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Intelligence Officials on Prospect for War

93BA0761A Sofia 168 CHASA in Bulgarian 23 Feb 93
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[Article by Zoya Dimitrova and Mariana Svetoslavova:
"Bulgarian Intelligence Denies Balkan War Forecast"]

[Text] *However, the national security adviser to the president does not exclude the possibility.*

The Yugoslav conflict is increasingly generating a feeling of uncertainty and increasing the fears of the Bulgarian people despite the fact that our country has assumed a neutral position in the Balkans.

Last week, Jacques Delors, the chairman of the European Community Commission, predicted that a war would break out in the Balkans within the next two months.

On 14 February, after his return from Albania, Bulgarian President Zhelyu Zhelev said on Bulgarian National Television that "Berisha literally said that they have no intention of interfering.... However, he fears greatly that should such a conflict break out involving a military option for resolving the Kosovo problems, it would be difficult for Albania to restrain its citizens in the neighboring regions...."

On 18 February, in an interview granted to TRUD, presidential adviser General Stoyan Andreev pointed out that "there is a potential possibility of a new Balkan war," and that we must take the "threat" into consideration.

Is it indeed possible for war to break out in the Balkans?

Last Tuesday (16 February) the newspapers NOVINAR and STRUMA published the sensational news item that "an elite Serbian division is ready to attack strategic targets in the country." Allegedly, it was to attack the Kozloduy Nuclear Power Plant, the tank brigade near Gorna Banya, and the power centers in Sofia. According to the news item, the attack would follow any "eventual display of hostility on the part of Bulgaria," which would include granting a corridor for the passage of foreign troops. The anonymous source of information—an Army intelligence officer—had submitted it to the presidential security adviser.

"The report about an elite Serbian division is not based on any grounds," said Gen. Chavdar Chervenkov, the chief of military intelligence of the General Staff. "Furthermore, for the past year Serbia has not had divisions but only brigades. At the moment, no actions are taking place that could be a reason for concern on our western border."

"From the professional viewpoint, this publication falls into the area of pure fiction," according to Gen. Stoyan Andreev, presidential national security adviser. "It is physically impossible to capture a tank brigade by landing 3,000 commandos. How would they attack the

Kozloduy nuclear power plant? Serbia would suffer from such an attack no less than would Bulgaria. I believe that a direct military operation by the Serbian Army against us is virtually excluded."

"Absurd," was how Gen. Brigo Asparukhov, director of the National Intelligence Service, characterized this news item.

The three generals are unanimous in the belief that there is no direct threat of any kind of bloody clash on our territory. Their projections and concepts of the future, however, are different and even conflicting.

According to Gen. Andreev, "Armed conflicts follow their own laws, the laws of madness." The other two generals believe that in Europe emotions cannot prevail over reason. This could possibly occur in some African or Arab country. There also are differences in the analysis of the situation.

"Let us imagine that Serbia initiates military punitive operations in Kosovo, the population of which, as we know, is essentially of Albanian origin," said Gen. Stoyan Andreev in explaining his concept. "Even against the wishes of its state leadership, Albania will find itself almost automatically involved in such a conflict. Macedonia, more than 25 percent of whose population is of Albanian origin, could also become involved in the conflict, again in opposition to the policy of its state leadership. Serbia would be forced to undertake reacting military punitive operations in Macedonia as well. In my view, this would mark the end of the critical phase of the conflict. This would be followed by a flood of refugees into Bulgarian and Greek territories. In that case, the concept of 'state border' and even of 'national sovereignty' would be washed away. It is entirely possible to pursue the refugee groups and their protective formations on our territory as well. The intervention of Turkey, Greece, and Bulgaria becomes inevitable."

"This is only one of the possible schemes in the development of the military and political situation, but it is quite likely. It is precisely for this reason that we must not underestimate any eventual threats to Bulgaria and the Balkan countries, even if on the surface the circumstances appear stable. The effect of the explosive chain reaction is a harsh reality, and it is precisely such a reality that must be watched and assessed constantly by us, by the all-European structures, the great powers, and the United Nations."

This model was developed by Gen. Andreev and his associates. According to the presidential adviser, the model "was given an official positive assessment by U.S. and Russian diplomats." Gen. Andreev believes that the alarming projection made by Jacques Delors agrees with his concept.

According to political experts, however, Delors' predictions are actually an appeal for lifting the embargo imposed on the Balkans. A conflict can be prevented by making its possibility public knowledge. Is Jacques

Delors engaged in issuing preventive statements in order to create a slight psychosis? It is no secret that Bosnia's economic and racial ties are with the Islamic countries, rallied within the Islamic Conference, and that these countries are applying pressure on Europe through their petroleum in the matter of the Yugoslav crisis.

"Neither Europe nor the Federal Republic of Yugoslavia have any interest in fanning the armed conflict," claims Gen. Chavdar Chervakov. "The only interest Yugoslavia has is in displaying a constructive attitude and somehow assisting in ending the conflict and sitting at the table in the talks in order to have the embargo imposed upon it lifted. That is why the leadership of that country will not start actions that would worsen the already unpleasant situation in which it finds itself."

According to the director of the National Intelligence Service, "An eventual threat to us could develop only if the UN forces mount a ground, water, and air operation. Even if a single airplane were to fall on our territory, we become involved in the conflict. Is such an action contemplated? No, for this would be a sure way for an outbreak of a global conflict.

"Another problem is whether Europe could look at the way people are dying there. Some 150,000 people have already died. Or should we undertake a operation joint-forces operation that would cause a million casualties? Is there any guarantee that at that point Serbia would drop down on its knees and give up? The world also realizes that such a military action would trigger a Balkan refugee flood toward us and Albania, Greece, and Romania. Would the Arab world remain indifferent to such an action?"

Despite the analyses of the intelligence services, which are not sounding the alarm, according to Gen. Andreev, our state leadership, country, and Armed Forces are preparing for action should a conflict situation break out in the Balkans: "In the course of a single month, such issues were discussed by the National Security Consultative Council, headed by the president, and with the active participation of the prime minister and his deputies. Instructions were issued to the Ministry of Defense, the Ministry of Internal Affairs, the Ministry of Foreign Economic Relations, and the regional authorities about taking suitable measures."

*** Economist Explains Inflation Statistics**

93CH0418B Prague EKONOM in Czech 11-17 Feb 93
p 20

[Interview with Eduard Soucek, candidate of sciences and chairman of the Czech Statistical Office, by Eva Klvacova; place and date not given: "Inflation in the Czech Republic"]

[Text] The measure of inflation expressed through the index of consumer prices in the Czech Republic is incomparably lower than that in any of the other post-socialist countries. From the standpoint of the consumer, however, it is in no way negligible. There have been many doubts as to whether the officially published indexes of growth reflect reality, doubts as to whether the statistical results are distorted by, for example, the structure of the consumer basket or by some other factors. We therefore asked a few questions pertaining to price developments in recent years of Docent Engineer Eduard Soucek, candidate of sciences, who is chairman of the Czech Statistical Office.

[Klvacova] Price developments in 1992 have, in the last four months, been influenced by some factors which threaten the forecast of annual inflation growth in comparison with 1991. What is the true measure of inflation?

[Soucek] The first computations involving the measure of inflation are derived only from the movement of consumer prices in 1992 and do not include, for example, any price changes on the capital market. I shall cite two basic statistical views of the annual development of prices.

Between December 1991 and the end of 1992 the overall level of prices rose by 12.7 percent, the level of food prices rose by 11.8 percent, nonfood items rose by 11.1 percent, public catering prices rose by 15.8 percent, and the prices of services rose by 17.9 percent.

The average annual rate of inflation derived from indexes for the individual months of the years 1991 and 1992 amounts to 11.1 percent. The difference between the growth of price levels and the average annual rate of inflation is the result of a quiet price development during the first eight months of last year. For purposes of measuring inflation, both indicators are important. The rate of inflation derived from the indexes for individual months is characteristically usable primarily for comparing indicators bearing on the entire year.

Evaluating the rate of inflation by which population income is devalued is more complicated in that it must also react to the development of wages and other monetary and nonmonetary income. If, for example, we start with the fact that, according to statistics, a three-member white-collar household with two wage earners has a net annual income of slightly more than 100,000 korunas [Kc], then the growth of prices in 1992 lowered the possibility of utilizing this income for consumption purposes by about Kc5,000-6,000. Another question is

the extent to which this loss was compensated for in the household by increased wages and other incomes. Statistics indicate that the average wage growth in 1992 took place more rapidly than the growth of prices.

[Klvacova] In the first days of 1993 the public was disturbed by alarming reports of price increases and statistics were seen which resulted in a number of negotiations between trade unions, businessmen, and the government to question whether the government had correctly estimated the consequences of the new taxation system in the area of prices. In this context, the data on price growth provided by the Czech Statistical Office and that provided by the trade unions were somewhat divergent.

[Soucek] We introduced the operative weekly investigation of prices for basic foodstuffs on a priority basis as early as last November. In January we expanded it by including selected industrial products. The differences in some components between ourselves and the trade unions can be explained, in my judgment, by the fact that statistics compiled by the Czech Statistical Office capture prices simultaneously for one day from a sample taken across the entire sales network and record all price levels. This is essential, for example, in large cities where prices vary considerably in the center and in the residential areas. In our evaluations we switch over to average prices which, of course, reduce the effect of extreme prices which had shocked us to such an extent in January as consumers. In every case, we again confirmed how fragile the defensive opportunities at the disposal of the consumer are against the still persisting monopoly distortion of the market.

What is also disturbing is that areas which appear to have long-term specifically higher price levels are being identified and are showing a growing income polarization. Apart from the city of Prague, these areas include, for the most part, districts adjoining Germany and Austria, where price growth is adapted to the demand of foreign visitors and to a higher share of the population which commutes to work abroad.

[Klvacova] Over the last two years the development of prices has surely influenced consumer conduct and is leading to changes in the structure of the consumer basket. This undoubtedly has consequences with respect to the quality of information contained in price indexes.

[Soucek] The long-term development of prices cannot be evaluated in any other way except by using a constant consumer basket of products and services. Statistical authorities regularly change this basket at five-year intervals. At the present time, we are operating with a consumer basket derived from data for 1989. The years 1990 through 1992 were so unstable from the consumer standpoint that it was not possible to utilize them to derive a model of the consumer basket for the future. However, a revision of the weighted system of price statistics cannot be deferred and, therefore, a detailed investigation of the structure of consumption within the

framework of the statistics of family accounts, using a sample of 4,500 households, has been ordered for 1993.

I admit that we are asking ourselves the question regarding the credibility of the price indexes in publishing these price indexes since the advent of price liberalization. It was primarily necessary to examine the extent to which the effect which is customary in countries having a developed market would prevail here. In those countries the population reacts to price increases by shifting its demands to products and services which minimize the impact of price growth on the family budget. Technically speaking, to the extent to which we make use of a consumer basket which already reflects the reaction of the population to a price rise in computing our price indexes, the value of the price index should be lower because the interest of the consumer to switch from a more expensive assortment of goods to a cheaper assortment has entered the game.

The preliminary experimental computation of both variations of the price index has resulted in the data shown below:

Computations of Price Index Variations		
	Index, Dec 1992/Dec 1991	
	Consumer Basket	
Item	1989	1992
Cumulative total	112.7	112.0
Foodstuffs and public catering	112.9	110.4
Including:		
Meat and meat products	116.6	116.7
Milk and milk products	113.3	113.3
Milling and bakery products	118.0	117.2
Nonfood products	111.1	111.6

Prior to evaluating these results, I would note that the 1992 consumer basket and the 1989 consumer basket differ considerably from each other. It is basically true that the differences are not so extreme in the monetary structure of the consumer basket as they are with respect to comparing the physical quantities of the individual components. This fact only confirms the statistical data which indicates that the lower volume of demand is not accompanied by a decline in the pace of growth of retail trade. The previous inclination of families to hoard, which was compelled by the situation which existed on the supply side of goods, has given way to the necessity for a very careful budgeting of disposable resources which, among others, requires that the share of housing costs in the average family budget, which has increased to a nonignorable 20-percent level, needs to be compensated for.

It is a more complicated problem to judge the manner in which households realize their opportunity to change the nature of their demand, to lower the impact of prices upon their expenditures, and to create some kind of "less expensive" consumer basket without suffering an express loss in the quality of their consumption. The comparison of the magnitude of price indexes, accompanied by the alternate utilization of the consumer baskets for 1989 and 1992, however, indicates that the structure of consumption in 1992 is not more advantageous for the population from the standpoint of the impact of price developments. The dictate of the monopoly-influenced supply of goods—particularly with respect to industrial goods—makes it impossible for households to select cheap variations for their consumption and to use defense mechanisms against price increases which are customary in market economies. In the meantime, production and trade have an easy time cashing in on the effects of price increases.

*** Development Problems of Joint Ventures Viewed**
93CH0418C Prague EKONOM in Czech 11-17 Feb 93
 pp 42-43

[Article by F. Koselka: "What Stands in the Way of Developing Joint Ventures in the Czech Republic?—A View From the Netherlands"]

[Text] Rotterdam—At Erasmus University in Rotterdam the second year of the transformation of enterprises in the Czech Republic is being subjected to research. Part of the research is aimed at the problem of so-called joint ventures between Dutch and Czech enterprises. Students from Erasmus University in Rotterdam are participating in the research through the form of dissertations, which they are doing with a great deal of collaboration with Czech and Dutch enterprises. In the future the participation of Czech students in this research is also expected. Our article deals with the first results of the above research.

Penetration into the Czech market means a considerable risk for foreign investors. They are confronted with another mentality and, mainly, with a relatively gloomy portfolio of Czechoslovak enterprises. Research results prove that only well-prepared Dutch enterprises are capable of achieving good results on the Czech market. An effective transition to a market economy moreover requires the state to engage in an active policy which leads to the creation of an attractive macroclimate for foreign investors. The Czech Republic is, unfortunately, the only country vying for foreign capital and know-how. The restructuring of the Czech economy is not possible without foreign capital and know-how.

The Strategy of Dutch Enterprises

Dutch businessmen see Central and East Europe as a future market. The Czech Republic is particularly well-known for its industrial traditions, for its high degree of education and culture, and for its relatively cheap and

flexible manpower. It is generally expected that the Czech and Slovak Republics, together with Hungary and Poland, will gradually be integrated into the European Community. Western enterprises are therefore counting on gradually shifting the production of "simple" products to, among others, the Czech Republic and the Slovak Republic. Such a development does not represent anything new and has been long ongoing in the Western world. Well-known examples involve textiles, clothing, footwear, etc. Developed Western countries specialize in research and development involving products having a high added value. Our research has indicated that Dutch enterprises are making use of two different strategies: the so-called "cautious" strategy and the strategy of "integration."

The Strategy of "Caution"

A large part of Dutch businessmen have very unclear notions regarding the possibilities of doing business in the Czech Republic. This is because Czech enterprises and the government are not actively engaged in the systematic and particularly professional promotion of the Czech market. That is why the majority of Dutch business people are trying to first become acquainted with their potential partners; they examine the quality of their products, delivery times, and prices, the quality of their managements, the size and growth potential in the market, etc. These are mostly businessmen who want to buy in the Czech Republic or jointly produce relatively simple products. The purpose of the "strategy of caution" is the initiation of more long-term trade relationships, based on regular deliveries by the Czech partner. The Dutch partner is helpful in this regard in terms of improving product quality, organizing production, etc. For Dutch businessmen, such an approach is connected with a relatively small degree of risk and moreover gives them the opportunity to become familiar with the situation in the market in the Czech Republic and in the Slovak Republic. However, the establishment of a joint venture or a subsidiary does remain the strategic goal of Dutch businessmen. Their investments in a potential partner are relatively small and range within the limits of NLG20,000-30,000 [Dutch guildens].

The Strategy of "Integration"

A relatively small group of medium-size and large enterprises has decided to establish its strategic base in the Czech Republic or in the Slovak Republic. Such enterprises have at their disposal the necessary information regarding the local market, legal regulations, etc. Some of them already have long-term commercial contacts with Czech enterprises. They have decided to establish their own enterprise (subsidiary) by acquiring a Czech enterprise or by creating a joint venture. Their efforts are aimed at achieving majority participation so that they would not be overly restricted in their strategic and operational decision making. The advantage of majority participation by a Dutch enterprise in a joint venture is the rapid acquisition of the required production

capacity, a share in the market, and the possible acquisition of technological know-how. The establishment of their own subsidiary in the Czech Republic and in the Slovak Republic is very advantageous for some Dutch enterprises. They do not lose any time through necessary and time-intensive reorganization of the Czech partner. The subsidiary takes over all necessary administrative and management systems from the mother corporation, provides part of the management, and selects suitable Czech employees.

Portfolio of Czech Enterprises

On the basis of the preliminary results of our research, it is possible to divide Czech and Slovak enterprises into three groups. The first group, which includes about 10 percent of the Czech and Slovak enterprises, is of great strategic importance to foreign businessmen and investors. Through the form of minority or majority participation, it is primarily the large Western enterprises that can establish their strategic base here for Central and East Europe. Volkswagen A.G., Siemens A.G., ABB Asea Brown Boveri, Procter & Gamble, Unilever, and others are guided by this strategy.

The second group includes about 30 percent to 40 percent of Czech and Slovak enterprises. These are enterprises which can survive in free competition only after drastic and, to a certain extent, even risky reorganization. The only thing they have to offer is a usable technical base, but they lack management.

The final group of enterprises—approximately one-half of the existing enterprises—has little hope of surviving in free competition. Their products, technologies, production facilities, etc., are so obsolete that they have virtually no commercial value. The accumulated data permit the conclusion that the obsolescence of Czech enterprises in the area of technology and management is sizable and cannot be overcome without foreign capital and know-how.

The Attractiveness of the Czech Republic and the Slovak Republic for Dutch Businessmen

Based on available information which is, unfortunately, incomplete and frequently of low quality, it can nevertheless be concluded with great probability that the attractiveness of the Czech Republic and the Slovak Republic for foreign investors is relatively low. In past years the Czech Republic and the Slovak Republic saw the establishment of several hundred joint ventures. The number of joint ventures involving Dutch businessmen is estimated at approximately 100.

Investigations conducted by McKinsey and Co. and by Coopers and Lybrand indicate that approximately 70 percent of the joint ventures established in the former CSFR are either completely inoperable or are failing to produce anticipated results. Data on the size of contemplated or actual investments are only indicative in character. Based on our research involving 15 Dutch-Czech joint ventures, the most successful and most satisfactory

involve those Dutch enterprises that already had a strategic concept worked out prior to entering the Czech market. These are enterprises focusing on the systematic penetration of the entire European market. They include not only large enterprises, but also small and medium-size enterprises.

The unsuccessful and unsatisfactory Dutch enterprises are those which entered the Czech market but were completely unprepared, lacking in overall strategic or marketing concept. Such enterprises decided to invest only a small amount and then to "wait and see how things will turn out." Unfortunately, this mistake was made by enterprises of all sizes and intentions.

Barriers to the Development of Joint Ventures

Doing business in the countries of the former CSFR has considerable risks for foreign enterprises. Foreign managers here are confronted with a fundamentally different method of thinking and with different social and economic conditions. They are also frequently confronted with naive notions on the part of Czech managers who are likely to see them more as Santa Claus than as a tough businessman striving for the expansion and restructuring of their production, marketing, and other activities. No foreign businessman comes to the Czech Republic or the Slovak Republic in order to solve the problems encountered by Czech managers, but in order to increase his competitive edge and profitability.

A sizable barrier for foreign investors is the so-called "production program," which exists with the majority of Czech enterprises which are not capable of reacting to the impulses emanating from the market. Production programs are the remnants of the previous system and survive to this day. A shortage of information on the economic or technological development of the market on one side and the inability of management to analyze

basic information on the other side only exacerbates the problem of inertia resulting from production programs. Poor wage discipline and growing indebtedness of the enterprises are a textbook example of the failure of top management and the state as a regulating factor. One of the most important obstacles to the establishment of joint ventures and to the establishment of other commercial relationships is the frequently weak strategic, financial, or organizational position of Czech enterprises which disadvantages them considerably in the process of preparing for or realizing joint ventures.

Solutions

The drastic reorganization of an enterprise is an absolute condition for acquiring an optimum position in seeking suitable Western candidates for a joint venture. Nowhere in the world is a poorly prospering enterprise considered for a joint venture; at best, it can be a candidate for a buyout and, at that, for little money or completely cost-free. Given today's sharp changes which are ongoing particularly in the economic and technological area, every enterprise must be capable of adapting rapidly. Every fundamental reorganization requires much effort, sweat, and is connected with considerable risks. Deferring the necessary changes, however, only leads to the demise of the enterprise. Time cannot be bought. One of the important functions of the Czech legislative process should be the prevention of conscious and systematic bad management on the part of top management, which is detrimental to the elemental interests of the enterprise. The transformation of Czech enterprises into a market economy is not possible without an active policy on the part of the state. Without creating a favorable macroeconomic climate for foreign investors, the influx of foreign capital and know-how to the Czech Republic and to the Slovak Republic will not increase.

