those sitting here will not immediately be prepared to become a traitor after his discharge?" So even in this top body there was a great deal of mutual mistrust. This was an important atmospheric feature.

[Box, p. 8]

Shock, Secret Joy, and End of the Elite Consciousness

Werner Stiller, who had provided the Federal Intelligence Service with important information from the MfS and who was sentenced to death in the GDR after his escape from there in 1979, quite accurately assessed the mood in East Berlin after his flight. "The effect probably ranged from shock to a secret joy and approval," he declared to Manfred Schell in an interview that was published in DIE WELT on 16 October 1986. It is the only interview that Stiller ever gave. Therein he confirmed that his true name really is Werner Stiller.

"It was certainly disillusioning for the 'elite consciousness'," said Stiller in sketching the mood in East Berlin after his flight. The former high-ranking MfS officer with whom DIE WELT spoke confirmed that the shock in the top East Berlin leadership after Stiller's flight went very deep and had substantial effects above all among the employees of the Ministry for State Security.

In accordance with Stiller's assessment, the science and technology area in the espionage department of the MfS, where he had worked, probably had to begin at "zero" after 1979 and possibly "at a substantially lower level," because "potential sources were greatly rattled," as he stressed at the time to DIE WELT. How rapidly such damage can be smoothed over depends "very greatly upon the quality and preparedness of the persons employed," said Stiller. The MfS, as can now be reliably assessed, was not able to cope with Stiller's flight.

GERMAN DEMOCRATIC REPUBLIC

Newspaper Publishing Changes Detailed

90GE0189A East Berlin NEUE DEUTSCHE PRESSE
in German Jun 90 (signed to press 15 May 90) p 10

[Article by Dr. Marianne Kramp and Dr. Ruediger Krone: "GDR Press Scene Undergoing Change—Part II of a Long-Term Study"; for first installment, see JPRS EER-90-095 of 29 June 90, pp 22-25]

[Text]

New Planning Rhythms

The fact that in the time that has been characterized by a great deal of dynamics, all forms of longer term intellectual endeavor have been losing significance is plainly evident. This is also an expression of a turn away from "journalism by guideline."

By January, the percentage of contributions prepared according to plan was below 40 percent. Planning does not affect blocks of time any larger than a week, and in weekly planning, the edition is sketched out only in "broad" terms.

The new working style, "from hand to mouth" proves to pose some technical problems from an editorial standpoint, at the very least, a partial "organized chaos" (thus, the editor in chief of the Thueringer Tageblatts/LDP [Liberal Democratic Party]). The positive effects of a higher degree of flexibility are offset by a growing shortcoming that from the standpoint of the day-to-day events, certain problem areas cannot be analyzed with sufficient care, and so, from an editorial standpoint, they are eliminated.

Also under the aspect of further in-depth involvement of democratic input by all workers in many questions that affect the entire paper, further development of forms of planning and methods of planning must be pursued attentively.

Economic Perspectives Not Yet Clarified

In an additional poll taken among heads of publishing houses, or key personnel at printing firms, statements concerning the development of circulation, financing thus far, and expected economic developments, were collected. These statements are of significance in the evaluation of subsequent polling results, but in January per se, they provide only little insight. At the time the poll was taken, an increase in circulation—albeit a slight one—was noted when compared with June, 1989, a trend that will no doubt end as prices increase and the newspaper market is opened to publications from houses in the FRG.

A decline in circulation was calculated by newspaper publishers in January, as was the requisite economic independence (once the subsidies were stopped). In addition to higher prices, higher volumes of advertising

were expected as a result of enlargements in the advertising sections, and it was expected that higher advertising costs would be a source of financing and a source of profits.

Without being in a position to make any concrete statements, thought was given to capital involvement and cooperation with West German and West Berlin-based publishing houses.

On the whole, the indications from January on the issue of the economics of the newspaper business are quite vague; for subsequent questionnaires, we must consider that there will be a greater reluctance to provide information. Nevertheless, we do not want to exclude these questions, because, to a greater and greater degree, the economy is becoming a matter of fate, one that decides regarding the further development of the newspapers in the newspaper market of the GDR, which is becoming more and more widely varied.

The Newcomers to the Market

In the period from mid-December, 1989 until mid-March, 1990, over 50 new press organs appeared from grass roots democratic groups, or new organizations and parties. Others have been announced. The number 50 can only be regarded as an approximate figure, however, because at the present time, it is quite difficult to keep tabs on the local weeklies that are springing up in the smaller towns. Among the new press organs, there are two daily papers—the supraregional TAZ [DIE TAGESZEITUNG], and the regional MECKLENBURGISCHE VOLKSZEITUNG.

The TAZ has a daily circulation of 60,000 (in the remarks that follow, all circulation figures refer to initial circulation figures) as a result of an inter-German cooperative venture "that pays homage to the concept of the TAZ (West) in terms of content, as well as to the specific experiential background of the GDR."

New, supraregional newspapers on the market in the GDR include DAS BLATT, with a circulation of 250,000 (edited by Helfried Schreiter) and DIE ANDERE, with a circulation of 100,000 (edited by the New Forum's council of state spokespersons). Both papers try to take an independent view of developments in the GDR, one that provokes introspection. They regard themselves as part of the democratic safeguards on social processes within the country.

Throughout the GDR, and aimed at a definite reading public, beginning in March 1990, the young peoples' magazine CHANCE (circulation 300,000), and the university magazine EXPRESSO (circulation 50,000) began appearing, and at the end of March, the young peoples' magazine PeP (Podium of Your Problems) joined the list.

In addition to the aforementioned new supraregional publications, the many new regional weeklies and city newspapers round out an interesting and informative

media landscape. They account for the major portion of the new publications on the market, and they seem to have their chances for survival inextricably tied up in their local, or regional nature.

Since the first three appeared as early as December, 1989 in Mecklenburg (BUERGERRAT—25,000 copies; PLATTFORM—50,000 copies; MECKLENBURGER AUFBRUCH—80,000 copies), the three districts of Thuringia, namely Erfurt, Gera, and Suhl hold a key position in terms of new newspapers. With a circulation of 200,000, the SACHSENSPIEGEL is the largest regional weekly thus far. It is published in Dresden by the "group of 20," and it appears as an independent, supraparty weekly paper in Dresden, Leipzig, and Karl-Marx-Stadt. It intends to serve the cause of federalism in Saxony and Saxony-Anhalt.

Leipzig, as a seat of journalistic media with a rich tradition, has three publications, each boasting high circulation figures: WIR IN LEIPZIG (60,000 copies)—a Pan-German undertaking (initially a weekly, but since 17 April 1990, a daily), DIE ANDERE ZEITUNG (40,000 copies), published by Forum Verlag, Leipzig, and LEO—an independent city magazine (40,000 copies).

The sales of the new regional papers are undertaken in part by postal subscriptions, but to a considerable degree, it is the work of each paper's street hawkers, kiosks, and information stands. Under present-day circumstances, the latter assure a rapid presence of the papers on the market.

Subscriptions, street sales, and advertisements are the sources of financing for most of the new newspapers. A portion of them cooperate with a West German publishing house in order to be able to survive economically, and in order to have better chances among the competition.

As far as could be determined by the questionnaires, the composition of the editorial collectives, from the standpoint of their professional experience, is widely varied. Supraregional, and large regional new newspapers usually have a cadre of journalistically trained staff who are well versed in the practical ins and outs of the newspaper business. Smaller editorial operations usually consist of one journalist and several free-lance workers who come from various professional backgrounds. In such cases, the importance of teamwork is particularly stressed. Decisions are made on the basis of discussions among peers, and on the basis of suggestions from all those involved.

The press landscape in the GDR is now in a state of flux. The first of the new publications have already been forced to suspend operations. New ones are forcing their way onto the market; in some cases, they are products of established publishing houses that saw a "second economic pillar" in a weekly newspaper, magazine, or something of the sort.

HUNGARY

Wolfram Mining: Investment in Mongolia Goes Sour

Cause of Bankruptcy Described

25000743D Budapest NEPSZABADSAG in Hungarian
8 Jun 90 p 4

[Unattributed article: "Hungarian Bankruptcy in Mongolia"]

[Text] Due to a drop in the price of wolfram ore, Wolframinvest, the ore mining main contractor joint enterprise, has gone bankrupt. It was established in 1986 based on an intergovernmental agreement to exploit the wolfram ore treasure at Cagandavaa.

The mine and the ore enrichment equipment, built in the course of two years at a cost of 420 million forints, began operations in September 1988. Now, however, its product sells on world markets for a mere 40 percent of the starting price. For this reason the joint enterprise has become insolvent, and is unable to pay even wages to its workers. The 72 Hungarian employees who worked in Mongolia have been recalled, the guarding of the facilities has been left to the Mongolians, and liquidation of the firm has begun.

Mihaly Varga, chairman of the joint enterprise board of directors, and president of the Mecsek Ore Mining Enterprise, told an MTI [Hungarian Telegraph Agency] reporter that Wolframinvest, established jointly with the Central Mining Development Institute and with the Zagyvarekas Casting Works, has a commitment to pay more than half a billion forints in annuities after investment credits received. Since the State Development Institute which financed this venture did not allow the postponement of payments, they are being forced to liquidate the joint enterprise and to cancel the intergovernmental agreement on the basis of which the Hungarian party paid 12.5 percent of the enriched ore for the use of the mine.

Mecsek Ore Mining Enterprise provided 16 million forints in credits to cover eight months of unpaid employee wages, in return for which it can sell wolfram ore valued at the same amount. An expert committee will travel to Mongolia in June to negotiate conditions for the transfer of the wolfram mine.

Workers 'Subjects of' Armed Attack

25000743D Budapest NEPSZABADSAG in Hungarian
9 Jun 90 pp 1, 5

[Interview with Mihaly Varga, president of the Mecsek Ore Mining Enterprise and chairman of the board of Wolframinvest, by Tamas Ungar in Pecs, date not given; and with Istvan Parkanyi, wolfram mine director, in Cagandavaa, Mongolia, by K. L. over the telephone from Budapest, date not given: "Mongolia: Are They Paying

With Lead for the Wolfram? Credit: No; Shooting: Yes"—first three paragraphs are NEPSZABADSAG introduction]

[Text] As reported yesterday, the wolfram mine with Hungarian interest, opened in Cagandavaa, Mongolia, has gone bankrupt. For this reason the specialists working there were ordered to return home. These specialists are not under safe conditions; they have been the subjects of an armed attack. Our reporters inquired at Pecs and in Mongolia about the situation on the wolfram front.

