



JPRS Report

East Europe

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Slovak Republican Army Threatens Violence

91WR0253A Budapest KAPU in Hungarian No 6,
Jun 91 pp 47-48

["Text" of warning issued by the Slovak Republican Army, dated November 1990; KAPU is a prominent Hungarian independent monthly that published the text without comment]

[Text] Instead of enforcing the right of nations to self-determination, in the present historical times one can observe tendencies to deny that right. Circumstances indicate that the enemies of the Slovaks are the Hungarians, Czechs and Jews, as well as the renegade Slovaks. They all are fighting for the Slovak nation's annihilation. Therefore, the Slovak Republican Army has been formed in protest, because the Slovak National Council and the Slovak Government are helpless, able to solve neither the Slovak national question nor the question of the Slovaks living in Hungary.

The Slovak Republican Army's purpose is to fight for the rights of Slovaks; to liquidate the irredentists, the Hungarians, all enemies of the Slovaks, and the renegade Slovaks; and to fight the traitors of the Slovak Government and the Slovak National Council. This struggle will be mostly peaceful, but we will use also force when necessary, and appropriate psychology, in addition to chemical, ecological, economic and other means. For instance, we will destroy the property of Hungarians in the same way as they are destroying Slovak-owned cars in the south; we will pollute the Danube and the lower reaches of the Slovak rivers with chemical, bacteriological and other materials, and by destroying the Hungarian goods shipped to the Slovak market. The goods that the Hungarians are dumping on the Slovak market are highly polluted with heavy metals, nitrates, etc., which explains the high incidence of cancer in children. The Hungarians are doing this intentionally.

Residents of Slovakia, do not buy vegetables or meat products from Hungarians, because such produce is poisoned!

The Slovak nation's doom is sealed. They want to sentence it to death, or to prepare its complete death by assimilation. Our answer to VPN [Public Against Violence] and MNI [Independent Hungarian Initiative] will be to destroy the Danube dikes at the right moment on a suitable day, and to flush out the Hungarians like gophers.

Shameful inscriptions have been appearing lately and monuments are being destroyed, in the Jewish cemetery in Nitra, for example. That is the work of the Czechs, Hungarians, and Jews. Why are they doing this? The Czechs want a pretext to libel the Slovaks. The case was

not even discovered, and the Czech press already published a series of articles condemning the Slovaks, and calling them nationalists and fascists. The Czechs sent 120,000 Bohemian Jews to the gas chambers, committed genocide against 10,000 defenseless ethnic German children, executed 142,000 Germans after the war, and expelled 3.0 million ethnic Germans from the country, allowing each one only 10 kilograms of belongings. And all that does not amount to anything.

The Hungarians are doing it to divert attention from their chauvinism; also from their genocide against the Slovaks, which they committed mainly in 1870-1918, again in 1939-45, and are continuing even now; as well as to conceal their looting, because in 1473-1945 they stole Slovak art treasure that are now displayed in Hungarian museums. They also sent 600,000 Hungarian Jews to the gas chambers.

And the Jews are doing it to avoid having to apologize to the Slovaks for the genocide they committed against the Slovaks in 1870-1918, gradually turning the Slovaks into paupers. As well as to conceal their genocide against the Palestinian people.

We will demand that the names of victims be listed in the parish churches, the same way that the names of Holocaust victims are listed in the Alsokubiny [Dolny Kubin] church. But the main reason why the Czechs, Hungarians, and Jews are doing this is to discredit the Slovak nation before international forums. The Slovak Republican Army hereby warns everyone that it will execute the perpetrators at the scene of the crime.

To make its struggle more effective, the Slovak Republican Army has established contact with the Irish Republican Army, Vatra, Poland's 13 December Independent Group, the PLO, etc. We will continue our struggle until we annihilate the Hungarians and their helpers. If the situation becomes complicated and the Slovak nation is threatened with extinction, we will blow up the Jaslovske Bohunice, Temelin, and Mochovce nuclear power plants, the petroleum and gas pipelines and similar installations in Bohemia [and Moravia]. There will be no Hungarians, Czechs, Austrians, Jews or renegates left alive in Central and Southeast Europe.

There is no other solution. Simecka has already paid for this. Duray, Bajnok, the deputies of MNI, VPN, and Csemadok [Cultural-Social Association of Hungarians in Czechoslovakia], certain deputies of the coalition and of the Slovak National Council are next. Finally, we demand that also the Austrians and the Czechs return the historic relics and artistic treasures stolen from the Slovak nation.

Take heed that whoever betrays our ideals will pay for it.
(November 1990)

Bufi Receives Bulgarian Science Academy President

*AU1807184891 Tirana ATA in English 0802 GMT
18 Jul 91*

[Text] Tirana, July 18 (ATA)—On July 17, the chairman of the Council of Ministers, Ylli Bufi, received the president of the Academy of Sciences of Bulgaria, Academician Bllagovest Sendov.

In this meeting, the Albanian prime minister expressed his satisfaction over the fact that the Albanian and Bulgarian peoples are constantly strengthening the traditional friendship between them. In the tense situation in the Balkans, the strengthening of comprehensive bilateral relations, he said, is very important. We welcome the visits of senior Bulgarian government personalities

in Albania and are also ready to respond to invitations by the Bulgarian side for senior Albanian officials to visit Bulgaria.

The chairman of the Council of Ministers, Ylli Bufi, asked the president of the Bulgarian Academy of Sciences to convey his greetings to the Bulgarian president.

Academician Bllagovest Sendov expressed thanks for the perfect organization of his visit by the Academy of Sciences of the Republic of Albania. The agreement signed between the two academies of sciences, he said, calls for the development of a fruitful cooperation in elementary and secondary education as well as the intensification of current cooperation in the field of higher education and scientific research.

Both parties also discussed problems and developments in the Balkans and Yugoslavia, etc.

SDS Civic Committees Issue Declaration

91BA0766A Sofia DEMOKRATSIYA in Bulgarian
23 May 91 p 3

["Statement" by the Union of Democratic Forces, SDS, in Sofia on 8 May: "A Policy Statement by the Civic Committees of the Union of Democratic Forces"]

[Text] On 15 April 1991, an appeal rang out to the members and sympathizers of the opposition parties and movements in Bulgaria, to all Bulgarian citizens who stand behind the idea of the immediate and final liquidation of the communist and neocommunist structures and trends in our nation, to participate actively in the creation of civic committees of the Union of Democratic Forces [SDS], in the formation of their strategy and the realization of their basic goals.

The appeal was signed by representatives of the City Advisory Council of the SDS in Sofia, the Alternative Socialist Party, the "Civic Initiative" Movement, the Radical Democratic Party, the Center for Democratic Unions, the Independent Society for Protecting the Rights of the Individual, the Bulgarian Democratic Forum, the Democratic Party, the New Social-Democratic Party, and the Christian-Democratic Community of the Christian Union "Salvation."

These were joined by the "Podkrepa" Labor Confederation and the emigration organizations in the United States (Bulgarian Free Center), France ("Dialogue" Foundation), and Germany (Bulgarian Parish in Exile "St. Ivan Rilski").

The policy ideas and practical goals of the SDS Civic Committees are shared completely by the majority of the local advisory councils and municipal coordination councils of the SDS, by a number of opposition parties and movements outside the SDS, and by many voters disillusioned by the progress thus far of the democratic processes.

What necessitated the redefining of the former opposition activities and the search for new variants in their organization and political orientation?

1. Basis for the Creation of the SDS Civic Committees

The serious analysis of the political and economic situation in our country shows that, in the events of recent years, the opposition rather often has been a marionette in the hands of certain powers. The tempo and essence of the historical changes portend a prolonged economic agony and an orientation toward democratic leanings in the interest of the ruling *nomenklatura*. Certain circles of the governing opposition conglomerate are diverting Bulgaria from the road to modern civilization.

1.1. The view of the events of 10 November 1989 and afterward was even more convincingly established as a bloodless palace coup, accomplished by an obviously clear device "Without Zhivkov—in the Zhivkov Way!" or "Without the Little Word 'Communism'—in the

Communist Way!." Changing the one who is unsuitable, who gathers the growing hate of his nation, a certain dictator in the name of saving the dictatorship itself, at least transformed according to the new type of social circumstances, is a well-known trick from the history of tyrannical regimes.

1.2. For the 18 months after the excellently organized coup in Bulgaria, not one change has occurred that has essentially affected the system, that has diverted to a dangerous degree the predicted fulfillment of the scenario in its presumed main directions: impeding the political power in its final transformation in the economic sphere; an organized retreat, a temporary "freezing" and assured prospects for the prominent *nomenklatura* figures (at the cost of small concessions and sacrificing obviously discredited personnel or some of the numerous party extras); preservation and full concealment of party archives and the documentation necessary for future activities; concealment of the stolen national wealth and its legal conversion to a powerful financial base for the mafia and the party structures tied to it; creation and strengthening of overt and secret organizational elements and ties for future social activity.

1.3. In the background of the preserved totalitarian organization, the weakness of the parliamentary minority and the coalition character of the ruling structures emerge to intensify the democratic processes, to ensure an adequate legislative basis to the economic rebirth in Bulgaria, to guarantee a safe expression of the free will of Bulgarian citizens, and to condemn those responsible for the national catastrophe, for the crimes they have committed.

1.4. For the intentionally controlled increase in economic and political chaos (whose possible end result would allow the "well-grounded" enactment of joining in a scenario version: "military situation for avoiding a civil war"), they contribute to the programmed "taming" and "lulling" of the opposition, diverting the opposition energy in directions outwardly effective but harmless for the system and in consolidating ranks of the system's true followers (a fight with individual constituent members, with rituals, dead symbols, and so forth), dragging the SDS into the general morass of conciliation and compromise and burdening it with all of the most common liabilities and negative consequences resulting from the activities of yesterday's communist leadership.

1.5. The ideology of the "peaceful transitions," the political agreements, the agreements and decisions of the contact groups behind the backs of their authoritative organizations actually serve to really slow or block the historical processes, playing for the time so necessary to finish legalizing the theft of national wealth and concealing (through destruction or concealment of archive documentation) the misappropriations, the thefts, and the crimes carried out through the years by the "national power."

1.6. Indirect evidence confirms the suspicions that penetrated into the opposition are people from the secret services and the high party-economic-state apparatus, and they often carry out certain political activities. The planted "opposition members," provocateurs, and informers (not to mention the deserving people serving time in prisons and camps) help to create mistrust and an unfavorable character in the SDS, to lose rather important ideological and psychological advantages and the endorsement of the mafia slogan "and the red, and the sons are scoundrels!", in misleading public opinion, to believe that the opposition is conducting a battle solely because of unsound leadership ambitions, love of power as an end in itself, a desire for personal favor, and a transfer of the privileges of the former to the new "active champions."

1.7. Besides a number of preelection and postelection mistakes, the opposition dismissed vitally important factors of its activity: public control of the security organs and their archives, the dissolution of the special subdivisions (the actual "personal guards" of Todor Zhivkov), the registration and seizure of weapons in the hands of "honored" private personnel, the legal prosecution of criminals, the confiscation of unlawfully or illegally acquired property in the country and outside of it, and so forth. The blame for this will sooner or later be accepted by the penetrated "opposition members," and by some of the opposition workers naturally inexperienced or not so naturally limited intellectually.

1.8. The Grand National Assembly gradually lost the original, albeit small, credit of trust. It still has not voiced, and it will hardly be in its interest to voice, its legitimacy by publishing the entire balance-sheet from the June elections in DURZHAVEN VESTNIK (containing the exact final results according to regions and sections in all single-mandate and multimandate election regions for all majority candidates and parties registered for participation). It still has not, and does not intend to, acquaint the public with the full truth of the violations, manipulations, and falsifications during the time of the elections. This circumstance places under reasonable doubt suspiciously unanimous self-proclamation for legally elected national representatives.

1.9. Despite the thoroughly concealed estimate of last year's elections, an indisputable fact is that many worthy and competent politicians and public figures also sit in the Grand National Assembly. But, within its constituency, the former creators of the repressive regime and its present supporters predominate, potential "boarders" at the jails, actual employees and associates (permanent and nonpermanent) of State Security and the KGB, as well as passive extras, not understanding or wishing to understand what is being said in the hall. Indeed, with such a constituency (as a whole, despite exceptions), the parliament does not have the moral right to destroy the dignity of the nation and to create the democratic legislature of a future democratic Bulgaria.

1.10. The parliamentary majority of yesterday's bosses responsible for the national catastrophe determine the protection chiefly of their political and economic interests, causing the obstruction of effective and constructive legislative activity. The Grand National Assembly passes and apparently will continue to pass laws that are mutilated and obstruct our road to democracy and a market economy, which are doomed in advance to correction or suspension by the next National Assembly.

1.11. The continued domination of the high *nomenklatura* that has ruled until now predetermines the impossibility of the complete use of the domestic and foreign reserves for financing the beginning economic reform. Without the confiscation of the property of the state organizations and the mafiosi that grew wealthy illegally, as well as the Bulgarian investments abroad, owned by these mafiosi, without overcoming international isolation, the economic reform is doomed to the ruble, and the nation to misery and prolonged agony unknown until today. Otherwise, Bulgaria will continue to be one of the last reserves of postcommunism and posttotalitarianism in the world.

2. Strategic and Tactical Aims of UDF Civic Committees

Hidden by the powerful apparatus of demagoguery, the actual state of affairs is gradually being made clear. The motives for radical change, for parliamentary legalization of the new correlation of political powers in the country, for redefining the opposition strategy and tactics are at hand.

If the political situation in Bulgaria continues to develop in this way (that is, to remain essentially unchanged!), the historical purpose of the opposition will not be realized and it will be without its wide social base, criminals will go unpunished, social injustice will continue to triumph, and the hopes of democratic thinking people will be disappointed.

The chief goals and tasks of the SDS Civic Committees proceed directly from the reasons for their creation. Their formulation originates from an analysis of today's political, economic, and social-psychological realities, from the features contained in them that are dangerous for democracy.

2.1. Agreement on the common strategy by all parliamentary and outerparliamentary forces. Withdrawal of the opposition deputies and ministers. Well-grounded and decisive condemnation of the ruling group's attempts to transfer to the opposition the liabilities of the national catastrophe, to which it actually led the nation. Insistence on the self-dissolution of the Grand National Assembly.

2.2. Legitimization of the changed correlation of the political forces through the holding of new parliamentary elections by the middle of July or the soonest date determined by considering the organizational and technical possibilities. Gaining political power. Ensuring

legislative activities that are complete and useful to the public. Implementation of prepared platforms and programs for the development of all spheres of the social scene.

2.3. A court for those directly responsible for the national catastrophe. An actual depolitization of the most important public organs and institutions. A final emancipation from the atavistic totalitarian structures and from the discredited and incompetent cadres of the old party-economic-state *nomenklatura*.

2.4. Confiscation of excess property of the official and unofficial successors of the state organizations (the Bulgarian Communist Party, the Bulgarian Agrarian National Union, the Fatherland Front, the Dimitrov Communist Youth Union, the Conference of Independent Syndicalists in Bulgaria, the ABP [expansion not given], the FK [expansion not given], the Association for Bulgarian-Soviet Friendship, and many others), that exceeds reasonable limits, ensuring the normal organizational functioning, as well as property illegally or unjustly acquired from the former chiefs and their friendly army of kin.

2.5. The legal discontinuation of all firms and economic subdivisions of the Bulgarian Socialist Party/Bulgarian Communist Party and their state satellites, created on the basis of property stolen from the nation and national valuables misappropriated. Destruction of the powerful economic base purposefully created to continue post-totalitarian activity of all these organizations.

2.6. The discovery and return of the national wealth and valuables of the Bulgarian spiritual culture, appropriated by the ruling mafia and taken out of the country. For those personnel and organizations to be liable under the law, who were either directly involved or indirectly helped in the theft and export abroad of national property.

2.7. Use of the confiscated property of the state organizations and their firms, as well as the personnel property of yesterday's rulers in order to free the potential of the market economy, to import modern agricultural and industrial equipment and technology, to insure a base for a strong and just social policy, and to increase aid to the socially weak strata of the population. Use of the Bulgarian investments abroad that were returned for the economic rebirth of the homeland, to pay off the foreign debt, to successfully conduct economic reform, to win the trust of international business and political circles, and to guarantee investment activity, on the part of developed states, that is prosperous for our economy.

2.8. Locking and preserving the surviving archives. Finding the concealed documentation and placing it under the control of the appropriate state and public institutions. Gathering, classifying, and preserving personal testimony on crimes committed by the repressive regime. An objective appraisal of the people and events in modern and most recent Bulgarian history.

2.9. Implementation of effective public control of the processes of small and large privatization, return of the agricultural lands and forests to their lawful owners, and their effective use, and the legislative regulation and stimulation of new economic activity.

2.10. Restitution of property: establishing the rights of the owners before nationalization and expropriating of civic property on a large scale occurred. Removal of discredited or unsuitably placed members of the national and regional leaderships of the SDS. Renewing the personnel and organizational and ideological support of the united opposition.

2.11. The revival of Bulgaria as a free, rich, and democratic state, gaining its well-deserved place in modern human civilization. The guarantee of all rights and freedoms. A high standard of living and normal living conditions for all Bulgarian citizens.

3. The SDS Civic Committees and Democracy

The creation of SDS Civic Committees is dictated by a number of objective circumstances, causing natural alarm about the future of the country, about the nature of the social changes implemented in the country, about the fate of economic reform, and about the status and prospects for the opposition's development.

3.1. The basic significance in the formation and function of the SDS Civic Committees is in the search for a more successful organizational form of opposition activity, and in the SDS's transformation from a coalition (a form that exhausts its capacity) to a national democratic movement (with efficacy historically proved by the practice of the other Eastern European states).

3.2. Interested in slowing the democratic processes in Bulgaria, even in restoring the historical discredited structures and valuables, political circles were successful in impressing on the mass consciousness (misleading even a part of the opposition leaders) a series of illusions outwardly convincing, though dangerous to the tempo of our development toward a modern civilization—that economic reform will be made difficult and slow by conducting quick parliamentary and general elections; that economic and political reform in Bulgaria depends "life and death" on the continued work of this parliament and on the passage of these or those laws; that the self-dissolution of the parliament will throw the country into chaos and will leave it without leadership; that the opposition can at the same time participate in the executive power and continue to be an opposition in the real sense of the word, and so forth. The calling of the SDS Civic Committees is to expose and overcome these illusions.

3.3. The SDS Civic Committees do not duplicate and do not "cover" the structures of the SDS and its component parties and organizations that continue to function. They only unite—in the name of election victory—people who are democratic thinking and who are actively working to support democracy, who temporarily leave

their affiliations to a certain party in the background, as well as their political leanings and personal ambitions. Only a similar form of unification would guarantee the nomination of the most deserving candidates for the next elections, elimination of the subjectively determined quota principle, and overcoming of the partisan bias harmful to the opposition's power and its contradictions between Sofia and the provinces.

3.4. The SDS Civic Committees take responsibility for consolidating unity (with open and tolerant opposing of the various strategic and tactical mechanisms) and for the creation of a new type of image for the united democratic opposition, for the accumulation of its energy, and for aiming it in the most important and dominant directions in view of the specific Bulgarian conditions.

3.5. The SDS Civic Committees are led by the realization of the necessity of overcoming the apathy that affects democratic thinking people, of resurrecting their hopes, of activating the entire opposition in the name of the great, and as yet unfulfilled, goal.

3.6. The SDS Civic Committees will strive to unite the members and sympathizers of the opposition parties and movements remaining outside the Union of Democratic Forces, to mobilize the strength and reason of all Bulgarian citizens who do not belong to any parties or social movements, to awaken the civic will of people and social groups either not oriented, or hesitant, or not wishing at all to participate in political life.

3.7. The formation of the SDS Civic Committees is done in accordance with a model statute proposed by the national organizational committee. The SDS Civic Committees are governed in their activities by the basic positions in the policy statement, social and economic platform, and decisions of the national conference.

3.8. For the implementation of its strategic and tactical goals, the SDS Civic Committees act only by lawful means, in complete accordance with the generally accepted legal and moral norms, not permitting any displays of unjust vengeance, retribution as an end in itself, or blind and cruel revenge. Real democracy cannot be obtained through undemocratic means.

3.9. In the SDS Civic Committees, all Bulgarian citizens sharing the concrete appraisal of today's economic and political situation and sincerely wanting quick change in the system will have the opportunity to work in an organized and effective way for the final liquidation of the totalitarian structures and tendencies, for opening a space for the creation and endorsement of a true civic society, for the freedom of the individual and human creativity, for the salvation of Bulgaria.

Legal Structures Impede Duty-Free Zones

91BA0833A Sofia DELOVI SVYAT in Bulgarian
10 Jun 91 p 4

[Article by Yuriy Botev: "The Laws Hinder Duty-Free Zones"]

[Text] The organization and management of customs-free zones in our country is currently based on Ukase No. 2242 of 1987 and the regulation on its application. These documents no longer meet the new requirements and principles of the economic reform that is taking place. A number of contradictions between it and Ukase No. 56 and other laws are hindering the activities and development of the customs-free zones already established in our country. Their activities are also paralyzed by the numerous bureaucratic requirements and formalities. Many examples could be cited of inept decisions and already obsolete principles as found in Ukase No. 2242. The access of Bulgarian firms to some types of activities in the zones has been restricted. They must be issued permits to engage in activities such as sorting, labeling, wrapping, unwrapping, temporary storing, and warehousing imported duty-free goods for export. Paradoxically, branches of foreign firms, which enjoy the status of local juridical persons, have no free access to act in the zones, being foreign firms. The same applies to the mixed companies that are also classified as local, although they operate with foreign participation. Such restrictions lower the interest in working in such zones and actually limit the earning of foreign currency. It is mandatory for Bulgarian and foreign firms to enjoy equal rights in the duty-free zones, as is the case in Western Europe.

The establishment and management of duty-free zones in our country has been assigned to an economic enterprise that was set up with the same act issued by the Council of Ministers on the creation of such a zone. It should be self-supporting. At the same time, according to Ukase No. 2242, the administrative services and control, including the access, taxation, and customs-control systems, have been assigned to another organization known as the administrative management, which is supported by the budget.

The existence of two organizations managing a single project leads, in the majority of cases, to violations of the principle of single command. Furthermore, Article 21 of the regulation on the application of Ukase No. 2242 stipulates that all juridical and physical persons engaged in activities in the zones, including the managing enterprise, must observe the instructions and recommendations of the administrative management. However, practical experience has indicated that the decisions of the administrative manager could be subjective. Added to this is the fact that the administrative manager and the general director of the economic enterprise are appointed by different departments.

According to the concluding stipulations of Ukase No. 2242, the overall management, coordination, and control of activities in duty-free zones are provided by the Ministry of Foreign Economic Relations and the former Ministry of Economics and Planning. Yet the "procedure for current activities in the zones" is within the jurisdiction of the Ministry of Transportation. This leads to total confusion in the management of the zones, inasmuch as such management exists.

Practical experience in the activities of the Duty-Free Zone SP [Economic Enterprise] in Ruse indicates that the parallel existence of an economic enterprise and an administrative management is extremely inappropriate. The activities of the two organizations partially overlap. Some of the functions—customs control, for example—cannot be performed by the administrative management because this is the job of the Main Customs Administration. Nor is it necessary to set up special units for health, veterinary, and phytosanitary control because such bodies are part of the local authorities. A fire-prevention system could be developed on the basis of the principle applied throughout the country.

The current registration system for foreign firms working in the zones is extremely faulty. The regulation on the application of Ukase No. 2242 stipulates the need to register with the administrative management, including paying a fee according to the tariff. Yet Ukase No. 56 requires that branches and mixed companies must be registered with the courts. It is obvious that there should be no double registration.

Three of the present duty-free zones—in Burgas, Plovdiv, and Svilengrad—are being developed and managed on a stockholding basis. Justifiably, the question arises of what type of compatibility will exist between the stockholding firms and the administrative managements they will eventually set up.

Obviously, the new legislation should not require the creation of an administrative management of the duty-free zones, as has been practiced so far. Its functions could be divided among the economic enterprises or firms and the local authorities. This would lead to substantial budget savings.

All five of the currently existing duty-free zones in our country were created on the basis of proposals submitted by municipal councils. Until recently, the municipalities were eagerly demanding, in most cases groundlessly, the creation of duty-free zones on their territory, in the expectation of certain benefits. After the promulgation of the Council of Ministers' act on the creation of the zones, most of the municipalities lost all interest in them and are giving them no assistance.

The new legislation should stipulate that the commitment of municipal councils concerning the duty-free zones set up on their territory should be stipulated quite precisely. At the same time, the rights and advantages to the municipalities that would be making investments in the development of the zones should also be stipulated.

The experience in encouraging the municipalities by allowing them to retain some of the foreign currency in exchange for the manpower they provide proved inefficient.

Paragraph 1 of Article 11 of Ukase No. 2242 defines the procedure governing the creation of joint companies in duty-free zones in accordance with the general procedure stipulated by Bulgarian law—that is, on the basis of Ukase No. 56. Yet, Paragraph 2 of the same article makes the procedure more complicated by demanding that the Bulgarian cofounder coordinate the contract in advance with the administrative management. This introduces an unnecessary operation because the joint company, as a juridical person, must register with the okrug court.

The question of the tax on profit from importing goods and services from the zones into the country has proved to be quite unclear and difficult to resolve. Collecting this tax, as per Article 14 of Ukase No. 2242, becomes very difficult without a special accountability system for the firms engaged in such activities.

Many other examples could be cited that indicate the need for the formulation of entirely new principles to govern the creation and management of duty-free zones. We know that the process of establishing Bulgarian duty-free zones will be lengthy and difficult. However, the existence of favorable and liberal legislation that, like the laws applied in the developed countries, would offer facilities and easier work rules in duty-free zones would increase the interest in investing in our zones, as well.

Mismanagement at Metal-Cutting-Machine Plant 91BA0806A Sofia DUMA in Bulgarian 17, 18 May 91

[Article in two installments by Rumen Bikov: "The ZMM [Metal-Cutting-Machine Plant] Salutes a Colonel and...Loses Everything"]

[17 May p 3]

[Text]

Letter to Mr. Ivan Pushkarov, Minister of Industry Trade and Services

Mr. Pushkarov:

As chairman of VIK [Provisional Executive Committee] of the Nadezhda Municipality in Sofia, I am concerned about the development of the Metal-Cutting-Machine Firm (ZMM), the main plant of which, along with two scientific research institutes, a trade organization, and its central management, is on municipal territory.

I am submitting this presentation in an effort to contribute to the efforts of a highly skilled scientific and technical and production entity to expose the actions of its present general director, Colonel Nenko Goranov (member of the BSP [Bulgarian Socialist Party] Supreme Council), which are delaying the reform.

The destructive role of this general director and of a group of people of the nomenklatura who are close to him, people who are even less competent than he, is hindering the implementation of the reform initiated by the government. The ZMM management also includes real professionals who, acting in semilegal conditions, have been able to protect a substantial share of the values, traditions, and virtues of the ZMM trademark, and who could help this subsector assume its proper place in the national economy. This requires a personal evaluation of the actions and motivations of the firm's management by invoking Article 27, paragraph 5, of Ukase No. 56.

I suggest that, for a limited time, an experienced professional be appointed to the position of general director (for two to three months), whose task would be to organize the holding of a general meeting, and the election of a new administrative council and a new management that could implement the ideas and objectives of the economic reform.

In my view, the next step should be the development of a production-economic association of a joint-stock nature, with up to 49 percent participation of foreign investments, and with equal status granted to Bulgarian enterprise co-organizers of the association, on the basis of their ability to participate as stockholders.

*Eng. Rumen Bikov
Chairman of the Nadezhda Municipality VIK
Sofia*

The assets of the ZMM firm, developed over a period of more than 20 years, present to the world a good image of Bulgarian machine building. It would be shortsighted, to lightly and because of someone's indifference or mercenary preferences, spoil the useful already established and working relations with the West and with the rest of the world.

Colonel Nenko Goranov, member of the BSP Supreme Council, was "appointed" ZMM manager in 1986 (at that time he was a BCP [Bulgarian Communist Party] Central Committee candidate member). His patrons are Ognyan Doynov and Ivan Panev. Obviously, neither of them had realized that, in order to conduct an orchestra, the conductor must be able to read music. What mattered, however, was that he be "one of ours." He was indeed "one of ours," having been trained at the Plovdiv Okrug BCP Committee, where he was Ivan Panev's deputy; previously, he had gained practical experience in military industry at the VMZ [Military Munitions Plant] in Sopot, an experience that ended badly, with a major industrial accident, responsibility for which has still not been sought. He has worked as a party representative at, and and was coresponsible for, the failure of the steel-casting plant in Rakovski. This almost completes the full portrait of Nenko Goranov as a specialist in failures. At the initiative of Ognyan Doynov and Stoyan Markov, he was "introduced" at the ZMM DSO [State Economic Trust] in Sofia.

In that case, this was the system followed: By the end of 1985, the war between Iran and Iraq, like other local military conflicts, triggered the appetite of producers and merchants of armaments and ammunition. The general-"engineers" of the Bulgarian military-industrial complex considered themselves to be among them. The idea developed in the minds of Ognyan Doynov and Stoyan Markov to increase the production of weapons and other items. The new concept of "conversion" appeared in the USSR. This gave the domestic militarists the hope that they could profit from the situation and extract personal dividends that would be difficult to supervise (because of secrecy) by putting our country in a few of the thus-vacated market niches. The BCP Central Committee Politburo made this decision, and the sectorial ministry (at that time the Economic Council of the Bulgarian People's Republic) saluted. This project was similar to a political assassination, with the difference that this marked the suicide of an entire economic sector. Ways were sought to involve in militarized production a new powerful production structure with already existing technological expertise, similar to that of the ZMM SO and its 33 branches throughout the country. A Trojan horse was needed, and Goranov proved to be an excellent candidate for this role.

Colonel Kol'o Dunev, from Nenko Goranov's native village, was appointed deputy general director in charge of economic problems (a militarized position!), and Petur Mandzhukov, a Kinteks commodity expert, whose two-year work in Algeria had led to an investigation of currency fraud, was appointed deputy general director for production problems. Nenko Goranov's assets were more than modest: theoretical training at the Mining-Geological Institute. His technical incompetence kept him estranged from the problems of the ZMM firm. His wish, however, was to artificially adapt the mass production system characteristic of the bearings industry and the production of ammunition to the production of metal-processing equipment. Let us also not ignore the fact that the military-industrial complex worked exclusively on the basis of Soviet specifications, whereas the development units of the ZMM were creating equipment that was finding a good market on all continents. Even to this day, ZMM machinery is being successfully sold.

Nenko Goranov's activities at the ZMM company are highly inefficient and, in some cases, almost make us suspect malice. His first "independent" action was aimed at ending the production of the SU 582-model lathe, produced at the ZMM in Sofia and sold for foreign exchange, and diverting it to the plant for the repair of metal-cutting machines in Vratsa, which lacked the necessary personnel and technical expertise for such production. Two years later, it was returned to Sofia, but the plant here was no longer able to attain its former capacity because it had been restructured both organizationally and technologically. The established market reputation of the lathe was destroyed as a result of its two-year absence on the Western market, and the few

remaining customers lost interest in it after trying its Vratsa substitute. Losses in foreign exchange could not be recovered.