*** Security Policy: Border-Revision Phrase Debated**

93CH0447A Budapest BESZELO in Hungarian
27 Feb 93 pp 4-5

[Interview with Zoltan Rockenbauer, Gyula Horn, and Balint Magyar, National Assembly representatives respectively of the Alliance of Young Democrats, the Hungarian Socialist Party, and the Alliance of Free Democrats, and with Istvan Gyarmati, Foreign Ministry department head, by Laszlo Nemenyi; place and date not given: "An Attribute and Nothing Else; A Debated Issue of Principles of Security"]

[Text] *The National Assembly will soon approve a resolution on the basic principles of security of the Republic of Hungary. (Erroneously, we had the resolution proposal already "approved" in our last week's issue. We apologize to our readers.) The resolution proposal includes a statement that "... we oppose ... any forcible revision of the existing borders." In accordance with the resolution of the foreign affairs section of the congress of delegates in November, the SZDSZ [Alliance of Free Democrats] would have preferred the following wording: "We will not initiate any border revision." What is behind these words? This is the question we asked the high-ranking government expert who presented the resolution, and three respected politicians of the opposition.*

Zoltan Rockenbauer (FIDESZ [Alliance of Young Democrats])

[Nemenyi] What convinced the FIDESZ that the use of the attribute "forcible" was proper in connection with opposing border revisions?

[Rockenbauer] The FIDESZ's view has not changed. The wording of that passage was, and is, in agreement with our standpoint.

[Nemenyi] So, you did not have any reservations, similar to those of the SZDSZ?

[Rockenbauer] No. We disagreed with the SZDSZ on this issue. We made this clear already during the committee discussions. The SZDSZ remained alone on this issue.

[Nemenyi] Is it possible that this wording will elicit suspicion in the neighboring countries? What if they think that Hungarian foreign policy is working toward another Vienna decision?

[Rockenbauer] I think that the government's stand is quite clear on this issue: It is in harmony with the principles of the Helsinki Accords. It makes no sense to include anything else in a document on security policy beyond what is stated in the resolution proposal.

[Nemenyi] Is it because this way we have something in our hands that we can offer in exchange for the good treatment of Hungarian minorities?

[Rockenbauer] If Hungary must make a statement about the border issue, it should make that statement in a

bilateral agreement in case this problem emerges in our relations with a neighboring country. For example, it may obviously emerge in our relations with Romania. It is conceivable that a wording that is similar to that recommended for the principles of security by the SZDSZ must be included in a basic agreement to be made with Romania. But that would only make sense if we would receive guarantees for the protection of the interests of the Hungarian minority in Romania.

Istvan Gyarmati (Head of the Foreign Ministry's Department of Security Policy and European Cooperation)

[Nemenyi] Why was it necessary to include the attribute "forcible" in the passage in question?

[Gyarmati] There were two reasons. On the one hand, this is the proper way. All international political and legal documents, from the UN's bylaws to the Helsinki Accords, speak about this. On the other hand, the passage concerns an entire Central and East European region, and those who followed the events of the past years know that this is the only statement that can be made with assurance.

[Nemenyi] Nonetheless, they could say in one or another neighboring country that, see, Hungarians still have the wish for revisionism.

[Gyarmati] I find it ridiculous to accuse us of revisionism when we gave up on the forcible revision of borders. This accusation can only originate from a distorted interpretation of our intentions and policies. If there are such accusations, then no declaration satisfies the accusers. If there are politicians in the neighboring countries who make such accusations and reproaches, then they are only pursuing their own political goals.

[Nemenyi] Is it the purpose of the wording in question to have an item of exchange ready at bilateral talks?

[Gyarmati] I do not believe that repeating a generally accepted international principle really stems from considerations of talks. We are saying nothing more and nothing less than does Europe, into which we would like to integrate.

Gyula Horn (MSZP [Hungarian Socialist Party])

[Nemenyi] Why did the MSZP support the inclusion of the attribute "forcible" in the text? Was it because of foreign affairs and diplomatic considerations or...

[Horn] Excuse me, but what is wrong with the attribute "forcible"?

[Nemenyi] I did not say that something is wrong with it, but it implies...

[Horn] ... that borders must not be revised by force but can indeed be revised through peaceful means and talks, and this is what we strive for. Yes, but if one agrees with this, one should consider that this is in agreement with

international documents, first of all with the Helsinki Accords. The latter, which states that borders can be revised through peaceful means and talks, i.e., on the basis of an agreement between the parties involved, must be the starting point in border issues. But it should be made obvious that we are not preoccupied with the issue of border revision, be it through forcible or any other means. At the same time, the border issues are present in Central East Europe, in the entire modern history of Central East Europe, causing immense suffering, pain, and confrontations. Many more decades are needed for permanently closing this issue. I recommended that we should strive to sign bilateral agreements with our neighbors in which territorial integrity and sovereignty is mutually acknowledged in exchange for mutual guarantees for the rights of national minorities, including the right to autonomy. This could be a *modus vivendi* [way of life] or, at the least, a step forward.

[Nemenyi] So, the attribute in question is ammunition for the talks?

[Horn] Look, the document which will be approved by parliament is very important from the aspect of being approved at the highest level, at the level of parliament. This means more than a government or a party declaration of principles of security policy. But the attribute itself and the wording is significant primarily from the aspect of current politics.

Balint Magyar (SZDSZ [Alliance of Free Democrats])

[Nemenyi] It is possible that the SZDSZ's standpoint is virtuous. But was it wise politically? You remained alone.

[Magyar] Absolutely, I think. Our standpoint is viable and pure, both from the aspect of principles and that of practice. Government parties usually argue against us by saying that, of course, we agree, but it is not tactical to forever give up the possibility of peaceful border revisions. The question is whether it is possible in this region to revise borders peacefully. Does not every demand for border revision carry the inherent danger of war? Besides, I think that the SZDSZ's wording that Hungary will not initiate any border revision would not prevent any of our neighbors from surrendering territories to us if they want to. The point of our wording is merely that Hungary will not take any initiative in the issue. For that would not promise anything good. On the one hand, because of ethnic distribution, it is inconceivable to revise borders in a way that Hungarian minorities living abroad would be annexed to Hungary without also annexing millions of Serbs, Romanians, and Slovaks. On the other hand, raising the issue puts Hungarians living abroad in jeopardy. At the least, it would entail an immediate deterioration of their lot, but could also result in unforeseeable consequences. We can see what is happening in former Yugoslavia. We often hear that Hungary should not sign agreements at the expense of Hungarian minorities. I know of no responsible minority organization which would want to dwell on the border

issue. On the contrary, they are afraid that it will become a topic. And I am unconvinced by the argument that such a general statement would decrease the possibility for Hungary to declare the abdication of border revisions and to improve the lot of Hungarian minorities at the same time. A Hungarian-Ukrainian basic agreement already exists in which all territorial claims were mutually relinquished and in which Ukraine provided a guarantee for important national minority rights. This formula could be followed in an eventual Hungarian-Romanian basic agreement.

[Nemenyi] There is the counterargument that this gesture recommended by the SZDSZ is not customary in diplomacy.

[Magyar] It is not customary in West Europe to speak of the prime minister of 15 million Hungarians and it is not customary to say that we signed a peace treaty not with Serbia but with Yugoslavia, and not with Slovakia but with Czechoslovakia. I do not understand the narrow-mindedness that makes one fail to notice that, in the wake of the Soviet empire's disintegration, the flare-up of nationalism presents great dangers in this region and could destabilize the entire region and that this may indeed necessitate the making of trust-building gestures that are not customary under different circumstances. I consider this dogmatism, diplomatic dogmatism. Those who feel responsibility toward the security of Hungary's citizens and toward the improvement of the lot of Hungarians living in minority cannot, I think, assume any other stance than ours. We want to take down the barbed-wire fence instead of just relocating it.

[Nemenyi] How do you explain the fact that the other two opposition parties also rejected your arguments?

[Magyar] They became victims of publicly correct political thinking. They probably believe that, concerning this issue, every Hungarian citizen thinks as the MDF [Hungarian Democratic Forum] does. But this is not true. According to public opinion surveys, only 28 percent of Hungarians think that it is appropriate to raise the border issue. And only a few percent if the price for it is a deterioration of the lot of Hungarian minorities abroad. And less than 1 percent if it carries the danger of war.

* SZDSZ's New Parliamentary Leader Interviewed

93CH0447B Budapest HETI VILAGGAZDASAG in
Hungarian 6 Mar 93 p 98

[Interview with Gabor Kuncze, new leader of the Alliance of Free Democrats' National Assembly representatives, by Andras Lindner and Zoltan Horvath; place and date not given: "Portrait: Gabor Kuncze, SZDSZ parliamentary representative"]

[Text] "My ancestors on my father's side came to Hungary from Germany in the late 1700's, to Obuda. My grandfather was a lawyer, and my father was a physician.

He set up practice in Papa after 1945, that is where I was born in 1950. My grandfather on my mother's side was a wine-grower at the Pannonhalma abbey, his distilling plant was nationalized after the war," said the new SZDSZ spokesman, summarizing his roots. And then came another detail of the family almanac: "Geza Kuncze, my grandfather's cousin, who introduced the game of basketball to Hungary, was the best-known person in my family." The young Kuncze went to elementary school in Varpalota, and graduated in 1969 from Kecskemet's Piarist High School. He applied to the medical school but his application was rejected and he took a job as a laborer at the Varpalota mines; later, for a short period, he worked in a hospital as a surgeon's assistant. He earned his first degree in 1974 at the Miklos Ybl Technical College, majoring in civil production engineering. He worked at communal service enterprises, going through promotions all the way to chief production engineer, but "this profession could not really excite me. I became increasingly interested in company business matters," he said, in justifying his application to the Industry Department of the University of Economic Sciences. After his second degree, which he earned in 1985, he worked for five years at the Epepterv as director of business operations. He did not participate in the politics of that time: "I always refused to join either the KISZ [Hungarian Communist Youth League] or the MSZMP [Hungarian Socialist Workers Party]; whenever they invited me, I just said, 'My God, how happy Father Hardy of the Piarist High School would be to hear...'" he reminisces about one of the possible survival techniques. With the support of the SZDSZ, he was elected to parliament from Tokol and Szigetszentmiklos district of Pest County in 1990, and became a member of the budget committee. It was only late last summer that he joined the SZDSZ (we do not know Father Hardy's reaction), but by fall he was elected to the National Committee, and just the other day he became parliamentary faction leader.

In line with his family traditions and his height of 6 feet and 3 inches, Kuncze still plays basketball on a team of old boys. He lives in Tokol in a single house with his wife, a teacher at the vocational high school of Szigetszentmiklos. They do not have any children.

[HETI VILAGGAZDASAG] In introducing you, the press dwelled on your appearance, emphasizing that you are not exactly an SZDSZ type. In your opinion, is there such a thing anyway?

[Kuncze] There is not, and we had better forget the whole thing. People should not be classified on such basis.

[HETI VILAGGAZDASAG] All right, let us leave the appearances. One can often hear about your unshakeable composure. In looking at your resume, you have held numerous jobs. What was the reason for this?

[Kuncze] I felt comfortable at a job only when it involved something sensible. Idleness exhausted me.

True, I changed jobs several times, mostly because of a more interesting job. For example, when I worked at the Water Company, I roamed in the city in a car with a siren. My job was to report back from sites with leaking pipes, telling how many men I would need. I am sure you will not misunderstand, but when there was no call, I constantly wished for at least a tiny leakage somewhere...

[HETI VILAGGAZDASAG] One would think that the Piarists implanted a bit more patience in youth... In the end, you became a technical intellectual. Did you have an interest in politics? Did you hear about the democratic opposition?

[Kuncze] Yes, I was generally familiar with the samizdat literature and the authors, but I was active in an entirely different area. My time was completely taken up by my job and basketball.

[HETI VILAGGAZDASAG] All right, but when the change of regimes took place why did you not, a former Piarist student, seek the circles of the KDNP [Christian-Democratic People's Party] or the MDF?

[Kuncze] Such a thing does not follow from the Piarist High School. I was taught there to think independently and openly, and to look at things around me with a critical eye. I did follow the launching of the MDF, and the establishment of the Halozat [Network] and the SZDSZ. In examining and comparing the platforms, it soon became clear to me that the free democrats stood closest to my economic and political views.

[HETI VILAGGAZDASAG] You stood behind the SZDSZ but how did the SZDSZ stand behind you?

[Kuncze] I participated in local politics from the very first possible moment. We organized a town forum in Tokol, I worked hand in hand with local SZDSZ people and it was through them that I came to know Demszky's group. When I was nominated as a candidate, I did not say no. I felt—and I still feel the same way today—that those who managed to get into the first parliament that followed the change of regimes, did not live in vain.

[HETI VILAGGAZDASAG] And then you were sitting in the last rows in parliament for a long time, outside of the limelight... Did you ever wish to be there?

[Kuncze] From the very first time, I sat in the third row among the members of the budget committee. To date, I have dealt with professional issues, and my name is not connected with pre-agenda fireworks. It is another matter that it is much more difficult today to become known and popular than it was in 1989-1990. It is still another matter that I have never liked to push myself into the foreground.

[HETI VILAGGAZDASAG] We heard that it was Csurka's article that made you lose your political virginity and become member of a party. Did you lose your famous composure?

[Kuncze] No, I made the decision with deliberation. I thought that the time had come when I had to take a stand with such a decisive gesture. Incidentally, Csúrka would be a danger to me only if he fell about my neck in joy.

[HETI VILLAGGAZDASAG] Are you not concerned that many of your fellow party members may feel that you joined the party only to aid your political career?

[Kuncze] At the very beginning, I was asked to be the *charge d'affaires*; indeed, they were even willing to nominate me for the office of chairman. At that time, I did not accept the nomination because I would have had to join the SZDSZ but one cannot decide to take such a step merely for a position.

[HETI VILLAGGAZDASAG] Now you will be the SZDSZ's most often heard "speaking" person. A speaker is judged by the extent to which he can change the mood of his audience. Did you ever have such feelings after a speech?

[Kuncze] Several times. For instance, during the debate on the World Expo and on numerous occasions in the committee. Unfortunately, after all, what counts during voting at plenary sessions is other—not necessary professional—considerations.

[HETI VILLAGGAZDASAG] If there were no SZDSZ, which party would you join? [Kuncze] The FIDESZ, because it would mean that I am much younger.

[HETI VILLAGGAZDASAG] The opportunity for a punch line aside, is the reason you mentioned the FIDESZ that you were afraid that Viktor Orban would attack you because of your alleged flirting with the MSZP?

[Kuncze] No. Viktor Orban does not scare me. He should be afraid of his own rash statements.

[HETI VILLAGGAZDASAG] You are still "the new kid on the block," and you have not even been considered for the popularity lists of politicians. What goals have you set for yourself: where would you like to see yourself in the next elections?

[Kuncze] I think that such lists are important, they can greatly help politicians in evaluating themselves correctly. During my work I never consider whether or not what I am doing will make me popular. There is only one place where I would not like to see myself for sure, and that is at the top of the list, because I would like to reserve that place for Arpad Goncz.

* SZDSZ Parliamentary Chief on Finance Minister

93CH0450B Budapest BESZELO in Hungarian
20 Feb 93 pp 13-15

[Interview with Gabor Kuncze, leader of the Alliance of Free Democrats' National Assembly representatives, by Ferenc Koszeg; place and date not given: "Enough Opposition Already..."]

[Excerpt] [passage omitted]

Acceleration?

[Koszeg] How do you assess Ivan Szabo's appointment as finance minister?

[Kuncze] Up to now, the government had an acceptable industrial minister; now, he has been removed from the head of the portfolio. It had a finance minister who was able to act as if he had a program, although that expired long ago. Ivan Szabo is a new man, but he subscribes to the no-longer functional Kupa program. It has become impossible to make the membership of the MDF [Hungarian Democratic Forum] swallow Mihaly Kupa's views. Ivan Szabo is a very good speaker, a member of the MDF, and is relatively highly respected within the party. He will presumably continue the policy that Mihaly Kupa represented, but he will perhaps be able to sell it better—internally. His appointment is a political decision; I don't think we can expect fundamental changes. Ivan Szabo's statements point in this direction, as well.

[Koszeg] Before he became industrial minister, Ivan Szabo was one of the principal advocates of the world exhibition, acceleration, and investment by the state. Very great forces are opposed to the policy of monetary restriction, which was represented, among others, by Mihaly Kupa as well.

[Kuncze] In one of his latest interviews, Ivan Szabo said that he doesn't believe acceleration is possible because the prerequisites for financing it are absent. He didn't know this at the time he supported the Expo, but he has developed a great deal since. Incidentally, even in the texts published by the SZDSZ [Alliance of Free Democrats] it has appeared lately that some sort of an acceleration would be necessary. However, in our case this was in connection with urging the budget reform. If we can free resources on the side of expenditures, they could be applied to investments in the infrastructure, site development, the creation of guarantee funds, or other ways of supporting enterprises; in other words, to the acceleration of the economy. Those who only say that one should accelerate cannot tell from what.

[Koszeg] At the time Gyorgy Suranyi was discharged, several people thought that the president of the Hungarian National Bank had to leave not because he signed the Charta, but in order for a politician to be at the head of the central bank, who if necessary would serve the

election interests of the MDF; now, another MDF politician is at the head of the Finance Ministry. Many people are worried that in the six months before the elections, the government is creating an artificial dynamism and is improving the standard of living, but the stiff price of this will have to be paid later. Is this apprehension justified?

[Kuncze] If someone were able to present a well-founded program of stimulation, one should not oppose it. However, the freedom of movement has become considerably limited. I simply cannot imagine what one could do. One variation is that, say, at the end of the year the government says, my four-year economic policy has brought fruit, and I will considerably decrease taxes. This will make it very popular, but in 1994, the economy will be in a complete state of chaos. Another possibility is that it will avail itself of the National Bank's \$5 billion reserves. From this amount, it mobilizes \$2 billion; it develops the infrastructure, and suddenly jobs are created, and the economy is accelerated. However, the effects of this do not show up until the 1994 election, because first one must plan, then land must be designated, bids must be called, etc. The call for bids for the portion of the M1 expressway between the border and Gyor was announced a year ago, and it is still not closed. Of the \$5 billion one cannot know to what extent it is revolving money, and to what extent it is only "parked" in our country because one can get higher interest rates for it. In other words, there are no resources for acceleration, because in order to free resources through a budget reform, hard measures would be necessary, and the government will by no means bring these before 1994.

[Koszeg] Thus, the "dynamization" of 1985-86 cannot be repeated?

[Kuncze] The IMF negotiations revealed that even with the present budget deficit, it is very difficult to come to an agreement with them. If we started an unfounded acceleration program, the IMF would not enter into an agreement with us, and in that case we would be unable to get credits on the international capital market. And as a consequence of insecurity, investments would simply disappear.

Crane Manufacturers

[Koszeg] If the reason was not the removal of an obstacle from the way of a politically charged program of acceleration, then what is the explanation for Mihaly Kupa's discharge?

[Kuncze] Kupa was fairly renitent, and he always voiced his opposition in public. In the matter of the Expo, too, he criticized Bela Kadar's ideas of acceleration; he attacked Tamas Szabo's privatization methods in public, and he started an offensive in the matter of credit vouchers. It is well known that Jozsef Antall doesn't allow his ministers to argue in public. Csurka's group has been attacking Mihaly Kupa for a long time, and it is easily conceivable that Kupa's discharge was perhaps the price for Lezsak's and Csoori's spectacular switchover.

[Koszeg] Were you a colleague of Ivan Szabo?

[Kuncze] At the end of the 1970's, he was assistant technical manager at the Construction Mechanization Company, where I also worked. However, I only had an actual working relationship with him later, when he became the director of the cooperative, and I worked at a different company. Both he and our firm were manufacturing cranes. He was a good manager; despite the fact that he was a technical manager, he also had to deal with economic issues, and he did it well. He was also successful as the director of a small cooperative. It was good to negotiate with him; he was a good specialist and a good manager.

[Koszeg] However, in parliament you were sharply opposed to each other several times.

[Kuncze] But when we meet in the lobby later, even after the fiercest battles we are able to talk things over, and our good relationship has been preserved throughout.

[Koszeg] The MDF has put its own politician in a key position of the economy. Not only in the sense that the Finance Ministry is the peak ministry of the economy, but also in the sense that as a former industrial minister, Ivan Szabo will also have an influence on his old portfolio. At the same time, in the SZDSZ, too, a political economist was given the second most important position. Isn't there a certain parallel here? Doesn't this forebode that in the coming months, although the election is drawing near, economic policy will be the central issue of politics?

[Kuncze] The 15 points of the SZDSZ also reflect this endeavor, and as I observe the opinions within the faction, the idea is solidifying here, as well, that one must pay more attention to these issues. Unfortunately, if I look at the bills before parliament, I hardly think that the government also thinks that it must put economic policy in the foreground. The horses of the coalition don't eat lump sugar; they must be fed with retribution and similar laws. Meanwhile, there is the frequency bill; if that were passed into law, the media law could also be enacted, and the development of infrastructure could be accelerated. There is the draft of a transportation policy, the railroad law, which could also result in the development of infrastructure. We are now dealing with energy policy, with the mining law, but legislation which allows free hand to concession should be accelerated; we should deal with privatization issues, and see what could be accelerated there. By then, we will again have to deal with the budget and the modification of tax laws. Kupa prepared a paper about budget reform; he obviously didn't take it with him, so it will be submitted to parliament. At the moment, there are about 60 bills before parliament. The faction will have enough to do.

[Koszeg] And the faction leader, too. Thank you for the interview.