Thus far we have not known much about Wolframinvest. True, at Pecs years ago one could hear some stunning rumors about the haste and waste involved in the investment. On the other hand, many feel that this investment was no worse than other similar investments. What caught the eye most was the fact that the mine was complete by the fall of 1988, and at that time of the year mining had to stop for a five- to six-month period in Mongolia due to the 30- and 40-degrees-below-zero temperatures. Thus, Wolframinvest began its production with a pause.

Mihaly Varga, president of the Mecsek Ore Mining Enterprise and chairman of the Wolframinvest board of directors, does not like to discuss all this, because he had nothing to do with the establishment and start up of the latter firm.

[Varga] Wolframinvest Ore Mining Joint Enterprise was established by three firms: the Salgotarjan Alloy Works, the Central Mining Development Institute, and the Mecsek Ore Mining Enterprise. But the initiative originated from the previous Industry Ministry. Characteristic is the fact that the three firms each joined the joint enterprise with 1,000 forints worth of intellectual property. The founders of Wolframinvest said that this enterprise "is a peculiar form of economic assistance based on mutual interest."

[Ungar] What kind of profits were they counting on?

[Varga] They did not count on profits.

[Ungar] We went to Mongolia to establish a 421 million forint investment without having the slightest hope of profits?

[Varga] Yes. At that time the market price of the enriched wolfram was \$90. Not a penny in profits could be made at that price. The significance of the investment had more to do with employment policy. But by the time the mine was opened, the world market price of wolfram had dropped to \$40. At that price the joint enterprises produced a serious loss.

[Ungar] Last year you were appointed president of the uranium mine. You became Wolframinvest's chairman of the board thereafter. What was the board's view in 1989?

[Varga] The three founding enterprises expressed several times that we would not be able to repay the credit on the investment. For this reason Wolframinvest would have to be liquidated, unless the 536 million forints [credit] and the interest on it are written off. The State Development Institute recognized this and initiated liquidation. The Council of Ministers took the same position in March. This, of course, will not be a simple matter at all, because of the intergovernmental agreement. It is conceivable that the Mongolians may buy the mine and the enrichment plant, because we are dealing with a relatively modern plant.

[Ungar] While a decision was made to liquidate the enterprise the people continued working for the insolvent enterprise. What [reasoning] supported this action?

[Varga] Enterprise management did not want to suspend production even at the time of liquidation. But the banks did not grant any more credit. The Mongolians would have given credit, but the Hungarian National Bank [MNB] did not concur with the idea of accepting such credit. Mongolia owes Hungary, and it will have difficulty finding goods that can be sold on the Hungarian market, in lieu of payment. Thus, the credit to be granted to Wolframinvest would have benefitted us, and this would have reduced that country's debt to Hungary. But the MNB probably did not regard this as an appropriate method for repaying a loan. That is why the uranium mine rushed to the help of Wolframinvest. Let me add here that the two other founding firms have already left the joint enterprise. We transferred 16 million forints to Wolframinvest and requested concentrated wolfram in exchange. We do not know just why these 16 million forints did not arrive in Mongolia. Incidentally, the joint enterprise had some concentrated wolfram, and it could have paid its workers if it sold that. But the leadership made a decision not to sell the concentrate, hoping that the world market price would go up. But it did not. It dropped further....

We Want To Go Home!

We called the Cagandavaa wolfram mine over the telephone and asked Director Istvan Parkanyi about prevailing conditions. The first question we asked was this: Is it true that Hungarian workers have been shot at several times?

[Parkanyi] It is true. But no one was injured.

[K.L.] Did you find out who was shooting and for what reason?

[Parkanyi] We can only guess. The situation is that in recent times great anti-Soviet sentiments have developed. And the Mongolian shepherds think that everyone without slanted eyes is Russian, because white people from other nations do not appear nowadays in this wilderness. And these people have weapons while we do not. It is equally conceivable that our valuables excited the attackers. As I said, we can only guess.

[K.L.] And are you still not safe?

[Parkanyi] I believe that by now there is no imminent danger. As of recently a 35-member Mongolian police detachment guards the mine.

[K.L.] According to information we have received, the 72 workers of Wolframinvest have not received their pay for eight months. How much of this is true?

[Parkanyi] This is also correct. People have bitter feelings. They are receiving letters from home saying that their families have nothing to live on. We have had enough of everything; we want to go home!

[K.L.] How have the workers lived out there if they did not get paid?

[Parkanyi] No one has been threatened by instant starvation. We have borrowed money, sold this and that, and thus, even though poorly, we have always had some money to buy some nourishment.

[K.L.] Why have you held out at all under such circumstances?

[Parkanyi] I have continually signaled our concerns to the head office in Hungary, but they have always replied by saying that I should rest assured, they will resolve every problem. Incidentally, to this date we have not received a call from Hungary to return home. I made the decision to shut down the mine and to go home on my own, because it is an unquestionable fact that we are bankrupt and that the people are not safe.

[K.L.] When will you be able to come home?

[Parkanyi] This is not a simple matter either. In this part of the world it is not easy to buy an airplane ticket. The Mongolian workers—there were 90 of them—are gone. Of the 51 Hungarians here at present the majority may return home in June; only a few will remain here to process the leftover ore.

Further Details Provided

25000743D Budapest NEPSZABADSAG in Hungarian
15 Jun 90 p 5

[Excerpt from letter by Wolframinvest Deputy Director Dr. Istvan Parkanyi, from Ulaanbaatar, Mongolia, dated 9 June 1990: "Voice Out of the Wilderness"—first paragraph is NEPSZABADSAG introduction]

[Text] In our 9 June issue we detailed the causes of the Hungarian interest wolfram mining plant bankruptcy and the calvary of more than 70 Hungarian workers there. In our telephone interview the Hungarian head of the mine said that from a practical standpoint they have not received their pay for the past eight months and that their physical integrity was not secure, because they have been shot at. Further, Parkanyi informed us that work in the mine was terminated based on his own decision, and that it was his decision that, with the exception of a few who would process the leftover ore mined already, he

will send the workers home. Following the telephone interview Parkanyi forwarded a letter to our editorial offices. We are quoting from that letter:

In conjunction with our telephone conversation yesterday I find it necessary to supplement the verbal information [I provided]:

1. I must come to understand that aside from the people who work here, our problems affect only a few. At the same time, however, as citizens of the Hungarian Republic we require protection and the constitutional rights to which we are entitled. Therefore, we find the indifference and incapacity to act in Hungary regarding our fate as odd, to put it mildly. Without any exaggeration it can be said that the endurance of the persons staying here deserves recognition.

2. Despite the inability to make decisions in Hungary, we have succeeded in preserving our prestige, the prestige of the country, although we are experiencing humiliating situations with increasing frequency. For example, we learned today that the bank has sequestered the relatively small amount of money earmarked for the return voyage of the workers, to pay our debts that appear on our accounts.

3. To date, I have not received a written direction from Hungary, one having the character of a document. Therefore, as the leader, I have been forced to make decisions under my own authority concerning issues which are outside of my competence. Such decisions include, for example, the termination of production, the return voyage of the workers, the organizing of the protection of property, etc.

4. It has been possible to resolve the security problem of the workers at the mining plant with the help of the embassy, once again under my own authority. Momentarily the enterprise facilities are being guarded by armed forces.

5. I have succeeded in organizing the continued stay of professionals needed for the transfer of enterprise property, despite the fact that there is virtually no hope for the further payment of wages. The nine men who have stayed here are motivated solely by their sense of responsibility as citizens. Inasmuch as the delegation which is to arrive in mid-June is unable to provide guarantees, our further efforts will have been in vain. The consequence of this will cause additional damage to our country, because an orderly transfer holds out the promise of a certain return on the investment.

6. A feeling has developed among us that although the Hungarian Republic does not reach for "armaments" (like the Americans), it does not even reach for its cigar pocket. We are aware of the fact that the situation is not easy in Hungary either, but the country must also accept the consequences of inappropriate decisions made earlier.

Dr. Istvan Parkanyi
Deputy Director, Wolframinvest
Ulaanbaatar, 9 June 1990

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Our embassy in Ulaanbaatar sent a telegram to the Foreign Ministry regarding the information published in NEPSZABADSAG concerning Mongolia. Among other matters the telegram states that Laszlo Jambor, head of security at the mine, reported on 28 April that a Mongolian shepherd named Gantujaa shot to death one of the guard dogs belonging to the enterprise in the area of the mine. According to the security official the shepherd fired a shot because the dogs prevent grazing near the mine. Aside from a similar incident in 1987, neither the leaders of the mine, nor the workers at the embassy are aware of any shooting.

The telegram also states that at the initiative of the embassy, a special detachment consisting of about 30 persons was ordered to guard the establishment. These men are from the Mongolian military police. They have provided continuous armed duty in the area ever since.

Social Welfare, Market Economy: Fair Balance, Approaches Discussed

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[Interview with sociologist Zsuzsa Ferge and economist Karoly Attila Soos by Laszlo Hovanyecz; place and date not given: "One-Tenth Hungary?"]

[Text] Poverty, the economy, market conditions, equal opportunity, manpower, and social policy were among the topics Laszlo Hovanyecz went to discuss with sociologist Zsuzsa Ferge and economist Karoly Attila Soos.

[Hovanyecz] In countries much wealthier than ours—for example, in West Germany—politicians and sociologists are talking about one-third and two-thirds societies. What they are saying, in other words, is that in order for two-thirds of their society to live well, the remaining one-third is forced to live a marginalized existence on the edge of society and in growing poverty. This is the example many are pointing to today in calling attention to the specter of "one-tenth Hungary." This suggests that we will have, let us say, 1 million rich people, another 1-2 million whose fortunes will vary, and 7-8 million living in poverty. In your opinion, is there any basis for this kind of thinking?

[Ferge] I believe that what we have here is a problem presented in black and white terms. For if I divide society into tenths, I can always identify one-tenth as being the wealthiest and one-tenth as being the poorest. So to the question of whether or not in our view our country will have 1 million very wealthy and 8 million poor citizens, my answer is: I hope not. In other words, my concern is not that the lives of 8 million people will fall below our presently not very high standard of living, or that 8 million people will be left hungry, cold, and dressed in rags. I have different concerns.

[Soos] I agree with Zsuzsa Ferge. I see two dangers facing us. One is that the situation of the 3 million people whose standard of living is currently the lowest will at one point become completely intolerable.

[Ferge] That is precisely what I had in mind when I said that I was concerned about something.