The subsequent four-year management of the firm by Goranov involved a series of destructive actions. He repeatedly clashed with the management of Mashstroy in Troyan, as a result of which this foreign exchange pillar of the company left the ZMM. The insulting qualifiers addressed, with or without reason, at the collective of the Central Machine Building Institute in Sofia also led to the withdrawal of the institute from the firm. On the basis of a personal agreement with Mincho Yovchev, also withdrawn from the system was the Beroe NPK Scientific-Production Complex, which was working on robotics. The loss of interest on the part of the main customer, the USSR, caused it with major difficulties, given the lack of alternate production-technological solutions to those it received exclusively from the ZMM firm. A bilateral agreement with Pantaley Pachov (the party leader in Plovdiv Oblast) resulted in another dropout from the firm, this time the ZMM in Asenovgrad, which manufactured grinding machines and which is now on the verge of bankruptcy as a result of its inefficient reorganization aimed at producing robot installation equipment. Another "merit" of Pachov and Goranov was the withdrawal from the ZMM of the timber-processing-machine plant in Plovdiv and Dospat. The Bulgarian timber-processing machines, which had already gained a position on the international market, are no longer available, replaced by machines from Korea, Spain, and Singapore. The plant in Turgovishte was also dropped from the ZMM because of Goranov's personal considerations.

Plants in which more than 60 percent of overall development investments were made were withdrawn from the firm through actions that cannot be logically explained. The firm receives no output resulting from such multimillion expenditures. Such waste cannot be permitted even in a centrally planned economy. Some of the transformations we described occurred in 1990 and 1991!!! Preparations for other are under way.

[18 May p 5]

[Text] In our last issue, we carried the first part of the conclusions and proposals submitted by Eng. Rumen Bikov, chairman of the Provisional Executive Committee, Nadezhda Municipality, in Sofia, addressed to Minister Pushkarov, concerning the exceptionally incompetent management of the ZMM firm and the consequences of the economic reform. The description of this odyssey is continuing in this issue.

The establishment of a new branch, ZMM-IMPEKS, which led to the outbreak of a major conflict with the present exporter, Mashinoeksport, is an unexplainable step taken by Colonel Goranov, ZMM general director. As a result of the loss of a well-developed network of distributors and services established by Mashinoeksport

throughout the world, the firm began to lose a significant amount of foreign exchange.

ZMM-IMPEKS proved to be a screen for a parasitical and internally organized headquarters of the city and municipal Sofia *nomenklatura*. It also includes the so-called Balkan area, which shelters highly paid officials from Karlovo and Sopot, and others close to Goranov and Kol'ov Dunev. Here are some of them: Todor Dotsev, deputy general director (former secretary of the Kolarov Rayon BCP Committee and former first secretary of the Nadezhda Municipal BCP Committee); Kiril Simeonov, director (former high official within the Kolarov Rayon BCP Committee and former paid party secretary at the ZMM in Sofia); Lyuben Angelov, interim general director of the ZMM-IMPEKS; Kostadin Donev, director; Veselina Stanilova, director; Violeta Stoyanova, chief of labor and wages, personnel, and social development; and Lili Duneva, director (Kol'ov Dunev's wife).

Special positions were opened in the firm's central management for relatives, "fellow-villagers," friends, or "merely supporters" of Nenko Goranov, such as: Captain (now Major) Kozarev, in charge of the firm's fire-fighters; Stayko Stoyanov, former Sofia City BCP Committee secretary; Mariyka Lazarova, wife of Kiril Lazarov, former representative of the Bulgarian Trade Unions Central Council; Fidel Kosev, until recently chief specialist (former member of the Nadezhda Municipal BCP Committee); and Colonel Khristo Karabunarliev (Retired), representative of the firm in Lagos, Nigeria (Nenko Goranov's relative).

Very close to Goranov is former deputy general director Petur Mandzhukov, a Kinteks alumnus. At the point when Kinteks began to gain notoriety and when a just demand to investigate its activities by the World Court in The Hague was made, the most heavily compromised elements found shelter in the structures of other unblemished economic organizations, where the ground had been prepared for them. Thus, Goranov was able to shelter Mandzhukov and the entire board of directors, for which purpose office premises were leased in Lozenets. Their wages were paid by the ZMM. Only Mandzhukov was settled on the plant's territory, and some of his inefficient activities immediately revealed his "investigator's" style, as a person who was totally ignorant of what machine building was about. At that point, Goranov decided to make him commercial traveler to Singapore and East Asia. There were also some junkets to countries in Western Europe. After such visits, even the few machines that could be sold through Singapore could no longer be marketed.

After Goranov succeeded in concealing this failure, as well, Mandzhukov was sent into "hiding" as the representative of the ZMM in Skopje. His salary was \$870! The purpose of his activities was unknown! The three-year cost of keeping up the office in Skopje was more than \$100,000. Only one ineffective barter deal was concluded for the procurement of pig iron castings at a

price double that charged in international deals and with considerably worse quality indicators. However, the firm purchased for Mandzhukov's personal use the latest Volkswagen model car from which, he claimed, some \$10,000 were stolen. Goranov then compensated him "for his loss" out of company funds?!

The incompetence of the ZMM leadership became apparent in the purchasing of the bankrupt West German firm JESPA, without any preliminary economic study or analysis of its usefulness and losses. This single-handed decision entailed a loss of some 3.5 million marks. A similar operation was conducted in the sale of 75 percent of the assets of Festo, an enterprise for compressed air automation that belonged to the firm. The opportunity for the ZMM to develop and benefit from its activities was blocked. The losses amounted to 5 million leva.

The concept of "capitalist profit," which until then had been unbearable to the orthodox feelings of Goranov, the supercommunist, began to sound pleasing to his ear, after a taste of its sweetness. This took place after he established an association with "fellow ideologues," who are now operating abroad, who belong to the high party and economic echelons, and for whom, even before 10 November, the way had been opened. Ognyan Doynov included Goranov in dirty commercial operations with Iran and Iraq (simultaneously and regardless of the conflict between them), for which reason machines destined for the demanding West were directed to the Persian market zone. This led to the loss of foreign exchange totaling some \$12 million.

This was followed by yet another "brilliant" economic operation with Nigeria, which was noted for its insolvency. After several trips made by Goranov, in the company of his relative, retired Colonel Khr. Karabunarliev, especially appointed for this purpose, the latter remained in that country. An agreement was reached with Stoyan Enev, the former trade representative in Lagos, who now, on the basis of a private contract, is the manager of the mixed Balkaninvest Bulgarian-Nigerian Firm. The result was the loss of \$250,000—that is, the value of the first shipment of machines to Nigeria. With Enev's assistance, an unsuccessful attempt at being paid cash on the barrelhead was made.

The ZMM exported to Greece goods worth \$250,000. However, the sharp Greek commercial partners applied their payments to the unpaid amount owed for repairs done on a Bulgarian ship in Greece. It is thus that the ZMM suffered a total loss. Even ambulatory merchants strictly observe the rule "do not sell where your brother owes money!" Goranov, however, ignored this.

Equally questionable is the production-trade cooperation with the Festo and SIROKO companies, the usefulness of which seems to be none. Goranov borrowed \$100,000 from SIROKO, and now company property must be sold to repay that amount.

Today, despite the severe crisis, the foreign market for the goods produced by the ZMM remains almost intact. This favorable situation is not being utilized. Conversely, contacts with leading Western partners have been interrupted, and priority is being given to working with questionable middlemen. A very recent case (1990) was that of the contract signed with a Bulgarian person living in Australia (Mr. Mikhaylov), granting him exclusive rights to sell our goods throughout the entire Australian Continent (!). It turned out, however, that his company was already bankrupt.

The tens of thousands of dollars spent by Goranov and his friends in travel to Australia did not yield a single dollar in profit. The same applies to "study" trips by incompetent teams of his retinue or by himself to Mexico, Japan, Tunisia, Singapore, Brazil, Taiwan, Western Europe, South Korea, the United States, and other places.

Relations have become tense between the management of the firm and a number of its branches and, particularly, its development institutes, above all the TsNIIMM [Central Scientific Research Institute for Metal-Cutting Machines] in Sofia. This led to losses of millions of leva. Conversely, tens of thousands of dollars were spent by Goranov in support of all kinds of projects: \$17,000 on an assignment by Pantaley Pachov's wife to France, even though Pachov was not a member of the firm; some \$15,000 to four poorly chosen people to specialize in the United States, including Kiril Simeonov, former paid party secretary at the ZMM in Sofia; \$8,000 on an assignment of a relative of his, an assistant at the VMEI [Higher Machine-Electrical Engineering Institute] in Sofia, to attend a symposium in Brazil, although she had not worked on ZMM problems. Considering himself the undisputed master, Goranov keeps for his personal use three cars—a Volga, a Lada, and a Niva, the last used exclusively for his weekends. The Niva was subsequently transferred to the KAM firm in Plovdiv and replaced with a Volkswagen Microbus and a Lada, used for both official and personal trips during nonworking days. As a gesture of support of his birthplace, he made a grant of 300,000 leva for a rest center in Banya, in the Karlovo area. Apartments were given to people close to him, who could not prove any urgent housing needs and were not on the firm's staff. On two occasions, he gave apartments to his secretary—one for her son and one for her own use. The son, who has no work experience, was appointed an official in charge of fairs in foreign countries.

The lack of professionalism and style of management has led to single-handed decisions on the chaotic use of loans (in leva and foreign exchange) without proven need. Foreign exchange income is not used to develop and expand production but is converted into leva to cover shortages from reduced output. There is no accounting for the foreign exchange funds that were spent. Directors and experts in the company's management are kept

uninformed. An order was even issued that no one in the management services was to reveal economic and financial data.

The finale of the extreme results of the "competent" management by Colonel Nenko Goranov, general

director of the ZMM firm, could be synthesized as follows (on the basis of estimates and based on old prices): potential for annual ZMM production: about 1 billion leva; execution (report) for 1990, about 450 million leva; report for 1985 (for purposes of comparison), 750 million leva. You be the judge!

Democratic Forum Protests Germans' Demands

LD2007173491 Prague Ceskoslovensky Rozhlas Radio Network in Czech 1400 GMT 20 Jul 91

[Text] Milan Taraba, chairman of the Czechoslovak Democratic Forum, has expressed on behalf of the party a categorical disagreement with the demands of Franz Neubauer, chairman of the Sudetenland Landsmannschaft, for compensation for the expulsion of the Sudetenland Germans.

An open letter sent by Milan Taraba to German Foreign Minister Hans-Dietrich Genscher rejects the idea of Czechoslovakia's joining Europe on condition that it fulfills that above-mentioned demand and refuses a one-sided assessment of the expulsion exclusively as a great wrongdoing committed against the Germans for which it is possible to demand compensation. The letter recalls the persecution of the Czech and Jewish population as well as criminal acts committed by the Nazis during World War II, noting that the damage suffered by our population greatly exceeds the Sudetenland Germans' demands.

It is the view of the Czechoslovak Democratic Forum chairman that if the acceptance of Czechoslovakia into Europe is offered on condition of similar demands, the Czechoslovak public will claim the right to demand that reparations for the damage caused to our people by the Nazis following the Munich diktat and during the German occupation are also included in a new Czechoslovak-German treaty.

New Slovak Right-Wing Party Registered

LD1807185391 Prague Ceskoslovensky Rozhlas Radio Network in Slovak 1300 GMT 18 Jul 91

[Text] A new classical democratic right-wing party—the Civic Party of Slovakia [Obcanska Strana Slovenska]—was registered in Slovakia today. It is a sister party of the Civic Democratic Party in the Czech Republic. Its program goals and main tasks aim at achieving a prosperous society through a radical transformation of remnants of the centrally planned management into a market economy.

Presidential Adviser Positions Abolished

AU1907124491 Prague SVOBODNE SLOVO in Czech 13 Jul 91 p 1

[Text] A year after his second election to the presidential post, V. Havel announced a reorganization of the office, in which the position of advisers was abolished (everybody has an adviser now, and nobody knows who is who) as was the collegium—for they were outdated remains of the postrevolutionary period.

At the head of the Office of the President [KPR] is Chancellor K. Schwarzenberk, to whom all employees are subordinate. The brain of the KPR are presidential assistants, L. Kantor, M. Masak, P. Oslzly, V. Caslavsky,

M. Butora, and P. Tigrid. The number of sections was reduced to three—foreign policy, to be organized by S. Vondra; domestic policy, headed by J. Krizan; and a new section for defense and security policy led by O. Cerny. Press spokesman M. Zantovsky was appointed to coordinate all posts of the presidential apparatus. The information center and the center for political and economic analysis are subordinate to him. The second in power, after the chancellor, is his deputy and director of the Bratislava branch of the KPR, M. Kusy.

Dienstbier To Sue Paper on Collaboration Charge

LD1807195491 Prague Ceskoslovensk Rozhlas Radio Network in Czech 1630 GMT 18 Jul 91

[Text] Jiri Dienstbier, chairman of Civic Movement [OH], is to sue the SPIEGEL daily, which accused him of collaborating with state security. He announced this at today's press conference of the leadership of the OH deputies' club at the Federal Assembly and added that he is going to ask for damages of 1 million korunas.

The alarm of OH deputies of the Federal Assembly at the efforts of some deputies' clubs to delay the drafting of the bill on screening was also voiced at the press conference. They also warned against the fact that party-oriented actions have begun to prevail in the parliament and that differences of opinion have also emerged among the parties of the government coalition.

Slovak National Party Leader on Parliament Work

LD1907202691 Bratislava Ceskoslovensky Rozhlas Radio Network in Slovak 1720 GMT 19 Jul 91

[Summary] Jozef Prokes, chairman of the Slovak National Party [SNS], was interviewed by Editor Igor Matlon. He pointed out that the Slovak parliament could have worked better than it did in the period which just ended, noting there was a lack of cooperation between the government and the deputies of the parties that are members of the government coalition, and that government coalition deputies seemed to consider anyone with a different view to be an enemy.

Asked about the existence of factions within SNS, Prokes emphasized that at present they were represented just by a few individuals without any real support of party members.

On the process of drafting the Slovak Constitution, Prokes expressed conviction that the constitution will be adopted before the end of 1991.

Answering Matlon's question on whether he considers it possible that Slovakia will become independent in the foreseeable future, Prokes says:

"We have to assess this issue globally, within the general context of political events in Europe and further away, and not as an isolated problem of the Czech and Slovak Federal Republic. If a stable and integrated Europe is to

be formed sometime in the future, then it will be really stable only if all the nations living in Europe have equal rights. If there is one single nation whose rights are in any way repressed, then that nation will be a constant source of instability. A situation in which everyone will have equal rights can be achieved only if everybody joins integrated Europe as a partner with equal rights, if everybody has its own national identity guaranteed—something which at the present situation in the world can be ensured only through one's own national state."

Prokes noted that on the SNS economic program it is not possible to separate the question of a future constitutional setup from the question of economic development, as an economic program can be put forward and pushed through only once certain political preconditions have been formed. The SNS economic program which is being drafted is based on the idea of the existence of an independent Slovak Republic and the idea of a social partnership under which employees are being paid wages big enough to enable them to buy goods—otherwise producers would go bankrupt—but not excessive wages as producers would then be unable to survive in the market economy.

Atwood Visits Slovak Arms Factories

LD1807213491 Prague CTK in English 2011 GMT
18 Jul 91

[Text] Bratislava July 18 (CTK)—U.S. Deputy Defense Secretary Donald J. Atwood and a group of American industrialists visited the large arms factories at Martin and Dubnica nad Vahom in Slovakia today.

Atwood discussed possible cooperation with American companies to develop new product lines for the Slovak plants.

The Martin plant has already established contacts with Italian and German firms producing diesel engines and road-building machinery.

At Dubnica nad Vahom Slovak Economics Minister Josef Belcaka said the Americans showed interest in helping the Slovaks introduce advanced technology into their industry.

Atwood is currently on a four-day visit to Czechoslovakia to advise on conversion of the country's arms industry to civilian production.

Smooth Transition to VAT Crucial to Reform

91CH0696C Prague HOSPODARSKE NOVINY
in Czech 27 Jun 91 pp 4-5

[Article by Eng. Jan Klak of the Federal Ministry of Finance: "Transition to Value-Added Tax"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] On the basis of the accepted concept for reforming the taxation system, the principles of a law on a value-added tax [VAT] and on a consumer tax were presented

to the respective governments for discussion at the beginning of May. These taxes, the introduction of which is anticipated as of 1 January 1993, should fully replace the existing sales tax. A transition to new methods of taxation is always very demanding, both for the legislators and also for the taxpayers themselves. Therefore, HOSPODARSKE NOVINY considers it to be important for the broad public to be familiarized with the principles of tax reform in plenty of time.

The value-added tax belongs in the category of indirect taxes which always represent a certain form of surcharge on the price of an item (for example, customs duties, the import surtax, or sales tax).

Essence and Mechanism

The basis for determining the tax in question is added value which, under our conditions, in highly simplified form, can be represented by the indicator of adjusted total output, in other words, the sum of processing costs and profit. In economic practice, however, the added value, which is centrally defined by the sum of the appropriate calculation components, would frequently be hard to determine and, moreover, the likely taxpayers would be seeking a way to evade taxes as a result of the deliberate distortion of the individual components involved.

That is why the generally accepted technique for computing the tax obligation is based on the payment of the VAT balance, which is the result of the difference between the VAT paid to suppliers on the basis of their invoices (preliminary payment of tax) and the overall tax obligation of the payer, based on sales prices for his products and nationally valid tax rates. The VAT payment made at input points is excluded from the calculations of the sales price. The resulting effect of this method of computation and payment of the tax is the same as if the calculational added value, which is labor-intensively determined and controlled by taxing authorities only with difficulty, were imposed directly on the payer. The fundamental formula for taxation, based on the payment of the tax balance, can be depicted as follows:

- Taxable sales x tax rate (for example, 5, 10, 20 percent).
- Gross tax minus preliminary tax payment.
- Net tax (payment, refund).

From this entry it is clear that to determine the correct tax payment, the payer of the VAT must keep separate accounting records based on three accounts as follows:

- The first account will be devoted to exhaustive records on the VAT which the payer himself had to pay to his suppliers.
- The second account will record the obligation for making gross tax payment (gross tax), which accrues on the day of sale (invoice) of the merchandise. The

gross tax payment is actually the sum of all VAT payments listed in the invoice, which is issued by the payer of the tax to consumers.

- The third account should make it possible for the payer to determine the tax balance, within intervals prescribed for making tax payments, which results from the difference between the gross tax and the preliminary tax payments made. It is only this balance that represents the actual fiscal relationship which should exist between the payer and the financial institution. In the event the preliminary tax payment is higher than the gross tax (for example, the payer may have realized a financially demanding investment project), a negative balance results and the payer has the right to a refund from the state budget.

In comparison with today's sales tax system which is based only on taxing final consumption products, the VAT system is generalized and is applicable to products and services at every stage of the technological and distribution chain, that is to say, at every sale which is made on their way to the final consumer. The passage of a product through several stages results in a situation which is already somewhat more complicated than the basic formula. For purposes of better orientation, therefore, I shall again list the procedure for taxation, using a practical example. The graphic demonstration depicted in the schematic is based on the following simplifying anticipations:

- There is only a single nationally valid VAT rate of 20 percent.
- A product on its way to the consumer passes through three stages (entrepreneurial entities A, B, and C), with stage C already possibly representing distribution (trade).
- At stage A (during original production), no preliminary tax payment is generated.
- Stages B and C uniformly add a value of 5,000 Czech korunas [Kcs] to the product, something that is clear from their sales price.

The schematic indicates that the passage of a product to the consumer begins at original production handled by entrepreneur A. This entrepreneur has created a semi-finished product valued at Kcs10,000. In order to fulfill his tax obligation, he must add a VAT of 20 percent, that is to say, Kcs2,000 to the sales price. The customer for the semifinished product, entrepreneur B, thus pays an invoice valued at Kcs12,000. Payment of the invoice makes it possible for entrepreneur A to pay the finance office a VAT of Kcs2,000. The relationship between entrepreneurs and the finance office is shown in the left half of the schematic; the right side then depicts payments mutually made among entrepreneurs.

Entrepreneur B processes the semifinished product and produces a finished product valued at Kcs15,000, which also includes the value of purchased inputs which cost Kcs10,000. For purposes of further sale, it is necessary to tax this product at a rate of 20 percent, which represents

a tax of Kcs3,000 (gross tax). However, in his account showing preliminary tax payments, entrepreneur B lists an amount of Kcs2,000 so that he is obligated to pay the finance office only Kcs1,000 (the balance of the tax).

Entrepreneur C pays an invoice for the product having an overall value of Kcs18,000. In his account of preliminary tax payments, he records Kcs3,000. After adding his own production costs and profits to the value of the inputs, he arrives at a sales price for the product of Kcs20,000. However, it is necessary to add a VAT of 20 percent to this price, that is to say, Kcs4,000. The final sales price for the consumer is, thus, Kcs24,000. Entrepreneur C pays the finance office the balance between the gross tax (Kcs4,000) and the preliminary tax payment (Kcs3,000), in other words, Kcs1,000.

When purchasing the product, the consumer pays a total of Kcs24,000. Despite the fact that the sales document contains an entry showing that a VAT of Kcs4,000 has been paid, the final consumer has no one to whom he could reinvoice this amount because he himself purchased the product in order to utilize it, rather than to resell it. The citizen is always such a final consumer so that the actual payer of the VAT is the population. The VAT also becomes an instrument for the redistribution of nominal population income to benefit the state.

Special Regimes

The above schematic represents a standard situation in which everything is subject to the VAT. In the economic practices of the majority of market economies, however, the influence of social and political pressures, as well as the effort to lower administrative demands made upon the administration of the tax, both entrepreneurial entities and also objects subject to taxation tend to be exempt from having to pay this tax.

In comparison with the sales tax system, the VAT system is more labor-intensive, and, moreover, impacts on virtually every entrepreneurial entity. To reduce the labor intensity and the cost of administering the tax in financial offices and for taxpayers, the legal arrangement of the VAT law makes it possible to exempt entrepreneurial entities from having to pay the tax if their annual sales do not achieve certain limits. For purposes of illustration, it is possible to state that in Great Britain "small business" exemptions currently amount to 25,400 pounds sterling per year; in Germany, such exemptions last year amounted to 20,000 German marks [DM] and prospects are that they will increase to DM100,000; in Hungary, in the retail industry as well as in the hotel business they amounted to one million forints.

Even under our conditions, for the above reasons, we are anticipating that entrepreneurial entities will be exempt from having to pay the VAT. In considering the limits for exemption, the need to establish these limits, at least during the first phase of VAT introduction, at a relatively high level, is beginning to crystallize quite clearly. The reason is the limitation of the number of potential

taxpayers which, in comparison with the present status, is expanding by several orders of magnitude as a result of the transformation processes and other circumstances and which could overwhelm the entire system of VAT administration. For orientation purposes, it is being contemplated that, for Czechoslovakia, the limit of exemption should not drop below Kcs500,000 of annual sales by an entrepreneur.

As far as tax exemption of the object of taxation is concerned, it is most likely that continuity will be maintained with respect to the extent of exemptions applied in countries of the European Community. This mostly concerns tax exemption of services rendered in the health industry, in culture, and in the banking and insurance industry. The final scope of activities exempt from taxation will most likely be a result of consensus during the discussions of the proposed law within the Federal Assembly.

Among the very important factors which it is necessary to mention in conjunction with the exemption of entities or objects from VAT taxation is the principle that tax exemption blocks the possibility for the refunding of preliminary tax payments. This generally accepted principle significantly lowers the overall revenue shortfall based on the tax, if granted, because tax exemption does not mean that an entrepreneurial entity would purchase the necessary inputs without a VAT (the same is true with regard to the exemption of individual objects).

All imports, including imports for physical entities (citizens) for personal use, are subject to VAT payments, at the level of the generally applicable rate. In computing the tax obligation, the starting point is the customs value of the merchandise, increased by direct business costs abroad, by the addition of customs duties, and by the consumer tax. However, imports for use by physical entities may be exempt from VAT payments by making them duty-free or by tying them to other limits listed in the law.

In virtually all countries working with a VAT system, exports are not burdened by this tax. The purpose of such a provision is to create level conditions for competition on foreign markets (VAT rates differ in different countries) and to prevent the accumulation of taxes in interterritorial shipments of goods and services. To facilitate the practical realization of this intent, the law, for the most part, stipulates a technical zero rate of VAT for exports which makes it possible for the exporter to obtain a refund of the preliminary tax payment made.

Tax Rates

Particularly with respect to the area of indirect taxes, the requirement that the tax system be neutral with regard to the market mechanism should prevail. Any kind of differentiation in tax rates introduces elements of subjectivism into value transactions and distorts market relationships. Nevertheless, particularly under the influence of sociopolitical pressures, there is differentiation with regard to tax rates in some countries so that lower

tax rates are applied to products and services which assure the basic necessities of life (foodstuffs, energy, housing), higher rates are applied to products and outputs which are more nonessential (engineering and electronic products, recreation, etc.). In essence, these are pseudosocial approaches which have no economic justification.

Far more transparent, specific, and socially more effective is either the use of a special-purpose direct social payment to accomplish social goals or a suitably adjusted differentiation of rates in taxing personal income. With such an approach, it is actually possible to exclude certain strata of the population from participating in state aid completely. Moreover, there is no subjective and, to a certain extent, even random influencing of the function of the market mechanism as a result of voting on VAT rates within governments or parliaments.

Another important factor which must be kept in mind—if there is indeed a differentiation with respect to indirect taxes—is the fact that by asserting a zero tax rate on sales to the domestic market other tax rates are automatically shifted upward. To the extent to which the VAT is intended to result in a certain amount of revenue for the state budget, a zero tax rate transfers the entire tax burden to those products and services which have been taken out of the zero tax table. In other words, the use of a zero tax rate always signifies an increased dispersion of tax rates directly commensurate with the extent of those products to which the zero tax rate will apply. A broader use of the zero tax rate, therefore, essentially leads to violating the principles of tax neutrality and leads to the deformation of price relationships and, sooner or later, results in a deformation of the structure of production and consumption. Quite similar consequences would result from the exemption of objects from the VAT, if this exemption was to be granted on a broader scale.

The final arguments against introduction of several VAT rates involve the geometric growth of the administrative work load to administer the tax if there are two or more rates and the room opened up by the differentiation of the rates for the possibility of tax evasion. The necessity for a fully automated type of collection and evaluation of tax documents, the value of applied sanctions, and endless disputes being experienced in Germany (two rates) or in Austria (three rates) between taxpayers and tax authorities regarding correct classification and taxation of products, are clearly documented by the above conclusions.

For the effective functioning of a market mechanism and for the rational administration of tax matters, a single VAT rate is clearly most advantageous. The deformation of market relationships and the complications connected with asserting multiple rates are so obvious that, in a number of countries, the number of tax rates has been reduced and the dispersion of VAT tax rates has been narrowed, or a single tax rate has been introduced directly. Of the countries having a single tax rate, it is

possible to list, for example, Japan, Sweden, and Denmark. Also, a trend toward having only a single VAT rate is quite clearly starting to assert itself in the plans to harmonize the taxation systems of the countries of the European Community.

Pitfalls and Risks

A collapse in making a transition toward use of a VAT can occur either in the legislative area or during the introduction of the tax. Under our conditions of a nascent market economy and of a forming democracy, these risks are particularly great. The following facts are especially important:

- An overall change in Czechoslovak legislation and resulting changes of an organizational nature.
- The principle of the unity of laws governing indirect taxes throughout the entire territory of the CSFR.
- The creation of substantive and qualifying prerequisites for the introduction of the tax.

The proposal of the principles of a VAT law has already been presented for discussion to the Government of the CSFR and to the governments of the two republics. The proposal of principles, created by a working group at the Federal Ministry of Finance, contains the principles which form the main input assumptions for introducing a VAT in Czechoslovakia. Specifically, they involve the outlining of the circle of taxpayers, the objects and basis of the tax, the principle for subtracting preliminary tax payments, the possibility for granting tax exemption, the necessity to register taxpayers, and the need to complete essential documents.

The proposed principles for the law thus do not address either the number or magnitude of tax rates, nor the limits for tax exemption of taxpayers and the circle of activities exempt from tax. All of this should be contained in the actual language of the proposed law, which should be presented for discussion to the Government of Czechoslovakia and the governments of the republics in November of this year. The progress chart for the realization of tax reform then anticipates that the Federal Assembly should be discussing and approving the law on a VAT, at the latest, by the end of the first quarter of 1992.

However, it is already now necessary to note that the VAT law cannot be complete and functional as long as additional legislative standards are not approved and issued in a coordinated time frame or with the necessary degree of priority. This is primarily a matter of the accelerated publication of the commercial code which should, among others, also outline the legal and economic position of entrepreneurial entities, the formal modalities assuring the movement of goods, capital, and manpower, etc. Furthermore, this is a matter of coming up with a definitive likeness of a law on economic relationships with foreign countries, a foreign exchange and customs law. Virtually all tax laws are lacking

legislative provisions adjusting their administration, because such laws will be issued within the jurisdictions of the individual republics.

The division of jurisdictions between the federation and the republics today is actually the main bone of contention which renders impossible the practical introduction of a law on a VAT and a law on a consumer tax. There can be no doubt that the VAT must be assessed for imported products at the border, when merchandise is admitted for free circulation. Otherwise, there would be an uncontrollable evasion of taxes and, therefore, the VAT legislation of the surrounding market economies always assigns the collection of the tax on imported goods to customs organs.

According to the amendment of Constitutional Law No. 143/1968, which was approved at the end of last year, Czechoslovak customs organs have exclusive jurisdiction over the administration of customs duties. In practice, this means that customs organs cannot assess and collect any kind of other indirect tax involved in the importation of goods and, on the other hand, it would be completely irrational and technically unrealizable in the immediate future to staff approximately 300 custom-houses, which frequently operate on a continuous basis, with employees of tax offices who would separately take care of collecting the VAT. This constitutional separation of jurisdictions must, thus, be changed urgently within the framework of work involving the new constitutions.

From the organizational standpoint shortcomings in the coordination of customs and tax policy, based on subordinating the customs administration to the Federal Ministry of Foreign Trade, are beginning to appear quite clearly already. This is a manifestation of the residue of the administrative-directive control of the economy in which it was possible to introduce virtually anything while ignoring substantive interrelationships. In a market economy, however, customs duties are an inseparable part of the entire taxation system; customs rates play a part in forming the overall level of product taxation and the output of the customs service must be an organic part of the method of collecting other indirect taxes. Therefore, as soon as possible, the customs administration should be transferred to the Federal Ministry of Finance.

Territorial Unity

The discovery of the difference in national economies, which terminates in the demand for specific tax regimes in the individual republics, is, from the specialized standpoint, naive and misguided in its consequences. Nevertheless, it was precisely this thesis which, in recent months, has become the favorite argument of some politicians and economic employees. Quite officially, for example, within the framework of the markup session on the principles of the proposed VAT law, the demand was heard for working out republic-level VAT laws. The destructive effects of such an approach in terms of a

unified market and the entire spectrum of economic functions on the part of the federation need surely not be further elaborated.