*** Representatives on Proposed Defense Doctrine***** MDF Comments**

93CH0436A Budapest KOZTARSASAG in Hungarian
26 Feb 93 p 18

[Unattributed interview with Lajos Mile, Hungarian Democratic Forum representative and member of the National Assembly's defense committee; place and date not given: "Guaranteed Security; Doctrines With 'Warts'"]

[Text] *There is no parliamentary faction not in favor of the defense doctrine on the National Assembly's agenda. Although the proposal is not without blemish—the "wart" in the eyes of the opposition is the issue of adjusting the borders—the House will soon vote for it. We asked Lajos Mile (Hungarian Democratic Forum [MDF]) about the doctrine's virtues and blemishes.*

[KOZTARSASAG] The best known point of the defense doctrine is the refusal to consider any adjustment of the borders through violent measures. However, there is evidently more involved here.

[Mile] The document includes a very complex system of guarantees. Thus, it isn't limited to the inviolability of borders, but also contains guarantees that ensure the country's internal and external security thus defending the system of democratic institutions as well. Internal stability is as important an element of the defense doctrine as the guarantees concerning foreign relations, our relations with neighboring countries.

[KOZTARSASAG] How different is the defense policy of the Hungarian Republic from that of the Hungarian People's Republic?

[Mile] It is essentially different, because circumstances have changed fundamentally. On the one hand, Hungary ceased to be a member of a treaty that determined a certain kind of defense policy. Thus, a new situation arose after the termination of the Warsaw Pact. As a consequence, the dependence ceased as well; we don't have to adjust our defense policy to the interests and block concept of a superpower. Third, historical movements occurred in our environment—and, of course, within our country—which have fundamentally changed the situation. I am thinking of the creation of new countries, the dissolution of countries, not to speak of the situation on our southern border. That means that a really independent system of defense guarantees must be established in Hungary determined by our search for an independent position and the guarantee of security.

[KOZTARSASAG] What are the most important doctrines in your opinion?

[Mile] I consider the built-in internal guarantees very important, the part guaranteeing the defense of democratic institutions. But equally important is anchoring our relationship with European organizations, for instance, with NATO, the Western European Union, the

Conference on Security and Cooperation in Europe, and the European Community, because it is inconceivable for us to join Europe without them. Over and above that, we reject any preconceived notion of an enemy; in other words, we consider everyone a partner who complies with the Fundamental Document on Human Rights and the UN resolutions. An important part of the doctrine is the clarification of our relationship with the neighboring countries.

[KOZTARSASAG] Which points elicited heated discussion?

[Mile] As far as I know, in the Foreign Relations Committee, the elements concerning the inviolability of borders and the relationship with neighboring countries. In the defense committee, there was no opposition or difference as far as the content and the essence were concerned. There was no position which attacked the concept, the entire approach, or the theses of the doctrine. I must say that I am very pleased about that, because we are dealing with a very important strategic issue concerning the entire country, and it would have been unfortunate if it had resulted in divergence along party or ideological lines. I was very happy—contrary to Istvan Csurka—that in this case I cooperated with the opposition.

[KOZTARSASAG] However, even among the opposition, a discussion arose about the refusal to consider any adjustment to the borders, or rather, why only adjusting the borders through violent measures was mentioned, and why one doesn't refuse to adjust the borders in a peaceful way. Or simply, why can this sentence not read, "Hungary refuses to consider any adjustment to its borders."

[Mile] Yes, the opposition took issue with that. If we study similar documents in neighboring countries, we find that they generally do not contain such formulations. Thus, the fact that we take a position on the issue in the doctrine signals that the foreign portfolio considered Hungary's peculiar position. In my opinion it would not have been advisable to say more than that, to set down "in no way." In my opinion this is a prudent solution. The formulation is an adequate guarantee of reducing the conflict with the neighboring countries to a minimum.

*** SZDSZ View**

93CH0436B Budapest KOZTARSASAG in Hungarian
26 Feb 93 p 20

[Unattributed article: "Parade Step Reform; Not That Urgent"]

[Text] *Good, good, but it is not the real thing. That is how the opinion of Andras Nagy (Alliance of Free Democrats [SZDSZ]), member of the National Assembly's Defense Committee, could be summarized about the law on defense that will be submitted to the Assembly perhaps as*

early as July. The representative of the opposition estimates that the bill is a correct, thorough job. As a legal construct, it is unequivocally feasible. However....

According to Andras Nagy, the defense bill does not differ in its concept from legislation currently in force. It deals with the same issues, and even the titles of the chapters are the same. The government calls considering national attributes a virtue of the bill. That would manifest itself in a new uniform, a Hungarian parade step, and the consecration of the flag.

According to the SZDSZ representative, heated discussion is to be expected on several issues during the debate on the bill. For instance, about the direction of the Armed Forces. It is not clearly apparent from the bill whether this is the president's or the defense minister's task. The other question is whether in a democracy it is proper to subordinate the border guards to the Ministry of Interior. According to the opposition, it is unquestionably improper. An internal contradiction of the bill is that it only mentions the Army as part of the Armed Forces, and it only defines the border guards as such in exceptional circumstances. In this way, the formulation is ambiguous. They would consider it a satisfactory solution if the armed border patrol were in the realm of the Defense Ministry, while the administrative and border policing tasks would be in that of the Ministry of Interiors.

But the rules governing extraordinary measures are also bound to stir up discussion. They can be interpreted in several ways. If there were a surprise attack, the government could mobilize the Army. According to the representative, the question is, what qualifies as a surprise attack. On the other hand, mobilization is provided for by the Constitution, which can only be suspended by the parliament. An important issue is the direction of the Armed Forces. According to the defense bill, one and the same person can fill the position of Army commander and chief of the General Staff, with an independent right to command, and he cannot be limited by the Defense Minister. However, at the same time, the minister is awarded the right to issue directives, the provisions for which will be found in the pending rules and regulations. Moreover, the development of the rules and regulations is the task of the Defense Ministry, as it is a set of house rules that can be changed at any time, and with which the parliament has nothing to do. The commander is not responsible for anything, as long as he acts within the rules and regulations, while the minister has only political responsibilities, and no legal ones. If a measure were taken that violated democracy, the responsible party could not be called to account.

In creating the legislation, the present situation must also be taken into consideration. And one must not overlook the extremely bad financial situation of the corps of professional Army officers. Many of them leave the profession, and those in the lower ranks get into high positions. That process slowed down by the second half of 1992, not because of any change in circumstances, but

because the request to demobilize can be held for a year. However, after that time a migration of such magnitude can be expected that will endanger the Army's operation.

In spite of all this, the representative of the opposition considers the bill suitable for debate, but the two-thirds legislation requires a solid basis, otherwise the parliamentary procedure can become similar to the media issue. The opposition asks and demands legal guarantees that parliamentary democracy and the principle of constitutionality will be preserved.

It is questionable whether the bill must be debated before other legislation covering several points in it is passed. Defense legislation has an effect on almost every area of life, from the nation's economy to transportation, from the media to the police. In case of war, the legislation would come to the forefront. For that very reason, it would be a mistake to pick it out from among other bills; one must be familiar with at least four other laws currently in preparation when it is debated, and it would be important to coordinate it with them. For instance, with the legislation on the rights and duties of people in military service. People in military service are limited in their constitutional freedoms, for instance, in their freedom of movement and freedom of speech. One must know their precise legal situation, their legal options, and they must be guaranteed civil rights. The legal regulation of civilian service is also inseparable from defense legislation, because with the exception of minors, every person in Hungary is a potential soldier. Perhaps even more important is the bill on the protection of the borders and border patrols, and on the police, which is also still in an embryonic phase. For this reason, it would be better to discuss the laws together as a package. Law is necessary, but not at any cost, the member of the defense committee claims.

*** Economic Ties With Germany, Others Increasing**

93CH0438 Duesseldorf *HANDELSBLATT* in German
23 Feb 93 p 9

[Unattributed article: "Budapest Sees Significantly Improved Foreign Trade Position; German Investors Have High Expectations—Motivated by Market Proximity"]

[Text] *Hungary enjoys a tremendous advantage over other Eastern European countries, because businessmen consider it predictable. This is evident from the available statistics and the local evaluation of them.*

According to Adalbert Rittmueller, chief of the Economic Department of the German Embassy in Budapest, an overwhelming majority of the more than 2,000 German-Hungarian firms and the German-owned firms located in Hungary have reinvested their profits in Hungary. In doing so, they have played a major role in the diversion of Hungarian business into Western European markets.

Increased investment also results in an increasing number of subcontractors. The main focus of German investment continues to be small and mid-sized enterprises with their undiminished access to German markets. An additional investment focus is cooperative efforts to expand the Hungarian infrastructure.

As an example of this, the German embassy cites German approval of a 450-million-mark [DM] loan for the expansion of the Hungarian railway system. This is in the form of a guarantee by the Federal Government of a loan extended by the Reconstruction Loan Corporation. The money is to be used to improve the Vienna-Budapest line.

Eva Dude, the German economic delegate to Hungary, has done an interesting analysis of the motives and expectations of German joint ventures and 100-percent German-owned subsidiaries in Hungary. The report is based on a survey of these enterprises. As Dude explained in a conversation with HANDELSBLATT, German businesses are generally satisfied with the return on their investments in Hungary.

The primary motive for investing in Hungary is the market security resulting from the closer proximity of the market (29.3 percent). This is followed by the ability to more easily deliver goods to neighboring countries (12.8 percent), and lower production costs (also 12.8 percent). Whereas service and merchandising enterprises proved to be more market-oriented, manufacturing concerns showed themselves to be more cost-oriented. In the wake of the continuing relaxation of restrictions on imports into Hungary, the motive "circumvention of import restrictions" was cited by only 3.7 percent of those polled. Language barriers and the unavailability of German skilled staff were regarded as the most serious difficulties.

In response to the question of how the profit situation before taxes for the period of March to September 1992 compared to the same period of the previous year, 37.5 percent said that it had improved, 47.5 percent said that the situation was unchanged, and only 15 percent said that business had deteriorated. This generally positive assessment was confirmed by the response to the question concerning planned investment volume for the period of October 1992 to March 1993 in comparison with the same period of the previous year. The majority of the German firms (46.4 percent) plan to increase their investments; 26.8 percent plan to maintain their current level of investment, and the remaining 26.8 percent plan to reduce their investments.

Foreign direct investments in Hungary exceeded \$1.5 billion in 1992, thereby exceeding the interest on debt service. Dr. Bela Kadar, Hungarian minister for international economic relations, told HANDELSBLATT that by the end of 1992, the total value of foreign direct investments in Hungary was more than \$4.5 billion.

Kadar also mentioned that the value of Hungarian foreign trade in comparison with that of other former

Eastern European CMEA (Council for Mutual Economic Assistance) countries has changed considerably. For example, during 1981, the value of Polish exports exceeded that of Hungarian exports by 75 percent and the value of Czechoslovak exports exceeded that of Hungarian exports by 80 percent. In 1992, the value of Polish exports exceeded that of Hungarian exports by only 40 percent and the value of Czechoslovak exports exceeded that of Hungarian exports by only 10 percent.

Last year, Hungary succeeded in completing the geographic reorientation of its foreign trade. This period also marked the first increase in the number of Hungarian exports. The total number of exports was 7 percent higher than in the previous year. Of particular importance is the fact that exports to the EC increased by 14.5 percent, double the average growth rate.

Another important element of the turnaround achieved last year is the end of the decline in the amount of trade to the East and the stabilization of Hungarian exports to the East at 23 percent. It is also worth noting that Hungarian exports to Rumania during 1992 increased by 57 percent. Kadar also pointed out a significant increase in the value of Hungarian foreign trade to Central Europe.

Last year also played an important role in the elimination of quotas and tariffs on approximately 60 percent of Hungarian exports to the EC. Furthermore, Hungary signed a free trade agreement at the end of the year with Poland, Slovakia, and the Czech Republic.

* PlanEcon 'Optimistic' on Hungarian Economy

93CH0446B Budapest HETI VILAGGAZDASAG in Hungarian 27 Feb 93 pp 80-82

[Interview with Keith Crane, research director of PlanEcon, by Gyorgyi Kocsis in Washington, D.C.; date not given: "In Washington on Hungary; It Will Come When It Has To Come"]

[Text] "East Europe's decline is coming to an end with 1992 after three particularly difficult years.... Poland will be first, Hungary the second to recover from the recession," according to PlanEcon, a Washington-based research institute that analyzes East European economies. As compared to views represented by Hungarian experts, the institute's analysis is surprisingly optimistic. This independent, private enterprise established in 1984—whose studies are used mainly by Western businessmen and investors in making decisions relative to East Europe—projects a vision of forceful, lasting growth for Hungary beginning this year. We asked Keith Crane, PlanEcon's research director who has spent an extended period of time in Hungary, about the reasons for his optimism.

[Kocsis] This might not be the most important question, but still: Hasn't the time come to change the name of the institute? After all, planned economy—as the institute's name suggests—is a thing of the past....

[Crane] This is true, but it is equally true that making known the name of an institute takes a lot of time, effort, and money, so that we must not lose all this. Moreover, the fact that our name reveals that we did not begin researching East Europe just yesterday may improve our credibility.

[Kocsis] The study on Hungary you concluded last December contains a sentence that has suddenly become relevant: "The finance minister is going to lose a number of battles in the next few years." Mihaly Kupa, who designated the official government program with his name, lost not only a battle, but also his job. What consequences do you foresee?

[Crane] What I am about to say applies to most economies: Changes in personnel usually do not produce a turnaround, even though they create a certain impact. Having a good professional as a finance minister, like Mihaly Kupa, is fortunate, but the resolution of key issues, such as cutting the budget deficit and reducing inflation, do not depend on him alone, but on economic policy as a whole. This does not mean of course that in the present condition of Hungary a finance minister, personally, could permit himself not to insist stubbornly on reducing the deficit and the inflation rate. Not only because, in reality, inflation is an extremely unfair kind of taxation creating the most drastic impact on the poor, but also because if Hungary's foreign financial and business partners regard Hungarian economic policy as being directed by a weak team, the results become apparent within a rather short period of time in terms of interest rates charged on the country's Western loans. I know from my clients that this is true.

[Kocsis] Could it be that the prime minister managed to replace the finance minister in the midst of problematic negotiations with the IMF because the government actually did not even want to reach an agreement with the IMF, the organization that conditions its loans with demands for a forceful reorganization of the state household? What do you think of that?

[Crane] I believe that the Hungarian Government wants to demonstrate its independence from the IMF, in particular because Hungary's foreign indebtedness is no longer as acute a problem as it was, say, in 1990. At the same time, some of the Hungarian economic policymakers are undoubtedly aware of the importance of reaching an agreement, and therefore exert strong pressure in order to bring about an agreement. I do not believe that the government wants to terminate the negotiations.

[Kocsis] You are optimistic not only in this regard, but also in general, because your forecasts are far better than the forecasts of Hungarian economic research institutes, and even predictions made by the government. You prognosticate a 4-percent Hungarian economic growth for 1993, and an average 5-percent growth for each of the four years thereafter. What is the basis of this optimism?

[Crane] We are analyzing Hungary, too, in the context of East Europe, and we are looking for common characteristics. We see that Poland is ahead of Hungary by four or five months in terms of an economic upswing. In Poland, industrial production embarked on a strong growth course last summer; in Hungary the same trend began to materialize in about September, when industrial production exceeded the previous December's level by 3 percentage points. Suzuki, GM, and Ford began to produce, Alcoa took over the Light Metal Works at Szekesfehar—these and other large Western investments of the previous two or three years are now beginning to produce at full capacity. This could result in a 6-percent increase in industrial production this year. Another important factor is the continuous emergence of new small enterprises: One can see that quite a few people are willing to invest in these enterprises. My third argument is based on the expected upswing of housing construction: Although this type of activity was at a very low level in 1992, the postponed construction projects are bound to resume as the inflation rate declines. Individual savings were also rather substantial during the past period, i.e., resources for increased consumption are available. Last but not least, I pin my hopes to exports, in which the share of more up-to-date products based on the already discussed Western investments is going to increase, replacing the low value exports of the old state enterprises, which continually lost their markets.

[Kocsis] Should I understand this to mean that contrary to official and nonofficial views in Hungary, you assume that beginning in 1993 the private sector's growing performance is going to be able to compensate for the decline of the state sector?

[Crane] No, that's not what I mean. I believe that the state sector's production is also going to improve. This is happening in Poland. Unemployment is nevertheless on the increase because in a number of industrial branches production declines faster than it is possible to create new workplaces. At the same time, however, this also represents a significant change in the conduct of enterprise management: The managers now concentrate on survival. This is a painful, but indispensable process from the standpoint of restructuring the economy. In Poland, the growth of unemployment has already stopped, because about the same number of workplaces are being created as are discontinued. The effort made by enterprise managers to find new markets is also very surprising. Finally, an optimistic outlook is also supported by the fact that the structure of investments is changing: Investments into imported Western machinery increased by 60 percent last year. This means that managers are exchanging their old, obsolete equipment for modern equipment. This frequently becomes a spectacular event at medium-size enterprises, which are often not highlighted otherwise.

[Kocsis] Many Hungarian economists claim that a multitude of enterprises sustain themselves by squandering

their assets and through export revenues—exports that nevertheless result in losses. Don't you agree with this statement?

[Crane] Official Hungarian production data do not support this statement; to the contrary, they indicate that industrial productivity has improved in Hungary during the past five or six months. The way I see it, the mentality of enterprise managers has developed quite a lot during the past years.

[Kocsis] You also contradict Hungarian professional views in several other respects. Hungarian professional opinion—by far not devoid of criticizing the government—generally agrees with official Hungarian economic policy regarding a slow approach to full convertibility and the method of debt management. Why do you criticize the Hungarian Government?

[Crane] Considering the present condition of the Hungarian economy, I believe that it is extremely immoral for the government to force citizens wanting to purchase foreign exchange to go to the black market, then close one of its eyes and urge people to deposit the money thus acquired into bank accounts. This kind of conduct encourages people to violate laws, and teaches people not to respect the government. In addition, the government is also deprived of tax revenues, because there would be nothing wrong with permitting citizens to freely purchase convertible currencies at banks, then pay a few percentage points' worth of taxes after each purchase. At present, the introduction of full convertibility would not threaten Hungary's balance of payments, and one could protect himself against undesirable speculations by using means that are customary in other countries. Insofar as debt management is concerned, I believe that Hungary's foreign exchange reserves are too high, and that it would be advisable to use the proceeds of recent borrowings to pay back the previously incurred loans. True, I believe that the situation has changed somewhat in recent months; reserve levels have dropped.

[Kocsis] Your optimism isn't boundless either, because in your forecasts you call attention to two sources of extremely grave threat: the budget, and possible conflicts with neighboring countries. What chances do you see for avoiding these fatal traps?

[Crane] Many countries struggle with budget concerns like those of Hungary, and these countries include the United States. One of the trouble sources is that social welfare delivery systems provide equal support to everyone, rather than favoring the most needy. In Hungary, I regard free higher education as unwarranted, because the parents of a number of young people would be able to pay a certain amount for tuition, and loan programs could also be established for this purpose. The family supplement system also follows the rules of the equality game, and the retirement age is remarkably low. Changing these things is very sensitive from a political standpoint, but such changes cannot be avoided in order to reduce the budget deficit. This year will also be critical

from the standpoint of foreign policy. Defeat of the Serbs in Bosnia could catalyze a migration, as a result of which—short of Western intervention—masses of Hungarians residing in Vojvodina could escape to their parent country. Conceivably, the Hungarian Government could go so far as to take military countermeasures to prevent such a situation. A situation like that could torpedo Hungary's economic uplift in its foundations.

*** Agricultural Cooperatives' Transformation Problems**

93CH0450A Budapest HETI VILAGGAZDASAG in Hungarian 6 Mar 93 pp 7, 9

[Article by Arpad Herbst: "Transformation of Cooperatives; What Are They Taking With Them?"]

[Text] The change of ownership in agriculture, the transformation of organizational structures, would cause a lot of uncertainty even if legislation—dominated by the coalition parties—did everything in its power to create more predictable circumstances as soon as possible. But, not to a small degree because influential coalition representatives seem to be dissatisfied with the method and dispatch of the dissolution of cooperatives which they dreamed up, the contradictions which were stressful enough earlier were only supplemented with new ones. The author of the following article is trying to survey the problems of the transformation of cooperatives, which manage three-fourths of agricultural land.

A year ago, at the very beginning of 1992, parliament regulated the transformation of the ownership of agricultural cooperatives in the law on cooperatives, on the one hand, and in the so-called law on transition, on the other; and, of course, the much talked-about laws on compensation also have a direct effect on ownership. According to the law on transition, the deadline for the transformation of cooperatives expired on 31 December 1992, and it is already evident—even if only data sent by one-third of the cooperatives are available at the Ministry of Agriculture—that the consequences of the fact that the reorganization of fundamental relations in agriculture did not take place in one "package" are extremely serious, and almost irreparable. It is apparent that the regulations and laws dealing with the most important problems (on the transformation of ownership, land policy, cooperatives, regulation of the agrarian market, land, mortgage, forests, hunting, the transformation of agricultural administration, and so forth) were submitted to parliament without a mature plan, stretched out over a lengthy period. Moreover, a considerable part of the issues connected with the already passed laws is also unfinished (on this, see boxed item). According to earlier experiences, sometimes attempts are made to later correct regulations which frequently contradict each other or are impossible to implement, but the fact that often there are political motives behind the amendments only creates more uncertainty: It seems that some coalition representatives in charge think that the number of members leaving the cooperatives and the value of the

property they take with them is too low. This is one reason why the transformation of cooperatives has become the theater of political battles: on the one hand, the talk about "green barons" and the accusation of sabotaging the transformation; on the other, carping about destroying the cooperatives at all costs. An elementary consequence of the contradictory regulation is that the demand for a direct intervention by the state is growing (revived). This is how, for instance, the law passed in December on the initiative of the Smallholders' Party can be viewed, according to which the county agricultural offices will obtain licenses to oversee the transformation of cooperatives.