[Soos] The other thing I worry about is that some of the more disadvantaged groups of today's middle strata are slowly sinking to the level of the poverty block. If these two dangers become reality the consequences will be incalculable. If one-third or 40 percent of society is forced into a hopeless situation, society as a whole will be destabilized by constant tensions, strike waves, and demonstrations.

[Hovanyecz] None of this, however, would do anything to prevent our country from sinking further into poverty.

[Ferge] So let us talk, perhaps, about some of the strategies we believe could be used to avoid creating such conditions.

[Soos] I am not sure that we will have a consensus.

[Ferge] It does not matter; the reason why I agreed to join this discussion was so that I could match my views against the opinions of an economist whose views on many issues I know to be contrary to mine.

[Hovanyecz] Before we talk about strategies, let me ask who in your opinion is wealthy and who is poor in Hungary today.

[Ferge] As easy as they may seem to be, both concepts are very difficult to define. Let us recall that during a long period of the former era, let us say from 1965-78, poverty in our country was invisible. Sure, even back then we had homeless people, but somehow they eventually "disappeared." It was a sin to be homeless, so many people without a home would hide in railroad cars, and would only come into view after they were picked up half frozen and taken to the hospital. We also had unemployment, but it was concealed behind the slogan of so called full employment; I do, however, agree with the economists that even though this was a facade, people were indeed able to find work and even, for example, boarding in a hostel. As for hunger, this did not present a real threat even to the poorest segments of society, for government subsidies of foodstuffs kept prices so low that even people on very low incomes could afford to buy basic nourishment. Even those with the lowest incomes never had to choose between eating or being cold once they had a home. We also had inexpensive child nourishment programs.

In contrast, today we have reached the point where many of our lowest paid pensioners are forced to choose whether to heat their homes, eat at the minimum necessary level, or buy medication. Similar poverty is threatening many working people, partly because of low wages, and partly because of the specter of unemployment. I would have to say, therefore, that poverty-caused

hunger, cold, and homelessness are more serious and more threatening than before.

[Soos] I am not sure about the extent of the poverty described by Zsuzsa Ferge. I am not at all certain that it is all that significant. Certainly today we are talking much more about poverty than before. I do agree, however, that this kind of poverty could potentially become very serious in the future.

[Ferge] From a professional standpoint I am also in a difficult position, since we have no real research data to support what I have just said. In the absence of precise numbers, we can only rely on experiential facts. We can point out, for example, that many more people are failing to pay their electric bills than two years ago; considerably fewer of them are paying into child nourishment programs, and more of our elderly citizens are selling off their personal belongings than last year. Just how many more, we do not know. There is a good probability, however, that the currently introduced drastic price increases will drastically increase the number of "nonpayers" and people struggling to make ends meet.

[Hovanyecz] Let us also say a few words about wealth.

[Ferge] Wealth is just as much a relative concept as poverty. In Hungary we do not have any Rockefeller boys running around, so ironically speaking we can say that what we have is "petty wealth." From a certain perspective, however, the one- or several-million-forint pay collected by a manager is a huge sum of money, particularly if the enterprise of which he is in charge is performing poorly.

[Soos] I believe that the concept of wealth in today's Hungarian society is indeed a very relative one. It is only now that real wealth is beginning to materialize in our country. Certainly we have also had influential people before, but their power did not stem from the amount of assets they held. The scandals resulting from the way they have exercised that power are just now coming to the surface. There is indeed a likelihood that a noncapital-based power will be replaced by a capital-based one, but I feel the danger of this happening has been greatly exaggerated by the public. I believe that there are many other ways of becoming wealthy. After all in a distorted, half- or one-third market economy such as ours there are endless opportunities for becoming unscrupulously rich. In other words, we are definitely going to have wealthy and even wealthier people; the question is how our country can profit from their wealth. For in a well functioning capitalist system there are some very rich people whose wealth the entire society can profit from in one way or another.

[Ferge] If I understand Karoly Attila Soos' writings correctly, however, he seems to suggest that instead of, or in addition to, capitalist privatization we could also adopt some kind of self-management system.

[Soos] I believe that generally speaking it is very difficult to make the transition to a modern capitalist system, particularly from a predicament such as ours. So I believe that a self-management system would be suitable for facilitating that transition. I have come to this conclusion looking at the "negative" side of the issue, for I cannot imagine any form of state ownership that could rationally promote that process.

[Hovanyecz] What are the main characteristics of the self-management system you have in mind?

[Soos] It is a very simple proposition: We must take enterprise control out of the hands of the state apparatus. In other words, we must help them become independent. One way of promoting independence is to allow all decisions to be made within the enterprise. Let the enterprise collective decide. Of course I am aware of the fact that somehow this always leads to management-inspired decisions. If these decisions are correct, then everything is all right, for they allow the enterprise to function properly. If, however, they are incorrect, business declines and the enterprise must be liquidated or sold, which means the end of self-management. So my idea of self-management has nothing to do with the illusory notions of self-management promoted by the left.

[Ferge] I am thinking aloud when I ask this question: Is it really imperative for us to convert to true capitalism in order to make our enterprises more capable of functioning? I happen to believe that any cooperative, self-management, or other similar system of operation should be viewed as a welcome addition to a pluralistic economic system. I would include here all related training methods: management training, union training, and others. Also to be considered in this connection is what in the West is referred to as the social economy which without pampering them, provides needed protections to certain areas of the economy in this world of intense competition.

[Soos] Let us make a distinction between cooperatives and self-management. Theoretically, cooperatives are supposed to be privately owned. When joining a cooperative, people bring in their property and operate it within that framework. Self-management is something different. The self-management approach to running an enterprise is perfectly acceptable in any capitalist country. The only problem with it is that it is not competitive, hence there is little interest in it. If this form of property is not protected, it fails. The reason why I would consider it practical to have it is because spontaneous privatization would run into tremendous opposition. In the long run, I believe, self-management will eventually also lead to capitalism. If for no other reason, because as I have already said, it has not proven to be viable anywhere, hence it needs protection. And I would not consider it practical to protect any sector of the economy. The role of social policy in my mind is to provide protection to certain social strata and people, so

it is precisely from the point of view of social policy that I consider it wrong to protect any economic organization.

[Hovanyecz] I see an agreement here in the sense that both Zsuzsa Ferge and Karoly Attila Soos want economic pluralism; what you seem to disagree on is the extent to which the market should be allowed to assert its influence, and the question of what is meant by economic pluralism.

[Ferge] As a sociologist, of course, I am talking without the benefit of having certain economic facts at my disposal. Still I have to say that in many of the developed market economies, for example in France and elsewhere, more and more people are talking about social economics. The term covers many different things.

One of the basic questions one needs to ask is what will happen to the underdeveloped regions? To areas that, for whatever reason, have fallen behind? And they are coming up with answers which as of yet no one has come up with here. Including the idea of promoting the recovery of a given area by granting a five-year tax exemption, or at least a tax preference to any enterprise operating there. It follows then that by offering protection, I mean giving allowances to enterprises that are willing to create jobs in devastated areas, they will not have to also contend with meeting all state obligations and with the adverse effects of the market. So when I say protection, I mean mobilizing additional outside resources to render something more viable.

[Soos] That, however, is not so simple. For if we give every new enterprise a tax break, then somehow every enterprise will find a way of becoming a new enterprise. But let us say this does not happen, and "all" we do is shield an enterprise from the adverse effects of the market; someday we will still have to let go of its hands. And what will happen if it turns out to be unfit to compete? Are we going to support it forever? A good example to consider in assessing the effectiveness of subsidies is the American experiment. They, too, have made attempts to retrain the unemployed. Later on they looked at who had a better chance of finding a job, those who participated in a retraining program or those who did not. And they found that there was little difference between the retrained and the untrained. We need to be very careful when considering such options. To the extent possible, the subsidies we provide should promote birth, not continued operation.

[Hovanyecz] What we are really talking about is the scope and proportions of the market versus redistribution. Is there any way of telling what the optimal ratios would be in Hungary? I am not asking about how we could reconcile the views expressed by Zsuzsa Ferge and Karoly Attila Soos; what I am interested in is how we could reconcile the market and redistribution.

[Soos] I think that in the Hungarian income distribution system the role of social benefits is far higher than in the similarly or more highly developed capitalist countries.

This must change. In other words, we must increase the ratio of income resulting from work and capital.

Of course, we also need to keep in mind that Hungary is not Sweden. Our society is not as tightly integrated as the Swedish one. It is a scattered system, lacking the kind of sense of solidarity which permeates the whole of Swedish society. Or let us take America. That is also a disintegrated society, without even a trace of Swedish solidarity. But what they do have is money. And we do not have that either. What can we do to convince our people to stay, not to emigrate, and to put their productivity to profitable use here at home? The only thing we can do is to strive for maximum economic efficiency in all spheres of our country's life. And this is not the Swedish model. That system is not a model for us to emulate, whether we like it or not.

[Ferge] I disagree with Karoly Attila Soos on several issues. First of all I question his contention that our country is spending, i.e., redistributing beyond its means when it comes to social, educational, and health care purposes. I have heard it said often, but no one has proven that it is true. Although all comparisons are open to challenge, if only because of the differences in the price systems compared, our data so far paint a negative picture of Hungary.

Let us take free medical care, for example. Some claim that it was introduced too early in our country. Yet England was no better off when they did the same. It is true that in the meantime they have continued to develop their system, and are today at a point where they are spending seven percent of a much higher national income on funding it. It is also true that this system has had many critics. The ominous neoliberal criticism levelled against it, however, has clashed with public opinion which has not allowed the system to be dismantled. Could it be improved? Certainly. There is no system in the world that could not use some improvement. Which is precisely the problem we are facing: After the present system was introduced, they have neglected to develop it. We have spent three to four percent of a low gross national product to maintain a system that has allowed the rapid deterioration of the health conditions of our people, ignored the gradual aging of the population, in other words, remained irresponsible to the enormous increase in our health care needs.

It is worth examining what is being done in such developed welfare states as Belgium and Holland where 40 percent of the GNP is spent on social purposes; in Sweden, which many are pointing to as the leader in this area, only 31 percent are committed to that sphere. In our country, on the other hand, the ratio of such spending is only around 20 percent, if we count realistically. Let me repeat, however, that it is very difficult to cite realistic figures, for it is hard to tell what the value of something is in a given statistical comparison.