However, we are not dealing only with a difference in taxation regimes and with the numbers and levels of tax rates which would surely be caused by separate approaches toward working out legislative standards for indirect taxes. The mass speculative transfer of goods and the necessity to establish customs borders between the individual regions also give rise to the acceptance of the demand that the republic budgets collect a VAT according to the place at which the tax originated.

Let us return to the schematic. Let us assume that an exporter on the territory of the Slovak Republic exports merchandise to United Germany across the western borders of the Czech Republic. The obligation to refund the previously paid tax to the exporter, therefore, comes into being on the territory of the Czech Republic. And it is precisely the preliminary tax payment, which the supplier of the exporter has already paid to the Slovak government.

Precisely the opposite situation would develop if products and services were imported by Slovak manufacturers and if the VAT was collected on our western border and if the acquired resources would pass into the budget of the Czech Republic. Refunding of the tax would necessarily have to involve budgetary resources of the Slovak Republic. Given the openness of our economy, this would result in a completely unpredictable redistribution of budgetary resources among the republics and would have unknown budgetary impacts.

In practically all federal states which have a VAT system, the budgetary determination of the proceeds of the VAT is on the federal level. It is not until the second round, on the basis of another federal legislative standard, that the key to the distribution of the proceeds from the tax among the federation and its republics is discussed. The key to distributing tax proceeds should have a long period of validity (in Austria, it is five years) and this would lead to a basis for the possibility of creating actual strategic concepts for the budgets in individual regions (countries, republics). According to facts which have been determined, the only nation which does not assert the principle that the federation determines where the proceeds from the VAT go is Brazil.

Assumptions

For purposes of a practical introduction of a VAT tax in our economy, an entire series of additional conditions and assumptions, in addition to adherence to the previous principles, must be fulfilled. In this connection, we are dealing primarily with the following:

- Introduction of changes in the system of accounting, making it possible to correctly determine the balance of the tax.
- Attainment of unity with respect to republic laws on administering the tax as a starting prerequisite for the defect-free circulation of goods and services.

- Introduction of a federal unified system of primary documents to support record keeping, payments, and control of the tax.
- Assuring the unified or maximally interconnectable use of progressive computer equipment and corresponding software by finance offices (on the territory of the Czech Republic) and tax offices (on the territory of the Slovak Republic).
- Finalizing and introducing a new organization to deal with the administration of the tax.
- Equipping finance and tax offices and directorates with the essential number of qualified employees.

A problem which is closely connected with the introduction of the VAT is equipping commercial organizations with modern equipment. This is largely a matter of equipping retail stores with electronic recording cash registers with automatic document printers and introduction of the bar code to designate individual products. All of this should aid in improving recordkeeping for the tax base and the correctness of item pricing.

One of the most risky areas in the introduction of a VAT is the timely mastery of the transition to the European classification standard which, in comparison with our current JKPOV system, shows a number of fundamental differences (this is essentially a transition to using a customs duty rate code). This is a highly topical task based on concluded international agreements. However, if the transition to use of the new system of classification is not accomplished within the shortest possible time (it would be best if it were accomplished by the end of 1991), we shall be confronting an unsolvable problem of the correct encashment of the tax, in the case of indirect taxes, in the event more than one tax rate exists.

If, for any reason, more than one VAT tax rate were to be imposed, the need would arise to precisely specify the type of products and services to which the individual tax rates would apply in the law itself. Toward this end, it is understandably necessary to use a classification code which will be valid after 1 January 1993. Use of the present classification code would virtually eliminate the applicability of the law in practical terms. In view of the fact that work on changing the system of classifications is just beginning, this represents a further serious argument in favor of introducing only a single tax rate.

The successful transition to use of this tax represents one of the most demanding operations affecting the entire economic reform. Under our conditions, this is a totally new type of tax, the introduction of which is, moreover, occurring in quite an unstable economic environment.

With respect to the VAT, a fundamental simplification means primarily a single nationally valid tax rate and the minimization of the circle of activities exempt from the tax. I have attempted to demonstrate that extremely serious economic reasons exist to support this solution. There is nothing left except to add that the immense complexity of administering the tax always brings with it

the high risk of tax revenue losses for the state budget, which can, in an extreme case, even result in the loss of a capability to administer and the impossibility of collecting the tax. It is precisely this fact which should be borne in mind by all those who will be participating in legalizing and introducing the VAT in Czechoslovakia.

Perspective on Czech-Slovak Economic Relations

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[Article by Alexej Balek: "Are the Czech and Slovak Economies Diverging?"]

[Text] While developments in West Europe are moving towards integration, trends towards disintegration are becoming evident in Slovakia and in Moravia. Political life on the issue of the coexistence of Czechs and Slovaks is charged with emotion, with various interests and demands bubbling to the surface based frequently on isolated and transitory phenomena. Nationalism has been strengthened to a point reminiscent of the Slovak State and the second disintegration of Czechoslovakia. The nationalities are losing faith in themselves, in a federation, etc.

If one is to understand the reasons for this situation and guess about a possible outcome of these processes, it is necessary to turn to the facts and make a sober analysis of them. What is critical in these considerations is not the momentary situation, but a view of long-range developmental tendencies.

The Period Up Until 1945

In 1918 two territories, with majority Czech and Slovak populations and their two very similar languages, were combined to form a new nation, Czechoslovakia. These territories, however, were on very different economic, social, educational, and cultural levels. The Czech lands were the most industrially developed region of Austria-Hungary, and more or less on a par with the rest of Europe, while Slovakia lagged 80-100 years behind Europe developmentally.

Bohemia, Moravia, and Silesia entered Czechoslovakia as areas with a 1,000-year tradition of government. In the millennium leading up to 1918, Slovakia was never an independent governmental or administrative entity.

The backwardness of Slovakia resulted from the interaction of long-term historical conditions.

Census figures are one way to document the differences in the economic levels of Bohemia and Slovakia. In 1900, 39.9 percent of the population of Bohemia worked in industry or trades. The figures for Moravia and Slovakia were 35 percent and 15.8 percent respectively. The percentage of the population employed in agriculture, forestry, and fisheries in the three areas were 35.7 percent, 43.8 percent, and 66.3 percent respectively. In 1947, in other words almost half a century later, the

percentage of the Slovak population working in industries and trades had increased to 22.7 percent, and the percentage employed in agriculture had declined to 48.1 percent. In Bohemia the percentage of the population employed in agriculture had declined over the same period to 20 percent of the total work force.

In other words, in the first half of the twentieth century the percentage of the Slovak population employed in agriculture was twice as high as the percentage of the Bohemian population, and the percentage engaged in industry and trade was half that of the Bohemian population.

Slovakia entered the joint country with a relatively high illiteracy level and a significantly lower general education level. In 1921, 15.03 percent of the population over the age of five was illiterate, while the corresponding figure for Bohemia was 2.71 percent.

In 1921, Slovakia accounted for 23 percent of the population of Czechoslovakia, and in 1937 for 24.5 percent. The relative economic level of Slovakia (per capita national income, labor productivity) was, at the end of the First Republic, less than half the figures for Bohemia. Slovakia's share of the direct and sales tax revenues for Czechoslovakia, as one indicator of the economic level of a country, increased from 8.9 percent of the total in the 1920's to 11.5 percent of the total in the 1930's.

During the period of the Slovak State in 1939-43 there was a substantial increase in economic growth and in the standard of living. Because the general public takes greatest notice of changes in the standard of living, many still view this period favorably, despite the fact that the overall level of consumption remained quite low.

(The national income of Slovakia, in billions of Czechoslovak korunas, increased as follows: 1939, 7.84; 1940, 8.87; 1941, 9.9; 1942, 10.85; 1943, 12.5; 1944, 11.3. These data must be interpreted in terms of price indexes. The aggregate wholesale price index increased by a factor of two between 1939 and 1944.) The perceived improvement in the standard of living was coupled with the euphoria of having their own nation (even though 10,565 square kilometers, or 21.6 percent of the total area, containing 151,478 homes and 852,000 inhabitants were ceded to Hungary, Poland, and Germany in the process). This is the objective basis of the myth of the prosperity of the Slovak State. In Bohemia the standard of living began to decline immediately after the German occupation and continued to do so until the end of the war.

An important aspect of the First Republic was its emphasis on educating its inhabitants. This was particularly evident in Slovakia, where the question prior to 1918 was whether the Slovaks would continue to exist as a people or not. The 1910 census showed that only 57.7 percent of the Slovak population was of Slovak ancestry.

The creation of Czechoslovakia was followed by the development of common schools, and soon thereafter

village schools, gymnasiums, business, industrial, and agricultural schools (all at the vocational high school level) as well as colleges. In 1935-36 these schools already accounted for 14.3 percent of the total. Prior to 1918, Hungarian was the language of instruction at second and third-level schools.

In 1935-36 there were 2,400 college students in Slovakia, 8.1 percent of the total students in Czechoslovakia. In 1910, there had been no college students in Slovakia.

The first two decades of the existence of Czechoslovakia was too short a time for such great inherited differences to be overcome. Nevertheless a start had been made and the process was proceeding based on the resources available.

The Period 1945-89

The basic goal of this article is to examine how the development of Bohemia and Slovakia converged, and the resources involved in this convergence. The article does not therefore concern itself with phenomena, processes, and problems shared by the two republics, and which led to the events of 17 November 1989.

The histories of the national economies of European and non-European countries show that under normal conditions (i.e., barring the discovery of large crude oil deposits, etc.) the minimizing of great developmental differences between countries requires the efforts of many generations and the assistance of developed countries. The examples of southern and northern Italy or of the Yugoslav republics show that the differences of the 1950's had decreased only a little by the 1980's. In this regard, Slovakia is an exception.

On the foundations laid during the First Republic, the 1945-89 period saw a moderation of the differences between Bohemia and Slovakia to a point where not all the minus signs belonged to Slovakia. Per capita national income formation in 1948 was greater in Bohemia than in Slovakia by a factor of two. In 1989 the difference was only 14 percent. The percentage of the Slovak population employed in industry had almost reached that of Bohemia. The average level of education per worker, which had been much higher in Bohemia after World War II, is currently slightly higher in Slovakia than in Bohemia.

This process of convergence was initiated shortly after the end of World War II. Its initial phase was accompanied by a general consensus of all political forces and all levels of the population. The beginnings of the process were characterized, for instance, by the fact that in 1946 the number of business entities engaged in industry, small business, and retail trade in Slovakia increased by 42 percent and the number of people employed by such entities by 31 percent, while in Bohemia the number of such entities declined by seven percent and the number of individual employed by such entities increased by two percent.

This historically uniquely rapid course of the convergence process between Slovakia and Bohemia has been facilitated by a number of factors. These include the above-mentioned general consensus, the fact that significant resources could be relocated from Bohemia to Slovakia over a long period of time, and finally the will of the Slovak people to improve themselves.

These factors made it possible for national income to increase in Slovakia faster than in Bohemia. Between 1948 and 1989 the average annual growth rate of national income was more than 30 percent higher than in Bohemia (6.1 percent and 4.5 percent respectively).

Table 1
Average Annual Growth in National Income
(in percent)

Period	Czech Republic	Slovak Republic
1948-50	9.5	14.0
1951-60	7.4	9.1
1961-70	4.0	5.6
1971-80	3.9	5.2
1981-90	1.4	2.5

The average annual growth rate of national income fluctuated in each republic but the overall trend has been one of decline in the growth rates.

Costs per unit of national income have been higher in Slovakia than in Bohemia throughout the postwar period.

The volume of investment made in Slovakia between 1951 and 1989 per 1,000 Czechoslovak korunas [Kcs] of formed national income was Kcs378. The figure for Bohemia is Kcs286, or almost 33 percent less.

If we view the evolution of this indicator over time we see that it is getting worse in both the Czech and the Slovak Republics, with the figure climbing faster in the Czech Republic. Because of this trend the greater investment intensiveness of national income formation in Slovakia relative to Bohemia is lessening. In the 1950's, Slovak investment intensiveness was greater by a factor of 1.6; currently the factor is 1.2.

Table 2
Amount of Investment Expenditure (in Kcs) Per Kcs1,000
of National Income

Period	Czech Republic	Slovak Republic	Differential
1951-60	193	311	1.6
1961-70	254	366	1.4
1971-80	316	413	1.3
1981-90	306	369	1.2

Note: Calculations based on current prices. Calculations at constant prices demonstrate the same trend.

This worsening of investment costs per unit of formed national income has occurred despite the fact that in both republics machinery and equipment, i.e. active components of investment, have increased as a percent of total investment by 6.4 percent in Bohemia, and by 11.8 percent in Slovakia. Between 1951 and 1989 machinery and equipment accounted for 41.9 percent of total investments in the Czech Republic and for 38.4 percent of total Slovak investments. Over this period total investment per worker was 22.6 percent higher in Slovakia, and investment in machinery 12.6 percent higher. This fact played a role in the faster growth rate of national income in Slovakia, even though labor productivity was lower there than in Bohemia.

In 1950, 5,824 workers were required to produce Kcs1 million of national income, while in Slovakia 8,952 workers were needed. This difference has gradually moderated. In 1989, 1,329 workers were needed in Bohemia to produce Kcs1 million of national income, while in Slovakia 1,386 were needed. Nevertheless, throughout the postwar period more workers have been needed in Slovakia to produce a unit of national income. This is another way of stating that over this period Slovak labor productivity has been lower than labor productivity in Bohemia.

Table 3
Number of Workers Needed To Produce 1 Million Korunas of National Income

Period	Czech Republic	Slovak Republic
1950	5,823.7	8,951.6
1960	3,584.3	4,069.4
1970	2,223.9	2,416.2
1980	1,537.0	1,663.8
1989	1,329.3	1,385.5

This situation of lower efficiency and labor productivity for the Slovak economy compared to the Bohemian economy would suggest that Slovak personal consumption would also be lower. The numbers indicate otherwise, however. The level of personal consumption (ratio of personal consumption to formed national income) was always higher in Slovakia between 1951 and 1989 than in Bohemia (57.1 percent in the Czech Republic; 62 percent in the Slovak Republic).

Table 4 presents selected figures for Slovakia as a ratio of total figures for Czechoslovakia as a whole.

Table 4
Slovakia as a Percentage of Czechoslovakia

Period	Formed National Income	Used National Income	Personal Consumption	Investment
1951-60	21.0	24.3	23.6	29.9
1961-70	24.9	28.4	26.8	32.3
1971-80	28.1	30.7	29.6	33.8

Table 4
Slovakia as a Percentage of Czechoslovakia (Continued)

Period	Formed National Income	Used National Income	Personal Consumption	Investment
1981-89	29.9	31.4	31.3	33.9
1951-89	27.4	29.9	29.1	33.3

Note: Formed National Income is exclusive of foreign trade.

This table clearly shows that Slovakia has had available for its development and standard of living more resources than it has been able to create itself. Bohemia, in contrast, has had fewer resources available than it has created. Roughly speaking, between 1981 and 1989 some Kcs224.1 billion was taken out of the Czech Republic. Of this approximately Kcs139.2 billion covered the foreign trade deficit for all of Czechoslovakia, and about 84.9 billion was transferred to Slovakia (the net foreign trade production by republic was estimated).

We now need to stop for a moment. The transfer of resources from one region to another is a normal occurrence, as European postwar development has shown. It therefore cannot be considered either good or bad, a priori. It must have at least an indirect benefit for the region from which the resources are taken.

Looking at the assistance from Bohemia to Slovakia, the positive aspects of the shift of resources were predominant until about 1970. After this date, the negative aspects of the transfer become more and more evident, for Bohemia, Slovakia, and Czechoslovakia as a whole.

Since about 1970 in Bohemia there has been an increasing conflict between economic sophistication and the standard of living of the general public. There have also been increasing deformations in the capital replacement process in the economy. In Slovakia, improving economic conditions as a result of transfers of external resources have become the norm, which retards the initiative to mobilize internal development capacities. Czechoslovakia, in spite of the rapid development of Slovakia, has been losing its place in the European economic ladder.

Despite the above mentioned problems, and others that cannot be analyzed in this article, all available facts indicate that the sharp economic differences that existed late in the 19th century between Bohemia and Slovakia have been erased. The capital assets per worker is only 7.2 percent higher in Bohemia than in Slovakia, and only 16.1 percent greater on a per capita basis. Formed national income (exclusive of foreign trade) is 12.3 percent lower in Slovakia (15.8 percent lower when foreign trade is considered). Utilized national income is only 7.7 percent lower, etc. Workers with college educations as a percentage of the total work force, a factor for future development, is already higher in Slovakia (8.3 percent compared with 6.9 percent in Bohemia).

The groundwork has been set, therefore, for the determination of comparative advantages for each republic. The objective foundations exist for integration processes, for a mutually beneficial division of labor, and for mutual respect of the interests of the other.

Politically, the expulsion of the Germans after World War II removed the basis for the concept of Czechoslovakism (at the beginning of the existence of Czechoslovakia after World War I Czechs accounted for only 52.5 percent of the population, too little for a governing people). Only by allying with the Slovaks could a majority (67.6 percent) be achieved, but the rapid development of Slovak education and culture ruled out the possibility of the possible assimilation of the Slovaks.

The critical idea put forward by certain Slovak authors, for example Prof. Kocuch, that the Czechs incorporated Slovakia into their economic context, does not take account of the facts. Was it feasible for an economically more advanced country to adapt to a less advanced country? Such an approach could only harm the less advanced country. Only a convergence of the economic sophistication of the Czech and Slovak Republics could create the conditions for merging two economies into one, where the objective interests of all peoples and nationalities are respected and where the mechanisms, forces, and interests for assuring this mutual respect can gradually be formed, thanks to the process of economic convergence.

Fears for the identity of the Slovak people, which have burst forth at different times with varying intensity, have not been and cannot be confirmed by objective analysis. The entire development of Czechoslovakia has shown that neither the Czech people nor the Slovak people have lost their identity.

This is shown by the independent development of the Czech and Slovak languages. After all, there have not even been efforts to coordinate, for example, technical names or new technical terms, even in instances when this would not violate the essence of either language, and even when the differences make economic ties more difficult. Czech and Slovak culture each have their unique national essence. Likewise, characteristics of the Czech and Slovak peoples also persist.

The common characteristics of Czechs and Slovaks, which are slowly forming the existence of a common nation, are objectively evident. Their manifestation, however, is through the national characteristics of Czechs and Slovaks. The gradual formation of certain common characteristics of people in Europe is a reflection of integrational tendencies that are asserting themselves and which are not against the interests of one people or another.

If past developments have allowed Slovakia to reduce its backwardness twice as fast as might have been expected, why is separatism such an issue?

Slovak separatism has been strengthened at times when Czechoslovakia has experienced economic and political problems concurrently. The 1980's was a time of severe reductions in the growth rate of the Czechoslovak economy. Even though the standard of living was increasing faster in Slovakia than in Bohemia during this time, the economic slowdown was more severe, and

therefore perceived more negatively by the Slovak population. Development in the 1980's actually fostered in Slovakia an undercurrent of dissatisfaction with the federation.

This situation was then compounded by the implementation of radical economic reforms that significantly reduced consumption levels for the general public. Unemployment, competition, the formation of undemanding conditions for all businesses suddenly became important issues. Market mechanisms, because they are just beginning to function, are breaking down the softer conditions fostered by previous Slovak development. The conditions of this development make the impact of the reforms seem more severe for Slovakia than for Bohemia. Differences in the efficiency of the Czech and the Slovak economy described earlier in this article caused a more rapid increase in the price indexes of industrial production in Slovakia (by 11 percent in the first months of 1991), as well as in consumer price indexes (a 13 percent increase). This resulted in efforts to adapt the reforms to the special conditions of Slovakia.

This is all playing out in a situation in which Slovakia, thanks to the assistance of Bohemia, has first of all reached a level of economic sophistication that it had never reached before. Secondly, this development has increased the self confidence of the Slovaks. This has been indirectly reinforced by the long-term decline in the share of the Czech Republic in all major Czechoslovak economic indicators, and the resultant loss in prestige. Nevertheless, many in Slovakia have not rid themselves of the concept of their position as a "younger brother." Thirdly, the Slovak population, because of the many centuries of Slovak subjugation, has an exceptionally positive attitude to the question of independence. These feelings, however, lead Slovaks to evaluate events differently than Czechs. Fourthly, there still exist certain small differences in the economic sophistication of the Czech Republic and the Slovak Republic. The traditional ways of thinking, and other factors, cause many people to fail to see that recent economic development has resulted in a situation in which one people cannot live at the expense of the other: neither the Slovaks at the expense of the Czechs, nor the Czechs at the expense of the Slovaks.

These factors, both individually and collectively, can result and are resulting in the idea that Slovakia could deal with its current problems better if it were independent than if it remains in the federation. These thoughts, however, rest more on emotion than on an analysis of the actual situation.

A detailed analysis of development shows that the Czech and the Slovak economies are not diverging, but rather that their levels have converged to a significant extent. There of course exist problems because of attempts to reproduce the Czech industrial structure in Slovakia, problems of nonmarket prices, problems due to several poor investment decisions, etc. Nevertheless, as stated

above, there continue to exist possibilities for Czech-Slovak integration, and possibilities to take advantage of the synergistic aspects of this integrated economy.

Nor can it be denied that not everyone views the current situation as a promising one for the development of Czechoslovakia. Many would rather dwell on the mistakes and shortcomings that are the legacy of the past, and nurture feelings of betrayal and mistrust. This places in conflict long-term trends towards integration with short-term, transitory, and emotionally charged interests. In order for us to make sober decisions, the long-term trends must emerge victorious, i.e., the interest in the development of a Czechoslovak federation. A federation is capable, in conjunction with national officials, of safeguarding both Czech and Slovak interests.

No Permission for Radio Broadcasts in German

91CH0710A Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 11 Jul 91 p 5

[Article by Berthold Kohler: "A Cold Shower for Deutschlandfunk; Prague's Broadcasting Policy and the Fear of 'Germanization'"]

[Text] Dictionaries are sold out, language courses fully subscribed, foreign newspapers quickly sold; there is a lasting foreign language boom in Czechoslovakia. The opportunities resulting from the enormous demand were quickly recognized by clever radio people (and politicians) from the West. The British Broadcasting Corporation (BBC) and the French radio station Europe 2 for some time now have been broadcasting their programs in large cities and their immediate surroundings. There, mostly by ultrashortwave—and in good quality—news and entertaining items, mixed with language exercises, can be heard on the radios. But one searches in vain for broadcasts in the "third world language," that of the German neighbor. Ever since the short news broadcasts of the Interprogramm, intended for tourists, were stopped, there is hardly anything in the radio program for German-speaking listeners, or at least those willing to learn.

It was the intention of the Czechoslovak "Union for Good Neighborliness With German-Speaking Countries" and the Deutschlandfunk (DLF) [German Broadcasting Company] to fill this gap. The joint attempt to establish a mixed-language program at least for the metropolis did not go very far. A meeting with Czechoslovak Deputy Minister for Culture Hejlek, for which DLF manager Gruber had come from Cologne, ended with a "cold shower" (according to a participant). Hejlek, who sits on the government commission in charge of allocating frequencies, rejected the project outright, and in allegedly very rude terms. He is generally against allocating local radio frequencies to foreign broadcast stations in order to foster new radio stations of their own. The British and French had received permission from a federal commission, which now is no longer

in charge. Furthermore, Hejlek rebuked the visitors by saying that in view of the population's fear of "Germanization," the broadcasting of German program portions is inappropriate. Gruber, who is certainly not suspected of heading a "Greater Germany" radio station, thanked the minister for his "openness" and went home disgruntled. It was learned in Cologne that the radio station is no longer interested in ultrashortwave broadcasts in Bohemia.

The union, which supports understanding between Czechs and Slovaks on the one hand, and Germans on the other, now accuses Hejlek of "inhibitions" and Germanophobia. "The fear of 'Germanization' exists less among the populace than in the offices of the ministries," says board member Erhart. It is difficult to understand that a German radio station cannot get a license although demand for the German language is practically "exploding." Others criticize that the Czech Government welcomes German money, but not culture. Further irritation results from the fact that many of the Czech radio stations, given preference over Deutschlandfunk, are hardly able to survive or else serve as "dummies" for Western investors who work less transparently than a public institution.

In a conversation with this newspaper, Minister Hejlek rejected the accusation that his negative attitude toward the German radio station is politically motivated or must be seen as a "signal," although he continues to talk about "fear of Germanization." The "ostensible" preference given to the French and British in the frequency allocation is the result of "chaotic" decisionmaking processes and changing competencies. Because of the present lack of laws, the licenses are "made in-house." The radio commission often conducts its affairs like a "beauty contest." The DLF and union partners are still represented in the competition, said the minister in good German, but at the same time he indicated that there is little chance of success. In his opinion, the affair is being played up too much; after all, it concerns "only" granting local licenses, limited to two years.

Elsewhere, however, its significance is obviously viewed differently. Whoever is broadcasting in the city of Prague with its 1.2 million inhabitants already has a foot in the door. So even the deputy minister for culture must admit that the license for the BBC was the result of "very high political decisions" shortly after the visit by then Prime Minister Thatcher. According to Hejlek, his commission has no influence over such arrangements. However, in the future, licenses must be regulated in an "orderly" fashion, without "advantages for this one or that one." Next year the new federal broadcasting law is to be ready, which will also regulate allocation of national frequencies. Hejlek himself has proposed the establishment of a frequency for all foreign broadcasting stations (including German ones) which could be used jointly by all of them. Critics surmise that, in view of "licensing practices" up to now, one can well imagine what the distribution of broadcasting times will be like.

'Censorship' at Radio Free Europe Charged

91CH0680A Budapest MAGYAR HIRLAP
in Hungarian 18 Jun 91 p 5

[Interview with Istvan Lovas, director of the Foundation for the Victims of Communism and former Radio Free Europe associate editor, by Peter Snee; place and date not given: "Censorship Techniques at Radio Free Europe. They Would Like To Establish Their Strong Liberalism"—first two paragraphs are MAGYAR HIRLAP introduction]

[Text] In one of his radio commentaries during April, Laszlo Ribanszky, the person best qualified to pronounce on the matter, hastened to dispel doubts concerning the future of Radio Free Europe. At the same time, he also refuted the "mostly malicious or libelous" speculations that keep popping up about that organization's internal regulations and the working conditions of its employees. But the views of some former or current staff members differ.

Nobody can accuse Istvan Lovas, the director of the Foundation for the Victims of Communism, of having been associated with the one-party system's power elite. However, strong ties undeniably had bound him to that system: he had been sentenced twice, had spent years in prison, had often been harassed and kept under surveillance, until he succeeded in leaving the country. He became an associate editor of Radio Free Europe. We asked him how he sees RFE today.

[Lovas] There have been two RFE's. The present RFE has nothing in common with the old one, except that the names of both are the same. The great break occurred in 1972 or 1973, when RFE was removed from under the CIA's supervision and made directly accountable to the Congress. An outsider might think RFE has been freed from great pressure. What fallacy that would be! The CIA did not control RFE; the latter was administered from Munich, by its American managers. Now it is supervised by the State Department, widely regarded as one of the most bureaucratic, most irrational institutions in America. And that is from where RFE is now controlled!

RFE was a pleasant place [to work] merely during a brief period of 18 months, when James Buckley was in the top post now held by Mr. Pell. Buckley abolished the Recommended List, the basis for selecting what respectively could and could not be presented as news.

[Snee] How are the programs prepared these days?

[Lovas] First, Mr. Pell finds out what the State Department's requirements are. Next, the top management—i.e., the head of the Research Department, the director of RFE, the director of Radio Liberty, and Mr. Pell presiding—meets and discusses what has to be done. Then everything is discussed with the chiefs of the nationality

desks, at an expanded meeting. Finally, the carefully drafted set of requirements is presented at the daily editorial conferences.

At this point I should mention that there is one department about which usually nothing is ever said. It is the Broadcast Analysis Department, for censoring the programs after they have been broadcast. The department usually consists of four people. They stayed on during the retrenchment when even the monitors were laid off, on the rationalization that it is superfluous to monitor what the competing networks are broadcasting. The task of the broadcast analysts, it seems, is more important: to monitor, and make notes on, RFE's own programs. After this, I assume, it is not surprising that the fond dreams of a renewed and chatty RFE have vanished without a trace. But what would there be left to do for broadcast analysts, or for censors who OK the news items before broadcasting, if those dreams had not vanished? With the exception of music programs, not a single second is ever broadcast live.

RFE's managers would like to establish that complete liberalism prevails at their network, while in Hungary the media are under strict censorship. Actually, the palette of domestic papers is rather broad, with a good many titles ranging from SZENT KORONA to SZABADSAG, whereas RFE has lists of banned topics. Anti-Semitism, for instance, is regarded as a topic to be avoided. Nor is it possible to scold Germany for its domestic policies, because the master control (on the control panel) has a huge multichannel tape recorder to record all the programs broadcast in any language, and the tapes are sent periodically to the German agencies concerned, for playback.

RFE also refrains from publicizing the views of America's hardline conservatives. For example, an article entitled "Auschwitz in the Sand" appeared in THE NEW YORK TIMES, about the poison-gas factories the Germans are building for Libya in the desert. The article evoked enormous response and created serious diplomatic complications. I immediately proposed that we include the article in our daily press summary. Istvan Roman, the press officer on duty, banned it, for reasons best known to himself.

Nor is it possible to discuss Funderburk, the eminent American diplomat who holds very conservative views. He is the one who described how he had been caught between the devil and the deep sea while attempting to represent his country's interests in Romania. After the revolution, THE WALL STREET JOURNAL reviewed his book in a lead article and underscored how right he had been. That review, too, is included among the banned topics on The Recommended List. Silence is maintained about the intellectual currents that divide the opposition movements in the Soviet Union. Solzhenitsyn's name is never mentioned, although it would be difficult to imagine any situation assessment without him. A more thorough analysis of the situation in Romania is banned likewise; they obviously fear that

significant differences would arise between the Romanian and the Hungarian broadcasts. Moreover, Romanians outnumber Hungarians on the RFE staff, and the Romanians are also more skillful at lobbying. The most repugnant, of course, is when letters or phone calls from listeners are banned.

These matters are entrusted to a separate staff member who is paid a huge salary. Karoly Andras, a Hungarian, occupied this post for many years. At home he had been the editor of a profascist newspaper, so that he already had some experience of censorship. Incidentally, the work load he handled was amazing. He received the newspapers at 0300 hours; by 0900 hour, when the office settled down to work, each of us already had on his desk what could be used from the English-language, German, French, and Italian papers.

It is typical how much the Americans dislike when various groups seek to establish contact with one another. I had the honor of being elected to the 20-member works committee which, according to German labor law, represents the interests of the 1,600 employees. When Robert Gillette, the eminent journalist, came to RFE, the works committee was unsuccessful for 18 months in its attempts to persuade him to introduce himself, something that is unheard of in Germany. Nor were we able to get the censors to meet with the Hungarian editors and tell them what guidelines the censors were using.

[Snee] Do you mean that the editors are forced to guess even now? That they lack directives and, in the uncertainty of self-censorship, are just guessing what is permissible and what is not?

[Lovas] What is being monitored officially is whether the broadcast material is in conflict with the Professional Code. It is interesting that during the Buckley era, when Urban was the chief of the Hungarian desk, the same four censors, using the same Professional Code, never found anything to object about. Whereas now...

[Snee] Isn't that a biased view? In your opinion, what are RFE's chances of survival?