The regulation separated the privatization of land from the privatization of the rest of the cooperatives' property; as a result, the majority of the more than 2 million prospective landowners will not own means of agricultural production, and the majority of those who own the means of production don't own enough land. It is a fundamental problem that by choosing the method of privatizing approximately 260 billion forints' [Ft] worth of previously undivided cooperative property—by assigning property to individuals, and by determining the circle of those eligible—the legislators subordinated the change of ownership to doing justice. As if they had forgotten that the landowner peasants who had been forced into the cooperatives and their offspring are not the same people whose principal source of income is agriculture today. According to the data at our disposal, the Ft260 billion cooperative property which has been assigned to individuals by the end of last year was given to 289,000 active cooperative members, 350,000 retired people, 20,000 employees, and 484,000 former members or their heirs. In this way, almost two-thirds of cooperative property became the property of people whose principle source of income is no longer agriculture.

A considerable inconsistency of the law on cooperatives is that outside capital owners, who own the majority of shares, don't have a vote in the organization of the farms, because they are not members of the cooperatives, and at the general meetings of the cooperatives they only have the right to participate in the discussion and make proposals. In this way, a corporate model was created in which approximately half a million shareholders have no decisionmaking right in the enterprise they are involved in. These "outsiders" rightfully feel that although they were nominally given substantial property, in reality they only possess a piece of paper, because in view of the profitability of agriculture, they can hardly receive dividends after their shares. Moreover, the fact that property was assigned to individuals, and that they were able to actually take property out of the cooperative, encouraged the active members (primarily in order to defend their workplace) to conserve the former organizational structure, even though the coalition parties conducting the legislation had set the propagation of family farms as a goal.

The above is substantiated by an estimate of the Agricultural Ministry, that out of the Ft260 billion worth of

property assigned to individuals, because of the withdrawal of individuals or groups (for instance, to establish a corporation or a new cooperative), the 25,000-40,000 withdrawing members took 15-20 percent of the property with them. However, this fairly high figure is deceptive: A considerable portion of the withdrawn, or sometimes "rescued," property comes from an activity of industrial or commercial character, which is considerably more profitable than agriculture. Although these withdrawals can be welcome as the streamlining of the cooperatives' profile, they further worsen the profitability of cooperatives. Only 6-10 percent of the members withdrew from the cooperatives with the intent of establishing an independent farm, taking 6-11 percent of the property with them.

Those who withdrew from the cooperatives as individuals took 105,000 hectares [ha] land with them. (As a comparison: The so-called shared property owned by cooperative members is altogether 2 million ha.) Although these areas can be increased by land obtained through compensation or leasing, the new owners' lack of market connections and their poor supply of equipment make it questionable at best whether the majority of independent farmers will be successful entrepreneurs.

The situation of transforming cooperatives is also rendered more difficult by drawing out the compensation process. It is impossible to know how much land is being sold in the course of tardy auctions, and because of the undetermined system of ownership it is not clear from whom (and under what conditions) one can lease land. Although the first compensation law stipulated 31 March 1993 as the last deadline for auctions, still, only about 20 percent of the auctions has been held so far. As a result of slow compensation, cooperatives have difficulty obtaining compensation vouchers which would enable them to become shareholders in state-owned food industry companies. In the meantime, the privatization of state property is under way, and from the perspective of the cooperatives it is to be feared that the transformation of certain branches of the food industry (for instance, dairy, meat, and grain-processing industry) will be completed before the producers could use the compensation vouchers received for land at the auctions to acquire shares in the food processing industry.

Examining the ownership structure, it seems that the legislature's idea which forced the cooperatives into one single model of producing farms is mistaken. Namely, the transforming cooperatives had no other choice than to become a cooperative of the "new type" or a corporation. The law on cooperatives should have offered various cooperative models (purchasing, credit, selling, processing, producing), and it would have been necessary to create a transitional formation between cooperative and corporation. In this way, the cooperatives would not have been forced to wear a shoe which doesn't fit. The diverse interests of the "outsiders" who were made into owners of nominally considerable property, of the active and retired members, and their lack of opportunities to put forward their interests, will sooner or later

burst this straitjacket, demanding a renewed mass reorganization and legislative change.

* Constitutional Court Ruling on Religious Schools

93CH0446A Budapest HETI VILAGGAZDASAG in Hungarian 20 Feb 93 p 73

[Unattributed article: "Constitutional Court School Dispute"]

[Text] "A neutral world view does not exist," Minister of Culture and Education Bertalan Andrasfalvy (presently under "notice of termination") told the parliament in February 1992 responding to an interpellation. The minister made his statement—accepted by a large majority: 141 yeas, 77 nays, and 12 abstentions—when FIDESZ [Federation of Young Democrats] Representative Szilard Sasvari questioned the motives behind omitting from the latest education law draft a provision that guaranteed the teaching of a neutral world view at state and local schools.

"The state must be neutral regarding religious issues and other matters of conscience. State schools must not be committed to any religion," the Constitutional Court (AB) said in its ruling last Tuesday. One cannot tell what role the timing of the decision two days before the cabinet reshuffle played in Andrasfalvy's dismissal. The AB decision could hardly be regarded as a black mark in the minister's record. At the same time, the AB decision does not conclude that schools sustained by state and local governments must project a neutral world view, because the AB did not separate schools into two distinct groups—state and "church"—based on organization. "The state must be neutral regarding religious issues. Therefore state schools must also be neutral," the AB decision argues, and makes reference to a 1976 decision of the European Court on Human Rights that states that state schools must not convey teachings in disregard of convictions fostered by parents (children). Correspondingly, a school sustained by the state or a local government whose teachings are committed to a religion is not a "state school" because it is not neutral, and a school is a "parochial" school because it is committed, even if an association sustains it, as long as the teaching there is "adjusted" to some world view. (Thus, however odd as it may sound, a school advocating atheism could also be a "parochial" school.) Accordingly, the state (local government) may sustain "parochial schools," but it is not obligated to do so (nevertheless the legal opportunity to establish such schools must be provided), but if such schools come into being, the state is obligated to provide support in proportion to the extent that these schools perform a state function.

On the other hand, the state is obligated to maintain "state," neutral schools for those who prefer that kind of education. For that reason, in instances where functioning school buildings were returned to the ownership of the church based on the 1991 law settling the ownership status of former church property, the state must provide a "real alternative" to those who do not wish to frequent a parochial school, and such alternative must not cause a "disproportionate burden" to either the parents or the children, according to last week's AB ruling. According to the AB justices, the operation of a neutral school must not violate or restrict the freedom of those who desire to obtain education in a parochial school, in other words, state schools must not be established or maintained so that they impede education committed to a religion.

The AB determined that the state has a duty to act, asserting that the state is "capable of providing a neutral school under any circumstance" (because, e.g., local governments obligated to maintain schools receive buildings or indemnification in exchange for the real property they surrender to the church). But the justices were very specific in making the point that the duty to maintain schools cannot be "discharged by the continued operation of a school as a parochial school," in other words, a local government cannot reject a demand for a state school—even if voiced by a minority—by claiming that it sustains a parochial educational institution. "The state and local governments have a duty to provide for the education of children choosing to attend neutral state schools, just as they would have a duty if real property were not transferred, and even if the number of students is small," the AB argues.

Accordingly, it is obvious that in a village with a small number of inhabitants, a request for neutral education by a single child enrolled in a "state school" is constitutional, and therefore the local government must fulfill that request without presenting a "disproportionate burden" to the parents or the child. The AB decision indicates that although a parent has no right to demand that the state establish a school that teaches a world view to his or her liking, parents have a "right to defend themselves against being forced to send their children to schools where teachings conflict with their religious views, or views of the world." The justices did not define the meaning of "disproportionate burden," claiming that such a burden could only be defined on a case by case basis. For example, it should be obvious that enrolling a child in a state school of a different local government would be viewed differently in Budapest, where the neutral school was located in a different district, but on the opposite side of the same street, than in the countryside, where the neutral school was located in a neighboring village, 5-10 km away.

*** Defense Industry Troubled by Export Constraints**

93EP0181A Warsaw POLITYKA in Polish No 7,
13 Feb 93 p 6

[Article by Jan Dziadul: "Slippery Ground: The Army Is Not Buying Anything and Arms Exports Are Being Torpedoed"]

[Excerpts] [Passage omitted] When my article on the arms trade was published in mid-1992 (POLITYKA No. 28, 1992) I had been aware of the Polish-Pakistani talks then underway on the sale of several hundred tanks for \$300-400 million. At that moment the tanks were already being tested.

Such a deal would be a major economic and political event in our country. Some 50,000 or so people in the arms industry, which is now on the ropes, would have been afforded job prospects, chiefly at the Labedy arms plant in Gliwice and at 200 supplier plants.

But such news would alarm our ruthless competitors on the international arms market. For several years now Poland is being gradually eliminated from that market owing to the naivete of our politicians, subjective pressures by other countries, and actions of foreign intelligence services and agents-provocateurs. The revelations about the Polish-Pakistani deal attracted worldwide publicity at the end of 1992, at a time when our country, which in the 1980's used to be a medium-sized arms producer and exporter, had a very bad press. At Labedy, the tank manufacturing plant, the response to the revelations of the Pakistani press, blown up by the world's press agencies, was jittery. The jitteriness became still worse after the Polish press too began to engage in speculations on the subject.

Eugeniusz Morawski, director general of the Bumar-Labedy plant, argued, "The problems being experienced by the arms industry include not only the stoppage of orders from the Polish military owing to lack of funds but also the clumsy propaganda and unfavorable stance of the mass media. Thus while we recognize that the arms industry reflects a country's importance and therefore requires political support, we do not consistently receive such support."

At a press conference in Gliwice, held to publicize the difficulties in restructuring the arms industry (meaning the abandonment of arms manufacturing, which until just a few years ago had accounted for 90 percent of Labedy's productive capacity), the plant's management declared as follows concerning the arms trade:

"...While such a campaign in the foreign press is extremely harmful to our interests, we can understand it and find a rational explanation for it if we consider the attendant normal market competition. On the other hand, what we cannot understand and disturbs us is that the Polish press publishes detailed and often inaccurate

information on arms-sales negotiations underway, attributing it to government sources at that.

"In view of this we declare that, until the negotiations are ended—in accord with the wish of the other side—we shall not provide, confirm, or deny any reports whatsoever on the contract in question. On our part, we can only request Polish journalists to desist from helping our competitors to engage in deals at the expense of Polish industry." (Here it is worth noting that the Labedy plant is engaging in direct, unmediated negotiations with the Pakistani army.)

Such a statement might prompt ringing a warning bell in defense of freedom of information. (It is worth noting that the plant management refused to participate in a panel discussion organized by the German television station ARD-1.) Still... [passage omitted]

Then there is the notoriety surrounding the Polish attempt to sell our Mi-2 helicopters and Sokol aircraft trainers to Burma. According to fulminations in the Western press, these aircraft were allegedly to be used to combat antigovernment guerrillas. Nothing happened, because instead Burma bought Bell-type U.S. helicopters. Next: Two years ago the Polish Government refused to sell 200 T-72 tanks to Syria out of the fear of a negative reaction of the West, and principally the United States. So what happened? The former Czechoslovakia, which ignored the supposed sanctions, sold tanks to Syria. Supposed sanctions, because that is a fluid concept depending on the interests of particular countries.

The above instances (out of many others) of competitive games on the arms market point to a reality that is alien to our politicians, especially to those at the Ministry of Foreign Affairs, which determines the list of countries to which arms exports are prohibited. At present there are nearly 15 countries on that blacklist. Yet the arms embargo imposed by the United Nations applies only to the countries of former Yugoslavia and Iraq. What then are the criteria followed by the Polish Government in determining its blacklist?

The reality of the arms trade is such that if there is an "objective demand" for arms in a country, they will be found even if we were to raze all our arms plants to the ground and condemn to unemployment their combined workforce of nearly 200,000. Had the United States not competed so acutely on the arms markets, nearly half a million of employees of the U.S. arms industry, which was expanded to a mindboggling scale during the "Cold War" would have by now gotten their walking papers. An intelligence operative has admitted that, despite the compromising "rifle affair," the rifles—of course not Polish-made ones—were supplied where they were in demand.

The Polish-Pakistani negotiations were to be held in absolute secrecy for several reasons: A country purchasing several hundred tanks was not interested in having this news publicized, especially in a situation when its traditional enemy, India, has armor at its

disposal. The Polish side had been even more interested in secrecy, if only because of the attempts being made for some time now to tag it with the label of applying gangster methods in the arms trade. Thus it can be definitely stated that there were no leaks from the Pakistani government (unless they were due to the machinations of a foreign intelligence service) concerning the pending deal which to the Polish industry would have of a certainty been "the contract of the century." In this case a foreign special service must have been the culprit, because such services play a great role in winning sales market for the industries of their countries.

Could it be that the Polish arms industry is being "eased out" of a contract which would enable Labedy and other plants to survive an unusually difficult period to that industry? The game involves huge funds, so anything is possible.

Marek Jurkiewicz, Labedy's press spokesman, stated, "I can only answer as in our press release: We provide no information; we do not confirm, and we do not deny."

Should this contract fall through, the plant would find itself in a deplorable situation, although for the last two years it has been doing everything possible to restructure itself. Until recently everything, literally everything, at that plant was oriented toward tank manufacturing. The most modern specialized equipment had been acquired for that purpose at Labedy; the operation can be likened to converting a chocolate factory to a television plant or to a delicate balancing act on slippery ground. The government, which is growing increasingly convinced that it will be many years before peace can reign in the world, wants to maintain arms production lines in operation, but it has no money for that, even though it promised to pay for keeping "defense reserves" in readiness, and the Polish armed forces are not making any purchases, while at the same time arms exports are being torpedoed.

Franciszek Szwarc, the head of the Solidarity plant trade union committee at Labedy, said, "For two years we had been asked to stick it out and wait, because the situation in the arms industry was going to change. So we patiently endured a period which anywhere else would have led to a big explosion among workers."

More than 3,000 employees at Labedy have been laid off, and the plant has stopped providing any social service while at the same time it froze wages for its workforce. This made it possible to work out and introduce a restructuring plan. The production of a variety of heavy construction machinery was commenced. But it turned out that the competition on that market is greater than on the tank market. Despite considerable attempts, the greater part of the plant's departments is inactive. Only tank production can revive them. The expectations were that arms production would provide the funds for continued restructuring which was eventually to result in an output evenly divided between military and civilian production.

Waclaw Keska, the head of the branch trade unions, predicted, "Unless the workers become busy with tank production, an explosion is inevitable."

Chairman Szwarc offered the reminder, "On 1 February there was a meeting between the trade unions and the government concerning the prospects of the arms industry. I feel that it shed a little light on what used to be a dark tunnel. The representatives of the government promised to reduce to a minimum the Polish 'blacklist' (perhaps by limiting it only to the countries embargoed by the United Nations) and promised that the Polish military would buy whatever it could from the Polish arms industry and that arms sales would be used to finance imports of the equipment which we are not manufacturing. This is the first government to pose the matter so openly. Previously we used to be fed with slogans of 'immoral production,' prospects of a shut-down of the arms industry, and arguments that our tanks were so much scrap metal...."

At present some 10,000 T-type tanks, including nearly 4,000 made at Labedy, are in operation the world over. Given a favorable government policy, the Labedy plant could thrive just by manufacturing spare parts for these tanks.

Director Morawski commented, "If the government pursues an independent policy. I personally am in favor of peace and the elimination of all arms. But so long as the present situation continues, we should maintain our defense potential and make money from it. The tank market can be compared to the car market on which both Mercedes and Rolls Royce cars as well as Cinquecentos and 10-year-old subcompact minis are being sold. At present there is a huge demand for T-72 tanks.... That is all I can say about the arms trade policy."

Incidentally, on 2 February a new Labedy product, the PT-91 HARD tank, was demonstrated to a group of Polish reporters. This is an excellent tank which is twice as effective in combat as the T-72. It has been offered to the Polish military; there was no answer....

* Fate of Defense Industry, Workers Viewed

93EP0195A Warsaw PRZEGLAD TYGODNIOWY in Polish No 9, 7 Mar 93 p 5

[Interview with Stanislaw Glowacki, Independent Self-Governing Trade Unions "Solidarity" chairman for defense industries, by Wladyslaw Swiercz; place and date not given: "I Cannot Be a Pacifist"]

[Text] [Swiercz] What is the truth about our defense industry?

[Glowacki] The truth is that soon thousands of people may find themselves out of a job, which will produce incalculable effects. As a union we want to prevent a social upheaval. The patience of these people is coming to an end because they see no future for themselves.

Governments, one after another, are holding discussions, and the people are waiting. Our talks, conducted at various levels, have brought no specifics. The government makes declarations with nothing to back them up.

[Swiercz] We do not have a military lobby?

[Glowacki] The people in the military who are most competent have no real clout and are ignored. We can no longer permit the problem of the country's defenses to be treated so lightly.

[Swiercz] You are driving a wedge between the government and the military...

[Glowacki] No! Our struggle ensues from a patriotism which looks to the future. Governments change, and the state remains—without a defense doctrine, without conscientious preparation in case of an unexpected conflict. In defense matters the national interest must take precedence over emotions. In weapons procurement we cannot become dependent on anyone: neither the East nor the West. Our production is just as good and it can be made even better. We have excellent skilled professionals. That is why we expected that the government would comprehensively solve the problems of the defense industry.

Thanks to the support of the parliamentary club of our union, a debate in the Sejm was held in September 1992 on the subject of defense.

Without waiting for the government's decision, as a national group we prepared a draft of the status of defense plants. It contains proposals for solving the problems of the plants and the people working in them.

[Swiercz] Specifically, what do you want?

[Glowacki] Enormous amounts of money are needed to restructure all defense industry plants. Here we can understand the government, but the government's announcements to the effect that our plants should earn funds for reconstruction are not acceptable. That is impossible. Defense plants are not prepared for this from a technical standpoint. This, too, requires huge financial outlays.

[Swiercz] You speak only in the name of the defense industry, but others also do not have money.

[Glowacki] I have a right, even a duty, to express myself in this way. It is hard to be silent when the government proposes a VAT [value added tax] for defense plants. In other words, money going from one pocket into another. We get the impression that both the politicians and the military authorities are afraid of the defense industry.

[Swiercz] How do you see military production connecting with civilian production for the needs of the market?

[Glowacki] It would produce immediate results. Our "Mesko" plants also produce excellent goods for the civilian market, goods that are praised on the Western markets. I am referring to household equipment. Our food processors sell readily on the Western markets. We also make juice extractors for the United States, France, and Germany, and our mini-juice extractor will soon be a hit on many markets. We also make farm equipment and excellent home lawn mowers. Doesn't our government see that we can earn money to be self-sufficient?

[Swiercz] How are you fighting for your work force?

[Glowacki] As a union which represents almost 40 percent of the employees we have strongly opposed the management in its plans to fire 1,200 people. What would the town gain by a large mass of unemployed people with no future? In our region that would raise the unemployment indicator to 20 percent.

[Swiercz] Do you only talk with the government about money?

[Glowacki] We do not want bags of money, but we want funds to create the conditions so that our workers can earn this money themselves. Thus far, our talks have not led to any agreement. In our talks with the government the disputable points continue to be the forms of debt reduction in the weapons industry, and funds for restructuring, wages, and the social needs of our workers. In our negotiations we proposed to the government that there be a reduction of budgetary and other obligations for the factories in return for the failure to pay the amounts due to maintain the state's defense capabilities. In other words, if a factory is owed, for example, 100 billion zlotys by the government, than the factory's obligations should be reduced by the same amount.

Insofar as wages are concerned, we propose removing the above-the-norm wage tax for the defense industry. We have also discussed the fixing of a minimum average wage in this industry.

[Swiercz] Is your patriotism prudent? You know you cannot win.

[Glowacki] I believe that no one envies our position. We already talked about patriotism. High caliber politicians should have imagination and national pride. That is what the patron of "Mesko", General Wladyslaw Sikorski, had. I think that we have many such people in Poland. In the defense industry, as nowhere else, job stability is needed. Governments can change, but the security of the country remains. That is why we are staking our future on the professionalism and independence of the military.

We will not yield to any form of pressure. Referendums in 100 weapons plants prove this. In "Mesko" over 90 percent of the workforce is in favor of a strike. We are not threatening anyone, but...

Note: On 24 February 1993 there was a two-hour warning strike in defense plants throughout the country.

*** CUP Discusses Future of Defense Sector**

93EP0200A Warsaw RZECZPOSPOLITA in Polish
(Economy and Market Supplement) 25 Feb 93 p 1

[Article by Antoni Kowalik: "The Army Fights... To Survive"]

[Text] It is still not known whether the reduction in armaments has exceeded the level of safety or whether further cuts in this area are still possible. Who should reorganize the defense industry, and by what method? Should it have special status or should it function according to the market principles in effect for other sectors?

These dilemmas were not solved by the papers delivered by experts or by the panel discussion held on 24 February in the Central Planning Administration (CUP), in which representatives of all the interested ministries, the Office of the President, the Army, and science and practice participated. The discussion was led by Henryk Goryszewski, deputy chairman of the Council of Ministers. There was agreement on only one thing—that the defense industry needs to be restructured and there is not one cent in the budget for this restructuring.