And since we are on the subject of what the market does or does not affect, let us look at the issue of employment

subsidies. Here, for example, is a sum of money which they call an employment fund. Today it stands at 8.5 billion forints. It includes many things, however, that are not really compatible with the concept of an employment fund, so actually we are not talking about more than maybe 5 billion forints. And this amounts to barely more than one percent of the Hungarian GNP [gross national product]. At the same time, the developed European countries are spending two to three percent of their GNP on funding various active or passive employment programs. And in the long run, I would say this amounts to a rather strong interference in the operation of the market.

[Soos] Of course we get a different picture of Hungary's employment policy if we look at how many jobs are maintained by the import restrictions currently in place. Jobs which should have long been eliminated. It is also a fact that our entire society is paying for the preservation of these jobs, for we are the ones who are forced to buy inferior Hungarian products. This, when we come right down to it, is far more costly than it would be to adopt a new employment policy.

[Ferge] Of course it is more costly, but the people who are forced to work for Asian wages also have to suffer greatly. From this standpoint my answer is that before anything else, we need to give buying power to a large segment of the population, otherwise there will be nobody to buy all these wonderful import products. And we cannot create buying power by excluding half of the Hungarian work force from the labor market due to lack of training.

[Soos] Obviously the problem cannot be solved by way of a single shock measure. The problem, however, still remains a problem.

[Hovanyecz] As long as we are analyzing the relationship between employment and the market, let us expand the scope of the question, and talk in general about issues pertaining to manpower and the market.

[Soos] I have read in one of Zsuzsa Ferge's studies, published in last April's issue of VALOSAG, that if we relinquish too much control over the market then we will end up with another system that dictates monopolistic interests. Also in this connection, I have read in the same study that manpower is not a regular commodity, but a human entity.

I disagree with this notion. I disagree with the Marxian argument that manpower is a hapless entity which is deprived even of the basic conditions of existence, and which plagued by hunger and cold is forced to sell itself to the monopolistic owners of capital. I cannot agree with this kind of interpretation of the market. What I do agree with is that the market provides a kind of contractual freedom, a framework within which I am free to work where I want, do what I want, and if I so wish, to choose the opportunity which is the best for me. In today's modern capitalist society no one talks about being forced to sell his labor. In Hessen, West Germany,

for example, one can find brochures in which the government is actually encouraging people to go into business, offering a whole line of credits and benefits to help them get started. In other words, one has the opportunity there to choose whether he wishes to be an independent businessman or an employee.

Of course I am well aware that this is not the way things are everywhere, and that if, for example, a miner in Bolivia dies the only thing that changes is that his wife takes his place in the shaft. I simply want to caution again that this "labor-commodity" concept is a misleading one, and that the freedom to enter into contracts is an inherent feature of the market. And yes, the employee does indeed need the market, so that he can select the contract that best suits his needs.

[Ferge] I see that we are miles apart on this issue. First of all, I am not using Marx as my reference. There are many schools of economic thought in various parts of the world, from England to Sweden, whose representatives I could cite to support my point. But let us talk about the long-forgotten Hungarian economist, Farkas Heller, who could hardly be accused of having been a Marxist. According to Farkas Heller, the economy is not a self-serving system; it exists for people. From the finally republished writings of this outstanding economist it is clear that in the author's view a human being is not simply manpower, hence he is also not just a regular commodity.

From this point of view, restricting labor's freedom of movement—i.e., punishing those who frequently change jobs as they used to do during the era we have just put behind us—is indeed an abnormal thing. However, I also do not think that one is completely free just because he is told: Here are the options, choose! First of all, not everyone can, wants to, or likes to go into business. Secondly, if I cannot or do not want to go into business, or even to change residences, I am often forced to accept jobs that are bad or poorly paid. In other words, my freedom is very much restricted.

Having said that, I also want to make it clear that I see nothing wrong with entering into a social contract that spells out: You may go into business, but whether you win or lose big money is your risk. This is particularly appealing to me within the Hungarian context where we are currently suffering from a shortage of entrepreneurs, and where consequently entrepreneurship needs to be respected and viewed by society as a genuine value. I would quickly add, however, that a person who says that he does not want to make a lot of money, for example, because he wants to devote his energies to something else, cannot be considered less valuable as a human being.

[Soos] I am not the enterprising type myself, nor do I feel inferior because of this. I merely want to stress that under normal capitalist conditions no one is forced to find employment, for virtually everyone has the option of going into business, even if there are many who do not

want to do so. The fact that under a well organized system there are also many who do directly proves what those quoting Marx continue to deny, namely that there is a competition for manpower. In other words, what we have is not only people competing for jobs, but also businesses competing to attract manpower, which Marx strongly denied.

[Ferge] Okay, then let us examine this question more closely. How do you explain the phenomenon that for several years now, many West European countries have been faced with constant unemployment rates of higher than 10 percent? The fact that in many countries this figure has not declined at all for the past five to six years? Or the fact that when asked to explain why that certain one-third segment of the population referred to in the introduction has fallen behind, these societies for the most part concede that while the opportunity to go into business or select one's place of employment is there, there is no work to be had.

[Soos] The problem of unemployment is a separate issue altogether, one which, as we know, has an entire literature of its own. We are familiar with its causes, of which here I would only mention structural transformation, the falling behind of certain strata, and the relationship between unemployment and inflation. I could list more, but I would only like to point out that having a certain level of unemployment is inevitable under market conditions.

[Ferge] If you said that 1.5 to two percent was unavoidable, I would agree.

[Soos] I would draw the line at a higher level. I believe the limit should be somewhere around five percent. Capitalist economies with unemployment rates higher than this are poorly organized.

[Ferge] What do you mean by poorly organized? What is it that they are not doing correctly?

[Soos] What I mean is that there are too many monopolies that impede healthy competition. Included among them are the all too powerful trade unions that have become a contributing cause of unemployment.

[Ferge] But they can also promote job security. In Sweden, for example, there is practically full employment since joblessness amounts to a mere two percent. This accomplishment is also due to the strength and influence of the trade unions.

[Soos] To my knowledge in Sweden there is a great deal of illusionary, and among women, part-time employment. Overall, the Swedish system does not present the perfect solution by any means. The trade unions there are forcing companies to pay such high wages that inevitably they end up squeezing many potentially employable people out of the labor market. Subsequently, instead of properly attending to their needs, the

state offers them bogus employment; so one has to admit that trade union "protection" can entail extremely negative consequences.

[Ferge] To take the argument further, let me list some specific data. Although they are from 1985, for the most part they are still valid today. The unemployment rate in Belgium is 12 percent, in England 11.5 percent, in France 10.2 percent, in Holland 10.9 percent, in Ireland 17.4 percent, and in the FRG 8.3 percent. In the European Community 15 million, and in the OECD countries 28 million people are without jobs. And what is truly a great problem is that in many countries the ratio of people unemployed for prolonged periods of more than a year is over 50 percent. To say that all of this is the fault of the trade unions, I believe, is a false premise.

[Hovanyecz] If I understood correctly, Karoly Attila Soos was talking about monopolies in general, citing the trade unions as only one example.

[Ferge] And I in turn would like to make it clear that I do not consider unemployment to be a veritable disaster; I view it as a problem to which there are many remedies. The difference between my opinion and Karoly Attila Soos' view may best be illustrated with the following point:

Before and after the French Revolution—in other words at the time when the rise of the middle class and the strive for freedom truly began to gain impetus—the first rights to be attained by various societies were civil rights. The freedom to own property, to assemble, and to express one's views openly. Then came the political rights, i.e., the rights to elect and to be elected. And finally, after a good many decades or even a century, they began to talk about social, and later economic rights. In the case of the first two rights, the state had nothing to do except to draft appropriate laws. In the third case, however, it is no longer enough for the state to remain passive. In order for social and economic rights to be able to fully assert themselves, the state needs to play an active role. In other words, the subject of our debate is the degree of this kind of state activity and the manner in which it should manifest itself.

[Soos] In today's world the state must undoubtedly play an active role. What I would warn against are the excesses of this activity. And as long as we are on the subject of employment problems, I need to point out that the history of socialism in this area is one of one blunder after another. However, we would also be making a terrible mistake by choosing to follow the Swedish example. What I want to say, in other words, is that it is a mistake to create bogus employment simply to cover up unemployment.

In my opinion, the state is incapable of providing genuine employment. In order to have genuine employment, we need private enterprise. The fact that this private business may also be a stock company whose stocks are owned, for example, by insurance companies, makes no difference at all.

[Ferge] Naturally, I agree with your point that the East European approach to ensuring full employment so far has been an absurd practice both from the point of view of the economy, and the individual, i.e., labor. Clearly, this is not the direction in which we should proceed. We do, however, need to help people become productive and employable. In order to be able to do this, in the countries of East Europe, including Hungary, the state is facing enormous tasks which the market is not capable of performing in its stead.

We must keep in mind that we also need to think about economic growth, while many countries are already in a position where they do not have to attribute too much importance to economic expansion. The Swedes, the Finns, and the French, for example, are trying to remind their people that since the resources of the earth are quite limited, economic growth is not the most important goal.

[Hovanyecz] I have just recently heard a prediction that the natural gas reserves of the Soviet Union will be exhausted by the year 2000. This should be a very thought-provoking piece of news for countries geared toward economic growth.

[Soos] I can accept your point that in Sweden economic growth is not the most important issue.

[Ferge] Nor is it in America.

[Soos] That is also true, and I am also not sure what would happen if the African countries suddenly rose to the energy-consumption level of the United States. I do know, however, that Hungary must join the competition, and in the process it will have to attain a certain Western standard.

[Ferge] The question is what kind of Western standard do we wish to attain and how?

[Hovanyecz] I suggest that we look specifically at what, in your opinion, may or may not be left up to the market in such areas as education and health care.

[Ferge] I believe that a university's job is to teach. It is true that in America there are private universities, but in Europe the situation is different. I know of no European university that is self-supporting. For the most part, the universities here are financed from redistributed funds; in other words, it is not their job to become involved in business. When I said earlier that not everyone likes or is able to go into business, I also meant that there were some spheres of life in our society where available energies should not be directed toward business. For there may very well be people in this area who could make rather good business decisions, except that if that were what they had to do they could not be teaching.