[Lovas] On the whole, the radio's chances of survival are good. But if the given allocation is not enough to set up also a Radio Free China, Free Burma, Free Viet Nam, or Free Ethiopia, then I would prefer that there be no Radio Free Europe broadcasting to Hungary, Poland, and Czechoslovakia. Because the media in these countries are freer than RFE is. The future of Hungarian broadcasts is closely linked to the future of RFE as a whole, or rather of Radio Liberty which, in its turn, will depend on how the domestic situation develops in the Soviet Union. Which American senator will be willing to examine country by country whether continuation of broadcasting in the given country's language is "justified"? The senators will be watching the Soviet Union and making up their minds accordingly.

I think that an attempt will be made to register RFE also here as an independent radio station operated by a nonprofit organization. Once that is accomplished, RFE will make use of its good connections and begin supporting itself by broadcasting commercials. It would be difficult to imagine any other solution. Perhaps the eight to 10 hours of airtime will be restored once the moratorium ends. But it will be entirely indifferent what they broadcast. The important thing is that six or eight persons make their fortunes. Questions of content do not interest anyone in there.

[Snee] Obviously, much depends on who the managers are. But on what do you base your very unfavorable opinion?

[Lovas] The turnover rate in American managers is high. Rarely is one in charge as long as Mr. Pell. They probably sent him over to gradually wind up the radio. (Incidentally, he had been the director of the Voice of America for a long time.) Until Urban, the Hungarian desk was headed by chiefs who favored detente. Jozsef Szabados was swept away by the ripple effects of the conservative wave. They quickly retired him and sought someone who was a hardline professional, rather than a liberal. Urban had worked with Ribanszky at the BBC. Because neither Peter Halasz nor Tamas Kery had been willing to accept the position of chief of the Hungarian desk, the choice fell on Ribanszky. When taking leave, Szabados asked Ribanszky what he would do if the liberals returned. He replied indifferently that he would become a liberal. So much for principles.

So far as the editors are concerned, I told the PANORAMA crew that if troops of the Great Leader were to overrun Munich tomorrow and would want to continue to operate RFE, then the majority of the editors would continue to broadcast as if nothing had happened, provided their salaries were left intact. Perhaps only the epithets of the persons mentioned in the commentaries would be switched.

Exciting news arrived from Munich shortly after this interview: Mr. Pell called a meeting of his staff to inform them that their jobs were secure for another two years, and the desks which had been in jeopardy (the Polish, the Hungarian, and the Bulgarian) would remain. True, the Congress had reduced RFE's budget, and therefore expenses would have to be cut wherever possible. A few technicians would be forced to leave, and the intramural circulation of East European news bulletins would cease. To tide over the difficult years, staff members would have to reconcile themselves to these belt-tightening measures that jeopardize the proper performance of their tasks.

In response to a question by one of the staff members asked to make sacrifices, Mr. Pell said—after slight hesitation—that simultaneously the salaries of top management would be raised 25 percent.

State Secretary Katona on Foreign Policy

91CH0704A Budapest TARSADALMI SZEMLE
in Hungarian July 91 pp 3, 9

[Interview with Foreign Ministry State Secretary Tamas Katona by Rita Bede; place and date not given: "There Exists a Foreign Policy That We Can Profess and Manage"]

[Text] [Bede] A year ago diplomacy found itself in an easy situation, according to many. In what respects was it necessary to change directions, what is new in the orientation of Hungarian foreign policy?

[Katona] Hungarian foreign policy found itself in an apparent easy situation, at least in May 1990 when I moved into one of the rooms at the Foreign Ministry. It was easy, because in the previous year Hungarian foreign policy makers had a chance to consistently think through the situation, and to draw appropriate conclusions. And they did so indeed.

The most important thing a small country can do in its foreign policy is to prepare itself to face more eventualities than a large country would. A small country must adapt itself. Such adaptation becomes successful if the small country has more or less developed concepts for the greatest possible variety of situations. This was the compass Hungarian foreign policy needed and it was easy to find that compass. Simply put, this compass points in the direction of a European policy. We have been separated from Europe for a long time, even though we and all other nations in this region had something to do with Europe.

[Bede] In what respects do you recognize differences that need to be bridged between the principles of the Paris Charter viewed as a milestone on the one hand, and present European practice on the other?

[Katona] There are very many, and it is difficult to rank these. The Paris Charter is a new, very important and very useful agreement. However, very many things are bound to happen before it becomes part of our consciousness. Some interstate agreements have been consummated recently which in our view did not conform with the requirements of the Paris Charter. Security policy continues to be the most sensitive area. It gained importance simultaneously in both the East and the West. Security policy weighs heavily in the West because it dawned on people that the European Community [EC] could not avoid confronting this matter if it wanted to deepen cooperation. Thus far, the EC did not have to concentrate on this matter. The East recognized the importance of security policy because, thank God—and let's add here with some self-praise: thanks to Hungarian foreign policy—the military organization of the Warsaw Pact has disappeared. Some kind of security policy must be provided until the EC is able to become the host of a European security system.

Hopefully, on 1 January 1992 we will see the beginning of a period of great importance, the first year of cooperation, not only for the EC, but also for countries which decided to join the EC. We would like to follow these changes closely in order to enable us to adapt. The associate membership we will achieve by 1 January will obviously not be the end of the road, but a step toward full membership. Quite obviously, we must comply not only with mere political conditions, but must also shape up in an economic sense. This joining of the EC will be time consuming, tiresome and filled with struggles. It is our fundamental duty to perform reliable and conscientious work at home, because the country's domestic policy performance will be the starting point.

Not only did organizations which we want to join come about, certain organizations of which we were willing or unwilling members have been discontinued. The termination of these organizations created a new situation, new starting points, which should be pondered both in the Western and Eastern parts of Europe. Two organizations disappeared. We should preface this by saying that Hungarian foreign policy has played an extremely important role in the disappearance of one of these. As mentioned already, this organization is the Warsaw Pact, and above all its military part. This country made an attempt in 1956 to unilaterally quit the Warsaw Pact. The consequences are well known. The fact that the new government, and let's add here, the opposition, established Hungary's departure from the Warsaw Pact as one of its goals was a natural development. The lessons learned in 1956 and sober rationale suggested that it would be more wise for the Warsaw Pact to leave us, than for us to unilaterally leave the Warsaw Pact. Accordingly, and I underscore this, this initiative was a logical part of Hungarian foreign policy. CEMA was the other organization which disappeared and bequeathed to us only its ruins.

Accordingly, some difficult obstacles arose while climbing up to Europe. The bankrupt systems left behind bitter legacies in every state. Although at this time we suffer greatly and experience much social tension, Hungary is by far the most fortunate, not only because it experienced a longer, more peaceful transition and had more time to prepare, but also because we alone have realistic chance to climb out on our own from under the ruins within a year or two.

This is why European support is being provided primarily to Hungary. Occasional aid is unavoidable, states which accept aid need not be ashamed for doing so. But aid will not resolve matters in Hungary. We may count on a preparedness to cooperate only if our supporters recognize that we are willing to do something; and we are. As a result of great sacrifices by the Hungarian economy and the electorate, Hungary was first in the region to take specific initial steps. It was possible to create a viable political democracy in Hungary, and to establish laws which provide a secure and predictable legal framework for business. Whoever invests in Hungary does so in a predictable and secure framework, not

in a marshy, swampy territory. This is why 50 percent of investments targeted to this region comes to a market called Hungary. I wish to repeatedly stress that our primary need calls for a preparedness to cooperate, not for help.

[Bede] It would seem that the East and the West interpret this approach in different ways. The West would prefer a much more prolonged, multiphase approach, while East Europe voices its preparedness and need to cooperate with an overwhelming force and impatience. How could a consensus be reached in this situation?

[Katona] By talking about the same thing but approaching it from different sides. The West is more cautious because it recognizes the East European situation as unpredictable in many respects. And they are correct. They feel that certain difficulties may slow down economic development in the newly emerging states, may impede their ability to become competitive and acceptable to Europe. As a result of these concerns they established distant deadlines for the EC membership of East European countries. We start out from the opposite direction, i.e., we try to set an earlier deadline. Essentially, however, we are talking about the same thing, the full EC membership of Hungary, Czechoslovakia, and Poland by the turn of the century, by the millennium is conceivable in my view. I am very well aware of the fact that the situations in these three countries are not identical, but we must recognize the fact that the Community thinks in terms of such smaller packages and not in terms of individual countries. Cooperation between these three countries exists for political reasons anyway, and this is natural. Accordingly, I believe that each of these three countries accepts this solution. This transitional period must be bridged in terms of security policy, so that no unpredicted event, no catastrophe occurs in this region.

[Bede] Is Hungarian diplomacy able to convey the requirements of the Western model of integration to domestic policy? Where do we stand insofar as the establishment of legal, institutional, economic, and other conditions is concerned?

[Katona] I have no concerns, because our legislature already creates laws that are compatible with European standards. We carefully endeavor to ascertain that EC or Council of Europe prescriptions and recommendations prevail in every step of legislation, and that Hungarian laws conform with these. The six parties seated in the National Assembly support, and if possible hasten our joining the EC. Frankly, I do not see any other way Hungarian politics could follow. This framework best enables our uplift and security.

[Bede] You have repeatedly stated a need for a security policy net. What is the meaning of this term?

[Katona] We need a security policy net indeed. Bilateral agreements between the various countries of the region would serve as the foundation for such a net.

[Bede] How far would this net extend?

[Katona] I believe that the Conference on Security and Cooperation in Europe [CSCE] constitutes the broadest umbrella, everyone takes part in that. This is the only thing in which the Soviet Union holds membership, and therefore it is important to the Soviet Union. But concerns were also raised: Would not the essence of the Helsinki process be lost as a result of this security policy element? Accordingly, this umbrella must have a strong handle. NATO would be the most suitable handle of course, because it constitutes a perfect security system and operates on a voluntary basis; it is not aggressive, it has an expressly defensive character and also has a parliamentary dimension, and I could go on listing NATO's advantages. However, we must recognize that this would be unacceptable to the Soviet Union, and for this reason not even NATO wants to extend its own area of responsibility in the direction of the East and Central European countries. Accordingly, what's left is the CSCE process, or the thus far dormant body of the West European Union. Its opportunities are narrower as of today than those of NATO, but perhaps as a result of methodical transformation it could become an organization which the Soviet Union is able to tolerate.

[Bede] Would not an associate membership in the West European Union you talked about in London cause some adverse feelings in certain NATO countries? In a given situation it may occur to England, Holland, or the United States that the expanded role of these bodies may result in a partial weakening of NATO.

[Katona] In theory, these threats are indeed implicit in such an agreement, but the present system of the West European Union is not suited anyway to play the umbrella role I mentioned. It would have to be changed for this purpose, and the change should take place in a manner so as not to threaten such interests. At the moment no possibility of an associate membership in the West European Union exists. The recommendation I handed to the leaders of the Union involves regular consultation above all, and aims for an associate membership only after appropriate transformation. At this stage the various views are being reconciled. Once we are able to accurately assess how West Europe, which we want to join, feels about this matter and what kind of solution it tries to find for the settlement of the affairs of this region, we will also be able to tell whether this proposal advanced by them would or would not represent a solution to us.

[Bede] It comes as natural that Hungarian foreign policy concentrates primarily on Europe, and that developed concepts and plans exist in this regard. But are we not crowding out from our horizon some other regions and groups of countries?

[Katona] I could also say that we need a broad framework like Europe precisely in order to avoid making this mistake. It is of concern indeed that our attention has been drawn away temporarily from some other countries

as these new opportunities arose. Inattention would be recognized as having bad manners, and for this reason alone we should not do such a thing. Moreover, we are indebted to these countries in many respects, we may be thankful to them for many things, and we may find in these countries many good examples to follow. I myself feel that substantial thought should be given to all the opportunities that exist in the Hungarian-Austrian, or, for example, in Hungarian-Finnish relations. The Hungarian-Spanish relationship has been very important to us thus far because our legislative situation is somewhat similar to that of Spain after Franco. Although we followed the Spanish example, Hungary did not, by far, take advantage of the economic opportunities offered by Spain. Countries of a size similar to Hungary, such as Holland, are extremely important to us, they are looking toward Hungary with interest and understanding. I could go on listing these countries. We must indeed look around carefully in Europe for stimulation, examples and the assessment of economic opportunities.

As far as economic opportunities are concerned, we must also manifest an active attitude on our side of Europe, and not only toward the big countries. We must find the countries to whom we can sell our industrial goods, where capital may be tight as it is in Hungary, where the concern is the same as in Hungary: not to remain suppliers of raw material only. Geographical distances may be overcome, even if not with respect to oil. I have felt for a long time that Latin America could become our natural partner in this regard. Unfortunately, there too transition is highly uncertain, the region struggles with serious financial concerns. On the other hand, we found excellent partners in the Association of Southeast Asian Nations [ASEAN].

[Bede] What is the situation with respect to our immediate neighbors?

[Katona] Virtually every initiative in this regard was made by Hungary, and above all with respect to Hungarian-Soviet relations. Because the truth is not only that perhaps as a result of distraction the new cabinet might have neglected certain relations temporarily, but also that much greater tensions than those in Hungary evolved elsewhere, and we were not on our neighbors' maps either. With this understanding I feel that we must not forget about countries which meant so much to us earlier. Doing so would be a mistake and would amount to insensitivity.

Let me begin the listing of these countries with Austria. No political burden weighs down Hungarian-Austrian relations, yet I feel that we have neglected Austria. I find this to be a mistake if for no other reason because for years, if not for decades, Austria has been our window toward the world. Austria has used the advantages that flowed from its neutral situation and has helped us a lot. Failing to try to use a maximum degree of courtesy for continued undisturbed cooperation, moreover from an economic standpoint an increasingly closer cooperation

would be very unwise. I believe that the world exposition, which I sincerely believe will take place, may also provide a new impetus to cooperation between Hungary and Austria. It is important to change the earlier political cooperation into economic cooperation. From our standpoint the Austrian example is significant in several respects. For example, the way society is involved in the economy. The way we could we gradually accomplish a situation in which the government had no economic functions? The bureaucracy becomes enriched when the government, rather than enterprises manage businesses. Excessive governmental influence in the cultural and entrepreneurial fields is one of the greatest sources of danger. It is the job of the government to guaranty a secure solid legal background, and relative to culture: a financial background, which enables outstanding self-regulation in these fields. We must avoid excessive governmental interference.

[Bede] Obviously Austria is not the greatest headache from the standpoint of Hungarian foreign policy. Let us take a look at the rest of our neighbors!

[Katona] A number of concerns prevalent in the region can also be found in Czechoslovakia. These are the key issues. Unfortunately, the constitutional functions at the federal level have not been defined with sufficient circumspection in the Czech and the Slovak Republic. We are experiencing extreme difficulties because as a result of a lack of definitions one cannot avoid offending one or another person. Accordingly, due to their internal disorganization, we find ourselves in a very difficult situation, not to mention the fact that one should not trample with boots on others' sensitive points. Within the constituting states of the newly established federal republic people naturally attempt to get the flavor of and experience what they could not enjoy for long: their national sentiments. Nevertheless, it is regrettable that within the states in this region this national feeling emerged in an antiquated, impatient and antiforeigner form, and this renders the situation embarrassing. This will not last forever, of course. Soon they will forget about these matters, moreover, they will be ashamed of having fostered such feelings. Notwithstanding this fact, however, they continue to be our neighbors even until then. Thank God, we are not witnessing this kind of nationalism in Hungary; this country is capable of conducting itself as an adult, it is able to face facts.

If there is one thing we must pray for, it is the continued cohesive unity of Czechoslovakia and the rest of the federated states of the region in a modern form. This is in our interest, because any disintegration constitutes a potential threat, and no capital will flow into a dangerous area. Division may also conjure up the threat of civil war, and could render the terrain around us fully uncertain. We could become crippled from an economic standpoint as a result of such events.

Two vulnerable points exist with respect to Czechoslovak politics. One is the virtually hopeless situation of

the economy. The other source of threat is populism, which presents great concern throughout the region.

We are observing the events within Czechoslovakia with sympathetic concern of course, because we feel that politicians at the federal level are guided by the same ideas and ideals as we are. Very many of them are our personal good friends, still from the years when we were in the opposition.

The federal system of the Soviet Union is torn by tremendous tensions from the inside, and for this reason the Soviet Union appears to have temporarily lost its foreign policy concept. As long as there is no concept some old reflexes prevail. Old habits are extremely unfavorable, they show an inclination to reign and reflect a desire to hold power; they question whether the Soviet Union's withdrawal from our region was appropriate. From the standpoint of Hungarian policies the Soviet Union also represents a key issue, if for no other reason than because we are tied to the Soviet Union by huge economic interests. Foreign investors in Hungary do not have in mind primarily the 10 million Hungarian consumers, but the 250 million Soviet, Russian or Ukrainian consumers. The Soviet Union must open up once it overcomes its economic crisis and its nonfunctional market. At that point whoever invests in Hungary may be first to appear on that huge market. We must take advantage of this jumping board role of ours, the opportunity that is available to us. And it follows that we must have good relations with the Soviet Union, and above all with the Ukraine, the neighboring republic which is rather large compared to our size. I will stress that in recent times all that took place in Hungarian-Soviet relations was based on Hungarian initiatives. The fact is that rather great threats exist in the Soviet Union, but I feel that Soviet politicians are inclined to exaggerate these threats in the course of international negotiations in order to be in a more advantageous position.

[Bede] What do you have in mind?

[Katona] I regard as one such exaggeration the constantly recurring statements about 20 million refugees to depart in the direction of West Europe. Not even for a moment would I deny that a threat of a flood of refugees exists; not even for a moment would I deny that from the standpoint of the countries in this region this threat exists. I believe however that the 20 million figure is highly exaggerated, and this exaggeration serves the purpose of prompting West Europe and the United States to consider matters more thoroughly, to provide more aid and to play an increased role.

Along with the bad things there also are some good things. Hungarian-Ukrainian relations are very good. We sincerely hope that the nationalities agreement we are about to consummate with the Ukraine, and which has been finalized and is ready to be signed will serve as an example in Europe as well as within the Soviet Union.

This is because by now the Russian is the largest nationality in all of Europe; except for two republics, every Soviet member republic represents a huge Russian minority.

It is very difficult to accomplish anything between Hungary and Romania through diplomatic channels. I do not feel that the Hungarian side is at fault in this regard. The Romanian Government has indeed taken the initial steps in the right direction and we should not deny this. It agreed to take, and did take a series of unpopular but unavoidable steps in regard to the economy. We hope that these steps will be followed by the democratization of politics and of society, because in this region any attempt which tries to reform only the political sphere or only the economy is doomed to fail. We tried to become part of this movement whenever possible. We reached a very favorable military agreement. The commendable Hungarian delegation performed magnificently at the Vienna conventional arms reduction negotiations. Its heretic views which lead to the solution were supported by Romania. I regard the confidence generating Open Skies agreement with Romania as extremely important. Due to its difficult internal situation, the Romanian Government is pressured by nationalistic forces, and it has no easy way in which it could avoid this pressure. Accordingly, the political negotiations are extremely difficult, even though the two countries have joint tasks. These are self-explanatory. We would like to see for example a functioning chief consulate in Kolozsvár [Cluj-Napoca]. Since both countries are interested in establishing a market economy, the future function of consulates will not be the issuance of visa, but the channeling of the efforts of the private economy for the establishment of economic relations. Two Hungarian consulates functioned in Southern Transylvania between 1940 and 1944: one in Arad [Arad] and another in Brasso [Brasov].

I believe that relations between national assemblies could be very beneficial in the region. The six-party delegation of the Hungarian National Assembly Foreign Affairs Committee performed this kind of useful function in the Soviet Union, and similarly, a visit by the foreign affairs committee of the Romanian parliament in Budapest was useful. The parliamentary relations serve as important supplements to a cabinet's foreign policy where governments have difficulties understanding each other, in places where no mutual relations between democratic political parties can develop due to antiquated social systems. Such relations cannot replace foreign policy, because parliament is not a cabinet and the cabinet is not the parliament. And yet, they could play a very important role, they could strengthen confidence and could help make disappear certain prejudices. In contrast to the way many other people feel, I am very cautiously optimistic with respect to Hungarian-Romanian relations, and only in the very long term.

From the standpoint of Hungary, the government of the Yugoslav Federal Republic continues to be the natural negotiating partner. We may have difficulties as a result

of the fact that the Federal Assembly of Yugoslavia is filled with old fashioned communists, but even then we must cooperate with them. But just as in the situation with the Soviet Union, this does not rule out the possibility of having extremely close and good relations with individual republics. We do have such relations indeed, primarily with Slovenia. Slovenia is a small country, nevertheless it produced a mature democracy. The situation is more difficult with the Croatian Government, not only because the situation of Croatia is more difficult, and not only because a large Serbian minority resides in Croatia, but also because it appears that the populist threat is stronger. Within Yugoslavia, Serbia presents the key issue from the standpoint of Hungary, because the Hungarian minority resides in the Voivod region. Unfortunately, the autonomous government of the Voivod does not function well, just as the government of Kosovo does not. Despite all this, we must find a common language we can use to communicate with Serbia.

[Bede] What is the basis of your determination and optimism?

[Katona] We live in one and the same region; regardless of how disturbed this region is, it still is valuable. Hungarians, Serbs, Romanians, Ukrainians, and all kinds of other nations live here. All of these nations invested their energies, their capabilities, accomplishments and cultures in this region, and for this reason, it could be one of the most valuable regions of the world, provided that it remained peaceful. It is in our interest that it be peaceful. And since we know that it is impossible to fairly draw ethnic borderlines in this region, we would like to see these borderlines disappear. We do not wish to push these borders back and forth, because we want to unify Europe, not divide it. We would like people to be able to go from Hungary to Romania and vice versa the same way as people go from Holland to Belgium, where drivers have only one thing to observe: not to speed in excess of 60 kilometers per hour.

Accordingly, the Hungarian cabinet has some perceptions, it has a concept, or, if you will, it has a certain kind of vision of Europe. This concept is unanimous. This is what the prime minister professes, and the minister and I profess the same. Accordingly, there exists a foreign policy which we can profess and manage.

Orban on Long-Range Effects of Soviet Occupation

*91CH0680B Budapest MAGYAR HIRLAP
in Hungarian 19 Jun 91 p 7*

[Article by Viktor Orban: "It Cannot Be Made To Have Never Happened"]

[Text] Our post-1956 politicians did everything possible to gradually obscure in our minds the fact of our country's Soviet occupation. Kadar's winks and nods toward the Russians served to justify Hungarian Communist policies of the day, using the presence of Soviet troops

both as the final explanation of his policies and the moral excuse for them. And although the Russians have not departed the way they arrived, many people nevertheless feel they have nothing to do with the Russians' departure, just as they had nothing to do with their arrival. Both events seem to have stemmed from the action of some superior force. Our newfound freedom is not the result of self-liberation that proves society's vitality, but a by-product of the Russian Empire's collapse, of America's gaining the upper hand. This experience is very similar to the emotional phenomena that accompanied the restoration of our political rights in the spring of last year.

The departure of the last of the Russian troops is a good opportunity for several politicians to suddenly realize that the past 40 years cannot be made to have never happened. To enable us to point a finger at someone else and to shift the portion of the blame that Hungarians must assume for the past 46 years is not the reason why a balance of the damage that those 46 years of occupation have caused must be prepared. To be able to present the bill, and thereby to open a new chapter in our policy of grievances, is not why we have to be aware of the consequences of Russian occupation. (Moreover, there is nobody to whom the bill could be presented; we have to pay all the bills ourselves.) Over and above "talking out" the subject to unburden ourselves, such an inventory is necessary for us to know what the departing troops have left behind, so that our aspirations and political ambitions do not divorce us from reality, and we remain aware of our political limitations stemming from society's present state. After all, the point is not merely that several metric tons of kerosene have been left behind in village wells along the Sarviz or that reports are being received daily of abandoned firearms and immense damage to the environment. The legacy of the 46 years of occupation is far more substantial than that.

The world war swept away the previous regime and opened up new alternatives before us, including the alternative of a democratic social system. Communist dictatorship based on Russian occupation diverted us from the formation of a strong middle class, the path of organic development on which we had just embarked.

Although this will seem like disregarding the historical interrelations, I venture to suggest that the bankrupt's estate we are now trying to get rid of would never have happened without the Russian Army and the Russian Empire's Hungarian governors general. The Soviet system forced upon us reinforced the worst trends of Hungarian history. It arrested the just-begun development of a strong middle class, brought back the authoritarian principle, renewed feudalism's system of personal dependence and reintroduced the feudal customs that had just been abandoned.

The economic system forced upon us strengthened our traditional autarchic aspirations stemming from the policies we had adopted after the Treaty of Trianon. It plucked us out of the world economy's mainstream and

stitched us to the Soviet Empire's economic logic, leaving us the task of restoring the currency's convertibility and restructuring the entire economy, a task that can be carried out only at the cost of painful ordeals. It is from this viewpoint that we have to reject the sometimes intensely and sometimes mildly disgusted assessments of certain Western intellectual circles. In their opinion the small nations of Central and East Europe are incorrigibly nationalistic, and their irrational conflicts pose a constant threat to European stability. Specifically the agreement that the West had concluded with the Soviet Union swept us under the control of an empire that blocked the articulation of national aspirations, perpetuated the conditions existing after World War II, and did not allow the formation of modern national awareness in this half of Europe.

The logic of the Soviet Empire's organization excluded the possibility of normal dialogue between small nations. It forced us into a false internationalism. Soviet occupation deprived us of opportunity to find out from experience how interdependent we and our neighbors are, the way the Germans and French discovered their interdependence after World War II. The networks of everyday life did not link, could not have linked, these small nations together. They were not allowed to learn from everyday experience that it does not pay to maintain national differences, because they make normal life impossible; and that everyone is a loser when national conflicts stemming from rational roots become irrational.

It is in the light of such irreparable damage that we have to judge also the relative merits of Kadar's "consolidation." There is some truth in the contention that the past 40 years were not just time lost. After all, even in the period of parliamentary democracy we are able to build upon a few of the results of those years. In this context one usually refers to the economic reforms and the existence of the second [unreported] economy.

At historical moments such as the present one, however, it is permissible to resort also to comparisons on a slightly larger scale, by using the yardstick of historical opportunities to measure the previous regime's result. Only such comparisons enable us to understand what it means that we have been deprived of opportunity to form a civil society, and have been given instead back doors to sneaky embourgeoisement.

With the departure of the Soviet troops, the last obstacle has disappeared to finally establishing friendly relations between Hungarians and the peoples of the Soviet Union, as well as mutually advantageous cooperation based on the principle of the equality of nations. Hungary will not raise barriers to the development of such relations, because every political force and the public in general clearly understand the distinction between the Soviet peoples on the one hand, and the Soviet system and its army on the other hand.

Magyars in Vojvodina Fear Serbian Dominance

*LD1807162791 Budapest Kossuth Radio Network
in Hungarian 1000 GMT 18 Jul 91*

[Text] A delegation of the Alliance of Free Democrats [SZDSZ] has visited the Democratic Community of Magyars in Vojvodina [VMDK]. Kata Peli-Nagy reports:

The democratic parties of the Serbian parliament, with which a three-member delegation of SZDSZ held information-gathering and contact-making talks yesterday, envisage the future of Yugoslavia through the creation of a confederation similar to the European Community. As Istvan Szent-Ivanyi said at today's press briefing, the Serbian internal political situation is well characterized by the four-point demand worked out by the democratic parliamentary wing. According to this, the creation of freedom of organization and the press, the working out of a national election system, and taking a stand against the ever-growing Serbian dominance are the most important tasks.

The parliament, on the threshold of economic collapse, is nonetheless primarily preoccupied by the issue of war or peace. In connection with this, the opinion of the VMDK is that the Magyars there must not commit themselves to either side. However, it is increasingly difficult to stay out of the crisis, since there is a mass call-up of reservists even now. According to the leaders of VMDK, the nationalist line is gaining strength in Serbian political life, the result of which is that the situation of the Magyars has never been so grave since World War II.

At present, three draft laws have been put forward to the Serbian parliament: the language law, the self-government law, and the school law, the adoption of which would greatly limit the rights the Magyars have gained so far. The VMDK envisages the place of Vojvodina within Yugoslavia through the creation of a loose economic integration, as to opposed ethnic integration.

Paper Attacks Bishop Tokes on CSCE Statement

*AU2207110791 Budapest NEPSZABADSAG
in Hungarian 19 Jul 91 p 3*

[MTI report: "Attack Against Tokes"]

[Text] On the first page of its Thursday [18 July] edition, the Romanian daily DIMINEATA, the unofficial organ of the Romanian presidential institution, accuses [Reformed Bishop of Oradea] Laszlo Tokes of rabble-rousing.

DIMINEATA's attack was provoked by the speech delivered by the Reformed bishop of the church district near Kiralyhago at the Geneva conference on national minority and human rights. Tokes's speech dealt with Romania's aggressive policy against national minorities. According to DIMINEATA, Laszlo Tokes's anti-Romanian sentiments were expressed more aggressively than ever before on this occasion. "He denies the concept of a united Romanian state, he disputes Romania's national borders, he demands autonomy, he believes that Romanians should be swept off the face of the earth, and finally, he hints that war could break out unless the Hungarian national minority is granted privileges."

Difficulties in Relationship With Soviets Noted

91EP0574A Warsaw TRYBUNA in Polish 15-16 Jun 91
p 6

[Article by Ryszard Wieslaw S. Debski and Mieczyslaw Wodzicki: "Why Walesa Is Not Going to Moscow"]

[Text] A lot of time has passed since the announcement that President Lech Walesa was preparing to go to Moscow. At first Belweder Palace declared that the visit would take place "soon," but later it merely provided explanations why it was not yet taking place. It was alleged that one party was postponing the visit and the identity of the party which considered the visit more important was discussed.

Not as much information, on the other hand, was provided to the public about the most important issue, namely, what was to be the substantive nature of the talks. And as known, unless several matters of importance to both countries are resolved, there is no point in the president's trip to Moscow.

Politics

In the domain of politics two principal issues await resolution: a new treaty of Polish-Soviet cooperation and the withdrawal of Soviet troops from Poland. Concerning the first problem, the talks have just begun and are still at the level of experts. Contrary to appearances, they are not easy. The USSR would like to include in the treaty provisions which are thought by Moscow to promote its national security. This was expressed most directly by V. Falin, director of the International Department, CPSU Central Committee: "The membership of our former allies in military blocs, in NATO, is absolutely inadmissible." Soviet diplomacy desires to arrive in such talks, not only with Poland, at a formula securing a kind of neutrality of neighboring countries, a guarantee that the influence of Western countries will not extend to the line of the Bug River. (For example, a pledge to refrain from joining NATO.) But Poland does not agree to such an approach, which it considers tantamount to a constraint on its sovereignty. Besides, the West is the orientation to which the Polish authorities link prospects for the growth of our country. Thus, a problem exists, and it is quite serious, although so far little is known about the progress of these negotiations and the issues raised.