During the last five years our army has been reduced by half. Industry, adapting to those needs by supporting other armies, remained the same. It is estimated that the potential of our industry should be two or even three times smaller. Decisions must be made, therefore, as to what should remain of this industry and the policy accepted should be consistently implemented.

However, there is still no such policy. The documents pertaining to defense contain declarations that, for example, state that domestic industry is the basic source for equipping the armed forces and that selected plants will be protected by state guarantees. But, it was stressed, these are declarations with nothing to back them up, as the lack of orders clearly shows. According to many of the discussants, most of the damage to the defense industry was caused by an unconsidered economic policy.

The small or barely perceptible interest in defense problems in both the economic and scientific spheres, as well as in the political sphere, is disturbing. The reason for this is the difference in opinions regarding the threat. Among the civilian discussants, the view was that Poland's surroundings are predominantly friendly, while the military discussants believe that a threat exists and lessons from history should be learned.

The weapons industry has found itself in a hole from which it cannot—it was emphasized—get out of alone. It gets its income from exports and domestic military orders, which have dropped to zero in the last three years. The only way out for these enterprises is to sell abroad and to coproduce with firms that deal on the international market. Yet an expansion of export, as the producers and sellers of military equipment point out, is

blocked by many barriers, primarily within the country. The licensing procedure is too bureaucratic. The weapons we produce are not treated like any other goods, which in turn, is good for international competition. In many branches we are able to produce equipment that is comparable from the technical standpoint and is certainly several times cheaper.

But the matter of international coproduction of weapons is not simple. There is no answer to the question: With whom should we coproduce—with NATO, with our neighbors, with neutral states, or with the Ukraine-Belarus-Lithuania group?

The conference, arranged by [Central Planning] Minister Jerzy Kropownicki, proved that there are still more questions than answers with regard to the defense economy. There are no programs to rescue these plants; no one knows who should manage this sector, or even whether this industry is needed at all.

[Box, p 1]

Figures Cited by Discussants

- The price of one tank on world markets ranges from \$8-10 million. We can produce a tank, comparable from the technical standpoint, several times cheaper;
- during the last 10 years employment in the defense industries of EC countries dropped from one million to 650,000 people. In our country a similar percentage of reduction was made in two years;
- in 1991 the Ministry of Defense budget was 10 times lower than the military budget of FRG, while two years earlier this difference was ninefold;
- while Polish pilots, as part of their training, flew 40-50 hours in 1991, their Western European colleagues flew three to four times more. Similar differences pertained to training at sea and in the artillery—the Westerners fired 60-70 rounds of ammunition, our men fired 16.
- research on new third-generation tanks will cost 1.9 trillion zlotys, in 1991 prices;
- in order to replace an annual production of 200-300 tanks, 1,200-1,800 construction cranes would have to be produced. Technically this is possible, but to whom would we sell them;
- about 70,000 workers are employed in the production of the T-72 tank in several dozen directly coproducing plants;
- the debts of the defense industry are twice as large as the moneys due it.

*** Participation in UN Missions Analyzed**

93EP0188 Warsaw RZECZPOSPOLITA in Polish
19 Feb 93 p 9

[Article by Krzysztof Paturej, Foreign Affairs Ministry expert at the UN Department: "Poland and the UN: New Conditions, New Possibilities"]

[Text] The new foreign policy priorities, and especially the adoption of the basic goal of full integration into European institutions and the prospects of membership in the European Community, have altered the circumstances regarding our cooperation with the United Nations. Our expectations towards the UN and the organization's significance in helping us further our interests have also changed.

The UN is no longer the only forum where we can promote and carry out our political and economic interests, the way it was prior to 1989. We have been involved in extensive cooperation with many different groups and organizations of developed countries, particularly in Western Europe.

The UN is no longer the main access point for new science and technology, solutions in management and engineering, or technical assistance, as it was in the past. Now the main channel for such programs is the 24 industrially-advanced countries' programs and funds administered by EEC commissions.

At the same time, multilateral mechanisms, especially those within the UN system (such as intergovernmental and nongovernmental organizations and the G-24 mentioned above), along with international corporations, have become increasingly significant in resolving global issues and problems that have come to involve Poland more and more.

Poland's Position in the United Nations

The positive changes in the international situation (using the UN for new challenges and threats) provide an exceptional opportunity for our active engagement in the process of changes and for us to increase the following: Our role in drafting the directions for UN activity to coincide with our own priorities and to influence UN policy towards Poland, Influencing changes in the UN to increase UN funds and potential for resolving our internal problems, Poland's position at the UN forum.

Upon what does the success of these aspirations depend? First of all, it depends on the selection of those goals and priorities that correspond to our national interest and on adapting the mechanisms to identify, develop, and promote Poland's interests to fit the new international situation, especially the UN's significance for Poland.

The rise in expectations and the UN's expanded role in resolving global problems, which are beginning to affect Poland more and more, including those in the realm of maintaining peace and security, make the United Nations system an important forum for realizing and promoting our interests. These factors have an undisputed role in Poland's security, inasmuch as the UN is the main platform for controlling and preventing local conflicts just beyond our own borders, both actual conflicts (Yugoslavia) and potential ones (nations of the former Soviet Union).

Second, because of Poland's economic situation and our limited military potential, the UN will be an important factor in strengthening our security, given the UN's efficient system of political, economic, social, and humanitarian agreements and charges.

Third, the UN is still an important source and channel of technical assistance and experience.

Our Priorities

The European option in our foreign policy should be more broadly reflected in the UN forum, for example, by promoting the CSCE's experience and achievements at the UN. There should be greater efforts at extending the regionalization of UN actions, and a model should be drawn up for cooperation between the UN and regional organizations (like the CSCE) with an underlying assumption that they will gradually replace UN jurisdiction in regional matters, especially in the realm of maintaining peace and security.

The choice of specific priorities should reflect the UN's real capabilities to create global solutions and also presume that Poland will have an active role and influence in UN activity in a specific area. The following aspects are worth noting in this context:

Greater activity in advancing the development of international law, multilateral legal and treaty regulations in all areas, such as the political sphere (the strengthening of the fundamentals of sovereignty of the states and the peaceful resolution of disputes) and the economic sphere (creation of foundations for developing unhampered economic cooperation) and support for socioeconomic changes;

Strengthening our position in the traditional sphere of our UN activity, peace-keeping operations. Completely new approaches and forms of peace-keeping operations, however, call for appropriate adaptive measures, especially a description of the possible benefits and means directed towards peace-keeping operations. In the past, alongside the political benefits, our role in peace-keeping operations involved substantial financial benefits that far exceeded our costs. We must realize that this situation will be far more difficult to maintain now; Active engagement in the problems of counteracting the dispersion of the technology, materials, and means of production of weapons of mass destruction, the means of relocating them, and the destabilizing transfer of conventional weapons. Assuming, among other things, that our closest neighbors, Belarus and Ukraine, are granted nonnuclear status, strengthening the regime of nonproliferation will have a beneficial impact on our security, because this fact will minimize potential threats just beyond our borders. It is significant that a country's attitude towards nonproliferation, as expressed, for example, in the need to introduce an effective system for controlling technology, materials, and equipment for producing weapons of mass destruction, is an important criterion in developing relations with western countries and eliminating restrictions receiving modern technology.

Increasing specialization in UN activity is becoming more and more important in providing for an active role in negotiations and in safeguarding our interests to the maximum. It would therefore be logical to join in the process of identifying, developing, and presenting the position of Poland and all the centers and companies that might benefit from such cooperation, especially the scientific research institutes, experts, and potential beneficiaries. This move would also aid in adapting the existing programs and forms of cooperation involving the UN's specialized programs and agenda to the changed internal and external conditions and to our absorptive capacity.

An optimal solution would be cooperation between leading government departments and assignees, so as to insure for Poland that the realms and forms of aid would be set under the auspices of the means allocated. In the past the initiative usually belonged to the UN. Some of the aid programs could be carried out under the auspices of UN funds by Polish scientific research institutions and experts, especially those operating within the framework of POLSENZ, the Association of Polish Experts of the UN System [Stowarzyszenie Polskich Ekspertow Systemu Narodow Zjednoczonych].

Is this idea feasible now that the system of cooperation with the UN has been monopolized within a few government ministries? Past practice indicates that it is not.

We should develop fixed structures for cooperation with potential assignees, scientific research institutes, and experts.

It will also be necessary to get away from limiting such contacts solely to the "services" sphere, a strategy that caused expertise to have little practical use or application, because it was so heavily weighted toward theory.

The broad orientation of UN agendas and programs toward assistance to the states of the former USSR not only shifts attention away from changes in Central and Eastern Europe, but also may restrict the possibilities for advancing and carrying out our interests and meeting our needs. One of the ways to counteract this trend might be for us to join in the process of developing UN cooperation with the states of the former USSR, while simultaneously creating conditions for us to make greater use of our own potential in that area, especially our experience and experts, under the auspices of the UN. Such an arrangement could have concrete material as well as political benefits.

Benefits and Costs

In addition to its benefits, international cooperation has its costs, often substantial ones that are unavoidable. A big part of this is the dues paid to finance the budget of UN and other international organizations. This year alone we paid nearly \$6 million for the UN's regular budget and peace-keeping operations. Despite the fact that we managed to reduce our dues for the UN budget from .56 percent to .47 percent, in absolute figures we

are paying more and more each year. This is one of the side-effects of the UN's increasing role and related expenses, for example, for peace-keeping operations. Another reason is that we are joining new organizations that are important to us from the viewpoint of our own national interests.

It is very important to see that the state budget has the funds available and pays its dues to the UN and other organizations on time. The same is also true of funds for active promotion of our interests in the UN. This aspect not only determines the effectiveness of our action but is also a condition to waging our own policy in the UN forum.

The proper use of such resources is an equally important matter. For this reason, a cost-benefit analysis should become an important element and should play an increasing role in choosing our multilateral policy.

* Opinion Poll of Industrial Workers Reported

93EP0195B Warsaw ZYCIE WARSZAWY in Polish
17 Feb 93 pp 8-9

[Article by Juliusz Gardawski and Tomasz Zukowski:
"Workers at a Crossroad"]

[Text] What do the workforces of the plants, factories, mines, and steel mills think?

Worker approval of the market and foreign investments is dropping. More and more people want their factories to be state-owned, but those employees who obtained a piece of the ownership are increasing the support for the market.

A recent poll, one of a series sponsored by the Ebert Foundation (this time supported by the Ministry of Labor), conducted last November by the Public Opinion Research Center, gives an answer.

Three Ways of Thinking About the Economy

Most of the people questioned turned out to be moderate reformers (they made up 40-45 percent of all who were questioned). They approved of the market, competition, and privatization, but they continued to look at foreign capital with distrust. They preferred that their own firms not pass into private hands. They proposed, rather, that they remain under ownership of the state or become employee-owned. Although reconciling themselves to certain hardships connected with competition (bankruptcy, job loss), they rejected the possibility that unemployment might occur.

There were fewer traditionalists (up to 15 percent) that rejected all forms of privatization and defended the welfare role of the state and the principles of equal division. But their views were not completely consistent: Most of them also supported competition and enterprise dependence.

The last orientation, the liberal one, was the most consistent, but at the same time it was the least popular (5-10 percent). It envisaged full privatization (including the sale of state firms to foreign capital). It treated unemployment as an inevitable cost of reform, and economic rationalism was advocated.

It turned out that in the 20 months between the last two polls the awareness of the employees did not change very much. In the spring of 1991 a small group of liberals could be found among Polish workers (every 20th person questioned), as could traditionalists (every fourth), and the largest number consisted of moderate reformers. But although the structure of thinking about the economy is, generally speaking, stable, the level of support for some principles clearly evolved.

Direction of Changes

The approval of the market and competition dropped. The antipathy towards foreign investors, even those who could build factories in Poland, creating new jobs, grew. On the other hand, the support for Polish capital rose greatly, although the antipathy towards a capitalistic employer remained. To put it most briefly, the workers questioned felt that Polish private capital should develop in Poland, but they themselves did not want to work in private enterprises.

Support also grew for state intervention in the economy and various forms of democracy in the labor sphere (both the concept of a self-managing enterprise and employee shareholding).

Growth of Support for State Ownership

More and more workers would like the place in which they are employed to remain under state ownership. The number of advocates of such a viewpoint rose by as much as 25 points! (from not quite 27 to over 51 percent). The present state enterprise system with unofficial ties and a lack of tension among rank and file employees and their supervisors is, apparently, still a friendly "social niche", which many people would not like to give up. This is doubtless the result of disillusionment with foreign capital and a fear of privatization and the brutality of the representatives of a new Polish middle class. We can repeat the observation of the well-known Polish sociologist, Witold Morawski, that the persons questioned are waiting for "capitalism with a human face." Not wanting a return to real socialism, they believe, however, that in a market economy an equivalent place should remain for state firms.

Indecision Among Advocates of Reform

The advocates of a liberal orientation, while approving the development in Poland of all forms of capitalism, were at the same time, in the majority against the present system of carrying out ownership changes. They believed, more often than the other employees, that strikes are still an effective way of defending workers' interests. The most pro-reform part of the industrial

workforce (and unquestionably these are the liberals) ceases to be loyal to the government's economic policy.

Ownership Changes Thinking

Generally speaking, employees do not expect that private firms will allow them as much influence on decision making as do state firms.

Some important addenda to this result are the figures from the August poll for the Employee Ownership Union conducted in employee-owned companies. They showed that the employees were disillusioned by stockholding because they had expected a relatively equal division of stock, while in reality the controlling blocks of stock went principally to the management.

It also turns out that although the people from the employee-owned companies were not satisfied with their influence in their firms (they said that it had really fallen), their thinking about economic events changed—probably because they owned some shares in their enterprises. They did not want union or political intervention in the economy. They were more definite in their support of market principles and did not feel any strong ties with enterprises.

Over the last several months the sense of employee isolation has diminished somewhat, but still over half of them complain that no one effectively represents the interests of Polish workers. Those questioned in the plants are satisfied the most with their immediate superiors (foremen, team leaders) and management. The trade unions come out worse.

"Solidarity" Still Prevails

In the workers' opinions, it is more effective than OPZZ [All-Polish Trade Union] or other unions. However, the role it plays has gradually weakened in the last four years due to the effect of the actual conditions existing inside the plants, the increasing presense of the Solidarity camp, the increase in the number of positions contesting the government's policies, and the strengthening of the competition with OPZZ and "Solidarity '80."

Things Have Changed for the Worse in Poland

The workers groups are rather critical with regard to the changes taking place in Poland today. The advocates of the view that in the three years since PZPR [Polish United Workers Party] lost authority to "Solidarity" things have worsened in Poland are about twice as numerous as the people who say that these changes were for the better.

The blame for the bad state of the economy and household budgets is placed mainly on the many years of governing by PZPR, but also on the three years of "Solidarity" governing. Strong worker anticommunism has nevertheless clearly become weaker over the last several months. However, their dislike of church politics in social and public life has risen greatly. Only 35 percent

of those questioned declared confidence in the church, and 55 percent stated mistrust in the church.

For many months a strong pro-strike sympathy was balanced by a relatively large employee confidence in the government (almost 45 percent of those questioned), the anticipation of political stability (and fear that it would be disturbed), the desire to "be well governed", hopes that the results of the difficult transformations would be favorable, and finally the conviction that the most effective instrument in the struggle for workers' interests is "Solidarity's" negotiations with the government.

The Communists May Win

The election preferences of the workers were, just as in 1991, very scattered. The groupings of the broadly interpreted Solidarity camp and the Confederation for an Independent Poland (KPN) still had the greatest support. However, these positions could change. The workers frequently added that the communists may win in the next elections

Support for the communists did not come from the fact that people liked the features of a socialist economy or because they approved of the "old-system" political institutions (these are still categorically rejected). It resulted from the fact that many people felt the communist authorities were "afraid of the working class" (it was possible to effectively strike against them) and that they provided greater social security.

Signs of an Alternative

Although the workers groups are still dominated by the Solidarity experience—for the second time since the "Tyminski phenomenon"—signs of an alternative can be seen.

The first possible course is the appearance of a strong leftwing. It can form itself around Social Democracy of the Polish Republic and OPZZ (this is assisted by the legacy of anticommunist attitudes and the relatively strong organizational base of these groupings, but not by the continuing political preferences of the employees), or around the Union of Labor.

The second course (in the short term it may be more likely than the first course—in the long term perhaps not) is the expansion of KPN.

The third course is a growth of "Solidarity '80". In the light of a study of workers' opinions, this is the most probable scenario. According to an examination of the organizational state of this union, it is clearly less realistic.

These movements could appear jointly with one another, or actually work together (let us recall the August strikes and the December alliance of KPN and "Solidarity '80"). The possibility of all three merging into one is nonexistent (at least now) as too many things divide them.

However, we must remember that the appearance of an alternative does not mean the inevitability (or even high probability) of their success. The initiative still rests with "Solidarity".

The poll was financed by the Friedrich Ebert Foundation and the Ministry of Labor and Social Policy. It was conducted in 49 industrial enterprises by the Public Opinion Research Center between 3-17 November. The random sample covered 1,006 employees.

* Officials Discuss Effect of Lower Prime Rate

93EP0199C Warsaw RZECZPOSPOLITA in Polish (Economy and Market Supplement) 25 Feb 93 p 1

[Article by Katarzyna Jedrzejewska: "The Right Step, but the Road Is Long"]

[Text] Reducing the interest rate is a step in the right direction, but let us not draw too many optimistic conclusions from it. We cannot yet count on a growth in demand for credit, and it is possible that the zloty [Z] will feel threatened. We can talk about lower expenditures out of the state treasury when the average annual interest rate on refinancing credit is lower than that envisaged. At the moment it is above 6.3 percent. We can, however, count on a greater supply of preferential credits, such as farm credits for about Z10 trillion. What the effects of a reduction in interest rates will be was discussed on Thursday by the head of the Central Planning Administration (CUP), Jerzy Kropiwnicki, and the deputy minister of finance, Wojciech Misiag.

Credits Continue To Be Expensive

We will not be able to talk about the real cost of credit and the profitability of bank deposits until we compare them with inflation, the CUP head said. The bank's move was still too cautious to be able to speak about a growth in demand for credit.

However, changes are already apparent as regards deposits. Long-term deposits have become less attractive.

Minister Kropiwnicki hopes that a reduction in interest rates will help ease inflation and lower productions costs. On the whole, he says, the NBP's (National Bank of Poland) step was correct, but "too cautious." "I assume that after recognizing the effects of its decision, the central bank will take more bold steps," said Kropiwnicki.

The Dollar May Become More Expensive

"Even a year ago a reduction in the prime rate would have caused a big movement upward in the dollar. Today there is still quite a large margin between the NBP exchange rate and the street (counter) rate," remarked Kropiwnicki.

But the CUP head admitted that we cannot rule out any unfavorable effects. It may be (it does not have to be, but it may) that zloty deposits will be shifted to foreign exchange deposits, and this will produce a growth in demand for the dollar and other foreign currencies. Thus, if the margin between the official exchange rate and the counter rate shrinks, the pressure on the official bank exchange rate will increase. Then the exchange rate of the dollar will have to rise. Minister Kropiwnicki reminded people that the current exchange rate can also be used to control the balance of foreign trade (it is especially important that the profitability of exports be ensured).

Certificates Are Less Profitable

"The Ministry of Finance (not just the banks) also reacted to the NBP signal," said the representative of the ministry. "At the auction we clearly reduced the discount on treasury certificates."

Asked by RZECZPOSPOLITA for reasons why the profitability of treasury certificates dropped, minister Misiag admitted that the banks expected that the prime rate would be reduced. Actually, this was already seen at the certificate auction on the Monday preceding NBP's decision. "It is obvious that when the prime rate drops, the profitability of certificates shrinks." But the minister emphasized that the profitability of certificates should be assessed the same as the cost of credit, i.e., in comparison with inflation (average annual rate, and not December to December).

Expenditures Lower, but Steadily Higher

Asked by RZECZPOSPOLITA whether lower budgetary expenditures can be expected, Misiag replied with a definite "no."

In planning the 1993 budget it was assumed that the average interest rate on refinancing credit will be about 28.7 percent in 1993, or about 10.3 percent lower than in 1992. At the moment, after last week's 3-percent reduction, it was 35 percent. If during the course of the year it does not fall below 28.7 percent, expenditures will certainly be no lower than had been planned, and may be higher. Thus NBP's recent decision can be regarded as the first step in the right direction. "Thanks to this, our expenditures dropped, but they are still higher than the estimates that were made on the basis of the average annual interest rate on credit," Misiag explained. These expenditures are mainly service on the national debt, repayment of credits drawn to cover the costs of the discount on treasury certificates (about Z33 trillion). They are the most strongly tied to the interest rate. Other expenditures tied to this rate are installments on farm credits, investments, and the interest rate on housing credits. The service on these credits will be cheaper, but—let us remember once more—still higher than planned. "Of course it is always easier to pay off lower interest rates, and this may help to improve the profitability of the bank," Misiag added.

More Credit?

According to Minister Misiag we can expect the pool of preferential credits to grow. "A reduction in the central bank's interest rate and the commercial bank interest rate reduction that follows, can be used in two ways," added Misiag. "Either credit will be cheaper while the level of subsidies from the treasury and the pool of preferential credits remain unchanged, or the pool of preferential credits will grow. In my opinion this would not be logical, because when the interest rate is reduced the share of budget subsidies grows. Thus, we can only expect a larger range of preferences. Subsidies will remain as written in the budget."