[Soos] I look at this issue differently. The way I see it, educational systems such as ours and those of many other capitalist countries, in other words, systems that are basically state-controlled, unfortunately do not ensure equal opportunity. It is well known that we have both good and poor schools. At the moment what we

have is a situation where the children of "better" parents are enrolled in good schools, while the children of "poor" ones are enrolled in poor schools. This kind of differentiation, in my opinion, is unacceptable. It is unacceptable to have a system in which the same state money buys good education for some, and poor education for others. What this amounts to is a waste of public funds. This is why I would attribute an important role to private business in the field of education. Here, too, the issue is freedom, although in a slightly unusual sense. For if, let us say, someone can decide to spend his money on apricot brandy, why shouldn't others be able to opt for buying a good education for their children. We need, in other words, to adopt a system that supports individuals, rather than institutions. Subsidies should be determined on the basis of a school's enrollment, regardless of whether it is a private institution or not. The parents then can supplement this subsidy from their own income. In health care I would not consider this to be a practical solution, but in education I think it would work.

[Ferge] I find it interesting that you are making a distinction between education and health care. From a certain point of view I also see some differences between these two areas, but there are also some similarities between them. For example, the fact that if, having been born into a poor family, I do not get the basic training or basic services I need to enable me to become a free agent on the labor market, then my freedom as an employee will be very distorted. So there should be at least enough public funding for education to ensure genuine freedom of choice for all employees.

[Soos] On this point we agree.

[Ferge] There are some countries where every attempt is made to ensure that public funds, i.e., taxpayer money, are spent in such a way so as to make it unnecessary for people to opt for going to private schools. They may choose to, but they do not have to. One such country, as far as I know, is Canada. For 100 years, people there have been guaranteed by law the right to study in two languages, French and English, and to have a choice everywhere of attending either a Protestant or a Catholic school. These two are basic conditions, and although formally these institutions are not state operated, they are completely state funded. In addition, people can also have Jewish schools, Communist schools, or any other kinds of schools, with the difference that these are only partially subsidized by the state. If we do not have enough money to maintain such a Canadian type of school system, we are in big trouble, and will be in even greater trouble later.

[Soos] I am not familiar with the Canadian experiences, but I believe that once the process of differentiation begins among the many state schools—and as we have seen, it does inevitably begin—then the better schools will start attracting better teachers, and that is where people who look around for the best possible training will enroll their children. Differentiation, therefore, is a

self-reinforcing process that can only be curtailed by restricting the teachers' choice of employment, and the children's freedom to attend the school of their choice. I should point out that such restrictions also exist in America. This, I feel, is a wrong approach. If someone wishes to spend his money on educating his child, he should be allowed to do so.

[Ferge] Keep in mind that in smaller settlements they can only have one, or at maximum two schools, especially if the concept of 12-grade training becomes universally implemented. In these areas I would consider it important to have a well functioning self-government, one that can ensure that the settlement has a good school.

[Soos] This is indeed true in the case of small settlements. In larger places, however, the kind of differentiation I have talked about becomes inevitable, and it can only be halted by restricting basic freedoms. And this I do not consider to be humane.

[Ferge] If in education we can ensure equal opportunity for 10 or 12 years, I will be happy. After all, if the school is indeed good, it can provide the future employee with a choice of careers to select from.

Incidentally, social inequalities can be inherited even if every child receives an excellent education. There will always be those who have money at home, which amounts to an advantage. It is precisely to offset this advantage that I think it would be a good idea to adopt the French regional concept. In America they began to bus black children to white schools, and the consequences have been catastrophic. Applied to our conditions, the French regional concept would mean that children, let us say, from the 22nd district, would not have to travel to the 14th district just because there is a good school there. Instead the system would provide for the establishment of regional schools, and if these regions are politically on a solid foundation, then they could exert certain pressures on the central administration in educational matters.

[Soos] For now what we see is that in bad areas we have bad schools. In order to change this, the state would have to forcibly transfer some good teachers to these places. If, on the other hand, we had good private schools, people of more limited financial means would also be sending their children there even if it meant denying themselves some basic necessities. I do not see any other solution that would be better.

[Ferge] But I do. For example, a wage system that would offer supplemental pay to people, depending on who works where, how far, and in which school. This could be applied to teachers, doctors, and nurses. And something else. Something which they call professional dedication. Strangely, little is being said these days about professional dedication and professional ethics. I am constantly campaigning to turn these principles into society-integrating values, because without them even the market cannot integrate a society.

[Soos] I also happen to think that professional dedication is important; all I am saying is that in a mass society where there are a great many teachers, physicians, etc., the situation is not the same as in the old days, when they were still the "lantern carriers." And let me stress again: I am against any measure that prevents people from spending their money on their children's education.

[Ferge] All I can say to this is that if I were ever to organize a party, it would be a school party, and I would focus all my efforts on ensuring that our public schools—I purposely avoided calling them state—are of such quality that they make everything else unnecessary.

[Hovanyecz] Let us look at health care for a moment.

[Soos] I am of the opinion that it should be every citizen's fundamental right to have access to thorough basic health care. In addition we could also have a market sector where those who wish to and can afford it can enjoy hotel-like service complete with color TV and everything he is willing to pay for.

[Ferge] On this we are in agreement, just as I hope we can agree that the existing structure should be replaced by a self-managed system, supported by public funds in a manner that is much more democratic than what we have in place today.

[Hovanyecz] Locally controlled?

[Ferge] Yes, fundamentally locally controlled and organized around the local organs of public administration, with its components integrated from the hospital level down, and not the other way around. The important thing is to have very good basic care.

[Soos] That is also the way I think it would be practical to set it up, for to me it is unacceptable to have a system that provides more and better health care to those who have money, than to those who have none. At the same time, I would also point out that whether we like it or not, we will eventually see differentiation tendencies manifesting themselves here as well. We will need to take steps against these tendencies, but we must also be aware that these measures will entail some very unpleasant consequences. Any effort aimed at providing the exact same medical care for poor people as for the rich is bound to lead to enormous waste. But this is something which we will have to live with. This approach, however, should not be applied to the other social service spheres, for it would create incredible waste and limit individual freedoms.

[Ferge] I would like to see a situation in which the boundaries of the market are defined by society. I believe that it is the existing balance of power within society that should determine what is market and what is not. As I see it, the reason why Karoly Attila Soos and I disagree is because we do not see eye to eye regarding the extent to which labor and other things should be considered commodities.

[Soos] The way I would describe our differences of opinion is that we have different ideas about how we can promote the advancement of Hungarian society.

[Hovanyecz] I believe that as far as the content of the debate is concerned both Zsuzsa Ferge's and Karoly Attila Soos' assessments are well founded. And although I am not sure that it is even possible to attempt to strike some kind of compromise between your respective positions, I think that both collectively and separately, both of you have to face extremely hazy, yet at the same time incredibly strong egalitarian sentiments on the part of society.

[Soos] The world we live in is filled with contradictions. On the one hand, everybody here wants to be a Westerner, yet, at least as far as we can tell from the mass media, everyone is militantly against allowing people to become wealthy. Rational alternatives, such as Zsuzsa Ferge's and let us say mine, are seldom allowed to clash in public.

Yet if we want to get anywhere we must take both liberalization and our social policies seriously. Certain rules must be very strictly observed, otherwise we will end up with a liberal system that turns out one monopoly after another, to the detriment of efficiency. There is even the danger that the liberal concept may become mixed with something else. For example, by calling for the establishment of private schools one might actually be saying that he does not want to pay taxes to help pay for the education of the "lower classes." In other words, there is always a chance of conservative ideas becoming hidden behind a liberal system.

I have already talked about the perils of pursuing a wasteful social policy. A policy such as the one we currently have in effect, which cannot even rid itself of the, under the current Hungarian conditions difficult to justify, 55-to 60-year-old retirement age.

[Ferge] Just as an interesting piece of historical trivia I would like to mention here that the 55- to 60-year-old retirement age had first been introduced in Hungary by Dome Sztojay. This was his last directive. But there are other tragic facts to be mentioned in this connection which we cannot ignore. While it is true that our retirement age is relatively low, the reality is that the health conditions of the Hungarian populace are very poor, and that by the time they reach age 55-60 our working men and women are simply worn out. The other tragic fact is that, whether we want it or not, unemployment is already on the horizon. But I will not continue to list the facts, for I prefer to dream.

And as long as I am in a fantasy world, I want to be dreaming not about having to work until age 70, but rather about living a more flexible life. A life which in some areas of Australia is already a reality. There once a person has worked a certain number of years he is granted a six-month to a year-long vacation with pay. My dream, therefore, is not to make it possible for people to work until they are 70, but to enable them to schedule

their lives more flexibly. How many "working," and how many "free" years this means depends on how wealthy a given society is. The first step in this direction would be the introduction of a flexible retirement age. This is what I would consider true liberalism.

[Hovanyecz] I think Zsuzsa Ferge put her finger on a very important point when she said "depends on how wealthy a given society is." It cannot be by accident that we have not mentioned a single poor country in citing examples of excellent education and good health care. After all, the question we have asked in our title—one-tenth Hungary?—was also intended to find out how our society could become wealthier than it is now, and how it can avoid further decline.

[Soos] To sum up my answer in very simple terms: by functioning efficiently.

[Ferge] On this we agree. But I would also add that in these difficult times our efforts should be aimed not at dismantling the existing foundations, but at expanding them.

[Hovanyecz] For our readers' edification, I would like to mention in conclusion that this debate has been recorded right in the midst of the campaign preceding the 25 March elections. Many promises are being made by the various parties. Only a minutely small segment of the population can even guess, however, the enormity of the difficulties which future attempts at living up to these promises will encounter, or the magnitude of the task of trying to solve the problems discussed in this debate by Zsuzsa Ferge and Karoly Attila Soos.

ROMANIA

Government Official on Privatization Process

90BA0175A Bucharest TRIBUNA ECONOMICA
in Romanian 8 Jun 90 pp 2-3

[Interview with Adrian Severin, secretary-general of the General State Secretariat for Privatization, by Corneliu Barnea; place and date not given: "Everything (or Almost Everything) About Privatization"—first paragraph is TRIBUNA ECONOMICA introduction]

[Text] We may say that currently the chief problem in the economy, which is the subject not only of broad theoretical discussion but of immediate measures, is the problem of transition to a market economy, in which privatization naturally holds the central position. For a long time now there has been agreement on the need for privatization. What remain to be worked out in detail are the ways and means of carrying it out, and within as short a time as possible, to protect the economy against additional disruptions. We requested an interview with Mr. Adrian Severin in connection with these problems.

[Barnea] What is your position on privatization?

[Severin] I must state at the outset that, in my opinion, privatization in the broadest sense of the term means ensuring operation of an efficient national economy based on private property and independent action by economic agents. However, simple transfer of property from the state to private entities and creation of a private sector from scratch in the economy are not and cannot be regarded as magic solutions to solve the problems of the Romanian economy. The process of privatization is, I believe, only a means which, if firmly and skilfully used, will along with other means allow transition to a market economy and emergence from the crisis inherited from the former regime.