We are likewise far from a successful culmination of the talks regarding the withdrawal of Soviet troops from Poland. The seventh round of these talks has already begun, but the parties still cannot reach an agreement on how to complete this operation. In the course of seven months of negotiations, the differences were reduced to precisely one year: The USSR has agreed to reschedule [the withdrawal] at the end of 1993 instead of mid-1994, while Poland has agreed to postpone its deadline to mid-1992 from the end of 1991. If this tempo of the talks continues, the problem may solve itself because the troop withdrawal has already begun, and pessimists warn

that the diplomats may become so absorbed in their confabulations as to overlook the moment at which this operation comes to a natural end.

A related problem is that of settling accounts for the property left in Poland and the losses caused by Soviet garrisons. In that respect some progress is represented by our new position, which Col. Golebiowski, the spokesman for the Polish commission, presented to Reuters: "Poland has decided not to demand payment for the ruined buildings used by Soviet army units, but it desires compensation for the ecological losses caused in and around the Soviet bases." At the same time, Gen. Dubinin, the commander of Soviet troops in Poland, declared, "In the course of the talks the Polish side, instead of aspiring toward a compromise on issues of property and finance, has been deliberately delaying agreement in the expectation that Soviet troops will leave their property in Poland upon departing from this country."

As recently as last April, following the sixth round of talks, a representative of the Polish Ministry of Foreign Affairs suggested that the seventh round might be the last. Now, however, such optimism has proved unwarranted.

The Economy

No less important are trade issues. In 1989 the volume of Polish-Soviet trade was 12,691,000 rubles, and we had a positive balance of trade amounting to 1,775,000 rubles, while in 1990, when exports began to slow down, that volume was 9,938,000 rubles (Poland's surplus: 3,326,000 rubles), for that was when the economic collapse took place and many Polish enterprises linked to the Soviet market for dozens of years found themselves with unsold inventories. At the same time, politics began to play a role. Trade with the USSR was roundly condemned, and the Soviet partner showered with accusations. This politicization of economics, the worst of its kind at that, was bound to affect trade. Given its enormous problems, the Soviet Government, following up a recommendation of the Polish side, decided to start basing trade payments on convertible currencies as of 1 January of this year.

Was some other solution possible, considering that Poland could not afford to extend large-scale credit to the USSR, since it itself has been in trouble and trying to get credit from the West? Certainly, not everything was done—considering last year's political sentiments—to expand Polish-Soviet barter trade. Then there are the known instances in which irresponsible comments of Polish politicians caused a halt in exports, for example, of Polish potatoes. This hardly helped the economic negotiations.

The marked slowdown this year is exacerbating our problems. Many Polish enterprises are going bankrupt while others operate at partial capacity.

In view of the lack of [hard currency] to pay for Polish goods and the actual stoppage of exports, negotiations to introduce Polish-Soviet clearings of accounts were undertaken last March and continue to this day, with the object of making shipments of merchandise possible. At the same time the Polish Government is supporting the initiative of enterprises and energetically intervening with Soviet authorities for permits for barter transactions, though with little effect so far.

Otherwise, though, the matters are getting complicated. The outlook for the unequal balance of trade between the two countries remains unclarified, and the USSR has neither sufficient convertible currencies nor attractive merchandise that would be worth bartering Polish goods for. Therefore, the Eastern partner is proposing to obtain some Polish merchandise on credit.

Being aware of the problems with foreign trade, the Soviet Government has recently decided to allow payments in both rubles and national currencies in trade with CEMA countries. But the date on which this is to happen is unknown. Also, the USSR will not accept responsibility for the mutual convertibility of these currencies. Hence, any related problems will burden the enterprises, which, given the considerable differences in prices on these markets, may nullify the value of this approach. The outlook for barter transactions is somewhat better, apart only from the goods covered by government orders and international agreements. But here too no big turnabout is anticipated, since, in practice, everything that could be done in this respect has already been done.

The economic negotiations also are complicated by the so-called Yambur Agreement: Poland is claiming that it has spent extra on building gas pipelines and other facilities [built by Polish contractors in the Soviet Union], because it charged for them in terms of internal Soviet prices, thus losing billions of rubles, but the Soviet side ignores this argument.

The agreement on raw materials is complicating the attempts to settle payments between the two countries because the positive balance of our trade with the USSR until 31 December 1990 still exists only on paper: The Soviets owe Poland about 5 billion rubles and \$1.5 billion, while Poland owes them about 7 billion rubles. Each party believes that the surplus belongs to it. That is because the exchange rate of the dollar, at which the payments are to be calculated, is debatable.

These and other economic issues are the subject of negotiations, although their progress is hardly satisfactory to either party.

The Atmosphere

In international relations something that could be termed "the general political atmosphere" is an important factor. And between our two countries that atmosphere is hardly the best. We have many mutual pretensions, which sometimes overshadow crucial issues, as

exemplified by the polemics between Bielecki and Gubenko at the Cracow CSCE conference, or rather by the reaction (the summoning of the Soviet ambassador to the Ministry of Foreign Affairs).

Another example is the publicity generated in Poland by scandals with Soviet participation which, as it turned out later, were short-lived. Consider for instance the affairs of the chemical weapon, the "radioactive" barrels, the kidnapping of Professor Volkov, or the repatriation of 7 million Poles from the USSR. The latest example is the publication in *RZECZPOSPOLITA*, a government newspaper, of an article expressing anxiety about the hostility toward Poland shown by the Soviet press. The author expressed her outrage in strong words but overlooked the existence of a large number of objective articles in the Soviet press, including also the three interviews granted by President Walesa to influential Soviet weeklies.

In one of these interviews Lech Walesa declared, "We desire to expand partnership contacts reflecting not an artificial friendship at the governmental level but rather genuine friendship between nations."

This cogent declaration has for the last few years remained on paper only, because little has been done to restore to its former scale youth exchange, interplant cooperation, and cultural exchange. Poland's presence in the USSR, and vice versa, has become exceptionally one-sided and is basically confined to petty trade.

The above is not a complete list of issues to be discussed; there also are the issues of Katyn, of the Polish minority in the USSR, of freedom of travel, and so forth. All this requires serious talks in a tranquil atmosphere; only when these talks produce results can we expect a Polish-Soviet summit meeting in the Kremlin.

Bujak on Election Alliances, Walesa's Style

*AU1707170991 Warsaw TRYBUNA in Polish
13-14 Jul 91 p 2*

[Interview with Zbigniew Bujak, leader of the Social Democratic Movement, by Dariusz Szymczycha; place and date not given: "I Am a Social Democrat"]

[Excerpt] [passage omitted] [Szymczycha] Who else do you consider to be of a social democratic disposition on the Polish political scene?

[Bujak] Undoubtedly the Labor Solidarity people. There are also social democrats among Solidarity grassroots activists and activists on plant self-management committees.

I tend to see social democrats as belonging to specific milieus rather than groupings, because the groupings that exist will have to undergo a metamorphosis.

[Szymczycha] What about the Social Democracy of the Polish Republic [SdRP]?

[Bujak] It is hard for me to say, because it was a side that exposed me to threats since the 1970's. That is why I still keep asking myself about the extent to which the SdRP is a new party. Although I admit that I have met many people connected with the party with whom I would be pleased to cooperate. What Włodzimierz Cimoszewicz is doing and what Aleksander Kwasniewski is doing and with whom, are things that I follow all the time with interest. However, this is still a time for observing.

[Szymbczycha] Not a time for applying labels?

[Bujak] That is right, because the past can cancel out the future. The past is always interesting, especially for historians. The most important things for the future are competence and goodwill. Coalitions cannot be avoided when it comes to solving economic problems.

The road to a new Poland should not be closed off for anyone. Viewed from this angle, the policies of the Center Accord, which is constantly calling for the settling of scores, vetting campaigns, and decommunization, are suicidal for the Polish state.

[Szymbczycha] A year ago at a meeting of the Citizens Committee you came out in defense of Jerzy Turowicz and criticized Lech Walesa's style. What is your attitude toward Lech Walesa?

[Bujak] Poland needs a great many different kinds of authorities, but we do not have many of them. Jerzy Turowicz is undoubtedly one of that group of people of considerable stature who are known in Poland and in Europe. No one should be allowed to damage the standing of someone like that, because it reduces Poland's political opportunities. That is why I got so angry.

Today's situation regarding President Lech Walesa is a similar one. It is our duty to protect his authority, but it is also his duty to show concern for his own authority. However, he gives the impression of not caring about that. It is impermissible for a president to say things without caring about what he has said and how he has put it, because he is the holder of a state office.

I fear that if the president's style does not change, then his authority will decline. That does not please me. After all, all these things will impact on Poland's reputation and opportunities throughout the world and as a result, will affect the ordinary person, the worker, the farmer, and the college graduate.

[Szymbczycha] Will the Social Democratic Movement enter the elections alone or as part of a coalition? Will you appear on the Solidarity lists or will you compete against Solidarity with your own lists?

[Bujak] We want to start out on our own, with our own program that will not draw on any political traditions, because we do not want to be fighting for the right to a symbol in the election campaign. We will present our economic policy program six weeks before the elections are held, so that the experts have time to make a critical

assessment of it. We will present our cabinet proposals three weeks before the elections. This is because we are not interested in a battle over personalities, but in competing about programs.

Fortunately, the electoral code is such that it will be possible to form alliances at various stages of the campaign. That is a good thing, because at the moment it is difficult to gauge the strength of different political groupings—that will become clear only during the election campaign. That is why the provision allowing for the formation of blocs out of the lists in the final stage of the election campaign is an interesting solution, because it will make it possible to create strong blocs in the future parliament.

Kaczynski Twins: 'Two Who Stole the President'
91EP0579A Munich SUEDEDEUTSCHE ZEITUNG
in German 26 Jun 91 p 3

[Article by Thomas Urban: "Double Game in the Presidential Palace: The Kaczynski Twin Brothers, Who Worked in the Underground for Solidarity, Are Regarded in Poland as Lech Walesa's Most Important Advisers"]

[Text] Warsaw—The program actually called for a children's film. Nevertheless, it was practically only adults who were lined up in front of the box offices of Luna Theater in Warsaw. None of them wanted to miss the screen spectacular "About the Two Who Stole the Moon" which was first produced 30 years ago. It was not so much feelings of nostalgia for their own childhood that drove the people to the movie theater. Instead, they wanted to see the leading characters Jacek and Placek once again. For the two twins Jaroslaw and Lech Kaczynski who played the two hooligans, then 12 years old, are now being heard from in politics. Both are secretaries of state in the Presidential Chancellery, the key figures behind Lech Walesa, the labor leader who rose to be chief of state.

The identical twins have gained the title of "gray eminences in Belweder" within a very short time, because no one can reach the master of the presidential palace without their approval, and all official statements cross their desks. Jaroslaw is head of the Presidential Chancellery, which has become an enormous bureaucratic apparatus that many Sejm representatives are already calling a second government. He also is in charge of the Center Accord [party] close to Walesa, which sees itself as a Christian-democratic party and seeks close cooperation with the CDU [Christian Democratic Union] and CSU [Christian Social Union] in Germany, for example. Lech's position is hardly less important: He is head of the Security Council and supervises the police, the secret service, and the Armed Forces. In addition, he may also issue orders to the state agencies.

The two brothers are easily distinguishable by their subordinates: Lech has a thin mustache above his upper lip. Those in the know claim that the bachelor Jaroslaw,

who with his numerous cats continues to live with his parents, often comes strolling in wearing a wrinkled shirt and pants, in contrast to his brother, who has been married for 10 years. But one can never be quite sure about the two "drakes" (Polish: kaczor), as they have been called since their schooldays in allusion to their family name and the slightly waddling gait common to both of them.

Just as in "Double Lottchen," the two stocky men—they are just 1.64 meters tall—have exchanged roles all too often. They had gotten the hang of it even in school, as their classmates relate. Their parents, a physics instructor and a literary critic, had sent the twin brothers to two different secondary schools in Warsaw to keep from driving their teachers to despair. But when exams were scheduled, the one who showed up was always the one who had the best grasp of the material being tested. This is also what the twins did during their mutual law studies. Fellow students are quite certain that Lech appeared twice at examinations on labor and administrative law, whereas Jaroslaw also took the exam in constitutional law and legal theory for his brother. Now that they have their law degrees, they themselves have nothing to say about this supposed double game, for otherwise they would have to fear losing their academic titles.

Still, they did admit that they played their game with the director and camera people in the shooting of the film on the stolen moon. On many days, Jaroslaw played the brat Jacek and Lech played the scarcely more well-behaved Palcek, whereas on other days it was exactly the other way around. By the way, the two heroes have little in common with the two charming and responsible sisters in "Double Lottchen." On the contrary, just as in "Max and Moritz," they play amusing but also mean tricks on their fellow man. If they are asked about this, they deny everything with a look of innocence.

Nor have the two politicians, now 41 years old, forgotten how to put on an innocent face. For this reason, they were initially underestimated and not taken seriously by their opponents in domestic politics, especially by the leftwing liberals around the publicist Adam Michnik and the liberal Catholics around the former Prime Minister Tadeusz Mazowiecki. In the presidential election campaign last fall, in which Mazowiecki was one of those competing against the ultimately successful Walesa, Jaroslaw Kaczynski, as chief of the Center Accord, gave them a scare. For he showed himself to be a brilliant organizer, who also knows how to deal with the media skillfully. Within just a few months, the Center Accord had established local formations everywhere in the country and Jaroslaw Kaczynski was able to get more than 20,000 activists involved in the election campaign.

The election campaign, which he carried out with simple slogans, led to a harsh confrontation with Mazowiecki and gave Jaroslaw the reputation of being a rough character. But the Walesa crony, who at first glance seems rather phlegmatic, sometimes lets his intellect

show. He clearly settled a television discussion with Michnik in his own favor. The otherwise glib leader of Walesa's opponents from the ranks of Solidarity allowed the coolly calculating chief of the Polish Christian democrats to pick the subjects and, as a commentator wrote, ended up in his spider web.

Course Participant Walesa

Walesa wanted to reward the merits of his superintendent and offered him the office of prime minister. As a resolute supporter of the market economy, however, Jaroslaw Kaczynski did not want to take his place in this ejector seat but settled for the—apparently—less important post in the Presidential Chancellery. In addition, he declared, it is considerably more important in the long term to organize a functioning party. Originally he and Walesa probably had the idea of taking over the legendary name of Solidarity. For the twin brother Lech, who sees himself "further to the left" in the political spectrum, he sought the chairmanship of the trade union after the election of Walesa as state president. To everyone's surprise, however, the until then completely unknown university instructor Marian Krzaklewski also ran. Lech Kaczynski, until that time Walesa's deputy in the leadership of Solidarity, then resigned and found refuge as a secretary of state in the Presidential Chancellery. The name of Solidarity now remains reserved for the representation of employees, which, however, threatens to fall into political insignificance without its figurehead Walesa.

The ties between the brothers and Walesa have their origin in a time when there could be no talk of an independent trade union. In 1978, Walesa, then an electrician at the Gdansk shipyard, took part in a course on underground union work that was led by Lech Kaczynski as a representative of the Committees for the Defense of Labor (KOR) that the communists had forbidden. At that time, however, Walesa did not make an especially strong impression on the course leader, as he later reported. But this was to change fundamentally two years later, when the allowing of Solidarity was wrested from the communists after the strike in Gdansk. The twin brothers are among the men of the first hour, even though they were not in the first rank, as were Mazowiecki and Michnik, for example. Still, as legal advisers of several regional associations of Solidarity, the two jurists seemed important enough to the secret service to have them interned after the proclamation of martial law in December 1981. The secret service people thereby made a mistake, however: They arrested only Lech and Jaroslaw was crossed off the list. For they had assumed that there was only one Kaczynski—with the same date of birth and the same given name of the father, it must be a mistake.

During the time of martial law, above all Jaroslaw maintained contact with Solidarity in the underground for Walesa, who was shadowed around the clock. His conspiratorial abilities also benefited the movement when it was once again legalized after the roundtable

negotiations two years ago. On behalf of Walesa, behind the backs of the still-ruling communists but also without the knowledge of the other leaders of Solidarity, he carried on secret talks with the two small-block parties [Polish United Peasant Party and the Democratic Party]. The result: Solidarity with the support of the two former puppet parties was able to place the head of the government and the communists had to settle for four cabinet posts.

After the successful operation, it was only logical that the two Kaczynskis became the most important figures in Walesa's advisory staff, especially since Mazowiecki along with most other leading figures in Solidarity took over government offices in Warsaw. By order of Walesa, Jaroslaw became Mazowiecki's successor as editor in chief of the weekly newspaper [TYGODNIK] SOLIDARNOSC and turned the paper into a mouthpiece of Walesa's supporters in the election campaign.

The ties between the three "short fat men"—as Walesa and the twins are called in Warsaw—have become even stronger since then, even though they are far from the kind of friendship that once existed between the labor leader and the intellectual hothead Michnik. The two otherwise inconspicuous secretaries of state can even allow themselves to tell their president what they think in no uncertain terms. They have Walesa's complete confidence, which, to be sure, could also change quickly, for the skilled electrician is basically suspicious of intellectuals. For the time being, however, the two cool organizers have the Belweder Palace firmly in hand. It is for this reason that a representative to parliament, in accordance with the children's film, called them "the two who stole the president."

Condition of Armed Forces Analyzed

AU1607083391 Warsaw POLSKA ZBROJNA in Polish
8 Jul 91 pp 1, 4

[Article by Colonel Marek Zdziech: "Report on the State of the Army—An Attempt at an Appraisal"]

[Text] Almost three months ago, when we began our report on the state of our Armed Forces, we assumed at the outset that we would only be able to highlight the state of affairs in certain areas of current military reality. The main reason for this was the great number of complex issues that constitute the present-day Army's existence.

Another factor that was not without significance—it is something that we have to mention—was the reluctance, which was not always unjustified, on the part of senior officers and officials to provide our paper with information, mainly information on various kinds of shortcomings. This meant that at times we had to give up on official sources of information, which was the case with the Navy, for example.

However, we can feel some satisfaction as journalists in being able to say that the articles, interviews, and discussions that we have carried over the past few weeks presented issues that are of fundamental importance for today's Army. Statements were made by highly qualified individuals, led by head of the Polish Army General Staff, the heads of some Ministry of National Defense central institutions, and commanding officers for military districts and branches of the Armed Forces.

So, it seems fitting to acknowledge, and we feel above all entitled to do so because of the views that have been expressed by readers, that with the aid of the material we have gathered, we can answer the following question: What is our Army like today?

We will begin this appraisal with an issue of fundamental importance, which means people first and foremost.

However we may choose to view the whole issue, the character of the Army and its ability to carry out the tasks assigned to it are mainly determined by people. On 1 January 1991, the Polish Army had 260,824 soldiers, of whom 93,393 were career personnel (46,976 officers, 25,914 warrant officers, and 25,503 noncommissioned officers). Career personnel occupy almost all leadership and managerial posts (89 percent of the total number of posts are designated for professional soldiers); auxiliary, administrative, and service posts are entrusted to soldiers performing basic service and civilian workers. In addition, personnel's general standard of education and professional qualifications are significantly higher than the national average: 43 percent of professional soldiers have a college education compared to only 8 percent among the working population as a whole.

Figures for the staffing of full-time posts for professional soldiers are also revealing. Staffing varies enormously: In the officers corps, 95 percent of posts are filled, whereas under 60 percent of posts in the noncommissioned officers corps are filled.

A fact that is striking is that personnel shortages primarily affect the most junior posts. In some specialist fields, the shortage of young officers has reached a level that is disrupting training and service requirements. Pilots are one such group.

The group of posts designated for professional noncommissioned officers constitutes an exceptionally difficult personnel problem. The artillery, radio engineering, and communications are specialist fields that are particularly affected by shortages.

The situation today can be said to have grown worse. Compared to previous years, there has been a several-fold increase in the number of professional military personnel applying for and obtaining discharges. Every year there are fewer and fewer candidates seeking admission to military schools and colleges.

Here are some figures that illustrate the trend. In 1990, 14,000 professional soldiers left the military, which is

almost two and a half times as many as in previous years. The number of young personnel who are leaving—up to age 35—is particularly disturbing. Recently, the number of young personnel leaving the military has been higher than the intake of new graduates from military schools and colleges.

It is perfectly clear from figures kept by the Personnel Department of the Ministry of National Defense that the young personnel who do not want to continue serving in the military are above all highly trained specialists, who are not afraid of competing in the civilian labor market and find better paid and less demanding jobs without too much difficulty.

The number of professional soldiers who have been discharged this year confirms this worrying trend. Of those who decided to leave the military in the first four months of this year, over 25 percent fell into the youngest category of personnel. The results of this year's recruitment drive for military schools indicates that the situation has grown worse. The number of candidates seeking to become professional soldiers is down over 20 percent from the previous year, and unfortunately, the candidates who are applying still tend to be young people who see military schools as a means of avoiding basic military service, are generally of a lower intellectual caliber, and do not always possess appropriate personal qualities.

The low level of interest in military service must be considered disturbing in light of the plans to make our Army an increasingly professional one (about 50 percent of personnel are to be professionals by the year 2000). The lack of an improvement in the selection of candidates for military schools and for professional service in the noncommissioned officers corps, on the one hand, and the persistent tendency among young professional soldiers to leave the military on the other hand, makes the attainment of the goal of a professional army unrealistic.

Specialists also maintain, and they are surely right, that these same factors may also make it very difficult to fill the posts intended for professional personnel in the newly formed military units that are to be stationed along our eastern border.

Technology is another dimension of the modern army, its strength, and its combat capability.

The country's difficult economic position has resulted in underinvestment in the military stretching back many years. Because of this, there is a clear divergence between the equipment that our military possesses, that is, all branches of the military, and that possessed by the armies of Western states. In our case, the so-called modernity index, that is, the percentage of total equipment that is of the most modern kind, is about 30 percent, depending on that category of equipment in question (27 percent for combat aircraft and tanks; 29 percent for artillery pieces; and 30 percent for missile launchers). The index for Western states is about 40

percent, and generally these states do not retain weaponry whose service life has been exceeded.

Our military hardware (both equipment and facilities) is mainly Soviet-produced or based on Soviet designs. Its condition is systematically deteriorating, and the basic reason for this is the lack of supplies of new military technology, a lack of resources for the military to conduct its own research and development work, and the economic decline of military production and repair enterprises.

The less than 7 trillion zlotys that has been allocated out of the Ministry of National Defense budget for conducting some repairs to hardware is practically just enough for the purchase of essential spare parts and armaments for the equipment that is used. The difficulties stemming from limited budget resources have been compounded by the Soviet Union's suspension of exports of the latest weaponry.

The state of quartermaster equipment and facilities is systematically deteriorating. Equipment and facilities are becoming worn out: 50 percent in the case of the housing and construction service, and 48 percent in the case of the health service. The situation regarding the supply of food, uniforms, and petroleum, oil, and lubricants is not much better.

The process whereby our military hardware is becoming outmoded is compounded by the great difficulties in the functioning of military production and servicing enterprises, whose existence is essential when it is necessary to overhaul used weaponry and equipment. The financing system that has been adopted and the need to obtain high interest loans places these enterprises in a critical situation.

In an area that we were proud of until now—perhaps there was some exaggeration involved, and propaganda objectives were the main thought behind it—we are clearly going into decline. Scientific research is the area in question. Of course, it is difficult to talk about a decline in the ability of our scientists, but the substance of their work, as is usually the case, has been affected by the crisis more quickly. A drastic reduction (to 2 percent of the Ministry of National Defense budget) in funds for research and development work has resulted in the suspension of many projects, which might threaten to cause the collapse of our own defense industry and might result in a total dependence on foreign supplies of equipment and weaponry.

It is difficult for society to appreciate the fact—and this causes great harm to the Army—that there are considerable sums of money behind everything that is connected with the Army.

It is difficult to distribute the money that there is, because it should not be forgotten that a good householder, even if he has friendly neighbors, will not try to economize on proper locks.

There has been a systematic decline in defense expenditure in our country over the past five years. It declined by a total of 33 percent during the years 1986-91. The part of national income allocated for defense expenditure has been growing smaller. In 1986 it was 3.6 percent, in 1988 it was 3.1 percent, and in 1990 it was 2.5 percent. The Army's budget for 1991 is about 8 percent lower in real terms than last year, and it is estimated that it will decline further, as a result of prices growing more rapidly than projected and rampant inflation.

The budget resources that were allocated to the Ministry of National Defense for the first half of this year meant the ministry was only able to meet 36.5 percent of its budget requirements. As a result, 743.7 billion zlotys are owed the government. This mainly affects supplies of weapons and equipment, charges for electricity, water, gas, and heating, and investment expenditure. We have begun the second half of this year with financial obligations amounting to 1 trillion zlotys.

Apart from the disruption caused to training by the suspension of deliveries and of works projects, the present situation also causes disruption to the regular functioning of units. There are cases of the supply of power, water, and gas to many bases being shut off. Interest payments and contractual penalties are accumulating, and the financial condition of many enterprises supplying defense needs is such that they are threatened with bankruptcy.

The current financing system actually causes disruptions in all areas of Army life, from difficulties in obtaining supplies of materials, through supplying the ongoing needs of the Army, and ending with greatly restricted opportunities to conclude domestic and foreign contracts effectively.

That is what is happening on the scale of the Armed Forces as a whole. The average soldier performing military service increasingly feels that his soup is becoming "thinner," that there are fewer color magazines in the club room every month, and that what the club has to offer in the way of culture is becoming more modest. Professional soldiers are receiving subsistence level wages, and in some cases they are living below that level. This particularly applies to the families of young personnel when wives are unable to find work for various reasons (it estimated that 37 percent of professional soldiers' wives do not work).

To stop our Army from continuing to fall behind European armed forces standards, about 500 trillion zlotys would have to be spent on it over the next five or six years based on prices at the beginning of this year. If one was to add that the sums that would be essential to check the depreciation of fixed assets, to maintain essential research and development work, to increase the wages of professional soldiers—we do, after all, want to create a professional Army—the sum would probably have to be increased. This year the Ministry of National Defense has 23.4 trillion zlotys at its disposal.

To end our appraisal of issues that cannot be easily be counted, assessed precisely, or weighed up, but are issues that cannot be disregarded in describing the state of the Army, let us look at what the problems are that do not allow themselves to be readily grasped.

Although the results of public opinion polls over the past few months show that the Army is the institution in which the public places the greatest degree of confidence, we have, nevertheless, been noting a continual decline in young people's interest in military service, including professional military service. The reasons for this are mainly of a material kind. Military service is being increasingly seen by young professional soldiers—as well as by civilian young people, who are potential candidates for a military career—as an uncertain profession, and the hardship that performing military duties entails as well as the necessary sacrifices that have to be made are not reflected in the level of material comfort.

All these things undermine feelings of a certain professional future and give rise to doubts about what tomorrow will hold. This mood is reflected in the fact that as many as 73 percent of personnel view their professional future pessimistically and over 60 percent of those questioned are considering the possibility of leaving the military.

All the sociological studies that have been conducted thus far confirm the low social status of the military profession, which is also something that discourages young people from tying their professional careers to the Army.

That is one side of the coin. The other side of the coin is linked to the changes that have taken place and are taking place in our Army. Last year saw personnel changes on an unprecedented scale. They affected the post of minister of national defense, all the deputy ministers of national defense, as well as 267 posts of the rank of general. All commanders of military districts and of branches of the Armed Forces were replaced. Over 90 percent of Ministry of National Defense central institutions were replaced. Many younger people were appointed to posts in military district central institutions and commands.

The political division was disbanded and an educational service with a fundamentally different organizational structure, powers, and tasks was established in its place. A new model of the Armed Forces is also ready for implementation.

In general, the professional personnel of the Polish Army viewed the changes positively. However, that might not be an entirely appropriate way of putting it, because transforming the Army is a process to which soldiers of various ranks in all posts have a concrete contribution to make.

The return to patriotic roots, to basic ethical and humanist values is viewed with satisfaction by professional soldiers. There is evident, general relief that the

Army has been freed from ideological obligations. Making the Army apolitical has been received as an elevation of the military profession. If there are quarters where these phenomena are considered to be of a temporary kind, then that stands in stark contrast to the intentions behind documents that are binding and the essence of the changes that are taking place in our Army.

An assessment of morale and the educational awareness of personnel indicates that knowledge of ways in which soldiers can be positively motivated is still poor. The ways in which leadership is exercised, gaining the confidence of subordinates, and appropriate concern for their needs are still areas that leave a lot to be desired.

Personnel in leadership positions are reproached for displaying a certain amount of resistance with respect to relaxing the rigors of service for subordinates and the principles of the program for a more humane approach in this area. What makes this worse is that it is accompanied by, let us quote exactly from research findings, "an enormous sensitivity to personal, social, professional, and material problems that obscures the difficulties experienced by subordinates."

We should also take note of the fact that the younger generation of professional soldiers in choosing their profession, becoming acquainted with its ins and outs, and obtaining higher ranks are no longer as motivated by the so-called romanticism of the profession, some sense of vocation dictated by youthful emotions. Today's young noncommissioned officers, warrant officers, colonels, and captains identify more closely with becoming professional specialists in the full sense of those words, that is, they want to acquire a specific body of knowledge and highly specialized skills. Professionalism has surely become the highest value.

There is one basic conclusion to be drawn from these reflections: There are several, fundamental problems, even dangers that arise in connection with maintaining our Armed Forces in the kind of condition that is essential. We know that the Defense Ministry has worked out a concept for activities aimed at reducing and, at some later stage, eliminating these problems and dangers. However, the effective implementation of this concept calls for appropriate decisions on the part of the highest organs of government in our state. The creation of a legal foundation for the comprehensive reform of our defense system is essential.

New Concept for Use of Forces Needed

91EP0591A Warsaw POLSKA ZBROJNA in Polish
25 Jun 91 p 4

[Article by Colonel Stanislaw Koziej: "A Reorientation of Objectives: Our Defense Doctrine"]

[Text] At the threshold of the 1990's we are facing the need for crucial, radical changes in the basic premises of our defense system. This concerns both the political and economic domains and, perhaps even to a greater extent,

the military domain. The process of revolutionary transformations of our national defense is already in motion. How may it evolve in the perspective of the rapidly approaching 21st century?

Obviously this process will be most influenced by the unfolding of the political-military situation in the world, and particularly in Europe, and by the attendant evolution of dangers to Poland's security. Much indicates that, in some foreseeable future, we shall aspire toward building a common Europe, perhaps in the form of a European confederation with a common Europe-wide collective security system. The ways of achieving this may be, of course, different: a calm, evolutionary transformation of the existing political-military structure into a bloc-free structure or a succession of various disturbances and obstacles, due chiefly to the unpredictable unfolding of events in the Soviet Union and in Central and East Europe.

In these conditions the nature of the menace to Poland's security will definitely change. Even now the threat of a war of worldwide or of European scope is very unlikely. In the future, in our Polish conditions, we may expect local military threats that may arise in various strategic directions. These threats may originate chiefly from conflicts, tensions, and unrest due to friction between nationalities. In this connection, it seems that they may take the form of not so much a regular war as "armed clashes," diversionary attacks, incidents, or raids in border zones. The possibility of a regular invasion by the armed forces of a militarily overwhelmingly superior enemy also may not be precluded.

In the face of such an evolution of the nature of military threats, Poland must work out a new defense strategy and correspondingly restructure its present defense system, including the Armed Forces. It would be hardly an exaggeration to say that in a sense this task resembles the one that we had to accomplish immediately after regaining national independence 70 years ago.