* Foreign Trade Promotion Funding Analyzed

93EP0190A Warsaw RYNKI ZAGRANICZNE in Polish
No 18, 11 Feb 93 p 1

[Article by "om": "Limitations and Compromises: Foreign Trade '93"]

[Text] The fate of the government's proposed budget for the current year, which has already been labeled a budget of limitations and compromises and with which no one is satisfied, is being weighed in the Sejm. These concerns also apply to foreign trade, although exports for some time have sustained an unquestioned position as the "locomotive pulling the Polish economy," and despite the fact that government programs declare preferences for it.

During the first reading when the deputies raised many questions regarding social issues they also noted crucial shortcomings in the resources for restructuring and for economic promotion. This included, for example, the complete lack of "a share" for the State Agency for Foreign Investments.

That was the end of the promotion of Polish exports; successive compromises between the government and the Sejm version left about 92.2 billion zlotys [Z] out of an initial sum of Z500 billion. By comparison, in 1992 Z113 billion and in 1990 Z145 billion were spent on foreign trade promotion. The nominal sums were larger, not to mention their real value.

This does not put us in a favorable situation in comparison with our partners in the European market. According to information obtained from Emil Nieroda, director of the Department of Promotion in the Ministry for Foreign Economic Cooperation, Hungary, for example, spent 4 billion forints in 1992 on foreign trade promotion, which is more than Z756 billion or Z70,500 per capita. Spain, which we so eagerly look to as a model of development, spent 16.6 billion pesetas or about Z2.3 trillion (Z60,000 per capita). Thus, we must accept a 30-fold advantage for the Hungarians and the Spaniards in comparison with the Z2,300 per capita Poland is spending.

This situation is directly reflected in export performance in per capita terms. In 1992, we exported \$390 per capita while Spain exported \$1,500 and Hungary (for 1990) exported about \$920. Germany exported more than \$6,000 and France about \$7,500.

Poland's situation, however, is such that, as Director E. Nieroda emphasizes, there can be no pretensions on the part of the ministry, at least for 1993. The Ministry for Foreign Economic Cooperation has concentrated on the most effective use of minimal resources. Some resources must be used for so-called regular expenditures, such as publications promoting Polish goods, firms, and services, and their distribution, which is to consume Z10 billion. As always, there will be funds for awards given in cooperation with RYNKI ZAGRANICZNE for the Master and Junior of Exports competitions—funds which were nominal in 1992.

In addition, some funds must be used to subsidize various export promotions. This apply only to projects with probable high returns in only a few areas; it applies to subsidies for small and middle-sized firms in selected international fairs, educational efforts promoting exports, participation in economic missions to the countries of the former USSR, subsidies for firms that have received quality awards recognized abroad, costs of official certification, attestations, etc. Help will be directed exclusively to export producers, not to intermediaries, and preferences are to be directed to cooperation with the countries of the former USSR, to an increase in agricultural and food exports, to efforts to adapt to the requirements of the EC, and to develop regions particularly in danger, such as Lodz or Walbrzych.

The expenditures of the Ministry for Foreign Economic Cooperation are not limited to promotion. There are also, for example, such important items as maintaining trade advisers, but in this area, the budget forces far-reaching austerity. To be sure, the limitation of some foreign posts had been foreseen, but new ones, just in the newly formed countries in Eastern and Southern Europe, are essential and in Poland's best interest. Let us also remember that the Ministry for Foreign Economic Cooperation is supposed to provide the budget with the not so small sum of about Z800 billion for the privatization of the enterprises under it and with Z75 billion in dividends from partnerships in which the Ministry represents the State Treasury for 1993.

Jerzy Rutkowski, director of the Economic Department, speaks about the budget situation of the ministry as follows: Resources, according to the current version, will permit the implementation of the most essential needs in foreign trade, but one cannot expect any expansion in foreign markets.

Does foreign trade fear disturbances associated with a possible parliamentary rejection of the government budget? Certainly it does not fear further limitations of funds; nothing more can be removed. But under a temporary budget, Director E. Nieroda says, when

budget funds are used only immediately, a bit at a time, some damage can be expected if only because one cannot act within a longer perspective.

* Rail System Restructuring Described

93EP0190B Warsaw POLSKA ZBROJNA in Polish
17 Feb 93 p 3

[Article by Andrzej Wasiak: "Along the Tracks on Foot"]

[Text] During 1992 there was frequent talk of the Polish State Railways enterprise and its problems, always in the context of strikes, announced or in progress, by the railway workers. The protests by this occupational group are particularly painful for all of society. One has to get to work, and finished products have to be transported from the factories. How is that to be done when the trains are standing still?

During a joint meeting of the Sejm Commissions for Trade and Services, Legislation, and the Economic System and Industry, a special subcommission was formed; it is to prepare a revised version of the proposed law on the Polish State Railways by 18 February 1993. In the opinion of the deputies, the current law adopted in 1989 "does not establish conditions for the operation of the state enterprise for railway transportation in a market economy."

The recession that has continued in the economy since 1990 is to blame. It contributed to the decline in demand for rail transportation service, both for passenger and freight service. The railroaders consider it one of the most important factors determining the financial situation of the Polish State Railways. In 1990 the enterprise had a positive gross balance of 1,884.7 billion zlotys [Z].

However, even at that time, the tax burden for wage increases of Z2,254.2 billion left a net loss. The state budget provided the Polish State Railways with subsidies totaling Z3,535.3 billion.

The next year, 1991, brought a significant worsening of the enterprise's financial condition. Budget subsidies were kept at an almost unchanged level. There was, however, a further decline in the number of shipments and a significant inflationary increase in costs. The gross loss was calculated at Z3,504.1 billion. After adding the tax on excessive wage increases, the Polish State Railways was Z9,362.8 billion in arrears.

The final version of the 1992 financial performance has not yet been calculated. It is known, however, that the losses are large. To be sure, there was no tax obligation for wage increases, but it is estimated that the gross loss will be about a Z2 trillion.

Another reason for the financial failure of the railways is the policy toward the Polish State Railways, or rather the lack of one. The state authorities have not clearly determined toward which model of rail operations they are proceeding. It is also not known what the role of this

branch of transportation within the entire domestic transportation system will be.

Since 1990 observers have noted a passive attitude by the decision makers—outside of the Polish State Railways—toward the problems of Polish railroads. This passivity is expressed in a lack of far-reaching expectations. No actions fundamentally reforming the enterprise have been taken.

Decisions on pricing changes for passengers and freight have been made, but without consulting the Polish State Railways. Wage increases for railway workers are made outside of the General Directorate, usually under the threat of another strike. The situation is similar for subsidies for rail infrastructure, passenger transportation, and taxes on the operations of the Polish State Railways. The situation is no different with organizational changes. These decisions are made on the basis of current regulations, but these have not been adapted to market conditions. Moreover, although they are made outside of the enterprise, the management of Polish State Railways is responsible for their execution and their effects.

It is not necessary to justify at greater length the point that the decisions listed above determine to a great degree the financial situation of Poland's railroads. In this situation, the management of the enterprise has decided that restructuring is the only sensible thing.

The first steps in this direction were taken in 1990. The most spectacular ones were the exclusion of 76 facilities in the construction and production groups from the structure of the Polish State Railway in 1991. They employed 66,000 individuals. The decision, however, was made outside of the Polish State Railways without performing the appropriate economic analysis. Its effects, however, are long-term and in the end may be negative.

The next restructuring decisions were made sovereignly by the general directorate. As a result, they reduced employment further by 71,000 individuals. Nearly 400 organizational units in various enterprise services were liquidated. About 60,000 old and damaged freight cars, 431 locomotives, and 300 passenger cars were withdrawn. They also eliminated 216 km of unprofitable tracks and disassembled 334 km of tracks. All these efforts produced significant savings for the enterprise.

The Polish State Railways has begun to rent out its facilities. The enterprise rents its unused halls to wholesalers. In its recreational facilities, it organizes receptions or conferences for anyone who will pay. These and other similar efforts have contributed to an increase in income from non-transport sources. During these general "hard times" when every penny counts, such an attitude seems fully justified.

Further restructuring should aim to reduce the costs of enterprise operations. In particular, it should adapt to the new employment requirements, add fixed assets, and

increase economic efficiency. One should remember, however, that so-called simple reserves are quickly exhausted. Meanwhile, the gigantic hunchback of the past continues to pin down the enterprise as it tries to raise itself. The social benefits seem to be the most difficult to overcome. People have become accustomed to certain advantages, and they do not want to hear that the enterprise cannot afford them. In 1991 the Polish State Railways maintained 114,000 factory apartments which it subsidized to the tune of about 0.5 trillion zlotys. The maintenance of nurseries, preschools, and recreation centers cost even more.

Technological backwardness is another type of burden. It can cause damages during freight transportation and the unprofitable use of outdated equipment. It is also responsible for the excessive amount of transportation equipment. Many fewer modern cars and locomotives would be required to perform the same amount of services. They, however, would require modern tracks which significantly delays a solution to the problem.

A remainder of the past era is the over investment in facilities belonging to the Polish State Railways. Today the cost of maintaining them exceeds the ability of the enterprise. Thus, it leases space to various partnerships in the Central Train Station in Warsaw, which is speckled with the most various booths, advertisements, and vendors.

The politicization and polarization of the decision makers in the enterprise is also hampering railway reforms. It will be difficult to contend with them, but it is no longer possible to remain passive. It is now necessary to break the cursed Bermuda triangle of the workers' councils, trade unions, and management. Without doing that, even the painful but necessary changes cannot be put through.

For many years the countries of Western Europe have been dealing with the problems of setting the principles of operation of railways and the range of state intervention in their operations. Their goal is to help the financial situation of their railways and to make it possible for them to compete with the tremendous competition from other kinds of transportation firms.

A new law on the Polish State Railways, whose proposal deputies are to prepare for 18 February, will completely change the model of operations of Poland's railways. It calls for resigning from the so-called self-management of the employees, formed during the period of real socialism. It will also bring the railway enterprise closer to the management model generally accepted in a market economy.

[Box, p 3]

On express, fast, and international (up to the border) trains, dispatches can be given directly to the train director. Polish State Railways guarantees rapid, safe, cheap delivery services.

[Box, p 3]

Polish State Railways has introduced a new form of service. At international ticket windows, one can reserve and purchase tickets to 66 trains in the Commonwealth of Independent States. In Warsaw, the terminal for the Russian system for reserving seats is located in the Central Train Station.

[Box, p 3]

The first computer hooked up to the "early warning system" of the Institute of Meteorology, which records meteorological data from all over Poland, has been installed at the CDOKP [expansion unknown]. It should be particularly useful during the coming winter.

*** Efforts To Tighten Tax Collection Succeed**

93EP0189A Warsaw RZECZPOSPOLITA in Polish
(Economy and Market Supplement) 11 Feb 93 p 1

[Article by Katarzyna Jedrzejewska: "26 Zlotys per Zloty: Income To Be Uncovered, Taxes To Be Paid"]

[Text] Several weeks ago the Internal Revenue Auditing Department received in the mail two large containers. Inside were 5,500 reports on the untaxed incomes earned by Poles last year in the United States (from jobs, businesses dividends, interest earned on capital, scholarships, royalties, and so forth). The Polish Internal Revenue offices are now checking whether these incomes had been reported on tax returns in Poland. The IRS auditing departments of both countries intend to continue this cooperation.

Each zloty [Z] invested last year in internal revenue audits in Poland yielded Z26. Altogether, as a result, the state budget gained additional receipts totaling nearly Z6.7 trillion. To be sure, the auditors uncovered violations totaling a much greater sum, more than Z13.5 trillion, but the audited taxpayers have appealed them. In 74 percent of cases the auditors hit the nail on the head.

Of the crimes, "tax crimes" definitely predominate. In 1991 underreported income accounted for 41 percent of all the violations uncovered, whereas for last year this percentage rose to 75. The audits revealed that attempts had thus been made to defraud the Treasury of a total of more than Z9.8 trillion in 1992.

Violations of foreign exchange regulations altogether exceeded Z1.2 trillion.

In the case of state enterprises the abuses concerned chiefly ownership transformations. Most often, the contributions made by state enterprises to newly formed companies were padded. The auditors also uncovered

other, less frequent violations, such as unjustified collection of subsidies (chiefly for liming fertilizers), irregularities in spending budget funds, and violations of price regulations (most often undue or extra fees levied for central heating).

The auditors in Bielsko-Biala turned out to be most effective. They uncovered a scam intended to cheat the Treasury out of half a trillion zlotys. The scam consisted in transferring incomes along an entire chain of family-linked companies. The (unquestioned) findings of the auditors from that voivodship enriched the state budget with an additional Z700 billion (the remaining 200 billion was appealed by the audited parties).

That scam has, however, signaled another problem, that of securing the assets. Tax violations usually concern much larger sums than the value of the assets that can be seized from delinquent taxpayers. In Bielsko this problem proved to be even more complicated because some of the profits had already been siphoned abroad. Altogether assets worth only half a trillion zlotys could be recovered out of the delinquent more than Z13.5 trillion.

Moreover, the fines and penalties levied still remain fairly low—only Z21.5 billion could thus be collected from the audited parties.

Sometimes an auditor's qualifications are questioned. This year, as required by law, all auditors had to pass an examination. In addition, 350 new auditors have been appointed. The Internal Revenue Auditing Department at the Ministry of Finance intends to evaluate the qualifications and performance of the auditors.

At one time the issue of informants had caused a considerable stir. The law allows for the possibility of rewarding "informants." "Still, I do not intend to treat denunciations as the basis for our operations," said Zygmunt Sachnowski, director of the Internal Revenue Auditing Department. For this reason, too, no contingency fund for disbursing such rewards has been established. As we have learned at the Ministry of Finance, it may be that no such fund will be established.

Box, p 1]**Most Frequent Foreign Exchange Violations:**

1. Exportation of hard currencies without a foreign exchange permit or contrary to the terms of that permit.
2. Opening and maintaining abroad a foreign exchange account in the absence of a foreign exchange permit.
3. Granting and contracting foreign-exchange loans (upward of \$1 million) abroad in the absence of a permit.
4. Failure to bring foreign exchange into the country in order to pay obligations on schedule (e.g., partnership

contributions in the form of promissory notes kept abroad for more than two months).

5. Executing foreign payments in a currency other than that specified in a contract and without the mediation of a foreign exchange bank.

6. Engaging in activities consisting in the sale and purchase of foreign exchange without a foreign exchange permit.

7. Failure to resell to foreign exchange banks income derived in foreign currencies.

8. Failure to base foreign exchange transactions on NBP [National Bank of Poland] rates of exchange.

9. Financing business activities from "A"-type bank accounts.

10. Failure to report the foreign assets of Polish nationals and of foreign nationals residing in Poland.

Future Tasks, Goals of Economy Listed

93CH0409A Bratislava LITERARNY TYZDENNIK in
Slovak 2 Jan 93 p 12

[Article by Jozef Mihalik: "Slovakia—The Second Most Advanced Country"]

[Text] At the time that it achieves full statehood Slovakia will become the second most advanced country in the Eastern Central European area (after the Czech Republic). The Slovak Republic's task of strategic importance is to keep itself on this second rung in the economic maturity among the former socialist states and to create a strategy which will exploit the advantages of the Slovak Republic for its further development so that around the year 2000 it will meet the requirements for entrance into the EC. In the economic field data on the decisive economic indicators testify to its position as the second most advanced country of the former socialist states.

For example, according to the FINANCIAL TIMES, which compared the standard of living in Eastern Europe, the per capita share of the gross domestic product in Czechoslovakia for 1991 was \$7,500, from which one can deduce that it was about \$6,500 for Slovakia, while in Hungary the share was \$5,400, in Bulgaria \$4,800, in the former Yugoslavia \$4,600, in Romania \$3,600, in Poland \$3,500, and in the former USSR about \$2,800.

We gain a more convincing comparison by using specific illustrations. For example, the per capita production of electricity (in 1989) in Slovakia was 4,654 kWh, in Hungary 2,797 kWh, and in Poland 3,843 kWh. There were 666 kg of pig iron poured in Slovakia per capita, 185 kg in Hungary, and 242 kg in Poland. For raw steel, it was 899 kg in the Slovak Republic, 313 kg in Hungary, and 399 kg in Poland. The per capita production of cement in the Slovak Republic was 777 kg, in Hungary 364 kg, and in Poland 452 kg. The wheat yield per hectare reaches 5.53 in the Slovak Republic, 5.28 in Hungary, and 3.33 in Poland. The per capita meat production reached 105 kg in the Slovak Republic, 150 kg in Hungary, and 74 kg in Poland. Per capita milk production in the Slovak Republic was 390 kg, in Hungary 366 kg, and in Poland 415 kg (the data are from 1989).

Even though the decline in gross domestic product was greater in the Slovak Republic for the years 1991-1992 than it was in Hungary and Poland (in view of their declines in the previous years) and this decline will continue temporarily in 1993, it was and will remain lower than in the other former socialist states. The starting position of the Slovak Republic is even better (but behind the Czech Republic) in a number of important indicators.

Hungary and Poland supported their transformation policies at the cost of high foreign debt in convertible currencies. The foreign indebtedness in convertible currencies per capita in the Slovak Republic was (as of 31

December 1991) about \$593, in Poland \$1,219, and in Hungary up to \$1,953. The relationship of foreign currency reserves to indebtedness is a ratio of about 47 percent in the Slovak Republic, while in Hungary it is only 10.3 percent and in Poland 21.2 percent. The ratio of foreign indebtedness to the overall amount of national product created is about 29 percent in the Slovak Republic, 67 percent in Hungary, and up to 81 percent in Poland (the data for the Slovak Republic are generalized from data for the CSFR). In all other countries in Eastern Europe these ratios are even worse.

The level of inflation in 1992 is increasing from 10 percent to about 20 percent for December 1992 (in Hungary there was an increase in the prices for postage, electricity, and such), while in Hungary it is about 38 percent and in Poland about 40 percent (in 1991 it was 70 percent). It is even higher in the other states of Eastern Europe. The utilization of production capacity in Slovakia is about 70 percent and is lower in the other states of Eastern Europe. By way of comparison, it amounts to about 85 percent in the United States and in Switzerland.

The strategy of reviving the Slovak Republic's economic development on which the government is counting in 1993 represents a significant step toward keeping the second rung for the Slovak Republic's economic position in the Eastern Central European area. It means that the decline in production should be halted in the first half of 1993, and in its second half the situation in the economy should stabilize with a revival. The sum of 15 billion korunas [Kc] should financially support this trend with the following priorities: 33.3 percent for agriculture, 30 percent for structural changes, 20 percent for transportation, communications, telecommunications, and infrastructure, and 12 percent for a supporting fund of guarantees for small and medium-sized enterprises. A further continuation in conversion will be ensured by 106 projects, which will bring their overall number up to almost 200. It will be necessary to spend at least Kc1.2 billion to accomplish this. The priority programs are supposed to relate to the development of the infrastructure, the tourist industry, small and medium-sized enterprises, the support of export capabilities, and some projects in the chemical and electronics industries. In the following years a decisive task must be the revival of the populace's consumer demand.

The strategy of maintaining the second rung requires an approach to the economic policies with a certain long-range view and with a certain degree of well-founded tolerance, even at the price that it would be necessary to justify it to, for example, the IMF or the World Bank. I have in mind, for example, permitting a reasonable level of deficit in the budget. Neither the IMF nor the World Bank will insist so strictly in this phase of the transformation on a "zero" balance, and a certain tolerance between income and expenditures (about 5 percent) will be allowed. After all, even in a market economy a deficit budget is not anything extraordinary and a reasonable degree of inflation is tolerated there.

We have to depend primarily on ourselves. From the EC we will indeed get a lot of friendly assurances, pious well-wishes, and various forms of advisory services, as well as designated loans on a commercial basis (which also will help the West out of the recession and which must be repaid), but what would really help, gaining access to the Western European market, remains unresolved. In such a situation, the policy of relying on one's self is a reality which can be modified according to the degree of willingness that the West shows to integrate the Eastern Central European countries into the EC.

It is being shown that it will be necessary to gain space in the markets of the West systematically and with vigor, more bilaterally than multilaterally. At the same time it is necessary to look for resources. To free up the developmental drives and the internal reserves will not be enough for this. To maintain the second rung by depending exclusively on drawing from internal reserves would not be realistic. The breakthrough to the foreign scene should, however, be deliberate and well thought out.

The liberalization of world trade is a process into which one must enter carefully if you do not wish to sacrifice national economic interests for the benefit of large global producers. An example of this is the conflict which has been going on for more than two years now between the EC and the United States on the level of agricultural subsidies. France, Ireland, and Spain in particular have an attitude of rejecting the reduction of subsidies in accordance with the U.S. ideas. The United States also subsidizes its own agricultural production, but it bothers the United States that the EC does it to a much greater extent. They demand that the EC significantly reduce this subsidy and therefore have restricted the export of the subsidized products by 22 percent. Otherwise there is a threat of sanctions which would mean not only a trade war, but also significant protectionism on a global scale. One must add to this that Slovakia should not strive for this at any price and thus early on have to deal with a drastic reduction in subsidies according to the U.S. ideas because this would lead to a collapse of agriculture and a threat to the people's livelihood.

The industrialized West has an interest in keeping the Slovak Republic as the second most advanced state of the Eastern block and in its further development. The penetration of Western firms into the Eastern markets is a fact and along with it comes the expectation of better sales and profits for the Western companies. A prospering, advanced Slovak state should contribute to increased sales for the Western companies, the exploitation of the tourist business, and to other activities which will help to revive the stagnating economy of the West.