[Barnea] I assume that the privatization process is necessarily based on a number of principles governing the functioning of the economy.

[Severin] In the opinion of our specialists, the conduct of this process should be based on the principles governing operation of a market economy. In this context I envisage:

(a) The establishment of the equal right of existence of different forms of ownership, under conditions of continued growth of private ownership until this form predominates. In effect, from the viewpoint of the characteristic features of the right to property we will be able to speak of only a single form of ownership, a distinction being drawn only among owners: the state, autonomous administrations, and commercial firms with state capital, private persons, either individually or in groups, etc., all of them equal from the legal viewpoint.

(b) The guarantee of the autonomy of economy agents.

(c) Ensuring the operation of the economy as a whole on the basis of the free initiative of economic agents and competition among them, this presupposing the creation of markets that are free and interrelated for products and services, for all production factors (capital, manpower, material and energy resources, information, etc.), creation of a foreign currency market, etc. In this context we are devoting particular attention to basic problems in dealing with which there can be no talk of national experience: attraction of domestic and foreign capital in economic activities; establishment and operation of the corresponding institutions, which did not exist under the former regime (commercial banks, stock exchanges, insurance companies, etc.); creation and improvement of the legal and institutional framework for establishment, operation, liquidation, and winding up of companies, including regulation of the consequences of insolvency or suspension of payments (bankruptcy); offsetting of the quantitative and structural imbalances between supply and demand of jobs; creation, development, and operation of the market for information (scientific, technical, economic, etc.); formation and operation of the social protection system (pensions, unemployment compensation, medical care, etc.).

(d) Government intervention in an economy with a strong private sector, real or potential, should be done

exclusively by means of economic factors, as a function of the requirements for guiding the activities of other economic agents, in order to reach a goal of common interest. Under the new conditions, the role of the state in managing the economy and as holder of right to ownership will be modified and will be performed predominantly in areas such as protection of resources of national interest above and below ground (armaments, electric and thermal energy, nuclear energy, etc.) and in other vital sectors of the economy. Even in the case of commercial companies with state capital the responsibility for management of all wealth will be assigned exclusively to the companies in question, which will act in the market as independent economic agents.

[Barnea] What is the context within which the strategy of privatization in Romania is to be directed?

[Severin] First of there must be all creation of new economic entities that are private in nature. Such entities have favorable conditions and arise in the small industry and services sector, and also in that of commercial companies with up to 100 percent foreign capital. These are areas in which a regulatory climate has been created that will allow and promote display of free initiative. Privatization is also arising and developing in agriculture.

Secondly, it is a question of revitalizing private economic entities that were not able to develop under the old economic mechanism. Such entities are joint ventures established earlier in Romania with Romanian government capital and foreign capital.

In my opinion, there should then follow thorough reform of the public sector in the economy so that, firstly, the preconditions may be established for transfer of ownership of economic entities from state to private owners, and secondly, so that the forms of management and organization of economic agents may be made uniform, regardless of the holder of the right of ownership. This presupposes transformation of the current state economic units still operating on the basis of administrative centralism into subjects of commercial law in which the state holds a share of capital. Consequently, a true division of assets will be made between economic agents and the state, along with decentralization of the management of economic agents controlled by the state. At the same time, the relationships between state and private economic agents will become horizontal in nature, being placed on the basis of contracts and free competition, so that the two sectors will become compatible.

[Barnea] What special problems are posed by organization of the public sector and its preparation for the transition to privatization?

[Severin] There is one particularly delicate one, that of evaluating the assets of existing enterprises. These assets are to be converted to capital and be divided into shares of stock. Hence evaluation of assets must be uniform and

general; the methods applied must not result in under-evaluation working to the detriment of the state or in overevaluation discouraging private businessmen.

The principle to be applied in this case is that the value of an enterprise is determined not by the aggregate of its funds but by the ability of these funds to generate profit. Consequently, in accordance with regulations recently written, in establishment of evaluation methodologies account must be taken of the level of international prices charged for the products whose values are calculated, and also of the degree of obsolescence of available technologies.

[Barnea] What does the transition itself of economic units from the public to the private sector require?

[Severin] Among other things, I believe that above all measures of a legislative, organization, financial, etc nature will be needed. In my opinion they should concern mainly the aspects represented by training of managerial personnel and enterprise staffs for learning the rules of operation of commercial companies under market economy conditions, formation of an attitude receptive to the market economy and the effects of privatization on the part of the population, and wage earners in particular, creation of sources of capital for Romanian businessmen who want to participate in establishment of the private economy sector, creation of institutions (a development bank, consulting offices, etc.) that prepare feasibility studies to assist in establishment of privately owned economic units that will take the realities of the market place into account, creation of specialized institutions allowing correlation of the operations and guidance of the activities of private economic agents in the direction of optimization (stock exchange), enactment of legislation preventing the occurrence of phenomena of disloyal competition or of excessive concentration of capital for the purpose of forcing and restricting competition, and enactment of commercial legislation, especially a law governing commercial firms and a bankruptcy law, providing the general framework for organization and operation of all economic agents.

[Barnea] Do you believe that the privatization process should be approached on a sector-by-sector basis and that plans should be made to carry it out in stages?

[Severin] I am inclined to believe that both questions should be answered in the negative. Really, privatization should be approached globally, both as regards the sectors of the national economy and especially as regards the relationship between the new private sector and the state sector. The most dangerous consequence of disregarding this rule is immediate destruction of a private sector incapable of coping with the competition of the public sector, which has the benefit of the administrative resources of the system of state monopoly. I accordingly feel that organization of the private sector should go hand in hand with organization of the public sector, with the economic restructuring.

On the other hand, planning of privatization would be an artificial process that could lead to disparities and tensions. Such planning is made even less possible by the fact that privatization is a problem of attitude, and no one can know if, when, and how much the potential private businessman will be disposed to risk. There are reasons why I believe that the state must be limited to creation of a permissive framework, legal and insitutional, that will encourage private initiative. The extent to which and the areas in which this initiative will be displayed will depend on the ability or need of the market to assimilate such a sector.

On a market in which demand is far greater than supply, in virtually all sectors (as is the case in Romania), there is nevertheless need for interventive guidance by the state, a policy of encouragement, exclusively with economic factors, of the development of initiative better serving the needs of society. For example, application of a policy of profit or taxes differentiated on the basis of the individual type of enterprise can encourage investment in the medical field or in industries that can be of use to the state sector, by aiding in making it profitable, and can discourage the production of luxury goods (such as toys made by craftsmen for children).

[Barnea] Do you believe that priorities will be set in the privatization process?

[Severin] Unquestionably, they will. The first stage in this direction will be the creation of a new private sector in the economy and of the institutions necessary for its support (commercial, cooperative, development, and investment banks; insurance companies, including those underwriting political risks; consulting agencies; stock exchanges; etc.). The most favorable conditions exist for development of this sector as a complement to major units of the state economy. Thus, small private enterprises will engage in manufacture of the parts, assemblies, and subassemblies that the major plants currently lack, because their manufacture in long runs with giant facilities is not cost effective.

The creation of a new private sector also has the advantage of absorbing the excess manpower of major state units, making easier their subsequent transition to the market economy system. I believe that this stage should proceed in parallel with evaluation of the assets of state units and their transformation from administrative bureaucratic units into commercial companies. Transition of the majority of economic units in the service sector (including trade and tourism) could also be carried out in this stage.

Immediately after the reorganization of state economic units on a commercial basis, part of the stock could be sold to the employees of the enterprise in question. In a later stage, blocks of stock could be sold to any foreign or domestic investors, with no intervention by the state. Even in the initial stages the state could employ the system of leasing and concession, which, even though it

does not represent a form of privatization, is a means of encouraging private initiative.

As regards the categories of privatized enterprises, it is to be assumed that they will include unprofitable units only to a slight extent, if at all. These units must receive differentiated treatment, on a case-by-case basis. Those that do not perform functions of national interest would be subsidized only until their personnel have been reassigned and have been able to find other work.

[Barnea] Is it to be expected that the government will unconditionally reserve to itself control of some segments of the national economy?

[Severin] This is something absolutely normal. This category would include exploitation of mineral resources, power engineering, and finance. It might also include sectors that have a major impact on public opinion, such as medicine. The opinion that seems to be taking shape is that a flexible policy should be pursued in this direction as well, with solutions arrived at on a case-by-case basis. Forms such as exploitation of natural reserves under a concession system or by commercial companies in which the government would have at least minority control should also be treated with such flexibility.

In the financial sector an analysis could be made of privatization, including that involving foreign capital, of the local branches of government banks, and in the medical sector of a policy of social security and fees ensuring good medical care of the population even under privatization.

[Barnea] Mr Severin, thank you very much for granting this interview.

[Severin] And I want to thank you for the opportunity you have given me to share some of the ideas to be considered in connection with this process. At the same time, I would like to stress that the points I have made do not claim to represent a detailed study of the problems generated by process of privatization of the Romanian economy. Their purpose has been exclusively to outline the general directions and basic efforts in developing a privatization strategy as an element in transition from the centralized economy to a market economy. I hope that they will continue to be a good starting point for conduct of a fruitful exchange of experience.

YUGOSLAVIA

Regulations, Data on Foreign Investments Discussed

90BA0183A Belgrade *EKONOMSKA POLITIKA*
in Serbo-Croatian 18 Jun 90 pp 10-13

[Article by M. Kostic and D. Zmijarevic: "Foreign Investment: Great Suspense"]

[Text] At the moment when this issue appears, readers will perhaps know the outcome of the situation related to construction of the float glass factory which Industrija

Stakla of Pancevo and the French firm Saint-Gobain were supposed to build through their efforts and with their joint money. The Pancevo factory, that is, was given until 20 June to submit evidence of its financial capability of this transaction, which in this case will mean that it succeeded (or did not) in obtaining from the "republic, province, and opstina" support in the form of West German marks 14.4 million, which is the domestic share of investments in this phase of the project. Not only because the Pancevo factory does not have this money, but also in all the other elements, this entire story (which began back last year) is typical in that it contains all the elements of Yugoslav business folklore: a domestic factory which sees the way out of all its misfortunes by establishing ties with a partner from abroad who is expected to produce "fresh" money and modern technology, at the same time providing a market for sale of the product (ties which date since "before the war"), a time crunch in view of the fact that another similar factory is being built in Yugoslavia (in Lipik), problems in the politics of self-management (including the almost inevitable replacement of the manager who was the one who started this entire project), and the absence of those entities which ought to be interested in projects of this kind, and here the reference is above all to banks willing to extend credit to finance it. In Pancevo, through a coincidence of adverse circumstances, all the problems typical of the average Yugoslav manufacturing firm have right now come together: losses, illiquidity, and technological redundancy. In Pancevo, they need both financial consolidation of the old factory and money to build the new one. Yet in the meantime the balance in negotiations shifted, the project was abandoned by potential investors ("Rudnap" and "Unis"), and the total project cost increased by about 30 million German marks (reaching, that is, DM 236 million), since an agreement was made with the French partner to increase the capacity of the future factory and to install additional equipment which makes it possible to produce tinted glass as well. All the examples are not, of course, like this, but mainly they are variations of the same model.