A factor directly determining the nature, size, structure, and equipment of the armed forces is the objectives they are expected to accomplish in time of war. Therefore, settling upon a suitable model of the Polish Army and the ways of attaining it requires, first of all, considering the possible evolution of operational objectives against the background of various hypothetical military threats.

Previously the principal determinant of these objectives had been membership in the Warsaw Pact. The operational objectives of the Polish Army had been part of the coalition grouping of troops in the theater of war. The nature of these objectives was predetermined by the geostrategic location of Poland in the Warsaw Pact and by the place of our armed forces in its military structure. Generally speaking, the tasks of the Polish Army consisted in participating in an extensive defensive operation by the coalition forces, characterized by a massed use of troops, considerable saturation with ordnance,

and the organization of a ramified defense system in which firepower was the dominant factor.

There is no doubt that such a model of the operation of ground troops is no longer topical in a situation of national autonomy in defense—and in the future within the framework of an Europe-wide collective security system. A new operational concept for the use and operation of troops, with allowance for future operational and strategic aspects of Poland's defense, is needed.

On the basis of an analysis of the possible unfolding of the political-military situation and evolution of the nature of menaces to national security, it may be assumed, generally speaking, that in the 1990's operational planning should allow for two hypothetical and qualitatively different kinds of war for which our armed forces should be most prepared, namely:

- Strategic defense of Poland in the event of a large-scale armed aggression by an overwhelmingly superior enemy (a big power).
- Repulsion of a local, limited armed invasion in one of the operational directions in the border zone.

In the first case, in the face of an overwhelming superiority of the aggressor and in the absence of chances for a victory in an overt armed struggle, a rational operational response of the Polish Army would certainly be, during the first stage, a defensive maneuver. It would be chiefly intended to demonstrate a determination to resist and to gain time for prompting a counterattack against the aggressor on the international arena. During the second stage, in the event the enemy continues his aggression, the Army would be capable of irregular combat and blending into a nationwide resistance movement.

The purpose of operational objectives of the armed forces in the context of repelling a local invasion (with clearly limited objectives) may be the conduct of a defensive-offensive operation intended to localize and smash or neutralize the invasion grouping. In such an operation a special role may be played by the actions of regional defense forces holding important districts, facilities, and localities in the border zone, as well as by flexibly organized raids by rearguard forces, including retaliation raids against the rear and territory of the aggressor.

What then are the most important qualities of the operations waged to accomplish such objectives? Generally speaking, compared with the operational models based on the previous defense doctrine, future operations by ground troops may be tersely qualified as operations of low combat intensity. I refer to operations characterized by an avoidance of decisive, massed, and annihilatory battles that would not only decimate troops but also devastate the territory on which they are conducted. The traditional Soviet doctrine on which our operational objectives have been based did not have to make any special allowance for precisely this factor

because it was concerned with operations conducted outside national territory. We, on the other hand, cannot afford to disregard this factor. Therefore, instead of battles of annihilation, our operational concepts should consider a large number of minor and short skirmishes in the form of flexibly prepared, sudden, damaging strikes culminating in termination of combat with the object of carrying out a maneuver to prepare favorable conditions for the next clash.

The paramount objective of our operational thinking should be, I believe, maximum avoidance, insofar as possible, of devastation of this country owing to combat activities; that is, avoidance of losses of civilian population and of destruction of the nation's cultural and material wealth. An ideal that is, of course, unattainable, but toward which we should aspire in our operational thinking and concepts, is confining combat on our own territory to purely military actions and consequences.

Thus, the following may be adopted as the principal criteria for forming a new operational model:

First: Maximization of operational effects in the form of either the longest possible duration of organized armed opposition to a militarily superior aggressor (in the strategic defense variant) or the speediest possible elimination of local armed conflicts in the border zone (in the local counteroperation variant).

Second: Minimization of the destructive effect of military actions on the environment.

If these criteria are followed, it will turn out that the future operations of Polish troops may consist chiefly of highly maneuverable defensive and defensive-aggressive operations comprising in particular the following kinds and forms of tactical and tactical-operational operations:

- Operational protection and tactical security.
- Air defense and air attack.
- Regional circular defense of important areas and facilities (garrisons).
- Delaying actions, termination of combat, withdrawal, and retreat.
- Rearguard counterattacks and retaliatory strikes.
- Skirmishes, ambushes, and operational feints.
- Ground and air (including helicopter) raids.
- Operations countering parachute landings, raids, and diversionary activities.
- Irregular operations, including special operations.

In sum, the concept of operations of low combat intensity presupposes the reestablishment of the balance—disturbed in our traditional model of defense doctrine—among factors of movement, firepower, and information. In no case a solution based on gigantic,

annihilatory firepower duels should be explored. The basis of operations must be maneuver, and their nature should largely consist in the kinds of actions which Liddell Hart defines as indirect actions.

Any analysis of the operational objectives of Polish troops may not overlook one other factor. This is related to the need for readiness to counter any eventual menace that may arise on the part of the Soviet troops stationed in Germany and Poland in the event of an extremely dangerous unfolding of the political situation in the Soviet Union. These forces could be, e.g., abruptly summoned to return to their country, which would involve a hardly controllable march of huge and perhaps mutinied masses of troops across our territory. Depending on the political decision, our armed forces must, in such a situation, be ready to either block our western border and prevent the entry of these troops into Polish territory or take steps that could be defined as an operational conveying of the groupings of these alien troops so as to ensure their speediest possible and most unobstructed regrouping across Polish territory.

Last, it also is worth noting that in the longer run, as part of the building of a Pan-European collective security system, the operational military objectives presented above will undergo further substantive evolution. Of a certainty, mutually agreed-upon objectives concerning the prevention of war and the neutralization and damping of potential conflicts will come to the fore. We may also expect the appearance of operational objectives relating to actions at or outside the periphery of the defense system, in locales on the globe that are of vital importance to the European Community (a typical example may be the recent war in the Persian Gulf).

In concluding these reflections on the future operational objectives of our armed forces it can be unambiguously stated that they will evolve from large-scale massed and annihilatory defensive and offensive operations to actions that are of a much more varied nature, and chiefly to highly mobile operations which may be conditionally defined as selective operations of low combat intensity.

Defense Industry Survival Dependent on Exports

91EP0572A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 14 Jun 91 p II

[Article by Piotr Gorski: "To Whom To Sell 'the Toys'—63d Poznan International Trade Fair"]

[Text] "I can't conceive of any sovereign state lacking a defense industry of its own," said Zbigniew Slowinski, representative of the Bumar-Labedy plant at the Poznan International Trade Fair. "Yet, one after another, officials at the Ministry of National Defense keep declaring that Poland is looking abroad for armaments for its Army."

Bumar-Labedy, while mostly producing armaments, is exhibiting "civilian" equipment at the Poznan Fair: a

self-propelled crane and BRAWAL, a large crawler-tread power shovel (with cart-mounted accessories, which accelerates the pace of operations and represents a pioneering design in Europe).

Slowinski continued, "We presented to the parent agency a proposal for switching from 'special' [armaments] production to producer goods for construction and mining industries, but it was not approved. We also tried to find a customer for our tanks, but for political reasons Poland is unwilling to export them to those customers who are willing. We were told to explore other markets, but on those nobody is buying Polish equipment.

"Currently a government commission is considering the future of the defense industry. It has not yet reached any conclusion, and the situation at present appears to be that the parent agency is ordering us to preserve our production capacities for armaments without indicating where we can find a customer, while at the same time telling us to solve our own financial problems."

There is a production stoppage at the Bumar-Labedy plant, which is waiting for better times and a government decision. Everybody there admits that productive capacity cannot be preserved without exports, not just at that plant but for the defense industry as a whole. Sales abroad are contingent on the international situation. There is an arms reduction going on at present, and the defeat of the Iraqi Army, a traditional customer for, for example, Bumar-Labedy's tanks, has prompted a reassessment of the role of tanks in modern warfare, as well as of the quality of the arms offered by the industry of the former member countries of the Warsaw Pact.

"But still, the enemy fought is not always of the caliber of the United States," I was told at Bumar-Labedy's exhibit booth. "Customers can be found, but we are not permitted to trade with them." Why is not Bumar-Labedy exhibiting its tanks at the Poznan Fair? Because, its representatives say, this is not an arms fair and its theme is different.

I do not know who will decide whether weapons are a consumer good or producer good. In theory the Poznan International Trade Fair is an exhibition of producer goods. Cenzin, Ltd., the foreign trade enterprise which is a continuator of the Central Board of Engineering under the Ministry of Foreign Economic Cooperation, is not about to resolve the dilemma of the nature of armaments, and it merely exhibits at the Poznan Fair models of assault landing craft and torpedo boats. By viewing videotapes one can learn that the company is offering all kinds of military and special equipment.

While it used to be the Central Board of Engineering, Cenzin had held the monopoly on the arms trade and operated within a system adapted to the Warsaw Pact, but nowadays it has to compete on the market. Director Wasilewski (holding the rank of commodore in the military) claims that in the Navy, in shipbuilding, the situation is not as bad as in other branches of the arms

trade, owing to the existing long-term contracts and the fact that the USSR, in years past the most important partner of Poland, has not entirely retreated from its agreements in this respect. Still, it is difficult to expect that a country like the USSR, which is slashing its own arms production, would be interested in continuing to supply its Army and Navy with our equipment. Therefore, Cenizin is trying to alter its production profile. It is now offering for sale rescue and salvage ships as well as research ships. It wants to build harbors, including naval harbors. It is said to be doing so already, somewhere in Africa. Even so, at the press conference given by Cenizin at the Poznan Fair, there was a palpable mood of expectancy. Director Wasilewski announced that last year we exported US\$1 billion worth of armaments and military equipment. The opportunity is worth the struggle.

Methods for Selling Land Need Standardization

91EP0572B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 15-16 Jun 91 p 1

[Article by Edmund Szot: "Land Will Become a Commodity"]

[Text] Arable land in Poland totals about 18.7 million hectares, or 59.9 percent of the country's territory. It consists of both privately owned land (76 percent) and land owned by socialized organs (state farms, agricultural producer cooperatives, agricultural circles) whose disposal is restricted by all kinds of laws and regulations, which in a market economy prove to be quite cumbersome.

From the standpoint of the legislator, land is too valuable a good for entrusting to anyone the freedom of disposing of it at will. However, the regulations intended to protect land in this way actually are counterproductive. How can valuable property be truly appreciated if its utilization is hobbled by dozens of prohibitions? As a result of "protective" measures land has gradually been losing its value. In a market economy, barriers to the disposal of land hardly make sense.

"We want land to become a commodity," Minister of Agriculture and Food Industry Mieczyslaw Stelmach declared on 14 June while reporting at the Government Press Office on his ministry's activities relating to land use in the context of a marketized agriculture.

Well, the Ministry of Agriculture and Food Industry has drafted a number of new laws intended to make the marketplace, that is, in other words, social needs, the decisive factor in land management.

Among other laws, the following were drafted:

- On trade in farmland.
- On the protection of farmland and forested land.
- On village and farmstead facilities.
- On land reclamation.

The need for new regulations governing land management is exemplified by the problems in marketing farm products, considering that such problems prompt farmers to let some farmland lie fallow—a practice that has normally been subject to administrative prosecution. In a market economy this is an evident anachronism (incidentally, the overall surface area of such fallow land is estimated to reach about 1 million hectares).

The draft amendments of the law on the protection of farmland and forested land are intended to confine that protection to Class 1-3 soils, that is, to as little as 25 percent of all farmland, while at the same time abolishing fees for excluding Class 4-6 soils from production. At the same time, the requirement that the voivodes and the minister of agriculture approve the designation of Class 4-6 soils for nonagricultural purposes is to be abolished, and with regard to Class 1-3 soils the minister's approval is to be required only when the area of the land in question exceeds 1 hectare.

As regards civil-law trade in land, all restrictions have been abolished by the law of 28 July 1990. Now land buyers no longer have to prove that they are qualified farmers, the maximum farm sizes defined in the regulations governing the agrarian reform and land settlement are no longer binding, and the minimum norms, ensuing from the basic definition of "a farm capable of commercial farming" (2-hectare minimum in size) also are no longer binding. Likewise, the practice of "indicating the buyers" has been abandoned, and now the identity of the buyer is simply decided by auction results. Moreover, the regulations governing land tenancy have been revised. Now land can be leased for as long as 30 instead of 10 years, which should enable foreigners to farm leased land, since offers [by foreigners] to buy land are being turned down.

The acquisition of land by foreigners is an excessively—in relation to the scale of the occurrence—emotional issue to the Polish public. This matter is regulated by an old law, dating from as far back as 1920, which specifies, "the acquisition of farmland is contingent on prior approval by the minister of internal affairs, granted in consultation with the minister of agriculture and the food industry."

Despite the existence of legal grounds for the acquisition of land by foreigners, the Ministry of Agriculture and the Food Industry has been rejecting their applications in this matter on the grounds that, under the amended regulations of the civil code, farmland can now be leased for 30 years, and that is a period "sufficient for the proper management of farmland and the attainment of the intended farming objectives."

Deputy Minister Stelmach explained, "We are not obstructive when a foreigner wants to buy land for capital investment purposes, but we do not consent to any sales of farmland for recreational purposes."

Behind this position of the ministry is the fact that, unlike in the EEC countries, in Poland there exist no institutions serving the land market which effectively protect national interests by availing themselves of the right of preemption. Moreover, Polish farmers are opposed to sales of land to foreigners, and land prices in Poland and in the EEC countries are not comparable.

This topic will of a certainty be considered in the negotiations for the association of Poland with the EEC, and the Polish side will aspire to adhering to the principle of reciprocity in this matter.

Economic Destabilization, Threats to Reforms

*91EP0574B Warsaw ZYCIE WARSZAWY in Polish
21 Jun 91 p 3*

[Article by Ryszard Bugaj, deputy to the Sejm, and Piotr Marciniak, representatives of Labor Solidarity: "Dynamics and Equilibrium"]

[Text] So far Poland has been extracting itself from the authoritarian communist system with relative ease. This is particularly evident in comparison with the other countries of Central-East Europe, let alone the USSR. The profound changes taking place in Poland have not impaired the country's stability. However, maintaining the pace of these changes is becoming increasingly difficult. The factors stabilizing the domestic situation are becoming very rapidly attenuated.

Barrenness of Policy

We view the pauperization of the major social groups, whose political power continues to be substantial, as the principal cause of the potential destabilization of the Polish situation. The notion, so readily proclaimed by the Democratic Union Party, that "the war at the top" [strife between Walesa and some of his former Solidarity advisers] is the main cause of the exacerbation of social conflicts is unacceptable. When Walesa's supporters referred to the new monopoly, the arrogance of power, they touched the core of the problem whatever their intentions may have been. That is because the choice of the economic policy was made without consulting the populace.

What is more, this policy was and is being pursued without any major adjustment, despite its evident failures and the growing opposition of the representations of various social groups. The practically ostentatious disregard of the postulates of organized representations of social interests is undermining their authority and power. In the short run this may be advantageous to the government, but in the long run it places it in opposition to the elemental political force of "people from nowhere" [the have-nots] and hazards the outbreak of an uncontrolled rebellion.

The growing disappointment of many social groups, the high cost of the reforms, and the unclear growth prospects all are circumstances that are naturally bound to

aggravate political conflicts and revive old animosities and engender new ones. Contrary to the declarations, the differentiation of the political forces of the Solidarity movement is not very conducive to building a pluralist society.

The parties established as a consequence of the presidential campaign—the Center Accord and ROAD-Democratic Union—while undoubtedly different, do not reflect adequately the differentiation of social interests and ideological choices. This is largely because of the absence of alternative programs of action, of clearly articulated ideas about a new Poland. This concerns not only social and economic issues but also the absence of an explicit position on such matters as the antiabortion law or the role of the Catholic Church in postcommunist Poland.

But the point is not that the differences in the programs of action of the political parties are minor, but that these programs themselves are couched in such generalized phraseology as to be viewed by the public as avoiding obligations and leaving room for the pursuit of postelection policies convenient to the elite. This is particularly menacing because the Solidarity movement has by now failed to fulfill the pledges contained in its electoral program of 1989. Then also there is the unfinished business following the presidential campaign [of 1990].

The threat of destabilization in Poland is at present considerable. The blockage of channels for articulation [of social needs] owing to the downgrading of the status of trade unions and the vagueness and unattractiveness of the programs of political parties results in that a spontaneous protest may arise against not only the extremism and one-sided nature of the government's economic policy but also against the radical economic reform itself. This protest may be ignited at workplaces and in street demonstrations, but it also may express itself at the voting urns in the form of electoral successes by populist groupings, whether rightist or leftist ones.

The nature of threats of this kind is probably perceived more clearly by the Center Accord Party, but its response is hardly acceptable. It is difficult to resist the impression that this response does not basically contain a constructive program for Poland. Instead, the efforts of Center Accord activists are focused on developing political slogans serving to exploit social discontent in order to build up the party's political clout. They are designed to discharge harmlessly the potential for the public's rebellion. As for eliminating its economic and social causes, that is relegated to a secondary concern.

It was social engineering of this kind, dangerous also to its creators, that practically served to establish this party. At present, Center Accord is trying to extend it still further by appealing to the public's strong anticommunist sentiments. This seems largely to be an exploitative policy, just as the campaign for May elections to the parliament was of an exploitative nature. It appears that

at present, perceiving that its electoral chances are rather limited, Center Accord supports postponing the elections until after October.

Unfortunately, [Mazowiecki's] Democratic Union, too, has not offered a program response or an idea for resolving the arising impasse by political means. This party was established in support of the policy of the Mazowiecki administration and the Balcerowicz [shock therapy] Plan. But now comments by its representatives are becoming more nuanced. Even so, it has now clearly adjusted its position on issues.

In terms of politics, the Democratic Union focuses on "the defense of democracy" and vigilant observation of the president's actions. It would be hard to disagree that the particular status of the Presidency on the Polish political scene is causing it to be a potential threat [to democracy]. Such fears are hardly dispelled by the president's veto of the election law. However, attention should not be focused just on the tip of the iceberg, considering that the principal sources of the authoritarian threat are rooted in the life of the society—in the widespread destitution, growing social differentiation, disenchantment, and absence of bonds between the authorities and society, rather than in the political scene. The claim that the fate of Polish democracy hinges on election laws that are biased in favor of major parties, or on the proper attitude of the authorities, seems illusory.

One Must Live Also During the Period of the Restructuring

A precondition for stability of the democratic order in Poland at present is a rational adjustment of the economic program. The need for this adjustment was predicted by L. Walesa, but the government which he had appointed, dominated by the Liberal-Democratic Congress, has not translated this prediction into reality.

At present the credibility of the political elite hinges on its ability to develop an integral and sensible concept of such changes in socioeconomic policy as would provide hope for stimulating economic growth and distributing the burden of the reforms more equitably. This is clearly of crucial importance to, principally, the Solidarity groupings, which had in the autumn of 1989 assumed responsibility for the country. Regardless of the growing internal differences within the Solidarity camp, the public will blame Solidarity as a whole. Courage to compile an honest balance sheet of accomplishments and failures is needed. This also requires willingness to adjust markedly the policies followed. Avoiding responsibility by constantly placing the blame on the legacy of 40 years of communism seems neither honest nor politically wise—even if this is justified to a large extent. Ultimately, we knew what we were assuming responsibility for and on what terms.

Our position is that a radical economic reform can be variously interpreted, but to claim that a return to the old system is the only alternative to the reform in the form desired by the government is cheap demagoguery.

A society and an economy are not arbitrarily altered according to some ideological notion. This was learned by the communists, and this is now being learned by the Warsaw and Gdansk liberals. Their otherwise highly laudable courage and determination in pursuing the reform can be effective only when combined with a realistic consideration of objective conditions. The pace of the restructuring of social and economic relations cannot be arbitrarily decided by the reformers: It is largely decided by "the resistance of the matter" and mass social behavior. Hence the equally banal but true conclusion that an entire epoch in which we will have to live exists in between the centralized state economy and a balanced market economy.

We believe that the principal feature of the economic system in Poland for the next few years should be a skillful combination of the "old world" bequeathed to us by centuries of backwardness and 40 years of communism with the new rules which proved their worth in the world and to which we aspire. Such a transitional economic system should combine two features: an intrinsic equilibrium and the capacity for dynamic adjustment without forfeiting what is of value. Such a system should be formed as a result of compromise among various social groups. The recent talks between the government and Solidarity apparently are oriented toward exploring a formula for such compromise.

The strategy of restructuring the economic order will be of decisive importance for the next few years. But even now, above all, complete disintegration of the economy should be prevented. Some people say that it is already too late. We do not view this as pessimistically.

Official Describes Mass Privatization Move

*PM1707140591 Lodz GLOS PORANNY in Polish
12 Jul 91 pp 3, 8*

[Interview with Tomasz Stankiewicz, deputy minister for ownership transformations, by correspondent Boguslaw Buraczynski; place and date not given]

[Text] [Buraczynski] Minister, why is the process of ownership transformations so slow? It is clearly being delayed and this causes great popular dissatisfaction and concern....

[Stankiewicz] Personally I do not believe that these transformations are particularly slow. On the contrary, we are right in the middle of a very dynamic acceleration. By the end of July we will have inaugurated the process of definitive, wholesale, and unrestricted privatization of as many as 400 enterprises—the good and the best, the big and the biggest. This means that we are facing a formidable challenge. To date, no other country has earmarked such a large number of enterprises to be privatized "at a stroke."

[Buraczynski] What are the principles that you will follow in this process of accelerated privatization?

[Stankiewicz] The principles have been provided by the present legislation. We cannot change anything here. Our program, which we previously presented to the Sejm, has been officially endorsed. The 400 enterprises in question will undergo so-called unrestricted privatization. Shares can be bought with vouchers, which will be issued to the population. It may be that the shares will not be issued directly by individual enterprises, but by investment groups and the so-called joint investment companies, which will be in control of individual enterprises. In any case, in the end the enterprises in question will be privately owned by shareholding citizens and they will no longer be state owned.

[Buraczynski] Minister, why does privatization generate feelings of concern, unease, and reluctance among employees?

[Stankiewicz] Why, it does no such thing! It is exactly the opposite. I am constantly amazed by the strong drive to privatize and commercialize our economy. For example, we applied Article 6 of the Act on Privatization of State Enterprises, which states that the prime minister has the authority to make his own decisions about which state enterprises are to be transformed into single-entity state companies. However, as it turned out, no one needed to be forced to be privatized. We have had so many applications that we had to introduce some kind of selection and refuse requests from enterprises which want to go private, but do not meet all requirements. There are many more eager "takers" than we originally envisaged.

[Buraczynski] But in certain enterprises whole sets of terms are presented, and these stipulate that work forces must not be reduced, that the entire sphere of social welfare benefits must be preserved, that no employees must be laid off, or that the enterprise may not be transformed into a joint venture—and so on. In this way, conditions are set down that mean that certain state enterprises could almost remain intact, with only the company name plate redesigned—such as, for example, "Petrochemia Joint Stock Company."

[Stankiewicz] Of course, there are also enterprises which do not want to be privatized because they still do not see any prospective advantages in it. Maybe they do not need to?... When someone is afraid of taking risks, he obviously will need some time to think over the future implications carefully, to work out a sensible plan that will minimize both the risk and his anxiety about it. Clearly, time is needed here. Very little can be achieved by applying force. After all, enterprises are living systems, and this is the essential reason for all the difficulties and the need to apply specific methods. But I believe that the very powerful drive toward commercialization, which we are experiencing already, attests very eloquently to a breakthrough in many enterprises' outlook and proves that they are beginning to think carefully about their future.

[Buraczynski] How will privatization work in the case of monopoly holders, who are consistently doing very well on the domestic market and are so far well pleased with their status, considering their economic condition?

[Stankiewicz] Here in each individual case of ownership transformation we hold detailed consultations with the Monopoly Office. We must have its approval and its decision before we can make any moves. The Monopoly Office prepares comprehensive demonopolization programs for individual enterprises and entire sectors, thereby facilitating the course of the privatization process.

[Buraczynski] In this case, why do we need protective customs tariffs and additional taxation?

[Stankiewicz] Protective tariffs are applied in order to prevent unscrupulous sales of foreign goods in Poland at so-called dumping, that is, artificially lowered prices. This practice creates unfair competition, against which every country is entitled to defend itself. We will defend ourselves against it, too. The West applies very strict protective measures against all attempts at this type of underpricing. If, for example, we were to try to sell our goods in the West at prices below production costs, we would encounter very firm and determined opposition and a reaction of strict disapproval. This is entirely justified and understandable.

[Buraczynski] But take, for example, the question of importing cars from abroad. It is better to buy an automobile of a Western make, even if it is, say, three years old, than a new Polonez.

[Stankiewicz] I am not really qualified to answer this question. I personally do not follow the developments in the automobile market. Strictly speaking, this type of question should be put to the industry minister. I believe that privatization will help that sector to stand on its own feet, too.

[Buraczynski] Do you believe that the privatization process will take a long time to complete? Or will it be finalized very soon, contrary to popular expectations?

[Stankiewicz] I believe that we will be able to privatize 50 percent of domestic state-owned industry within the next three years. This will be in line with our original blueprint formulated at the outset of this colossal undertaking.

[Buraczynski] Thank you for talking to us.

Sale of RSW Assets Yields Billions of Zlotys

*AU1807114391 Warsaw RZECZPOSPOLITA in Polish
16 Jul 91 p 2*

[Report by T.R.: "Almost 170 Billion Zlotys in the Bank"]

[Text] The Workers Publishing Cooperative [RSW] liquidation commission has received almost 170 billion

zlotys [Z] from the sales of the assets of that organization.

By Friday, 12 July, income from sales of RSW publications titles had reached almost Z111 billion. The sale of DZIENNIK LODZKI brought the largest sum, Z25 billion, followed by the sale of EXPRESS WIECZORNY (Z16 billion), and EXPRESS ILUSTROWANY (Z13 billion). Within the next few weeks, Z12 billion from the sale of SZTANDAR MLODYCH and Z40 billion from the sale of ZYCIE WARSZAWY should reach the Liquidation Commission. The sale of DZIENNIK BALTYCKI should create another Z12 billion, but the transaction has been delayed pending court proceedings. GAZETA ROBOTNICZA carries an asking price of Z35 billion, the largest sum out of the few papers remaining to be sold.

By the same date, the sale of printing plants had brought in Z53.7 billion. The size of this sum results from the fact that most of the printing plants have been bought by companies formed by employees, who have been allowed to pay for their purchase by installments, often over many years. The second installment for the purchase of the Lodz printing plant, Z40 billion, should reach the Commission soon. The purchaser of the Kielce printing plant, sold for Z9.2 billion, has still not paid. In June there will be an auction for the printing plant in Kielce, valued at Z85 billion, and the Rotogravure Printing Works in Warsaw, the asking price for which is Z82 billion. Still for sale are printing plants in Krakow (Z100 billion), Bydgoszcz (73.2 billion), Wroclaw (Z39.6 billion), Poznan (Z32 billion), Gdansk, and Ruda Slaska.

Sales of other RSW facilities have produced Z4.9 billion. Another Z20 billion from the sale of a transport depot in Warsaw is to be received by the end of the year.

Economic Courts Plagued by Case Backlog

91EP0572C Warsaw RZECZPOSPOLITA
(ECONOMY AND LAW supplement) in Polish
15-16 Jun 91 p II

[Article by (R.A.): "Bitter Complaints of Economic Courts"]

[Text] The operation of economic courts, ways of streamlining it, and the appropriateness of their procedures were some of the topics discussed at a seminar organized by the Institute of Jurisprudence, Polish Academy of Sciences, and the Antimonopoly Office. To be sure, on inaugurating the seminar, Prof. Ludwik Bar warned that criticism alone would be pointless unless followed by suggestions for breaking the impasse, but a flood of "bitter complaints" by judges ensued, not without reason.

Economic courts are burdened by too many cases, understaffed in terms of clerical employees, and rarely able to adhere to the three-month time limit for resolving disputes, and their case backlogs are growing.

The administration of justice should not be just an instrument for earning a profit for the state, said attorney Tomasz Wardynski, who questioned the great size of the court fees charged in economic matters and fixed at 12 percent of the value of the object in dispute. Such a system protects dishonest parties to transactions. That is because enterprises which have sustained considerable loss are reluctant to hazard spending substantial funds on court trials, particularly when even the effective execution of assessed damages is in doubt. Judge Cecylia Starosciak commented in this connection, "When a company nears bankruptcy, where can a receiver in bankruptcy be found who will protect the interests of the state?"

The very concept of an economic court case was a highly controversial issue to the seminar participants, in view of the difficulty of accommodating this concept to the investment of personal capital. It was suggested that a consideration of the economic laws existing in highly developed countries would be useful, because the drafting of the pertinent domestic law without considering foreign experience would take years and in the meantime, given the absence of reliable laws, the influx of foreign capital could hardly be expected.

Supreme Court Justice Tadeusz Krecinski pointed out that in practice there does not exist any court of conciliation in Poland, yet courts of this kind could greatly relieve economic courts of their caseload. Such an institution exists in the EEC countries. He offered the reminder that before World War II economic cases in Poland were handled by one professional judge and two commercial judges. Perhaps then it would be worthwhile to appoint economic lay judges?

However, other judges wondered where such lay judges could be found in view of the shortage of lay judges at criminal and family courts. The shortcomings or absence of legal services at enterprises also were discussed.

Ursus Tractor Works: Art B Success Epic

91EP0578A Hamburg DER SPIEGEL in German
Vol 45 No 26, 1 Jul 91 pp 135-142

[Unattributed article: "We've Got Stronger Nerves; How Three Young Entrepreneurs Saved the Ursus Tractor Works From Bankruptcy"]

[Text] Even the company name is a puzzle. "Art B International Corp. LTD" is written on the enamelled sign of an office building in downtown Warsaw. The company has converted the top floor into a chic meeting room with black leather seats in front of whitewashed walls. The two large rooms are reserved for use as waiting rooms, and are already overflowing with customers, despite the early morning hour. Good advice is precious.

Company chief Boguslaw Bagsik, 28, is currently receiving the ambassador from Argentina, His Excellency Mario Burkun. Vice President Andrzej Gasiorowski, 31, is also present. "Does the word 'Art' in the company name have anything to do with the art of making money quickly?"

The vice president smiles. He believes that is a creation of the press. The story is in fact so wonderful, though, that he does not want to deny it. Actually, the company was founded two years ago, "because of an artistic reason."

The third partner is the corporate lawyer of the firm, Attorney Jerzy Pagieta, 35. The trio became acquainted in music circles. "We played jazz together." The purpose of the firm had been to earn enough money to be able to buy new instruments. "In the meantime, something a little larger has developed, but understandably, we are not upset about it."

What developed is the company Art B International, which began with \$300 in start-up capital and grew to corporate assets of \$300 million—with rapidly growing trends. This corporation has recently developed into a holding company with 200 factories in Poland and financial participation in about 50 foreign ventures. Its development is the most amazing success story in the era of the Polish economic reformer Leszek Balcerowicz.

As finance minister, he laid the groundwork for lifting the monopoly of state companies and permitting new private companies unlimited foreign trade as well as private currency exchange. The three yuppies on the changed business climate: "We were lucky. But we also took a large risk. Of course, we are younger and have better nerves."