For now the West has distorted ideas about the level of the Slovak Republic's advancement, and anti-Soviet propaganda is to blame for this. The differences in the state of the Czech Republic's economy and that of the Slovak Republic are exaggerated. They are not aware that there are only small differences (5 to 10 percent). In

comparison with the situation in the neighboring countries (Poland, Bulgaria, Romania, and Hungary), Slovakia is better in all the indicators.

One must believe that the 50 embassies which start operating in the larger cities throughout the world in January 1993 will bring the truth nearer to the other countries, and not just that. Slovakia, which like the Czech Republic belongs geographically, historically, and culturally to Europe, will strive to accelerate the rapprochement with the EC. One can say that already Slovakia meets in general terms many of the criteria for membership in the EC. These include liberalization of trade activities with other countries, price liberalization to 95 percent, the introduction of a modern tax system compatible with that of the West, a rational solution to subsidy policies, etc.

It follows from the logic of mutually beneficial cooperation of the two most advanced states of the former socialist countries (the Czech Republic and the Slovak Republic) that both will cooperate closely and mutually aid each other. The solidarity and understanding between the Czechs and the Slovaks will be a criterion for the expected solidarity for the Slovaks and for the Czechs on the part of Europe. It should not, however, take the path that was followed in the case of the Gabčíkovo water project where the formation of a Czech anti-Gabčíkovo lobby and their followers in Slovakia have for years planted falsehoods at home and abroad, spread hatred against Slovakia, and put out anti-Slovak political intentions on the part of the Hungarians. Unfortunately, this is taking place with the help of the anti-Slovak oriented federal television, as was the case in the anti-Gabčíkovo program "Do Not Let Yourself Be Deceived" on 6 November 1992 at 2000 hours.

The key question for the Slovak Republic in keeping the second rung is to correct the inaccurate image of Slovakia abroad. Until now Slovakia has been deliberately and systematically deprived of the opportunity to act on international questions. Each sign of pressing for Slovak interest abroad was soundly wiped out and the people mercilessly removed from their jobs. Under such circumstances, fear and insecurity spread among the people who had the chance to pursue Slovak interests and who openly supported Slovakia. The result is that Slovakia has no lobby outside the country.

It should not be any great problem to create one. The removal of the Slovak taboo with the birth of the Slovak state makes it possible to freely express the interests of the Slovak nation in all areas. A person in the West who takes in democracy with his mother's milk will be inclined to rapidly accept the Slovak right and will also be willing to help it. There are many Slovaks in the world who are losing their fear and correcting their relationship to the nation.

Other than the politicians, the people who will have the greatest role in the creation of a Slovak lobby should be the scientists. The creation of Slovak statehood and its

development in all areas is an objective process which the scientists of every country will understand. A scientist will rapidly grasp our problems and will support the Slovak cause without regard as to the state in which he lives and works.

If the Slovak Republic is to preserve itself, we need the support of artistic people as well. Negative presentations along the lines of the "Gagtime" show of 31 October 1992 on TV channel F1 is not the right path. The vulgar satire on the creation of the independent state, the state emblem, and its anthem shows the imbecility of its creators, as well as the wretchedness of the orientation of some of the creative people who have broken off from the national interests and look for worldliness in a primitive pandering to anyone who is willing to elevate every anti-Slovak manifestation to a European action. In England after every performance in the theater the audience spontaneously sings the national anthem. In Bratislava some artists prove their "patriotism" by ridiculing what is the most sacred for the Slovak nation, its own state, the Slovak emblem, and the Slovak national anthem. Some go even further and put themselves in the service of the anti-Slovak propaganda through making up lies (for example, the Slovak representatives to the Charter 77 Foundation and such). Similar manifestations do not strengthen the Slovak Republic's reputation for maturity, and it is therefore necessary to reject them and to look for a source of cultural elevation of the Slovak Republic where it really exists.

One of the important paths toward taking control of this problem is the question of mastering Western-type management. The West is advanced not only because it has a lot of functional, high-quality, and affordable products, but mainly because it is able to direct its human capital in a way to achieve rational enterprises and effective production with constantly higher productivity of labor, so that innovations take place on the basis of scientific knowledge, so that work is done at the worksite effectively, exactly, responsibly, and in a disciplined manner, so that everyone sees to the order and the system, and so that they make use of modern methods of work and direction. Their grasp of management makes it possible for them to do this.

It is a certain handicap that in the Slovak Republic many people are still not aware of the absolute necessity of changing our way of thinking and behavior so that each person has the will to work effectively and in a high-quality way and to do business on the basis of ethical principles. Laziness, not being thorough, a lax attitude toward one's duties, irresponsibility, an undemanding nature, and other faults still predominate for many people in their behavior at the workplace. Many entrepreneurs want to get rich immediately and perhaps do not even realize that they can have a very good life off their business if they stick to the essential ethical principles.

We must see to it that the lead which exists in the Slovak Republic in the number of educated people is not

wasted, but rather is further strengthened. The general educational level of the populace of the Slovak Republic is good and leads many countries in the West. Professional training is quantitatively at the average level, which a thorough implementation of personnel management of the Western type could improve in a short time, mainly as far as it concerns line and middle management. We will need international assistance for the training of upper management. The problem is to avoid having the low wages drive educated people into activities where their qualifications are wasted or where wages and salaries at the dumping level support a flight of brainpower out of the country.

An independent and prospering Slovakia should cease to be a source of assimilated people for the surrounding countries. Trianon determined the boundaries in relation to Hungary according to the fact that about 450,000 Slovaks were living in Hungary and about 450,000 Hungarians were living in Slovakia. As a consequence of its assimilation policies, Hungary's official statistics estimate the number of Slovaks in Hungary at about 10,000 (a realistic estimate is that there are today 110,000 to 130,000 of them on the territory of Hungary), while the number of Hungarians on the territory of Slovakia has increased to 566,000. This is the consequence of a lax, even denationalizing, policy of the former regime regarding this Slovak territory in the south (the Hungarians live in the south of Slovakia in an area about 500 km long, not quite 15 km wide, together with 750,000 Slovaks, so that there is not a closed Hungarian language enclave in Slovakia). The paradox is that Slovaks are encountering assimilation tendencies in their own land.

Similarly, the Slovaks have represented a source of assimilated people in the Czech Republic. Officially, 308,000 Slovaks live in the Czech Republic. Actually their number is higher, not even considering the extent to which Slovaks have been assimilated over the past 40 years, during which second and third generations from Slovak parents are declaring themselves as Czechs. It is no wonder because in the Czech Republic there is only one Slovak school, the one in Vitkovice for 160 children.

It is necessary to devote concentrated attention to the enterprise sphere so that Slovak enterprises will be prepared to a higher degree to receive offers from abroad. It is necessary to place emphasis on the domestic manufacturers being prepared organizationally, in staffing, from a marketing standpoint, and conceptually for the effective utilization of investments, with foreign assistance or without it. It is necessary to raise more significantly the competitiveness of the enterprises and of the entire Slovak economy. Even if the level of the Slovak economy as measured by the creation of national income is lower in comparison with the Czech economy (only by 10 percent), in many cases greater differences in the structure, in export performance, and in quality persist. Although the production in the Slovak Republic and in the Czech Republic has been reduced by approximately the same amount as a result of the economic reforms, the impact is greater in the Slovak Republic as

a consequence of the lower ability to compete and the decline in profits. It is therefore necessary to approve an economic policy which would stop the general decline in production and services offered, resolve the inability of the enterprises to make payments, find a way out of the marketing crisis, and stimulate the development of capital construction and the increased creation of resources for the state budget so that it will be possible, among other things, to increase the finances for public consumption (education, health care, housing, and culture).

The results which the present government has achieved in 5 short months are a promise of the correct nature of the further development. The declaration of sovereignty, approval of the Slovak Republic Constitution, placing the Gabčíkovo water project in operation, conclusion of more than 20 treaties on the closest integration of the two states, which has no parallel, and other decisions and planned intentions, especially in the economic field, convincingly say that overcoming the crisis situation from the recent past and forming the basis for a prospering Slovakia are in the proper hands. It is not honest when someone states that the crisis is only starting now.

The key task of the new state, which wants to remain the second most advanced in the Central Eastern European area, will be to stop the decline in the standard of living. To date the drop in real wages has reached about 20 percent. About 15 to 20 percent of the families were in the range of a living minimum in 1991. Between 1989 and 1991 the number and portion of the population "in

a state of material need" increased from 3 to 6 percent. The average nominal wages are 16 to 20 times lower than in the advanced countries of Western Europe, but also lower than in Hungary or Poland. The level of unemployment, which fluctuates around 11 percent (and is declining in 1992 with the continuing increase in production), is actually higher and contains within itself a great deal of hidden overemployment. The costs of living continue to rise. In the first half of 1992 the prices grew by 160 percent and the cost of living by 155 percent in comparison with the average for 1990. In connection with the unavoidable bankruptcies many people will lose their jobs and their social standing will get even worse. The government must take control of this situation. It would not be proper to leave a solution of the growing social problems up to the market alone. The social ramifications of the market should be resolved mainly by the state and it should contribute to the creation of a market economy by creating the conditions for its functioning in a complex form. The socially insecure citizens are not motivated and it will be hardly possible to expect them to be activated in all aspects to carry out the intentions for a higher level of advancement in the Slovak Republic.

This uncertainty is felt especially by the inhabitants of smaller towns and workers. The social insecurity of the citizens must be temporary and not permanent. It is thus necessary to explain it and to set realistic goals in the social field which will be in accordance with the capabilities of the transformed economy.

Macedonia

U.S. Involvement as Answer to Macedonian Crisis 93BA0727A Skopje PULS in Macedonian 4 Mar 93 p 9

[Article by Mirka Velinovska: "Are the Americans Coming?!"]

[Text] *Will the price of our recognition have to be "paid" with U.S. military presence?*

It looks as though nothing in the Balkans will remain as it was in the past. After the two-year-long political agony of the European Community, which wanted to resolve the problem on its own grounds, based on a diplomacy dating from the turn of the century, it has become clear that for quite some time there is not even a question of having a united single Europe. As old animosities come back to life, one after another, the situation has reached a point that the dream of a stable peace on this continent, twice burned in the flames of world wars, was sacrificed on the altar of clashing interests among European partners. Now Bill Clinton and his administration have grandly announced their active participation in settling European matters. The Americans are coming to the Balkans. It is quite certain that they will not remain alone in Bosnia. Their presence, according to all indications, will be quickly felt in Macedonia as well, and will be related to Macedonia's international recognition and membership in the United Nations. However, it will be felt even more strongly in the development of relations in this restless area.

Interviewed by the Bulgarian newspaper KONTINENT, Macedonian President Kiro Gligorov announced that, among others, he had sent two well-considered and rather complex messages to the Balkan politicians. The first was to the Greeks, in which he stated that "the Greek Government must clearly realize that we are not about to change our name." The second was that as far as Serbia and Greece are concerned, although this equally affected the other neighbors, "according to our information, Slobodan Milosevic and Greek Prime Minister Konstantin Mitsotakis had repeatedly met and discussed any eventual partition of Macedonia between these two countries. It is obvious that such relations between Greece and Serbia are a major threat for us." Gligorov also noted that "if the situation in Macedonia becomes destabilized, the outbreak of a new Balkan war is inevitable. We are in the center of the Balkans and no single neighboring country would be able to keep out of the conflict." In themselves, taken out of context of the latest political developments, such statements are nothing new. However, if we assemble the mosaic of ideas voiced by U.S. President Bill Clinton and his administration, the feverishness with which the United Nations is looking for a resolution on the acceptance of Macedonia, the activities of Balkan diplomacy, and revealing the political cards held by the Balkan countries are all of them indications that the Americans are coming to the Balkans, both metaphorically and literally.

For example, why did Gligorov so openly and sharply even publicize the fact that he has information concerning the secret pact between Greece and Serbia concerning Macedonia? Why is the threat of Greece being mentioned? Finally, why the warning that, as a central Balkan country, Macedonia could become the reason for a Balkan war? According to us, it is simply that at the time that such views are being expressed, the strategic centers are realizing that the Balkans are becoming involved in a conflict that is not directly related to the former Yugoslavia. We are dealing here with a possible Greek-Turkish conflict that, if not prevented, would get out of control. That may have been expressed by Slobodan Milosevic in his interview granted to the Turkish newspaper HURİYET, in which he says the following: "We are listening to military news from Turkey. Turkey is saying that it will create an empire from Jadrin to the Wall of China, which threatens the interests of both Serbia and Greece." Greece and Turkey are members of the Western alliance. They are allies of the United States but relations between them have virtually broken down, burdened by a number of problems and old animosities. According to competent sources, if shots are fired, this quarrel will very rapidly turn into a war between Orthodoxy and Islam, in which Russia's huge military presence would be inevitable, and in the course of which the Western alliance would become divided into supporters and opponents of one of the sides.

The question which arises is how to control the situation in this combustible area? One should take into consideration the sensitive and subtle nature of relations among Macedonia's Balkan neighbors, whose policies are based on permanently balancing themselves on a thin wire. In the case of the Yugoslav crisis, which is a fuse triggered to set a regional explosion, not a single one among these countries could or would dare to indulge in the luxury of any kind of interference, albeit indirect, such as that of "provider of logistic and other services" to NATO or the United States. So far, on several occasions Greece has openly stated that it has no intention of intervening in or "yielding" any territory to what was formerly Yugoslavia. Bulgaria does not dare to do so, torn as it is by its domestic combustible situation involving its large Turkish minority as well as its "orthodox" ties with Serbia, Greece, and Russia; politically, Albania is a directly interested party, for which reason it must keep its distance, the more so since, of late, and in Clinton's latest letter to the Serbian president, U.S. policy has unequivocally indicated that "should there be a conflict in Kosovo, triggered by any kind of action on the part of Serbia, the United States is prepared to send military forces against the Serbs in Kosovo and, more broadly, in Serbia."

What remains? What remains is Macedonia, which is stuck within the center of this unfortunate area, equally remote from all "interested" parties but in an advantageous position for the United States to be able, from its territory, to control, direct, and oversee a situation that all of us hope to be able to avoid, in relative security and

without creating a bad situation for its partners. We are still hoping for this. Normally, inasmuch as we can agree that the subtext of the precisely tempered recommendations by Kiro Gligorov are the consequence of this development of U.S. strategic views. If we can interpret in this sense the nervous statements made by Milosevic and his Greek allies, we could already predict the way the situation would develop in the United Nations regarding the acceptance of Macedonia as its member. Still, there is an element of urgency in this project. The United States must have a recognized country in order to pursue its own plans. From that viewpoint it is already clear that a unilateral decision to the detriment of Macedonia cannot be made. Nor could there be a decision as a result of which Greece would come out defeated. All of this, from our viewpoint, is unrelated to logic, justice, and truth.

Therefore, we are advancing toward a compromise according to which all indications are that Macedonia will not come out too badly. This has become quite clear to Mitsotakis and his government. The trumps held by Kiro Gligorov in this round of the Greek "nightmare" are somewhat better. One of them is the awareness in the world organization, particularly among those who support the acceptance of Macedonia with a temporary name, that the name "former Yugoslav Republic of Macedonia" "does not hold water" in our country. The second is precisely the U.S. factor and its political intentions in the Balkans, in which a stable, autonomous, and internationally recognized Macedonia is more than simple reality. It is a necessity. The attempt at ascribing some kind of significance to a name which would satisfy the Macedonian interested party has singled the Greek Government and confronted it with yet another more difficult battle. Already accustomed to "elastically" and always to their own advantage interpreting Europe's suggestions, it is clear that Mitsotakis and his diplomatic team have failed on this occasion to play a dirty trick on Macedonia. The idea of making permanent the temporary decision taken by the United Nations for internal purposes quickly became public knowledge once the request was made to classify Macedonia, considered temporary and nameless, under the letter "F," which stands for former. This will not pass easily, and one should expect very soon a balanced decision affecting both countries to be reached, this time with the direct participation of the United States.

According to our sources in the United Nations, the possibility is being considered for membership of the Republic of Macedonia (capital city Skopje), which is viewed as the optimal possibility. All the more so since it is a question of adopting this name by the world organization. Subsequently, according to our sources, there should follow a brief period of talks between Macedonia and Greece, through intermediaries (Vance and Owen) and, again, within the same context, one should expect the participation of Robin O'Neil. The eventual objective would be to sign a bilateral agreement similar to the German-Polish accord that stipulates the inviolability of

their common border, and a guarantee of minority rights. To the best of our knowledge, the Macedonian side has nothing against concluding the talks by signing such a document. As to the Greek side, according to the now-exposed haggling with Serbia concerning our territory and the unconcealed wish that Macedonia vanish as a separate state (everything has already been said about the status of the Macedonian minority in Greece), in all probability it will have to tolerate for a lengthy period of time our state as a "foreign body" in the Serb-Greek historical hemorrhage. The attempt to "reject" this "foreign body," along with Turkey's ambition to regain its influence on the broader Balkan territory, which would be impossible without Macedonia, makes our state a dangerous place to live. However, the absurdity will be even greater if it is converted from a black hole, a gray area, or an area in limbo (as we have been describing it in recent months) into a central Balkan state with a certain geostrategic importance. This, as well as the U.S. need to control the situation in this area, and its direct presence (unofficially the figure of 5,000 soldiers is being mentioned!) in Macedonia seems to be the price for our recognition.

Divisions in Interior Ministry Viewed

93BA0711A Skopje PULS in Macedonian 25 Feb 93
pp 14-15, 33

[Article by Dzhabir Derala: "Specialists in the Night"]

[Text] According to the explanation of certain new dimensions of the political-staff intrigues in the Ministry of Internal Affairs [MVR] and ever since the "marked men" unsheathed the sabre of their facts, the uncertainty about the roots and the origin of this battle is increasing.

The tormented silence and uncertainty created by the muteness of the "marked men" in the Ministry of Internal Affairs finally has been pierced. In almost conspiratorial meetings with them we have succeeded in obtaining only a part of that which these people say they know about the Macedonian police. If the conflict is expanded and continued, one thing is certain—the discord in the police will have unforeseen consequences. The question of the uncertainty of the outcome of the battle that is intensifying in the Ministry of Internal Affairs is very serious, especially with terrifying indications of the possibility that the conflict will not be limited only to verbal shots through the press. Five people whom we have succeeded in contacting will remain in the shadow of anonymity more and more. They insist on this absolutely. "In that direction we are acting as professionals and, although we have already been named in public, we wish to remain discrete about our names and positions in the Ministry of Internal Affairs, which we consider professional secrets. If the minister (Ljubomir Frckovski) and his under secretaries do this, they must be held accountable; we will not make this mistake."

The political intrigue going on in the Ministry of Internal Affairs is more striking in that each of the individuals categorically denies the political affiliation and background of each of his acts, but ascribes it to the other side. One member of the Public Security Service stated that up to now there has been no intention to communicate openly with the minister and with his undersecretaries, but "since they are already setting things up this way, we do not have any other way out. I occupy a high position in the Ministry of Internal Affairs and am satisfied with my position and my work, and for that reason, I think that this is not a most appropriate way of communicating with one's superior. It is counter to the principles of our institution to solve your problems through the public information media."

"The basic reason why we are reacting," these "revolutionaries" say further, "is because of inherited injustices which the minister has accepted and solidified. These injustices for the most part appeared as a consequence of the fact that the people in the highest leadership made a real mess of political and party interests and influence in the ministry. For 12 months now we have been insisting on speaking with the minister and his under secretaries concerning the problems in the police, but they cannot be contacted, there is no way to reach them."

Probably invisibly for the eye of the ordinary man, Skopje has been converted into a scene of mutual intrigues of the politicians. The repressions began after the it became known that members of the Ministry of Internal Affairs had presented a petition against "the numerous deformations and misuses" on the part of the minister and his under secretaries, and it became known when "one of the signers, in order to ingratiate himself, told those above." The action of gathering signatures for the petition, which was sent to the president of the Republic, stopped already on the second day, when the number reached precisely 200. According to the words of the "recorded ones," this number would have reached several hundreds if these pressures and threats had not been made within the framework of the Ministry of Internal Affairs.

The arresting of the members of the Ministry of Internal Affairs who dared to sign this document, as we know, was carried out by members of the special unit of the Ministry of Internal Affairs. The very act, taking account of the fact that their function and the use of these special forces is very precisely prescribed in the law, presupposes a serious threat to the security and constitutional order of the country. This, let us say, may refer to terrorists against whom this unit would move. This time the goal of this police strike force was—the police. "The Special Forces literally dragged me from the car," says one of the members of the SDB [State Security Service]. "I heard only: 'In the name and at the order of the president of the Republic and the president of the government, you are arrested!' Fully equipped, with armor, with guns at the ready, they bound my hands and forced me into another car. The whole block was blocked off, and a large number of special forces personnel

participated in the arrest of each one of us. During the arrest and arraignment, the following formulation was used: 'You are no longer a member of the Service. Now you are only an ordinary citizen.'" This is a formulation characteristic only of totalitarian and police regimes. This formulation puts the citizen in an inferior position with respect to the policeman and abridges his rights and freedoms. Not one valid document that, according to regulations, would have to be shown and returned to the injured party was presented at the arrests. Especially when it is insisted upon, "They presented to me only the fact that they would crush me," one of the arrested signers of the petition continued further.

Among those arrested there is another member of the Ministry of Internal Affairs in a high leadership position in the Public Security Service. The day when his signing the petition became known (and there are some about whom it is not known still today), "in a similar way armed inspectors of the City Department for Internal Affairs held him under guard from 1500 hours until midnight, an entire nine hours. In the course of his interrogation, they warned that he would lose his head, that on other occasions people were shot for such a thing, that if someone tried to threaten the leadership positions of the Ministry of Internal Affairs there would be blood up to their knees, that they were prepared to defend themselves even with weapons...."