On the Verge of Illusion

Since the day when the package of new laws embodying the system was enacted, and for the present topic the most important are the Law on Enterprises and the Law on Foreign Investments, an almost euphoric state has prevailed in Yugoslavia. Mixed enterprises are springing up on all sides; every firm, even the smallest which up to now has had nothing to do with exports, is trying to attract the notorious foreign capital in any form allowed by law (and that group includes joint ventures, long-term industrial cooperation, and joint efforts on third markets); and now the most diverse names are being invented for the same content—the legal participation of foreign capital in the domestic economy. And while for

decades foreign capital was looked upon as a necessary evil which, if it could no longer be prevented, should be kept under strict control and within limits prescribed to the last detail, now that same evil is expected to solve almost all the problems of the Yugoslav economy, from employing surplus capacity and labor, the introduction of new technologies (and, if possible, machines and equipment), the inflow of fresh capital, the use of foreign personnel systems or information systems, access to third markets, all the way to the more or less clearly expressed idea that foreign capital should set in motion a new investment cycle in the country. People mention in this context the experiences of other countries and the effects of their liberalization of relations with the rest of the world (in particular, Hungary, Czechoslovakia, China, and the USSR), and they assess the attractiveness of the Yugoslav version. Assessments are coming in from the Federal Executive Council that in this year alone foreign investments in the Yugoslav economy could reach 1 billion. In the estimates of possible investments, the greatest reliance is being placed on Yugoslav nationals or persons of Yugoslav origin living in the advanced world, on ties already established between certain Yugoslav and foreign enterprises, and then also on attraction of uncommitted capital with low prices of the factors of production (manpower, energy, and transportation), by favorable geographic position, and by the promised removal of those obstacles which up to now have diminished profit on this market (taxes, difficulties related to the transfer of profit, and so on). The first argument is usually backed up with reference to the results of the first "YU-Ethnobusiness" convention which brought together Yugoslav businessmen from the rest of the world, resulting in establishment of 27 mixed enterprises in Yugoslavia. (Several projects have been prepared for this year's meeting in which foreign capital is expected to participate, but the results are still not known.) As for ties which Yugoslav enterprises have with foreign firms, experience shows that Yugoslav enterprises strive to turn every long-term contract (on industrial cooperation or joint ventures) into the form of a mixed enterprise, which, as they see it, is the optimum organizational form. There are fewer and fewer conventional investments from abroad, above all because transactions of that kind are planned on a long-term basis, which presupposes a different organization of production, investment in equipment, or training of personnel, a different system of management and division of profit, and the products that arise from those transactions are not as a rule intended solely for the Yugoslav market or the market of the country from which the capital is coming. The reasons driving Yugoslav firms to invest in these transactions have already been stated in the example of the factory in Pancevo. To be sure, they do not apply to absolutely every one. There are those forms whose business is good, whose products are selling on both the domestic and foreign markets. For them, foreign capital usually means an opportunity for modernization, computerization, or restructuring production, for carrying out programs which are not possible within the domestic environment (above all because of the

inability of the banks to extend credit to finance production), nor in fact is the psychological effect unimportant, since if it does not produce a real change in thinking, it gives at least the illusion of getting away from the changeable, unstable, and traumatic situations in the country and of joining the flows of world production.

Motives and Results

Although it is a thankless business, it is not impossible to at least enumerate some of the motives of foreign investors in the Yugoslav economy. As for Yugoslav nationals who have acquired the status of foreign investors under the new law because they live and work abroad, the situation is clear. By investing in Yugoslavia, they are usually keeping the "door open" for their return, and there is also some importance to remaining ties (family and otherwise) with the "old country." Foreign companies or individual firms are usually motivated by the possibility of gaining positions in Yugoslavia. This means that the situation at the moment allows them to take a place on the market through relatively small investments, even though they may not immediately take advantage of the opportunities made available to them. The minimum investment (under the law, this is 2,000 dinars) reserves them a place without imposing much in the way of obligations on them. At the same time, although the arguments of inexpensive manpower or other factors of production are usually exaggerated (they can also be found in countries such as South Korea or Taiwan, which on the whole offer far greater advantages for realizing profit), the objective fact remains that Yugoslavia's geographic position is such as to afford (relatively) good transport and overall transportation or information services. Nor is it an unimportant fact that through Yugoslavia (in political and therefore also in economic terms) it is possible to reach countries which otherwise, because of political reasons, are closed to many companies or to the countries from which they come. Nor is it any secret that the transfer of many controlled transactions (and in the present-day world this pertains mainly to information or electronics, i.e., computers or components) takes place through Yugoslavia (in both directions). Also, countries which desire capital are usually not very fussy. Experience shows that the advanced Western countries are usually getting rid of "dirty" or hazardous technologies and production processes by moving them to undeveloped or less developed countries. Yugoslav experience shows that when contracts are concluded (for the most widely differing reasons, which could be a topic in itself) not much concern is paid to whether the technology being purchased with the investment is outdated, inefficient, hazardous, or dirty, nor to the kind of overall references that pertain to the transactions concluded. It is well known that it is difficult for undeveloped or less developed countries to buy the most up-to-date technology—it employs few people, it requires filling a number of conditions intrinsic to the technology in question (sterile working conditions, for example, as in the production of microchips) and high productivity and capacity utilization.

Also, high flexibility and the possibility of change to meet the requirements of the market are also sought. These are all arguments relevant in our own situation. Along with the reports on joint ventures in our country, reference is usually made to the supporting argument that the new production operation will employ so-and-so-many workers, that it does not require additional investment (which usually means the training of personnel, and that in turn indicates that manpower with a low level of education and professional background are being hired in these operations at the lowest price), and that the equipment is being furnished by the foreign partner, who rarely decides to purchase altogether new equipment or technology for such an occasion, but frees himself of his own, either worn-out or outdated.

Obstacles

The most frequent criticisms of the Yugoslav law on foreign investment have to do with the unregulated price of manpower and the entire system of collective agreements which for the moment are proving difficult to implement, the absence of a uniform and more or less complete (both in its conception and also in its particular arrangements) tax system, the high political risk, the chaotic banking system, the absence of a unified information system (either concerning information about production programs or data concerning other elements which might be decisive to investments—the level of import charges or taxes, the prices of services, and so on). Other missing items are the wage schedule for manpower, the rate schedule for postal, telegraph, and telephone service, reports on how much it costs to lease, for example, a computer system or satellite channel or to “simply” ship goods, and the law itself signifies only attainment of that level reached long ago in the rest of the world, says Miomir Djordjevic, Yugoslav businessman and scientist whose concern in the United States is the transfer of technology, in a statement for the Yugoslav press made on the eve of the second “YU-Ethnobusiness” convention. The requirements of foreign investors are stiff, since they, as Yi Sung Ki, chairman of the delegation of South Korean businessmen, emphasized recently in an interview for EKONOMSKA POLITIKA, offer three benefits when they invest in an economy: they bring in capital to make up for the shortage of it in the country where the investment is made, technology goes along with the capital, and third, when the product is manufactured, the foreign investor also sees that it is sold.

Risks

Summation of all the elements that affect the investment of foreign capital is not, unfortunately, subject to the rules of elementary mathematics, since it does not yield a final sum. Economic theory lists the advantages and deficiencies of the employment of foreign capital. It is up to each country, in keeping with its own projections of development and the goals it has adopted, to determine what would be the optimum relation for it. Whatever it

is, it is much better than assessments based on unrealistic ambitions. In our case, the greatest danger seems to be a kind of exaggeration of the possible benefits and belief that the accumulated problems can be solved merely with the amount of money brought in and indeed favorable new cycles can even be initiated. It is a depressing datum in this context that between 1949 and 1955 \$1.138 billion were brought into Yugoslavia, which would convert to about \$5 billion in “today’s” dollars. In each of those years, foreign capital represented one-fifth of the social product or nine-tenths of investments. In subsequent periods, and especially in the late seventies and early eighties, the foreign capital employed was still greater. Although these numbers cannot be compared to figures on investments made directly in the economy (since usually these were multipurpose credits), it is a sufficient and possible point for our article; never so far have the quantities or amounts been decisive, but exclusively the knowledge and skill to take advantage of them and use them in an optimum way. Wherever this was the case, the results are still there to be seen. Wherever it was not, that ought to be the basic motivation and principle governing behavior.

Taxes—Important, but Not the Most Important Thing

The California Industrial Development Institute published at one time an analysis about what the decisive factors are influencing the investor’s decision to invest in another country. In 70 percent of the cases, there were three conditions, all three in the economic domain of risk—the price of manpower, the proximity of important markets (transportation connections), and taxes. The other 30 percent had to do with a sphere which we generally define as noneconomic, political factors which determine an economic environment. In our country, it has become almost a commonplace that taxes are the decisive factor which determines the final decision of whether to invest in a country or not. Perhaps because in the eyes of foreigners the Yugoslav tax system and tax policy have seemed like an almost bizarre phenomenon which they had a hard time grasping. Although the other two elements are no high trump either in the competition for foreign capital.

However, it is thought by some, the tax system we had previously and which was in effect before enactment of the new law on the bases of the tax system (to be sure, as a temporary measure) was not really so discouraging when it came to the domain of “pure” taxes. In the system we have had up to now, the taxes affecting foreigners who had arrangements on joint ventures with Yugoslav organizations incorporated only one tax obligation, and this was made uniform in all the republics and provinces. This was a 10 percent payment on that portion of profit to which the foreign investor was entitled. If the profit or portion of the profit was reinvested, the investor was exempted from payment of that portion of the tax. The republics had jurisdiction here in that they prescribed the conditions for this tax exemption by setting the minimum share of profit to be

reinvested or the term of the reinvestment. What confused foreigners, however, and repelled them with respect to fiscal burdens were precisely the contributions paid on income and personal income, which were not in the jurisdiction of the government, but of an institution with a name difficult to translate (the SIZ), responsible to no one and themselves setting the rates of the assessment and burden on economic activity. What is more, compared to the taxes themselves, the contributions were a far larger item in assessments.