The triumvirate had been working silently, but when Art B pulled off a business coup and saved the traditional Ursus tractor factory and its 21,000 employees from threatening bankruptcy, the three youngsters hit the headlines of the Polish press.

Even the left-liberal GAZETA WYBORCZA wrote a favorable article about the monetary climbers. The paper praised the "B" in the company name, which actually stands for the word "business," as actually standing for "boom."

The Ursus tractor factory is along with the Gdansk Lenin Shipyards the birthplace of the independent Solidarity trade union. This is where the legendary civil rights movement, KOR (Workers Defense Committee), was founded by 18 prominent dissidents after a workers' revolt back in June 1976. Four years later, they almost all belonged to the group of political advisors to Lech Walesa in his victory over the communist government.

Even today, no one knows exactly how the deal between Art B and Ursus developed. President Bagsik says that "actually, we intended to import tractors from the U.S. to Poland. The director of our agricultural section

advised us, though, that it would wipe out Ursus, which has a monopoly on tractor production in Poland."

So the trio negotiated with the Ministry for Industry, since Ursus was still a state-owned company, as well as with the company management. "Everything was settled after two days."

What was settled was that Art B purchased the entire production—3,000 tractors per month. "For that," according to the Minister for Industry Jozef Lochowski, "the three gentlemen paid with a check made out for 160 billion zlotys (at that time worth \$17 million); simply out of their pocket. It was a shock for us."

Poland is still trying to figure out where the yuppies got that kind of cash. The wildest rumors are circulating. One is that the money came from the former Red nomenklatura. Others identify the Soviet secret service KGB or the American CIA. Even the World Bank is named as a creditor.

Naturally, the Polish Office of Finance was also interested in the deal worth billions. But when the company could prove that it paid \$13 million in taxes by the end of the year, there was peace (President Bagsik: "That is more than the National Bank pays in taxes").

The most likely explanation is that a good portion of the money came from Israel, because Art B is the first company in Poland to go after business in Israel in a major way after 23 years of diplomatic abstinence. "We go there often and gladly, every bank director there speaks Polish," says boss Bagsik, who admits that he is also an Israeli citizen as well as a Polish one, which is very useful for business.

To satisfy the cash register at Art B in the future, and so that they do not just sit on the tractors, the company took over the sales offices from Ursus. An agricultural credit bank was built up to accept installment payments, all on their own initiative.

What was driving the state company into bankruptcy was the changed market conditions. Ursus director Aleksander Burnowicz, who has been at the factory for 30 years: "Before, we never thought about selling our product and we never spent any money on it." The company belonged to the state, which since 1978 subsidized up to 70 percent of the sales price of its license production of the Canadian-British Massey-Ferguson-Perkins tractors.

The state kept the distribution of the tractors in its favor. The bulk (of the tractors) went to state operations, and the private farmers had no chance, even though they were in the majority.

Since then, however, the state subsidies have disappeared. Sales must cover the cost of production, and should also throw in some profit on top of it. "The demand is great, as almost 60 percent of the private farmers do not have a tractor, but almost none of them can afford to pay for one."

Art B wants to help fill this gap. Any farmer can pay half of the cost of a tractor in cash. For the other half, he can make monthly payments with the favorable interest rate of one percent (per month).

Ursus would have gladly entered into this business itself. "But the best monthly interest rates from the bank were 6 to 8 percent. That yields an annual interest rate over 70 percent—we could not have maintained that for very long," says the director. There would have been no time to search for a new partner. "Although, we are certainly more than satisfied with this deal."

The Ursus factory employees are less satisfied. "Technicians earn 1.2 million zlotys (190 German marks) here. That is less than the average Polish pay, and as a percentage of the sales cost of our tractors, it only represents six percent. This is clearly too little," says one dissatisfied worker.

President Bagsik is cool to the unrest in the Ursus factory. "If the water is up to your mouth, you should raise your head if you are going to yell." But he does concede that Balcerowicz's economic reforms are being borne mostly on the backs of the workers: "And that can lead to bloody vengeance some day."

In the meantime, other business opportunities are already being considered at Art B. For example, exporting Ursus tractors to Argentina in exchange for the importation of meat and wine, which are precious commodities in Poland. This deal interests the ambassador from Argentina so much that he spends evenings "at the table" at the company guest house.

The Pecice Castle guest residence is the run-down one-time residence of the Sapieha nobility, and after the war it was a party-activist education center. It is now one of the showpieces the trio believes is indispensable. "Business demands a certain atmosphere."

Partially for show, partially for passion, the yuppies have also purchased an expensive motor pool, a six-seater Cadillac, and two American Pontiacs are parked on the castle driveway, surrounded by a dozen bodyguards and assistant directors.

A trade delegation from South Korea is also invited. They had quickly negotiated a contract before dinner. The contract is for a three-way trade. The Koreans will deliver construction materials to the Soviet Union, which will pay with crude oil. The crude oil will go via pipeline to Poland to the Art B company, which will pay the Koreans in dollars; price: \$300 million.

That may not be the three's last big deal for this year. Between gold-framed portraits of unknown female royalty and Louis XVI-style armchair, Gasiorowski draws an interim conclusion: "All three of us come from

modest origins, and have experienced a difficult childhood. It taught us to use all our energy to climb to the top and to use every opportunity which becomes available."

According to the vice president, the firm has been built on two principles: "Don't do the same thing that everyone else is doing," but look for gaps in the market and use them, and "our firm should grow exponentially, not linearly," which the calm yuppies explain because participation in all possible business is more important to them than waiting for giant profits.

It is understandable that in run-down Poland there are also detractors. They criticize them because there are many former communists among the firm's 15,000 employees.

In fact, the director of the Foreign Trade Department used to be chief of State Protocol, director of the Foodstuffs Section in 1978, as well as minister of agriculture. Of course, Bagsik does not want to hear about comrade economics: "Our main criteria for selecting our employees is professionalism."

On the whole, the three young entrepreneurs' relationship to politics is strikingly ambivalent. They turned down the petitions of a party ("It does not matter which one") to campaign for the Senate, the Polish upper house, in the fall elections. "Politics corrupts business."

At the same time, they want to participate. In the next parliamentary elections, five representatives are to be supported which will represent their firms' interests. "We are sure we will win." There is no union representation in the large factory.

The next big deal is supposed to be set in Israel again. With the help of Art B, the Israelis want to export dairies, grain silos, and irrigation equipment to Poland, in addition to finished manufactured components for the household market, "the most lucrative business today."

For the long term, however, each of the three friends is making his own plans. For Bagsik, it is important to stay in Poland. Too many young people are drawn out of the country, and they are missing now the economic expansion in Poland. Gasiorowski will remain in top management "for a couple more years" and then return to the profession for which he was trained, as a medical specialist for throat, nose, and ears.

Sometimes, so he admits, the fun is already gone: "Far too many people are dependent upon me. It is like a boxing ring in the business world. A fighter can be celebrated today as the world champion, and be knocked out the next day."

In the meantime, though, he also dreams about a lofty goal: that in three years, the company would climb to the 1,000th position in the list of the world's largest companies—with assets of something over \$2.5 billion.

Cornescu on Political Prospects of PSDRT

91BA0889A Bucharest *LIBERTATEA* in Romanian
1-2 Jul 91 pp 1, 3

[Interview with Lucian Cornescu, chairman of the Traditional Social Democratic Party, PSDRT, by Octavian Andronic; place and date not given: "We Are Not a Wing, but a Party!"]

[Text] [Andronic] We knew you as a businessman. When did you discover your calling as a politician?

[Cornescu] It's a natural situation. If we were to make a logical comparison, we would see that the economic factors are the same, the physical factors are the same, and the financial factors are the same. I don't think of myself as practicing politics, but as managing a system. I hope to do good work, to manage the system well.

[Andronic] So you are in favor of a managerial approach to the political phenomenon?

[Cornescu] What does political mean? What is the role of politics? It is to manage a country. So who can better manage a country than an economist?

[Andronic] It is difficult to separate your name from the "Le President" episode. What is your version for what happened there at that time?

[Cornescu] It's not a version, but a very concrete fact. In the case in question, my partner went farther than securing the greatest possible advantage. When the value of that hotel was assessed, after the cooperation contract was signed, it was found that it did not fulfill the most elementary requirements. Any businessman would have said: Gentlemen, let's do the right thing in the interest of both sides. I was told, no! Why? The idea was that they, Dacorex, should make maximum profits, and I, none, if possible! So if that's the situation, we will fight and I will prove you wrong. The kind of action they chose was mediation. A certain person, a journalist, wrote an article based on a certain source, and published it. That was the last drop. In these conditions, I said, we will tear up the contract most officially, pay each of us what there is to pay, and split up!

[Andronic] As I remember, your televised explanation was not very convincing....

[Cornescu] The answer is simple and it has to do with the same reason that until then I hesitated to take drastic action: the scandal. I said it was not true, but I did not want to push too far....

[Andronic] A very interesting French movie gave a definition of the politician: His life has to be public, under glass. Nothing may remain hidden. That is why I think we need a few details about your person. Who are you, or rather, to use the customary term, what have you been doing in the past five years or so?

[Cornescu] During the 1984-89 period? At the beginning of that time I was serving as the ambassador of a small

African country to the United Nations, after which I resigned that honorary post and went back to being a businessman. In 1989 I was in the San Marco islands at a conference. On the night on which the revolution broke out I got on the first plane and came here.

[Andronic] Too little is known of your previous relations with Romania.

[Cornescu] In the years 1973-82 I was representing the second French import-export firm [as published] and was in charge of purchases from Romania. I am the person who conducted the entire export of Romanian cutting tools to both America and France. In 1982 I had a difference of views with the state leadership which made me persona non grata.

[Andronic] What is your national status? Are you a French citizen, or a Romanian citizen?

[Cornescu] Both.

[Andronic] You already have two parties on your record, so to speak. The first was the Private Entrepreneurs Party, and the second the Traditional Romanian Social Democratic Party. Isn't that a bit much?

[Cornescu] One of your colleagues asked me the same thing, his boss was crazy about calling the article "A Berlusconi of Parties," which I thought was very amusing. The Entrepreneurs Party was the starting point and its purpose was to allow me to find out whether I could do anything viable in this new area. And it was indeed viable, since now it can work without me. It has a lot of people throughout the country, its ranks are growing, so it is running normally, without noise and without scandal.

[Andronic] Is it, as you said before, the embodiment of a party run on economic bases?

[Cornescu] Yes; Romania acutely lacks a social culture of small entrepreneurs, and I don't mean traffickers. Creating a social stratum within 24 months is not important only from that viewpoint, it also helps deal with unemployment, because that is the ultimate purpose and the raison d'être of our bank.

[Andronic] How did you get to the PSD [Social Democratic Party]? Did it have some roots, or was it the outcome of a mere commercial calculation: A party with a great tradition, but with small forces and insignificant resources....

[Cornescu] First of all, I didn't seek it out. Several of its prominent members asked to have a talk with me, which I did with great pleasure. One hour into the conversation I found out that they wanted to ask me to assume the leadership of a new party. I needed three days' breathing space, and one week later I said yes. I accepted. Once I accepted I said I must do a good job of it.

[Andronic] What prompted your answer, what elements did you take into consideration?

[Cornescu] The most important was the human factor. If you proceed from the commercial or economic element, it is very difficult to work with a country that is not precise and lacks the resources. And there is no point in struggling to work with a country that has no resources if you don't enable it to acquire them. Proceeding from the real factor, the individual, if we want to preserve our strategy, we have to change our tactics: By enabling each individual to become richer, at any level, we can achieve a development of the commercial system. I'm not talking only about myself. I'll give you an example. A man who lives with his wife in a 10-square meters space, is going to suffocate at night at 18 degrees [Celsius]. So in the morning he goes to work with a headache and cannot work properly during the day. So where's the problem? The problem was created when they put up buildings with 10-square meter apartments! That is a minor example, but one which has a really major effect. Proceeding from this example we can also understand the salary problem in relation to lifestyle. So we must change these things and work toward having people who are more capable and more available.

[Andronic] Do you think that your wing will certainly win the bid for social democracy? Because many are "fighting" for this majority.

[Cornescu] First of all, we are not a "wing," but a new party, firmly on our feet from a technical viewpoint, and that without any effort on my part. We are now entering a phase of social democracy unification; the means by which this unification will be achieved are the subject of discussions that have already begun and will continue.

[Andronic] Are you thinking of any contacts with or linkage with Front elements?

[Cornescu] Here is where we come into the zone of action we selected, the "wedge" in the heart of the Front. The "sledgehammer" wedge.

[Andronic] The calculation is almost exactly precise in theory. It remains to be seen how the options will play in practice. Tell me, did you ever create a sensation with your spectacular gesture of donating one million [currency not given] at a charity show! The public was of course impressed, but many wondered where the million came from?

[Cornescu] From my pocket, from my businesses.

[Andronic] That may lead to the conclusion that your businesses in Romania are doing very well. How do you explain then the reservations of other businessmen about the current situation in Romania? About the idea of investing here and giving the Romanian economy a shot in the arm?

[Cornescu] First of all, I don't view myself as only a businessman in Romania. Which means that it requires a greater effort from me than I would make in other countries merely for business. For a regular businessman this country is like any other country, and needless to

say, currently Romania is a area of maximum risk. Not for me, however. For me it's my country.

[Andronic] What chances do you think your party will have at the next election? Will you make a prediction?

[Cornescu] The PSM [Socialist Labor Party] will get about 10 percent, the FSN [National Salvation Front] about 20-31 percent, we about 30 percent, and the Entrepreneurs Party about 4 to 6 percent!

Politician-Businessman Cornescu Offers Solutions

91BA0881B Bucharest FLACARA in Romanian
19-25 Jun 91 p 3

[Interview with Lucian Cornescu, chairman of the Traditional Social Democratic Party, by Eugen Mihaescu; place and date not given: "We Want the Romanians To Make Money and Live Well"—first paragraph is FLACARA introduction]

[Text] Although they practice different policies, the similarity between Ion Ratiu and Lucian Cornescu is striking. Both Ion Ratiu, a National-Peasant politician, and Lucian Cornescu, the leader of the Traditional Social Democratic Party (PSDT) share in common both the pursuit of Western democracy, which they internalized to the point of presenting a natural and flexible thinking even in our tortured political landscape, and business experience in market economies known for their productivity. Both Ion Ratiu and Lucian Cornescu are wealthy men. Mr. Ion Ratiu started a printing press purchased with his own money. Mr. Lucian Cornescu opened a bank designed to help tens of thousands of entrepreneurs. In their material and moral condition, politics is a means of doing good for others. "I don't just make promises, I don't intoxicate people with promises, I actually do what I say. This is the main thing, not to lie to people, to be honest with them," said Mr. Lucian Cornescu. This may serve to explain why Lucian Cornescu practices social democracy in his policy, being the founder of the new (and ever so old) PSDT.

[Mihaescu] Mr. Lucian Cornescu, what is the strategy of the PSDT?

[Cornescu] Common sense in its daily activities, as well as in the long term. What do people actually want? They want to live well. They want a decent pay, a safe job, free schooling for their children, and social protection without discrimination. Is this possible? Of course it is. A social democratic party must deal with these matters, which essentially consume the life of each one of us. What does a working person want? The answer to this question has been realized in many countries in the world. It can be done in our country, too. That is precisely why we were determined to carry on the social democratic traditions and to build the PSDT on their foundation.

[Mihaescu] You probably also considered a direct link between the PSDT and the trade unions. The PSDT

policy features a clear trade union facet. Is such a thing correct, I mean is it feasible?!

[Cornescu] The link between the PSDT and the trade unions is a natural social and political phenomenon. We practice politics on trade union principles. We are not the first to do so. The experience of other social democracies is, we think, relevant. Man, the individual, a person, however you want to put it, needs to express himself. And he does express himself through the trade unions. That's how it should be. But the manner of political expression most suitable to a person working in a complex, and by definition relatively alienated social system is social democracy. Evidently, the program of any real trade union must be social and democratic. Our hope is that the PSDT will be able to lend assistance for these programs. People want to work and to live well. To live quietly with their families. They want to enjoy life. These are simple equations that can be resolved through political means, through social democracy. Because it is not always expedient to go out into the streets for everything.

[Mihaescu] Nevertheless, in our country people often do go out into the streets. What do you think prompts them to come out?

[Cornescu] Exasperation. The fear of unemployment, lack of social protection, lack of an income allowing them to live without fear. But this must not happen. The civilized world is beyond that stage. The PSDT believes that street demonstrations are the last weapon of a trade union, which also requires close unity. Street demonstrations can be avoided. Who in the West is still demonstrating? What trade union is still doing that?

[Mihaescu] In this context, meaning in the still confused climate in our country, when the practice of democracy is still in the making, what is the PSDT doing?

[Cornescu] Aside from the political clarifications that we naturally viewed as necessary, we want the Romanians to make money and live well. The country needs investments and the entrepreneurs need money and assistance. Those are the priorities. So-called broad politics and words don't bring anything. That is why we are endeavoring to establish contacts with Western banks experienced in matters of privatization and to bring funds into the country. Through Rombank, our bank, we will open credit lines for entrepreneurs even through the trade unions, which by virtue of their lines and mission are close to the PSDT. The stupid idea that "We won't sell our country!" must be forgotten as soon as possible. What can Western investors buy from us? They must come here with money so that we can have earnings and jobs, so that people and the state can get money from productive activities carried out in the country with money from the West. Talents must be used. The talents are an important asset for the country and they must furnish a basis of trust for foreign investors. That's what the South Koreans did; they turned their country into a veritable Asian tiger, meaning a major economic power.

[Mihaescu] How does the PSDT view privatization, the key element in this process of market economy?

[Cornescu] So far the privatization has proceeded wildly and it really amounted to genuine theft from the national wealth by a minority. We forget that this wealth was created and paid for by all the citizens. The state has a role to play in the privatization process, especially in the approximately 40 percent share of the national wealth that is not subject to privatization. The other 60 percent can be privatized for a short term, thus bringing taxes to the state.

[Mihaescu] As a successful businessman you are probably considering an economic program for the PSDT. What is the significance of this program?

[Cornescu] Within one month we will send up to Parliament an economic program based on the idea that the most important role of an opposition party is to suggest alternative solutions backed by solid arguments. More than a few times, when we established our party, we were told: These people are fed up with words and with platforms that all look alike. We explained that we had the means to both talk and do. That is precisely why before establishing the PSDT we opened a bank. People must be enabled to do something, rather than just complain and sit on the fence.

[Mihaescu] Lately you conducted talks with Deputy Claudiu Iordache, who recently left the FSN [National Salvation Front] against the background of clearly social democratic options. What were the results of your talks with Mr. Iordache?

[Cornescu] Our contacts were informative. We view ourselves as an opposition party par excellence. We practice a constructive opposition of cooperation with any party who has ideas similar to ours and acts upon them. Our door is truly open to anyone who wishes to cooperate and who thinks that something can be done in our country by means of material resources, money, ideas, work, expertise, investments, democracy, and social protection, not words.

SRI 'Dissident' Colonel Speaks Out

*91BA0881A Bucharest FLACARA in Romanian
19-25 Jun 91 pp 8-9*

[Interview with Marin Iancu, colonel in the Romanian Intelligence Service, by Cristian Pavel; place and date not given: "The Reality Is Indeed Revolting"]

[Text] [Pavel] Esteemed Mr. Marin Iancu, fate seems to have marked you for tough trials. You have involuntarily become a "character." Can you tell us in brief about the most significant moments in your past?

[Iancu] I will try, even though I may have difficulties doing it in brief. I graduated the officers school in 1965; since then I worked for the Traffic Department of the Interior Ministry. For a while I served as company

commander at the officers' school, then I went back to Traffic, where I remained for 18 years. In the meantime I was transferred to the Fifth Directorate of the DSS [State Security Department] for some seven months, between 1 May 1979-March 1980. That is when everything began; I was the victim of a staged trial designed to compromise me.

[Pavel] Have you any idea what the reason was for this frame-up?

[Iancu] Of course. I was not prudent enough and during some discussions in intimate circles I expressed my astonishment, so to say, about Elena Ceausescu's presence among the party and state leadership. Naturally, the counterintelligence heard about it, and later they found a pretext to "admonish" me: I was accused of having favored two persons who were taking their driver's test two to three years previously. For one year and eight months I was harassed (by the Securitate!) under that accusation.

[Pavel] What was your reaction?

[Iancu] I began to send off memoranda. Previously I had already written a number of memos to the party and the Interior Ministry, but to no avail. As I never got any reply, I began to consider other solutions. I could not simply give up. So I decided to write to Radio Free Europe [RFE]. I knew someone, namely Dan Capatoiu Gheorghe, who had been arrested and was viewed as a dissident of the regime. Thinking that he had been persecuted and that he had some contacts, I trustingly got in touch with him in order to hand him the letters in question. (He is now a shopkeeper in Amzei Square and calls himself Dan Croitoru Gheorghe). I remember it as if it were today; it was Easter, 3 May 1982. I invited him to my home and gave him the letters. He took them very "obligingly" and went with them straight to the Securitate! As you can imagine, on 4 May I was arrested.

[Pavel] What did the Securitate actually do?

[Iancu] Initially I was summoned by the head of the Penal Investigations Service for Bucharest, Colonel Vasile Bajenaru, under the pretext of some file of which I was personally in charge. They took me to Calea Rahovei, to Colonel Scarlet, head of Penal Investigation for the entire country, where I was left alone in his office. A few minutes later, six thugs came in, surrounded me, and said I was under arrest. They handcuffed me and took me to the corridor that led straight to the Securitate headquarters. Then I was minutely searched "to the skin," after which I was taken, handcuffed, to the office of Romania's Himmler, Colonel Vasile Gheorghe, head of the DSS penal investigations for the entire country. He was practically jubilant. "I've been waiting a long time to get my hands on you! You can't escape me now!" he said, looking daggers at me. The questioning began and things were looking grim. I had to find some line of defense. I consistently denied any intention to send the

letters abroad. I said they were drafts which I wanted to send to the party and state leadership and which had been stolen.

[Pavel] How did the questioning proceed?

[Iancu] It was terrible. I wanted to go on a hunger strike, but after a few days the doctor told me that there was no point because I would be fed artificially. The fight was uneven. The investigation proceeded under the accusation of "attempted propaganda against the socialist system" (art. 166 of the Penal Code). After two months the comrades decided to make it worse for me by expanding the penal investigation to include an accusation of "attempted treason." With the "assistance" of Colonel Stefanescu, the military prosecutor who "handled" all the political cases, the expansion was granted.

[Pavel] Have you any idea what these comrade colonels are doing today?

[Iancu] Yes. They're both peacefully retired. They obviously deserve their pensions after all they did for the dictatorship!

[Pavel] Of course, then came the trial and the sentencing....

[Iancu] The trial followed a natural course, if it can be described as such. In other words, the scenario worked without a hitch. My fate had been sealed a priori. Col. Vasile was in fact "kind" enough to inform me that I was going to eat "about 16 bags of barley." As you may know, a prisoner eats about one bag of barley a year. So the forecast for my sentence was clear: 16 years easily! The two lawyers did their best to defend me, but without success. All the defense arguments were rejected. The trial was held in secret, behind closed doors. I plead not guilty, nevertheless, I was sentenced to 10 years imprisonment for attempted treason and six years for attempted propaganda against the socialist system. The chairman of the military court panel was Colonel Valeriu Sitaru, currently a general and a military court inspector at the Ministry of Justice! At the appeal, which my family persuaded me to file—on the advice of the same comrades—I plead guilty and the sentence was reduced. The final verdict was eight years, that is, six years imprisonment [as published]. A mere trifle!

[Pavel] In a few words, can you tell us something about your detention?

[Iancu] It's difficult to pack so much in a few words. I was subjected to a diabolical regimen of liquidation. That was especially at the Rahova jail on Alexandria Avenue, special section 5. I was in solitary for months on end, not seeing the sky or any light. In the end I was moved to Aiud, where it was relatively better. I could occasionally exchange a few words and later I even went to work. I was released in 1986, after four postponements. As you know, the "politicals" are not entitled to parole.

[Pavel] How did you manage your reintegration into society?

[Iancu] After my release I could not find a job anywhere. Everyone was scared. The Securitate officials in charge of enterprises were not approving my hire. Finally I found a man of great courage and kindness, Mr. Mihai Pislaru, director of the Local Transportation Equipment Enterprise (ILUT Bucharest). I was hired in the traffic safety inspection office. Getting back was pretty difficult.

[Pavel] What came after the reintegration?

[Iancu] You see, what happened after I was released was less usual: One of my prison comrades in Aiud, who had also been released after a conviction similar to mine (evidently on political grounds), had a bold idea, which was to take a tour through the country (through Cluj, Arad, Pitesti, and of course Bucharest) to meet former detention comrades and persuade them to join a desperate appeal to the Vienna Conference about human rights violations in Romania. He, Gheorghe Nastasescu, who was from Iasi, seemingly had a generous idea. He looked me up and asked my advice, considering my familiarity with the law. I agreed and we began working on the appeal, which we "polished" here, in my home.

[Pavel] Weren't you apprehensive, since you undoubtedly must have been watched?

[Iancu] Frankly, I was not afraid anymore. Hardship makes you stronger, it steel you. What counts is the idea, the faith that stays with you. Most of us had applied to emigrate; there was nothing else left for us! We decided to convey our appeal through the U.S. Embassy. In the meantime we also contacted Radu Filipescu, who agreed in principle with what we had decided to do. The appeal finally made it to Vienna and shortly thereafter was picked up by RFE.

[Pavel] What was the reaction of the Romanian authorities?

[Iancu] It was prompt and unequivocal. They took us one by one. All of us were harrassed and terrorized to make us withdraw our emigration applications and to retract our appeal.

[Pavel] I know that the revolution found you at the same job. What did you do during those confused days?

[Iancu] First of all, I felt morally obligated to be on the barricades from the very first moment, already on 21 December. Not only I, but my whole family. On the 21st, my eldest daughter Luiza headed for the Dalles Hall leaving a shattering note on the door: "I am where all the Romanians are now!" I sent Petrica, her husband, to look for her. The episode became notorious and has already been written about. She was shot around 1730. It was a terrible blow to all of us.

[Pavel] Is it true that initially you did not want your daughter's name to be on the list of heroes?

[Iancu] No, it's not true. That must have been a misunderstanding.

[Pavel] What was your actual contribution during those days of chaos?

[Iancu] On the 21st I fought at the Inter together with Dan Iosif, Nica Leon, Dumitru Dinca, and others. On the 22nd I was at the television. There is too much to tell. I read out the appeal of the Libertatea Trade Union and tried to mobilize people the best I could. In the evening I was in the Central Committee building and was told to join the Supply and Assistance Command, where I worked until March 1990. Although an order for my reactivation was issued in February 1990, the police did not find a slot for me, so I was hired by the SRI [Romanian Intelligence Service]. That is how I came to join that organization from the very beginning. I think they must have needed my "picture." I say this because of the discrepancy between what appeared in the press and the reality.

[Pavel] What do you mean?

[Iancu] The press carried a list of the new SRI leaders. My name appeared on that list at Mr. Virgil Magureanu's instruction. But when they actually filled the positions, there was no room left for me!

[Pavel] What are your rank and duties in the SRI?

[Iancu] I have the rank of colonel. As for my duties, you realize that I cannot say anything for publication without explicit permission. I think that's natural.

[Pavel] Do you have reason to view yourself as a dissident within the SRI?

[Iancu] In a way. I think that this is how I'm viewed. It's mostly a matter of being given the cold shoulder and being ignored by the management. I have heard that I'm classified as a "recalcitrant revolutionary" by some. There is nothing I can hold against anyone, but there are many things that puzzle me. I've had a few interviews with President Iliescu, but I was surprised to see that he did not keep his promises as you would expect from a president. Not to me, but primarily to those who were the revolutionaries at the time and those who risked their lives. Currently many are being asked with what sounds like reproach: "What business did you have to be in the revolution?"

[Pavel] I get a feeling that you are entirely dissatisfied with what is happening at present. Am I mistaken?

[Iancu] You're not. Of course I am dissatisfied. The reality is revolting. Even the details have a certain relevance.

[Pavel] Do you think that this interview will create trouble for you?

[Iancu] No, I don't think that. In fact, all I did was to freely express my personal views. I should get into trouble for that much?!...

Tendency To Stop Trials of Old Regime Regretted

*AU2007130691 Bucharest ADEVARUL in Romanian
17 Jul 91 p 5*

[Article by I.M. Stefan: "Do We Forgive?"]

[Excerpts] I am definitely against witch-hunting. However, a piece of news, slipped in hastily among the news items a few days ago and then also carried by some newspapers, intrigued and, I can even say, shocked me. An initiative committee of the Romanian Association for National Reconciliation has been set up in Bucharest. So far nothing serious; on the contrary. Everything is in the spirit of Mahatma Gandhi, which means a "great soul." However, then I learned that "the Association's aims include a demand for general amnesty and the cessation of the trials under way in Romania." I began to worry and my worry mounted when I learned that this initiative came from a "group of former Romanian ambassadors," obviously from the "golden era," when everybody knew that they also held a second position besides the diplomatic one. Not all, but many of them.

I want to be well understood. I do not think that the mere membership in the Political Executive Committee [PEC] [of the Romanian Communist Party] and the fact that nothing was said when he and she [Ceausescu and wife] made fatal decisions constitutes a capital guilt. Others outside the PEC also kept quiet or even organized enthusiastic meetings to brand Timisoara residents. All of us watched them on television. I also think that even in the PEC there were humane people such as Ioan Ursu, Stefan Andrei, Gogu Radulescu, Paul Niculescu Mizil, and N. Giosan (the first one even supported a plot against the two-headed dictatorship). However, there is a world of difference between this and forgiving political criminals who ordered the opening of fire against the revolutionaries. Forgive Nicolae Andruta Ceausescu, one of the dictator's brothers, who fired personally near the Intercontinental Hotel? Forgive those who fired in the evening of 21 December in University Square? Or those who went to Timisoara as a team to repress, kill, and order the infamous incineration? Forgive Bobu and Dinca? Or the terrorists who—even if we are not told who they were—fired and killed until they learned that he and she were dead and that there was no chance to be rewarded?

However, things do not stop here. If we are talking of general amnesty and the cessation of any political trials, it means that we are no longer permitted to call to account Dej's and Ceausescu's former interior ministers, as well as the deputy ministers and their subordinates, who sent hundreds of thousands of people to the [Danube-Black Sea] Canal, and then to the prisons in Aiud and Gherla where most of them were exterminated. In the name of "national reconciliation" we also have to

forgive those who assassinated statesmen and high-ranking generals in Sighet. [passage omitted]

The long and the short of the matter is obviously to rehabilitate Nicolae and Elena Ceausescu. And in this case, let us begin with the collectivization of agriculture, village planning, and the pulling down of religious establishments. This, in order to be consistently logical to the very end.