What can this mean if not an indication of the existence of a danger from armed intrigues within the police and from splitting the police apart. The arrested policemen at one time could have decided for armed defense, if they had reached for their weapons at that time. This came very close to happening, especially if we take account of the fact that the "recorded ones" are talking about an illegal and unconstitutional deprivation of liberty, in which case they could have reacted with the momentum of the situation. They cite Article 153 of the Criminal Law of Macedonia, paragraph 3, which says that "if a person in authority has committed an act of unconstitutional deprivation of liberty by misusing his official position or authorization, he will be punished by imprisonment from three months to five years." As an additional proof of the brutality they cite, the statements of the members of the special unit who participated in the arrests who "said that they never saw and could not have conceived of such brutality of the members of the Ministry of Internal Affairs toward their colleagues. Some of them came later and personally apologized to us, and part of them will testify to that."

In connection with what the minister and under secretaries of the SDB and SJB [Public Security Service] have called "suppressing the revolt," the members of the MVR who were subjected to the most severe impact of these measures think that "from everything that the minister and his under secretaries are doing and how they are behaving one comes to the conclusion that the minister is blocked from information by Bogoeski and Trajanov (the under secretaries of the SDB and SJB)." They are completely bureaucratizing the relations in the

ministry. They lack even a rudimentary awareness of democracy, tolerance, and cultured behavior. They are not capable of a democratic and a constructive dialogue. Their ability is limited to the matters and problems which they solve with force and repression. In this context it is possible to understand the (dis)qualifications in the interview which you published in PULS (No. 108) as—"ground meat," "a malignant tissue," "toxified," and "useless human material." These are "politicians," "stupid," "science fiction observations" on the basis of which we ask ourselves how much they represent "theories of democracy." The only use which he (LJ Frckovski) can obtain from it is only his quasi-intellectual self-satisfaction and "entertainment."

In addition to everything they have cited in the area of political involvement and "sitting in the lap" of the minister and his closest collaborators, "the recorded ones" mentioned that Frckovski employed a professional policeman who exclusively was in charge of opening and closing the doors of his car, in a situation where the entire national economy is at stake. According to this, the five with whom we spoke, except for the fact that they reacted to the political ferments, and attempted to depict for us all the deformations of a professional and special nature, at the same time cut themselves off from any connection with any political party or individual. "Up to this moment we have talked only with the president of the Republic and the president of the parliament, as a national leader, and not as a leader of a political party, and we have written to the president of the government who up to now has not shown interest in speaking with us."

Slowly but surely, more levels of the discord in the Macedonian police are being revealed. And the more data are circulated, the more light is being thrown on the events concerning the political-staff earthquake in this institutional giant and most powerful factor of authority, the more unclear the roots of this situation become. The destabilization of the state on the ideological-political level also has come from the police in which the interests, influence, and pressures remain and are deepening. Denying a political background, it is very easy to acquire a label on which the symbol of another policy stands. This factor—revenge—is not excluded and is being confirmed more and more clearly. The relatively rapid replacement of two ministers for internal affairs (Jovan Trpenovski and Jordan Mijalkov) with a third (Ljubomir Frckovski) who came across the heaps of unclarified relations and intertwined forces, in recent years, at the Ministry of Internal Affairs, only enriches its palette of party colors. The new contingent of "revolutionaries," whether or not there is a political background, in every instance denies the alliance with one of the previous "revolutionaries," Aleksandar Dinevski, in his time one of the "eight," and "persecuted" by the MVR because of belonging to the VMRO [Internal Macedonian Revolutionary Organization]. The head of the MVR, for his part, is being led into connections, and these connections, again, are pointed to as an illustration of the

difficulties with which they are dealing in eliminating party influence from the police as well as "infiltration of the Counterintelligence Service" [KOS] of the former JNA [Yugoslav People's Army], which are thrust upon the ministry. As an illustration of the entire confusion and complexity of the relations and matters concerning who is whose, we may cite the statement of Dinevski, who, concerning the under secretary of the SDB, Slobodan Bogoeski, says that he came to his current job by direct intervention of VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] with which at the time of putting together the first multiparty government he was constantly "in communication" (police term, FYI). Afterwards, after the elimination of the VMRO personnel from the structures of the state authorities, Bogoeski "switched" to the competing SDS [Social Democratic Alliance] and became one of the chief promoters of the policy of destroying and compromising his former party—VMRO-DPMNE.

It is more than obvious that the structures of the Ministry of Internal Affairs are shaking. But when an enormous piece of machinery falls apart, its pieces fall where they may and without question and without the possibility of being controlled or of controlling themselves.

[Box, p 14]

Abuses and Failures

Petition I

What were the deviant and negative conditions in the MVR about which the 200 spoke?

The petition of the 200 points to the "undemocratic and illegal acts, deviant and negative conditions and relations in the MVR, which may have serious and negative consequences on the stability and democratic development in the Republic, which at first glance appear or intentionally present themselves only as excessive cases and affairs, i.e. individual repressions upon the citizens, and on the members of the MVR."

The text of the petition states the numerous deformations and abuses in performing the constitutional and legal function of the ministry, the negative selection, the abuses and failures in the area of personnel policy, significant failures and unprofessionalism in management and direction, the absence of coordination and objectivity in providing information (internally and externally), disrespect for the basic criteria in housing policy, and in material-financial matters, which produce lack of motivation, disorganization, and anxious inefficiency from all aspects. As a consequence of all these conditions, the signers mention the "Blue Bird," "Duvlo," Radolishta, Kuklish, Radovish, Bit Pazar, Tabanovtse, and many other cases, in which, among other things, the lives of hundreds of citizens and members of the MVR were put in jeopardy very unnecessarily and irresponsibly.

With respect to the consequences to the Public Security Service, it is said that "the unfavorable conditions in the Public Security Service are reflected in the efficiency in finding the perpetrators of criminal acts and violators of public order and peace, and in establishing personal and property security, in which the greater number of the same, particularly the serious criminal acts (murders and robberies) remain unsolved, which is particularly pronounced in the period from May 1991 to December 1992, when efficiency dropped by more than 21 percent in comparison with the preceding period."

The signers deem the acceptance of an enormous number of new employees into the MVR to be especially dangerous. This is a situation which "creates conditions at the expense of democracy in order to favor coercion and repression, and unnecessarily to burden the economy of the Republic of Macedonia. In this sense the so-called list of members of the SDB, the majority of whom have been arbitrarily and maliciously, without any relevant argumentation, placed under doubt that they are members or agents of the KOS of the former JNA, according to methodology characteristic of totalitarian and police regimes, had and continues to have significant influence in deepening the distrust among the employees. In addition, on the basis of the lists prepared in this way, operative and operative-technical facilities and methods which are at the disposal of the SDB have been used against these people."

That which is most dangerous in the MVR, according to the signers, is personified in the fact that "in the management of Slobodan Bogoeski, under secretary of the SDB, and Pavle Trajanov, under secretary of the SJB, efforts are being made, and the majority of events and situations confirm this more and more, to make the ministry into a powerful political factor instead of behaving as an expert and professional body which works in accordance with strictly established laws and regulations."

[Box, p 33]

"Brutal Arrests"

Petition II

How the "Special Forces" arrested their colleagues.

In the second petition of the members of the MVR to the president of the Republic, the Assembly, and the government of 3 January 1993, which came as a reaction to the brutal arrests and interrogations, they insisted on the following:

"Institutional and democratic resolution of the stratified problems and deformations in the ministry. Many members of the MVR have agreed completely with the contents of the written appeal and have given it support by signing the document, but an even more significant part were thwarted with the use of repressive measures."

By introducing this democratic initiative, as a last alternative for institutional resolution of the problems we are running into brutal repression, threats, and pressures on the part of the current under secretaries of the SDB, Slobodan Bogoeski, and Pavle Trajanov, the assistants to the minister, Alekso Donevski and Ratko Jonchevski, and other officials, and all "in the name and with the authorization of Minister Doctor Ljubomir Frchkovski."

Namely, on 29 December 1992, in the late evening hours, with absolutely illegal use of the facilities and methods of the SDB, with violation and misuse of official positions and authorizations, ostensibly by order of the president of the Republic and the president of the government, several of the signers of the initiative were arrested or arraigned. The arrest, i.e. the arraignment, was carried out with the participation of members of the Special Duty Unit of the MVR [Special Forces], and other officials of the SDB and SJB.

In addition, the arrest was performed in a way and with a brutality incommensurable with civilized governments. Certain important issues are raised in connection with these matters:

1. The participants in the arresting and the arraignment, as well as the arrested and arraigned persons, are authorized members of the MVR, who are continuously armed according to the rules of the service and the security conditions in the country;
2. Taking account of the fact that during the arresting and arraignment, without any legal basis, no valid documents and reasons were presented, what would have happened if the arrested and arraigned members of the ministry, in response to the illegal attack and threat of physical and moral integrity, in necessary defense had resorted to the use of firearms, and
3. Who would have been responsible for the potential serious and tragic consequences provoked by the use of such illegal measures.

In addition to this, illegal and repressive measures, threats and pressures, have been taken against all signers of the written appeal, by which the process is stopped.

Name Change of Macedonia Discussed

93BA0711B Skopje PULS in Macedonian 25 Feb 93
pp 14-15, 33

[Article by Dzhabir Derala: "Specialists in the Night"]

Macedonian or Bogeyman?

Cross-Country

Jovan Pavlovski

In the beginning I did not want to believe in that which one of my acquaintances asserted: The session of the parliament in which they were discussing the acceptance

of Macedonia into the United Nations, more precisely—in which they were supposed to be discussing the acceptance of Macedonia into the United Nations, was initiated and paid for from abroad for a simple reason: to destabilize the conditions in the country even more. In order to strain the atmosphere, in order to completely exhaust nerves that have been stretched thin. And when after five days of tribal discussion (was this a discussion?) according to the way it was discussed from the rostrum, this sad primitive circus was finished, I am ready to confess: Perhaps, truly, such conduct and behavior was paid for both politically and personally!

Because, in spite of everything, I firmly believe that our and my Republic of Macedonia can be accepted into the society of nations under the name "former Yugoslav Republic of Macedonia" for the simple reason that all those who have publicly expressed themselves on this matter, beginning with my friend Vladimir Tulevski and his commentary in NOVA MAKEDONIJA, and concluding with the memorandum of the president of the Republic, have not produced convincing proofs!—and why not?

Why are they for it?

Because, first of all and above all, my country will be accepted into the United Nations as Macedonia, an ancient name, which confirms both my identity and that of my fellow tribesmen. The outstanding Macedonian banner, the yellow sun with 16 rays, let me be more clear, will be on the flagstaff of the UN building on the very next day after its acceptance. The additions, such as "northern," "Vardar," and, if you want, even "former Yugoslav Republic," neither specify its status as a member of the United Nations, nor will they influence its national and political future. There is one more, possibly, unimportant detail: The place where the Macedonian representative will sit (the places are determined according to alphabetical order) will not be determined according to "former" or "Yugoslav" or "Republic," but according to the first letter of the name Macedonia.

And this is the most important, key issue: Macedonia, as "former" or even as "Republic" is a recognized international and political entity, an equivalent sociopolitical community with all nations in the world, including Russia, the United States, and China, if I have to give the details. And once Macedonia is included in the security system of the United Nations, when it is recognized even with a temporary name, this will open all possible processes for its recognition even by those countries who now wait in a cowardly fashion to see what the big countries will decide. But again we think: They will accept us under a temporary name and then either they will change our name or again they will exclude us from the United Nations! Oh please!

With respect to the name: We at least have experience with different additions, editions, codifications, gifts,

and barked orders: On 2 August 1994 the new Macedonian state was named Democratic Federative Macedonia, on 8 March 1946 the name was changed to Peoples' Republic of Macedonia, in 1963 there were new additions, Socialist Republic of Macedonia, and on 16 April 1991, Republic of Macedonia. And not even one honest and true Macedonian will be found, at least I do not know one, who became less or more of a Macedonian with the change in the name, or, again, that these newer and newer additions threaten his integrity and the sacred feeling that he was a Macedonian! Yes, and several times our broader fatherland, Yugoslavia, was the DFRJ [Democratic Federal Republic of Yugoslavia], and FNRJ [Federal Peoples' Republic of Yugoslavia], and Social Federal Republic of Yugoslavia [SFRY], and the United Nations always recognized its new name. They recognized the change in the name of Burma to Myanmar, of Ceylon to Sri Lanka, of Congo Brazaville to Zaire, and so forth. And what if they accept us as a member of the United Nations under the name of Macedonia-Bogeyman? Simply, after a year, or after two, or after three, we will change the name into the Republic of Macedonia, and no one will be able to grab us by the arm, of course if we don't give it to them.

*** Former Macedonian Minister on JNA Property**

93BA0630A Skopje NOVA MAKEDONIJA in
Macedonian 6 Feb 93 p 14

[Article by Zoran Petrov: "Macedonia and the Division of JNA Property: There Will Be Nothing Left To Divide"]

[Text] *The Republic of Macedonia is in a situation where it is in the interest of the successors to the former JNA's property to postpone the division so that in the end there will be nothing to divide, according to former defense minister Dr. Trajan Gotsevski.*

When the now nonexistent JNA [Yugoslav People's Army] withdrew from the territory of Macedonia, also transferring weapons, materiel, and equipment, one of the most frequently repeated statements made by officials in Macedonia was that part of the property removed would return soon, because there was to be a settlement whereby what is Macedonia's will be returned to it. However, such expectations are often voiced by members of the public as well. After all, according to estimates given out in the nearly 50 years of development of the JNA of the allocations from the SFRY's national income (10.06 percent), Macedonia on the average contributed 6 to 10 percent and accounted for 6 to 7 percent of the structure of funds. The person who at the time was the most closely concerned with negotiations on the terms of withdrawal of the Yugoslav army from Macedonia, and at the same time often pointed out that division of the JNA's assets was inevitable, was Dr. Trajan Gotsevski, at the time defense minister of the Republic of Macedonia. It is exactly for this reason that his current view of this question might be of interest, especially when we remember that events in the former

Yugoslavia have become highly complicated from the military viewpoint, and so that the Property Succession Commission of the SFRY, set up under the Geneva Convention, has also reached a unique deadlock.

Two Fundamental Problems

Dr. Gotsevski, former defense minister and now dean of the School of Philosophy, states that in all the talks held at that time with the Federal Secretariat for National Defense, Macedonia always asked about the settlement. According to him, we also made precise calculations of the types of weapons, materiel, and equipment due Macedonia, and the demands were submitted to the subcommission working in Brussels on succession to the former Yugoslavia. However, two fundamental problems arose as the work progressed. The first problem, according to Gotsevski, was the lack of a methodology for dividing the military property, because the structure of the defense system of the former SFRY had not developed evenly over the entire area of the country. This makes it especially difficult to adjust the successors' claims.

For example, about one-fourth of the total JNA funds were allocated for the navy, which of course remains only in Croatia and a small part of Montenegro. And so about 25 percent of the money was invested along the Adriatic. The same applies to the air force and anti-aircraft defense system, which were concentrated exclusively in certain regions of Yugoslavia, and the bulk of these forces has remained there. Trajan Gotsevski points out, so that it is extremely difficult to divide the value of the infrastructure that has been built. But if solution of this problem is approached sincerely, the methodological difficulty can be overcome, although the debts will probably be canceled because of the different interests of SFRY's successors.

The second problem is much more serious, according to Gotsevski. It is a question of the different positions on this matter assumed by the former Yugoslav republics. We know, for example, that for a number of reasons Slovenia is holding a large amount of military materiel (more than 100 tanks), almost all military industry, and a highly valuable and modern military infrastructure. Accordingly, except for part of the air force and anti-aircraft defense force, for which it has no great need since it is a small country, Slovenia has already acquired its share of its inheritance from the former JNA. And why is Croatia saying nothing? The situation is similar there. More than 180 tanks, all installations and an extremely expensive and modern naval infrastructure were left in Varazdin alone, and so Croatia's claims have been settled. No special justification need be given for Serbia and Montenegro, because they have a positive balance after the removal of military materiel to their territory, and so they understandably favor postponing settlement. It appears from this entire situation that the claims of Macedonia and Bosnia-Herzegovina remain to be settled. According to Gotsevski, in view of the ongoing war in Bosnia-Herzegovina, its current position regarding the

settlement is clear. It is that Macedonia, although behaving in a principled manner, can do nothing at all to speed up the settlement process, most likely because of the current status of the matter of its international recognition.

What Now?

The former defense minister pointed out that these two problems make succession to the assets of the former Yugoslavia extremely difficult, especially as regards the property of the former JNA. We must realize, he said, that the similar experiences of other countries that have split up indicate that protracted processes are involved, and it has often happened that, if one of the partners has found itself in a better position in international institutions, in the end there has been nothing to divide.

"I believe that we are now in a very similar situation," said Gotsevski, "with some of the successors benefitting from postponement of division of the property (they are still fighting and at the same time arguing that they are the only heirs of the SFRY). The object is to have nothing in the end to divide. However, Macedonia should not and dares not abandon its right to part of the property of the now nonexistent SFRY in any area, and not just that of armaments. It is not at all a question of property which someone is supposed to donate or bequeath to us; what is involved is a long-term investment in which Macedonia also participated."

In this situation, Dr. Gotsevski believes, in dealing with the settlement we should concentrate more on the assets of the former Yugoslavia as a whole. Events are demonstrating that in the area of the military, processes are taking place that are destroying their substance. Some of the weapons are constantly being destroyed, some have been captured, some have been turned over to other armed organizations, and it has recently become increasingly clear that some of them have been sold. When it is considered that in the course of time these same weapons become obsolete, to be realistic one must admit that when the time comes to carry out the settlement (he believes that this will happen), in the end there will be nothing left to divide.

Greek Merchants Disagree on Macedonian Issue

93BA0713A Skopje PULS in Macedonian 25 Feb 93
p 16

[Article by Kire Janishliev: "Victims of the Policy"]

[Text] *For the first time, the Association of Merchants and Industrialists of Salonika publicly have brought to light their disagreement with Athens with respect to solving the problem of Macedonia.*

The Chamber of Commerce and Industry of Salonika seeks from the political forces in Greece that they present responsible proposals concerning the problem with Macedonia. In their resolution, the merchants and industrialists of Salonika express their dissatisfaction

with the policy of official Athens, since it is precisely the businessmen from this region who are suffering and paying the bill for the Greek policy. Therefore, the Chamber of Commerce of Salonika requests that Athens behave sanely, unambiguously, and responsibly.

This is one of the many resolutions and petitions submitted during the past year by the merchants, hotel keepers, shippers, and farmers from Salonika and other northern Greek cities who are victims of the Greek policy. However, for the first time, the Association of the Merchants and Industrialists of Salonika publicly is declaring its dissatisfaction with Athens with respect to the question of the problem with Macedonia: in the first place, because of the damage they have suffered for more than a year. And this all because of the blockade of the Macedonian-Greek border and the policy of the Greek Government concerning the (non)recognition of their northern neighbor, which is paralyzing the border traffic.

In the beginning, Greek propaganda "channeled" the dissatisfaction of the merchants from the Salonika Ignatia into accusations against "Skopje" as the reason for the losses suffered. However, as time passed, and the Greek Government went too far with its ill-considered and populist policy, in Salonika, Voden, and Lerin one could hear more and more frequently that "Athens can no longer sacrifice their existence for its policy." The concealed rift between Salonika and Athens again became public. The revolt, stubbornly suppressed by the Greek authorities, exploded even on the stands of athletic competitions in Salonika when disagreements between home and Athens fans more and more frequently became political battles. This is because almost everyone in Salonika feels the consequences from the year-long Greek blockade of Macedonia and the efforts of the Greek authorities to prevent trade transactions with our merchants.

From day to day in the busiest mercantile street in Salonika, Ignatia, the number of padlocked shops grows, and it is no longer only the merchants who are out of work, but also the "black-market" money changers in the numerous goldsmith shops. No one comes in for days at a time, says **Jorgo Kuzanidis**, and this has been happening for more than a year. There is no other way out except for the padlock. It was not only the Salonika sellers of jeans and other textile goods who suffered a blow, but also the numerous sellers of auto parts and auto services around Vardaria Square on the way into Salonika, the small coffee grinders, and the large supermarkets. Even more, the ready-to-wear clothing factories in the suburbs of Salonika, the saw mills in Veroia, and other shops that work with our companies. The announced construction of a saw mill by a Salonika company in Gevglia has been put off for better times. Therefore, the Salonika Chamber was forced to demand reasonable decisions concerning the problem that will not block the economic flow between the two countries.

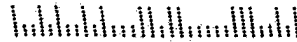
"The summoned political forces" already have hastened to Salonika, but instead of the requested assistance, again they have misused the losses of the local merchants. Thus, the opposition of Prime Minister **Mitsotakis** in his own party ranks, the replaced Minister for Foreign Affairs **Samaras**, used his recent stay in Salonika for a new attack on the Greek prime minister, saying that the policy he directs is hypocrisy. The official opposition through the leader of PASOK [Panhellenic Socialist Movement], **Papandreou**, did not mince words for an attack on Mitsotakis and his government during a stay in Salonika. Such political arguments in Athens more and more are removing the "white harbor" from the Greek throne and deepening the rift between Salonika and Athens. And then in northern Greece, in general, since not only the merchants of Salonika are the victims of the current Greek policy.

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