The appetite for foreign capital, then, is certainly one of the reasons, although not the only one, why the federal government included as one of the requirements of the tax reform the integration of contributions into the tax system, which was supposed to help to shape a tax system that was clearer and more acceptable to foreign investors. However, while this element of its tax reform was accepted in the republics without much objection (in some republics, this task has already begun and is making progress, at a varying pace to be sure, but with essentially the same goal), while the other elements, which in its judgment also have an influence on formation of the investment climate, were received very polemically. This has to do with all those undertakings in the tax system which are seen as a centralization of taxes and which the government justifies in terms of the need to create a uniform and coherent tax system that would prevail equally in all parts of the Federation, and which would on the other hand be comparable to the systems of countries from which investors come and competitive with those countries which also aspire to foreign capital. As little crazyquilt as possible, then, when it comes to taxes. Under the most recent law, the taxpayer and the tax base are determined at the federal level, but not the tax rates and exemptions, which are an essential element of tax policy. The government, then, is seeking some form in which it would also have influence on that portion of the tax area, backing this up in part with the argument that for capital from outside it is easier and more logical for tax matters to be addressed to a single center. After all, when the law on the enterprise and the federal law on foreign investments are uniform, this would also be expected of tax regulations.

On the other side are advocates of decentralization of tax policy, and they are not necessarily tied up with strong confederalist currents in the country's political environment. Even during reconciliation (unsuccessful) of the present Law on the Bases of the Tax System it was obvious that the federal state would have a hard time changing or broadening its jurisdiction in the tax system. Even earlier in Slovenia, and from now on in Croatia, where a government has taken office demanding maximum authority for itself in the economic system, there is strong resistance to leaving tax policy to the federal state. It is felt that the present four taxes (the turnover tax, the corporate profit tax, the tax on personal incomes of workers, and the tax on international transportation carriers) are sufficient for the federal state. However, in Slovenia it is felt that the taxes on personal incomes, to

which the Federation now has aspirations, must remain within the framework of republic tax jurisdiction. Nor are they inclined to turn the setting of the growth of tax rates over to the federal state. Future arrangements in this area of tax exemptions and deductions are also important in the context of foreign investments, since foreigners are given what is called national treatment, and everything that applies to Yugoslav taxpayers, depending on the republic in which they realize income, also applies to foreigners. Some economists, however, feel that it is precisely from the standpoint of attracting foreign capital that the tax variety which the government wishes to avoid is perhaps more productive, following the logic that competition is always more efficient, if for no other reason than because the republic would then not be able to blame federal regulations for a possible failure in investment. But it is the question to what extent economic arguments were decisive in the debate over taxes and to what extent the arrangements in this system will be an echo of political arrangements. In any case, whoever writes the section on taxes in some future book on "Investing in Yugoslavia" will not have an easy job.

Potential investors from outside have been displaying restraint concerning investment in Yugoslavia, and uncertainty about the tax system is, of course, one of the reasons. There is evidence of this in the fact that the countries which along with Yugoslavia signed the international agreement on avoiding double taxation, which is an important element of foreign investments, do not include the United States, Switzerland, and Japan, Kuwait, that is, countries with high surpluses of capital, whose investors (especially in the case of Japan) are cruising around the world looking for good investments.

[Box, p. 10]

A Billion Marks in 1990

In spite of attempts for almost three weeks, we have been unable to obtain the most recent figures on the number and value of contracts concerning foreign investments from the Federal Executive Council, i.e., from the people there concerned with this problem area. The figures for the period from 1 January to 4 April show that 968 contracts on investments were registered (another 358 contracts arrived for registration during the next 10 days of April). By means of the contracts already registered, in that period about 720 million marks were brought into the country, and it is estimated that that figure will reach 1 billion marks by the end of the year. Small amounts, however, predominate in the structure of individual investments. Only one-fourth of the contracts have a face value exceeding 100,000 marks, and only six contracts have a value exceeding 1 million marks. The average investment in mixed enterprises is 1.7 million marks per contract. The largest investments are in mixed enterprises, and among them those in the service sector (trade, tourism, consulting, entertainment, gambling, and so on). Most of the investors are Yugoslav citizens abroad. With respect to the size of the investment, the largest investments are being made by foreign firms, which

nevertheless are mainly investing in socialized enterprises. The regional structure of investment shows that investment is still going to the three most highly developed republics. That is, 68 percent of all investments are going to Serbia, Croatia, and Slovenia (one-third, 14.4 percent, and 23.5 percent, respectively). The number of contracts registered this year is larger than all investments in the Yugoslav economy in all previous years.

[Box, p. 11]

Contracts, Contracts...

Hardly a day goes by when the Yugoslav press does not carry at least one report of a contract being signed concerning some form of commitment of foreign capital. Investment is going equally to socialized and private enterprises. Thus, recently the mixed enterprise "Gavrilovic International" was formed ("Gavrilovic" with the American company "World Trade Corp.") for the production of fresh meat and fully prepared food intended mainly for the American market, with an initial capital of \$500,000 (in a 50:50 ratio). The American company "Central Soya" and "Sojaprotein" of Becej have established the firm "Central Protein" with a capital of \$9 million (50:50). The contract which received the greatest media coverage was between "Olivetti" and "Dinara" with "Energodata" concerning establishment of "Olivetti-Energodata," an enterprise with capital of \$6 million (50:50). A year ago the mixed enterprise "SDC/CIP Europe" was formed between the firm "CIP" and "System Dynamics Co." of Canada, which in the first year of its existence had sales of \$2 million and a profit of \$200,000. Sales of \$2.5 million and a profit of \$600,000 are planned for this year. "Philips" and "Jugoelektro" have formed a mixed enterprise for market and marketing research with an initial capital of \$25 million in which "Philips" has a share of 65 percent. The firm "Minel Combustion Engineering" has been operating in London for two years now; it was established by the multinational company ABB and the Yugoslav enterprises "Minel-Kotlogradnja" and "Termoelektro." The structure of capital in this firm is such that the foreign partners have a 60 percent share, domestic partners 33 percent, and seven percent is free. In Lipik, a mixed enterprise has been formed for the production of plate glass by the minifloat technology; the participants in its establishment were AFG Technologies (United States), Vito Vitarelli (Italy), "Astra-Masinoimpeks" (Zagreb), Industrija Stakla (Lipik), and "Corning" (Varazdin). The initial capital is \$73.8 million, of which the foreign partners are supplying \$31 million and \$25 million have been furnished with credits from abroad, and Yugoslav firms supplied the rest. At the moment, the greatest interest is in the announced establishment of the mixed enterprise "IBM-Yugoslavia" between the "Mihajlo Pupin" Institute, "Ivo Lola Ribar," "Genex," and "Spektra" on the one hand and the IBM Corp. on the other, since the partner is the largest firm manufacturing computers and computer systems in the world. Cases have also been recorded of establishment of firms whose capital is entirely foreign, as is the case with the

enterprise "Hacket-Yugoslavia" in which the American firm "Hacket" (in collaboration with the Smederevo Metallurgical Combine) has invested \$8 million and which is supposed to engage in the processing of secondary raw materials.

There are an increasing number of mixed enterprises being established by Yugoslav enterprises and enterprises from the USSR. As economic life is liberalized in the USSR, enterprises are offered the opportunity of establishing normal relations with foreign firms, while entry into mixed enterprises is a good way for our enterprises to stay on the USSR market and "overleap" the restrictions which arise in trade with that country from the balance of payments situation at the moment. Thus, in Minsk (Belorussia) a mixed enterprise has been established for the production of microprocessor systems to automate technological processes in the motor vehicle industry; it was established by the Yugoslav "Informatika" and the Institute for Scientific Research in the Motor Vehicle Industry from Minsk. IMT of Knjazevac and "Agrooprema" of Belgrade have joined the Moscow firm NPO "Gidroturboprovod" in forming a joint enterprise to make attachments for power cultivators. The value of this investment is estimated at \$21 million, in which the share of the Soviet side is 83 percent, while Yugoslav firms, in addition to 17 percent of the capital, are providing equipment and "know-how."

[Box, p. 12]

Losers

One of the arguments as to why coowner relations with foreign partners are a better form of joint ventures and investment arrangements with foreign capital is the rather adverse experience which Yugoslav enterprises have had in conducting suits before international arbitration courts against their partners from joint venture arrangements. Information of the Federal Solicitor General's Office on disputes which our firms are pursuing in those course, although no data are given on the number of cases or total value, emphasizes nevertheless that our firms lose these suits as a rule. Yet many firms file such suits, even though they know the outcome in advance, in order to cover losses or to find an excuse for poor business performance and financial results.

Last year, the Federal Solicitor General's Office registered 523 disputes with foreign firms before international arbitration. They were not all related to joint ventures, since such records are not kept, but there were quite a few of those, and as a rule they end badly for the Yugoslav firms, says Branislav Stojkovic, who defends the domestic side before arbitration. For several reasons. "When they conclude contracts, our enterprises mainly assume that there will be no problems in their performance and that their idea in this transaction will be realized. But you can judge the quality of the contracts from the way the situation is regulated when things do not go as predicted, but otherwise. You may have 99 articles in the contract pertaining to the situation when

everything proceeds normally, and only one when things do not go well. As a rule, matters in joint investments have not gone well for our firms. After all, the joint venture as we have known it up to now does not mean property rights, but the foreign partner's right to lay claim, and he has been able to exercise that right regardless of the project's financial result."

A nonchalant attitude toward the legal aspect of the problem and the quality of the contract inflicts mainly a financial loss. Last year, the negative "economic effect" of lost suits was \$98 million. The disagreements with foreign partners arose mainly in cases when

business was going badly, at the moment when the foreign partner wanted to transfer his profit. It is normal that in a situation of hyperinflation, when the accounting system is so complicated and contains business categories known only to the Yugoslav economy, a common language is not found between the domestic and foreign partner and then a dispute arises in which the foreigners fare better. "It is very difficult," Stojkovic says, "to explain our accounting system and accounting operations to foreign arbiters, and that is why the cases are lost, since our firms do not prepare the legal side of the arrangement so as to foresee such complications."

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