Court Reschedules Stanculescu, Guse Hearing

*AU1907194591 Bucharest ROMPRES in English
1801 GMT 19 Jul 91*

[Text] Bucharest, ROMPRES, 19/7/1991—At the end of a court session on Friday, July 19, when witnesses Giau Bucurescu, former deputy head of the State Securitate Department, who is now serving a four-year sentence on charges of instigation to illegal deprivation of freedom, Iosif Moraru and Petre Veltanescu, former Securitate officers in Timisoara and now officers with the Romanian Intelligence Service, the court announced the interruption of the trial against the defendants from Timisoara for a period of ten days. [sentence as received]

Over the interval, the Military Section of the Supreme Court of Justice will take the necessary steps to reschedule the hearing of a number of witnesses who are considered as highly important owing to their direct involvement in the events in Timisoara in December 1989 and who did not appear in court at the appointed time. Among them are Generals Victor Atanasie Stanculescu and Stefan Guse. The court will make use of all legal means, including manu militariae [military force], to determine them to give testimony in the trial.

The trial will be resumed on July 30 at 09:00 hours, local time.

Ratiu Addresses PNT-cd Arad County Meeting

*AU2007131991 Bucharest DREPTATEA in Romanian
17 Jul 91 p 4*

[Speech by Ion Ratiu, president of the National Peasant Christian Democratic Party parliamentary group, at a meeting of the National Peasant Christian Democratic Party in Arad on 11 July]

[Text] "We have a government that has made itself conspicuous in Romania's political and economic activity solely through beautiful and numerous promises. (That's all! What else could it have done?)... Romanians have gotten rid of their fear, but a number of worries and material and moral dissatisfactions have taken hold. The time has come for this government to understand that the crisis and national chaos could be solved to a great extent if it resigned. (Resignation! Unity!) The compromises and political and economic blunders, which those installed in power after December 1989 have made, have harmed the Romanian nation's dignity, which it had regained through the revolution. As

far as the National Peasant Christian Democratic Party [PNT-cd] is concerned, I believe that the problem of a real compromise cannot be posed; this party is the symbol of the struggle against totalitarianism....

"Great care must be taken in applying the land law; the best lands belong to state agricultural enterprises and former party farms, for which firm efforts are being made for their 'preservation.' This law is completely at variance with the nature of Romanians....

"Liberalization is the only way to give free scope to prices and offers. What grew after the new leadership was installed, were inflation and unemployment. Industry is losing—in a programmed way—23 million [lei]. The equipment has no modern superstructure; therefore, products are not competitive and thus delivery prices are below cost prices. Through the insanity of communism, we now have to pay our debts with the fertility of our soil. We have qualified manpower, people who can adjust, who are intelligent; we have more riches than any other country in Europe (after France), as UN statistics indicate, but the form of organization cancels this advantage."

Roman Urges Diplomats To Improve Romania's Image

AU2007161491 Bucharest ROMPRES in English
1458 GMT 20 Jul 91

[Text] Bucharest ROMPRES, 20/7/1991—Romanian Premier Petre Roman met Saturday [20 July] with ambassadors or charges d'affaires ad interim of Romania to countries in Europe, Asia, Africa and Latin America.

The Romanian diplomats were criticized for having not been properly involved in fulfilling their mission, in expanding Romania's ties with the countries where they carry on activity and in making Romania better known there.

To improve such a situation and dynamize the activity of Romania's diplomatic missions, their heads were requested to steadily and operatively keep in touch with the government so that they can more correctly and more actively present the basic principles of Romania's policy.

Agrarian Party To Remain Independent

AU1907092891 Bucharest ROMPRES in English
0749 GMT 19 Jul 91

[Text] Bucharest, ROMPRES 19/7/1991—The National Coordinating Council of the Agrarian Democratic Party of Romania [PDAR] debated in a special meeting the application of measures devolving to it in the context of the provisions of the Charter for Reform and Democracy, a document recently signed by the PDAR together with the FSN [National Salvation Front], the young liberals and the Ecological Movement.

The council analyzed and endorsed new practical elements for the application of the political program

adopted by its congress for maintaining its status of an independent, centre party, a political formation ready to participate in the settlement of the grave issues facing the country's agriculture.

Privatization Bill Failing To Meet Expectations

AU2007130991 Bucharest ADEVARUL in Romanian
17 Jul 91 p 5

[Article by S.P. Achim: "150 Amendments to the Privatization Law..."]

[Excerpts] Mr. Adrian Severin's mission, as well as that of the experts accompanying him, namely to defend and consolidate the credibility of the government's privatization bill, is extremely difficult. The day before yesterday, and yesterday, the majority of the representatives of parliamentary groups and of the 18 deputies, who voiced their opinions on this bill, found that it failed to meet the expectations and tangible needs of our society. The record is held by Varujan Vosganian (Armenians' Union), who needed the whole alphabet, from A to Z, to enumerate the shortfalls, contradictions, parallelisms, ambiguities, and generalizations from which, according to him, this draft bill was suffering.

The subject that constantly came up in the discussions was the fact that this bill would require the creation of seven new institutions or bodies, private ownership funds, state ownership funds, and a relevant government commission respectively, meaning that a genuine centralized administration would be set up that would be incorporated, however, in the state authorities system. In the opinion of deputies Gabriel Tepelea (National Peasant Christian Democratic Party); Ferenc Pecs (Magyar Democratic Union of Romania); Cornel Nica (Social Democratic Party); Teodor Vaida (National Liberal Party); Petrisor Moraru (Romanian Democratic Front); and Sorin Botnaru (National Salvation Front—20 May) the creation of such new structures would entail a tremendous proliferation of the privatization bureaucracy.

Another remark extensively supported by the opponents of this law is the low percentage (only 30 percent) of the holdings of trade companies that is to be transferred to the population free of charge. The immediate consequence of such a low percentage is an excessive prolongation of the privatization process, Mr. Sergiu Cunesco (Social Democratic Party) said. It was then said that this sum is not enough to effectively assist the population in getting involved in a genuine economic competition, that is, with equal chances for success (Teodor Vaida). [passage omitted]

The former dispute about the slogan: "We do not sell our country" was thus brought up in Parliament the day before yesterday, and yesterday. Several deputies were of

the opinion that this government draft bill opens the gates too wide—and somewhat hastily—for an invasion of foreign capital, thus creating the danger that foreign investors will take possession of a large part of our economic wealth under privileged conditions (Mr. Sergiu Cunesco). In this context, Mr. Gabriel Tepelea proposed a different formulation of the incriminated text: Restrict foreign physical and legal persons from buying shares in Romania before native capital is able to compete with them under equal conditions and with equal chances of winning. Mr. Paul Ciobanu (National Unity Party of Romanians) said that in comparing the provisions of the privatization draft bill and those of the draft constitution, which was recently made available to parliamentarians, he had arrived at the conclusion that many constitutional principles are violated, among which the right to free initiative, the right to free association, and so forth. In Mr. Ciobanu's opinion, the most serious thing was the threat that may be posed from our national sovereignty because of possible violations of its economic foundation.

Minister Adrian Severin divided the criticism and suggestions to this draft bill into several categories. The first one incorporates the completely incorrect assessments, as he termed them, stemming from false preconditions and fed by the different acceptance of certain capital notions. The second incorporates the viewpoints that correctly note real shortfalls of the text, but which do not come up with remedies to eliminate them. Finally, the third one incorporates rational opinions which have to be taken into consideration. "There is a middle way which we have to find together," the minister concluded. This means time. For whose benefit is time working?

Melescanu on Cooperation in Black Sea

AU2207112491 Bucharest ROMPRES in English
0958 GMT 22 Jul 91

[Text] Bucharest ROMPRES 22/7/1991—In an interview with the Romanian "TINERETUL LIBER" daily, foreign affairs secretary of state Teodor Melescanu in reference to a recent Moscow meeting of Black Sea countries assessed as positive the interest taken by Turkey in the flow of commodities, services, capital and people in the region. There is an awareness that integration is needed for countries whose development level is comparable, the Romanian official said and added that in Moscow the Greek delegation which took part as an invited guest had applied for full membership status. We do not see any obstacle to its joining us, Mr. Melescanu said.

On Romania's development of Black Sea crude deposits, the Romanian secretary of state said: That is a rather thorny issue as long as development of offshore deposits is linked to setting the limits to the continental shelf. The key to the problem is the Snakes Island which never was owned by anybody else than Romania. Should the Soviets claim it, they would set the limits of the continental shelf off the Romanian port of Braila on the Danube. The uninhabitable rock island is uninteresting as such but as long as it holds the key to the continental shelf limits, investment is unsure and unsafe. In 1976 when we started drilling we knew exactly what our continental limits were. However, a point may be made, though not in self-assurance: Since the Soviets did not start drilling in the Black Sea they may still have underdeveloped deposits on land and not contemplate to drill offshore. We hope that by the time they do it all problems are solved.

Slovene-Croatian Relations Seen Worsening

91BA0903B Belgrade POLITIKA in Serbo-Croatian
11 Jul 91 p 5

[Article by Radoje Arsenic: "Trouble in the Ljubljana-Zagreb Axis"—first paragraph is POLITIKA introduction]

[Text] While the president of the Croatian Assembly contends that there are no problems in Slovene-Croatian relations, President Tudjman expresses surprise at the harsh words coming from the Slovene side and begrudges the Slovenes for attempting to push Croatia into open war with the YPA [Yugoslav People's Army].

Zagreb, 10 Jul—The staunch alliance created to apply joint force in order to eat away at Yugoslav unity and in this way facilitate the realization of the separatist goals of establishing separate, independent states along the Ljubljana-Zagreb line, appears to be wearing thin due to the latest events.

Dissatisfied with Croatia's behavior at the height of its settling of scores with the Army's young armored soldiers, the Slovene separatist leadership, by way of some of its leading figures, has uttered bitter words and vehement reprimands at the expense of the [Croatian] leadership, perhaps expecting them to attack the Army on Croatian soil, thus shedding their blood in support of the "holy Slovene cause."

"The Slovene Schwartzkopf," as reserve soldier and Slovene Defense Minister Janez Jansa is now being called in Croatian newspapers, did not show much reluctance during one of the daily press conferences in Ljubljana when he upbraided the Croatian leadership for its "restraint" during the armed conflict in Slovenia, and he even called such conduct by the ally unprincipled and dishonorable.

One can only imagine how the hotheads at the foot of the southern Alps reacted to the admonition by the new president of the SFRY Presidency, Stjepan Mesic, reported the German DER SPIEGEL: "The Slovenes must realize that sovereignty is a process that cannot be achieved in a sprint fashion." Even before that remark, there were vehement reactions directed against Croatia's behavior through commentaries in Slovene newspapers.

Specifically, the champions of an independent Slovenia hoped that when they were taken by surprise, without any defense (and without any preparations) whatsoever, by the faction-ridden armored units—whose task was to reach the state border and protect the new federal customs officials and members of the SSUP [Federal Secretariat for Internal Affairs] there—then the Croatian armed forces would jump in and enter into the bloody battle with the YPA on their own territory, which, according to the Slovene propaganda, would facilitate their final blow in seceding from Yugoslavia.

Something obviously went wrong in their calculations, because aside from political support and certain steps,

such as protection for Army deserters, threats to call on all Croats in the YPA to desert, and sporadic attempts to blockade and attack barracks (Osijek, Zagreb, Jastrebarsko, etc.), Croatia did not exactly demonstrate a great willingness to bear the burden (or stick out its neck) for Slovene interests. Specifically, Croatia is in a completely different situation from Slovenia, and Croatian spokesmen are right when they justify their position by saying that under the current circumstances an open attack on the Army on Croatian territory would only be to the detriment of that republic in its efforts to establish, like Slovenia, its independence.

In this way, there have been successive efforts lately in Croatia to justify their own position and conduct, and this has even included efforts—like at yesterday's press conference—by Croatian Assembly President Zarko Domljan to show that there have been no problems or cooling off whatsoever in Ljubljana-Zagreb relations, but rather that all of this is simply speculation from other quarters. But a Slovene journalist did ask him "why Croatian-Slovene relations have fallen to such a low level."

The fact that all of this is not exactly all that innocuous and that what we are talking about here is not simply "speculation" was unambiguously confirmed by the "Missive from the President of the Republic of Croatia, Dr. Franjo Tudjman, to the Domestic and International Public" two days ago, in which one chapter was addressed to "the Slovene people and the state-political leadership of the Republic of Slovenia." In this somewhat lengthy text, which Tudjman dramatically read on "Croatian Television" and radio, it is noted that mutual cooperation is "founded on an understanding for the different positions of the two peoples, and thus also on the differences in attitudes of their representatives and their different historical trends, or on the approach to individual questions." The conclusion was as follows:

"Precisely because public imputations have been received in Croatia with great surprise, as have statements by individual responsible people to the effect that Croatia has practically betrayed Slovenia, that Croatia is pursuing an 'inconsistent and dishonorable' policy, that independent Slovenia continues to border on Yugoslavia...."

On that occasion, Tudjman also said this: "We have offered Slovenia political, moral, and every other possible form of support, but we have rejected repeated initiatives to have us attack tank columns, units, and barracks of the YPA on Croatian territory. The reason for this is that this would have meant bearing the brunt of war with the entire YPA, as well as a pretext for a spread of Chetnik insurgent treachery, as well as for open war by Serbia against Croatia."

There is clearly a need for a clearer explanation of the actual intentions of the current Slovene ruling team, as

well as of what their counterparts in Croatia want, but is any further consideration being given to any type of logic?

Canadians Fill Positions in Croatian Government

91BA0898A Toronto THE GLOBE AND MAIL
in English 13 Jul 91 p 1

[Article by Susan Papp: "In Croatia, the Capitalism Is From Canada"]

[Text] It is four o'clock in the afternoon and the minister's office is still crowded with people. The day has been full of appointments with international visitors. Gojko Susak, Minister of Emigration for the Republic of Croatia, looks tired and drawn. He glances at his watch and thinks of his four-year-old son in Ottawa having breakfast. "I miss my family terribly," he sighs. "My son is too young, he doesn't understand, he still waits every day by the window for me to come home."

In the wake of the hostilities that broke out after Croatia and Slovenia declared themselves independent from Yugoslavia on 25 June, it's a difficult and dangerous time for Canadians to be involved in the politics of Yugoslavia. Yet many Croatian-Canadians, like Mr. Susak, are doing just that.

Croatian President Franjo Tudjman's personal security is overseen by a woman, Rosie Tomasic, a former Ontario Provincial Police officer. Ivan Mudrinic, a computer specialist who until a year ago lived in Mississauga, is senior adviser to the Minister of Telecommunications. Canadian developer Cyril Zofko has just signed a \$10-million joint venture with the City of Zagreb to develop a multi-level shopping mall.

Canadians of Croatian descent—the 1986 census reported that 35,000 lived in Canada—returned to their native land in large but unspecified numbers to help the Croatian Democratic Union (HDZ) win the country's first free elections last month. Croatian Canadians were eligible to vote in the election.

The HDZ, the party now in power, has the formidable task of negotiating with the Communist and Serbian-controlled federal government of Yugoslavia to maintain a pact that this week ended a fortnight of fighting between federal troops and the militias of Croatia and its northerly sister republic, Slovenia. Although exact figures have not been released and the unofficial death toll is being amended daily, it is estimated that more than 70 people have died in clashes in Croatia and more than 60 have died in Slovenia. The agreement signed by Croatia and Slovenia, and Yugoslavia, puts independence on hold for three months. The agreement calls for talks on a new federal structure to begin by 1 August.

As Minister of Emigration, Mr. Susak has the job of staying in touch with Croats outside Yugoslavia. He keeps them informed of events and persuades them to continue their financial and moral support.

He also holds another portfolio, that of deputy minister of defence. In that capacity, Mr. Susak says he has lists of thousands of foreign Croats willing to return to take up arms and fight for an independent country.

He still hopes it won't come to that, but he says the people of Croatia will not back down. "Some of us may perish in the process, but people are ready and united."

Three million Croats—one-third of all Croats—live outside Yugoslavia, the country created after the First World War out of the Ottoman and Hapsburg empires. Many Croats who left during the 1970s are relatively young and have technical skills that are needed by the republic. Mr. Mudrinic, the computer specialist who lived near Toronto with his wife and children, is working for the government by developing communications links that will make it easy for businesses to operate in Croatia.

Surprisingly, his work has not been affected by the turmoil in Zagreb in recent weeks. The city's upheaval is similar to the disturbances of Northern Ireland or the Basque region of Spain, he says. "Life goes on in Dublin, Madrid and Zagreb."

A major roadblock for him is the general unawareness of Canadian corporations to the potential of Croatia and its geographic significance in the heart of Europe—close to Italy and Austria and right on the Adriatic Sea.

Selling Croatia as a good place to invest is a formidable task. Tourism has ground to a halt because of the ethnic unrest, inflation has been about 300 per cent this year (the new government is trying to wrestle it down to 70 percent), and the currency (The Yugoslavian dinar) is regularly devalued.

Despite the many problems, Mr. Zofko, the Canadian developer, is undeterred. In the largest foreign-investment proposal in Croatia, he is teaming up with Zagreb to construct a shopping mall and parking lot in the centre of the city. All building materials, except concrete, will be shipped from Canada.

Mr. Zofko calls the project a calculated risk, even though it is managed and supervised by Canadians. He is convinced there are profits to be made but is aware that the political situation will take time to stabilize.

Next door to the site of the Zofko project stands the Esplanade Hotel, a massive old hotel where Canadians meet. Unofficially, the mezzanine floor is called the "Canadian floor." In it are the Canadian consulate, Air Canada and an entire corridor of Canadian businesses.

Marianfilm is here, too. It's owned by a group of Canadian investors who, in addition to producing films, are negotiating to buy OTV, the only independent television station in Zagreb.

Rudy Perkovic, who represents the Canadian investors, says his colleagues are seeking to own 51 per cent of OTV's shares, so they can control the company. OTV is

on the air only three hours a day, with news, information programs and talks shows, and Marianfilm proposes to bolster this output while producing Croatian news and current-affairs programs for Canadian audiences.

Station employees—there's hardly anyone over the age of 30—wish the best to the Canadians. Marko Vrdojak, the programming director, fears the Canadian deal will fall through, as have many other projects in the past months. His staff hasn't been paid since February and the political turmoil has stopped everything. "The worst thing is it's not our fault," he says, "There's nothing we can do... We need certain things to be in place and those are out of our hands."

The sentiments are echoed by many in Zagreb. They do not believe the peace pact will end the bloodshed and they fear the worst is yet to come. Canadians and their business savvy are welcome but many Croats fear that overseas support will evaporate if the fighting resumes.

Details of Croatia's Ethnic Composition

*LD2007200491 Belgrade TANJUG in English
1833 GMT 20 Jul 91*

[Text] Zagreb, July 20 (TANJUG)—Director of the Statistics Bureau of the Yugoslav Republic of Croatia (?Jakov) Gela said today the census carried out in April this year had established that the republic's population was 4,760,344, some 3.5 per cent more than at the time of the last previous census in 1981.

Gela said at a news conference that 77.8 per cent of the population of Yugoslavia's second-biggest republic (the biggest is Serbia) were Croats and 12.2 per cent Serbs. The figure for Serbs in 1981 was 531,502, or 11 per cent of the total at the time.

Gela said that there was now a more precise ethnic make-up—only 2.2 per cent of the population of Croatia had now declared themselves as "Yugoslavs" (in contrast to three times as many in 1981—379,057).

He said that in the five communes in Eastern Slavonia where in the past three months there have been frequent clashes between Croatian police and local Serbs 65 per cent of the population were Croats and 20 per cent Serbs.

The ethnic composition of the five communes Kosicek, Vokovar, Beli Manastir, Vinkovci and Zupanja is such that "no one could say it should be annexed to Serbia," Gela said.

Croatian Youth Alliance Formed in Zagreb

*LD2007191191 Zagreb Radio Croatia Network
in Serbo-Croatian 1600 GMT 20 Jul 91*

[Summary] A nonpolitical organization, the National Alliance of Croatian Youth [Nacionalni savez mladezi Hrvatske], was founded in Zagreb today. Veselko Juric of the Croatian Democratic Community youth organization was elected president. Hrvoje Vojkovic of the

Croatian Republican Community, and Goran Akrap of the Croatian Academic Community were elected vice presidents.

Slovene Firms Asked Not To Victimize Workers

*LD2007211291 Belgrade TANJUG in English
1936 GMT 20 Jul 91*

[Text] Ljubljana, July 20 (TANJUG)—The Ministry of Defence of the Yugoslav Republic of Slovenia today called on the firms not to victimize their workers who have taken part in the republican Territorial Defence.

The ministry said that it has lately been receiving reports of cases where individual firms have been 'threatening to sack or transfer to inferior jobs' their workers who were summoned to the republic's Territorial Defence during or after the conflict with the Yugoslav Army.

In its statement, the republican ministry said it is unacceptable that workers 'who have not infrequently risked their own lives...should be put in an inferior position to other workers who have not been involved with Slovenia's defence forces'.

Under a decision of the Yugoslav State Presidency of July 18, the Yugoslav Army shall withdraw from the Republic of Slovenia.

Muslims Call for Referendum on Sandzak

*91BA0903A Belgrade POLITIKA in Serbo-Croatian
10 Jul 91 p 16*

[Article by S. Bakracevic: "Party of Democratic Action in Novi Pazar Calls for Referendum on Status of Sandzak: Either Autonomy or Accession to Bosnia"—first paragraph is POLITIKA introduction]

[Text] If federal institutions do not permit a referendum, "the Muslim National Council will be activated and will clash with the current authorities, and God knows who will survive," says Sulejman Ugljanin.

Novi Pazar, 9 Jul—An announcement today by the SDA [Party of Democratic Action] for Sandzak, headquartered in Novi Pazar, informs the public that federal institutions have been sent a demand to the effect that they should permit the scheduling of a referendum in which the people would express where and within what framework they want to realize their rights, or rather, in what state they want to live. The SDA announcement puts forth the known position on Sandzak autonomy, for which "there are historical, ethnic, cultural, economic, and all other reasons." If the federal institutions continue to turn a deaf ear to this demand, the SDA, which considers itself the only legitimate representative of Muslims, will organize its own referendum, and all of this is being done, the party says as an explanation of this move, because the fate of Muslims has become uncertain through the creation of national states, armies, anthems, flags....

This demand in fact constitutes a concrete step based on the recent conference on the future of Sandzak, at which it was heard that within the Party of Democratic Action all variants are being considered except for one—that Sandzak remain a constituent part of Serbia. Sandzak could be a new federal unit, it could join Bosnia, and some even advocated the creation of a new state which would include, besides Bosnia (and Hercegovina, which no one mentions), all other regions of Yugoslavia in which Muslims live (Kosovo, Sandzak, parts of Macedonia). But the leaders of the SDA will not accept having even part of Sandzak as a constituent element of Serbia.

To Sulejman Ugljanin, the leader of the SDA, the most likely variant for Sandzak is as a new federal unit within Yugoslavia, whatever shape the country takes. For this reason, he has "magnanimously" proposed the formation of a Muslim-Montenegrin-Serbian council for Sandzak, but if the Serbs and Montenegrins do not want to participate in this, the Muslims will organize a referendum on the accession of these regions to Bosnia. If all "democratic forms of determining the future of Sandzak" deteriorate, "the Muslim National Council will be activated and will clash with the current institutions of power, and God knows who will survive," Ugljanin said.

The leader of the SDA apparently believes that it will be the Muslims who survive, because at the conference one could also hear to a certain extent about the need for the SDA of Bosnia to arm the Muslims of Sandzak (despite mild reproaches because the SDA of Bosnia-Hercegovina has "grown cold towards its brothers from Sandzak, although it was thanks to us that they came to power in that republic").

Subsequently, it was heard that in the Muslim National Council of Sandzak there is a "special group, and only it and Allah know whether the Council has war plans and Kalashnikovs," that all Muslim soldiers should leave the JNA [Yugoslav People's Army], form a Muslim armed force, and so on.

Obviously, the announcement that was distributed to journalists yesterday in the Serbian parliament by deputy Rizah Gruda, and which addresses the loyalty of Muslims to Serbia and to the Yugoslav People's Army, is "something new" and does not have any basis in the meetings that the SDA is organizing there.

In order to provide evidence of yet another threat to Muslims in this area, the SDA today sent the University of Sarajevo a memo requesting additional entrance examinations for Muslim students from Sandzak and Albanians from Kosovo, because "due to the political situation, Muslims and Albanians feel unsafe at the universities of Serbia, and the University of Pristina is in effect closed."

FEC Economic 'Shock' Program To Avert Collapse

91BA0904A Belgrade POLITIKA in Serbo-Croatian
11 Jul 91 p 7

[Article by A. Cubrilo Kosovac: "Vlado Kambovski and Bozo Marendic Press Conference: Federal Government Adopts 'Shock' Program"—first paragraph is POLITIKA introduction]

[Text] Resolutions intended to prevent financial collapse are taking force immediately. The annual budget is cut to 100 billion dinars. Three billion dollars is expected from abroad. Dual exchange rate for the dinar? Complicated model for foreign-exchange savings.

The FEC [Federal Executive Council] has just adopted a miniprogram with a shock character, the purpose of which is to prevent the country's financial collapse, which would clearly take place by the end of August or early September if it were not for these measures. Vlado Kambovski, the federal secretary for justice and administration, and Bozo Marendic, the federal secretary for development, appeared after the session of the Federal Government to announce this to domestic and foreign journalists.

This resolution takes effect immediately, and because fortunately the FEC and the NBY [National Bank of Yugoslavia] are solely responsible for its implementation, as Marendic noted, it will be practically impossible to undermine it, which is actually what happened to the previous two FEC programs. The basic goal of this shock program is to preserve the foreign-exchange reserves of the NBY solely for the financing of the country's fixed and guaranteed obligations towards foreign countries, and to alleviate the imbalance in the domestic market through a radical cut in the federal budget to around 100 billion dinars annually and through rigorous control over monetary policy.

Conditions for Foreign Credit

In its program, the FEC proposes that demand on the foreign-exchange market be made solely a function of servicing the foreign debt by organizing the foreign-market transactions of debtor banks. As far as control over citizens' savings is concerned, Marendic said, this must be set up so that the primary stimulus is provided for the repurchase and construction of housing, various economic activities in the private sector, the process of structural change in ownership, and the development of capital markets.

In addition, all selective credits are frozen, and there is a significant decrease in the amount of credit provided by the NBY to banks for solvency. The program also provides for maintaining banks' mandatory reserves at the existing low level, while the creation of primary money will proceed with the monetarization of relations with foreign countries and the financing of the federal

budget, which Marendic said would be filled almost entirely by revenues from customs and NBY issues.

Moreover, the program is radical and short-term; it will serve to ensure \$8 billion in foreign capital and is intended to prevent, or at least postpone, the country's economic collapse. Of the indicated sum, two billion relates to new money, while the rest is for the reprogramming of debt. If the indicated funds are acquired by the end of the year, inflation will be somewhat higher than at present, but still under control.

There is a chance that the necessary foreign capital will be obtained, said Bozo Marendic, but only if certain minimal conditions are met. This means peace, the functioning of the system on the level of the country, and the initiation of talks on the fate of Yugoslavia. The sooner we meet the conditions, the sooner we will get the money, but not from the IMF, because that would require a lengthy procedure, the federal secretary for development explained.

Marendic emphasized that it is critical that we realize that the republics individually are not in a position to receive additional capital; rather, Yugoslavia, as an international entity, must be the recipient of financial assistance from abroad.

Responding to journalists' questions concerning whether the promotion of the FEC program is also a sign of a change in the German mark-dinar exchange rate, Marendic noted that there are no plans for a change in the dinar's rate, although in response to another question about whether the rate is still linked to the mark, he then said, "Only in those transactions that pass through the NBY."

What Awaits Foreign-Exchange Savings?

Moreover, he said that the foreign-exchange savings model set out by the program is rather complicated, but that what is clear is that foreign-exchange savings in the future must be a factor of development, not of consumption. In addition, foreign-exchange savings, like property, are guaranteed and cannot be alienated. However, their social effects are important.

Addressing the journalists, Vlado Kambovski explained what the FEC means by a moratorium: a three-month period of inapplicability, of suspension of unilateral decisions and measures, the undisturbed functioning of certain elementary functions on the level of the country, and the initiation of talks on the country's future.

In a word, Kambovski emphasized, we interpret the moratorium as a guarantee for the realization of these goals, and not as a postponement of belligerent conflict after a three-month cease-fire. The precondition for the effectiveness of the moratorium is the realization of all functions of the system—the SFRY Assembly (with the possibility of including a delegation from Slovenia) and of the entire composition of the FEC.

Krsko Nuclear Plant Closing Losses Detailed

91BA0915A Zagreb VJESNIK in Serbo-Croatian
12 Jul 91 p 7

[Article by Zeljko Buksa: "Nuclear Plant Closing in Krsko: \$22 Million Lost"—first paragraph is VJESNIK introduction]

[Text] The director of the International Atomic Energy Agency has sent a message to Stipe Mesic.

Closed at the beginning of the month, the nuclear power plant at Krsko will, at best, start up again no earlier than the middle of next week. Specifically, we have learned that prior to making such a decision the Republican Nuclear Safety Commission of Slovenia, through the Slovene Presidency, will ask the Federal Presidency to provide a solid guarantee that the Yugoslav Army in the future will abide by the International Convention on Nonaggression Towards Nuclear Power Plants, and that such a guarantee will be received hopefully within a few days.

According to information from the nuclear plant, despite the several days of shutdown, the plant is ready—both in terms of technology and personnel—to start up immediately after a decision by the Republican Nuclear Safety Commission, but it will need four to five days to go from a cold stop to operation at full power. This is because after the plant shutdown, additional precautionary measures were taken (hydrogen drained from the cooling system, hydrogen vessels put away for safety, etc.), and enough time is needed to return to the old situation, while simply synchronizing the nuclear plant to the network takes 50 to 60 hours.

Losses Adding Up

In the meantime, the losses due to the sudden interruption of production at the nuclear plant are adding up. As we learned from Mr. Damir Subasic, the head of the Department of Nuclear Energy Plants of the Croatian Ministry of Energy, a 16-day shutdown of the nuclear plant means a loss of 243 million kilowatts, valued at \$9.7 million. Since the price of fuel accounts for only 15 to 17 percent of the outlay of the nuclear plant, which also cannot "shut its gates" and send its employees on annual leave even amidst a shutdown in production, the remaining outlay during this period amounts to around \$8 million.

To this must be added the costs incurred by the Slovene and Croatian electricity industry for the production of substitute electricity. Thus, the Croatian electricity industry, in order to compensate for the 20 percent of

electricity that it receives from the nuclear plant under normal circumstances, is spending around \$130,000 each day on increased production at other hydroelectric and thermoelectric plants. Moreover, there is the outlay on coal, gas, and hydropotential, all supplies which could run low in only a few months. Thus, according to initial estimates, the total cost of a minimum 16-day shutdown of the nuclear plant is approximately \$2.1 million, and a similar cost will also be incurred by the Slovene Electric Power Administration. This means that if, at best, the nuclear plant gets going in the middle of next week, losses will amount to at least \$22 million! But if the plant does not start up again in the middle of next week, losses will of course be even greater.

Concern

The fact that Europe and even the entire world are keeping a very close eye on what is happening with our only nuclear power plant is confirmed by the letter recently sent by William Dircks, the director of the International Atomic Energy Agency (IAEA) in Vienna, to Stipe Mesic, the president of the Presidency of Yugoslavia. "I am confident that your government has taken all necessary steps to see to it that military operations in the vicinity of the nuclear power plant do not threaten its safety. That would inspire a sense of safety among all the countries that are members of our organization," the director of the IAEA says at the end of his letter.