



JPRS Report

East Europe

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CZECHOSLOVAKIA

Prospects of Independent Slovakia Assessed

91CH0576A Bratislava NOVE SLOVO in Slovak
25 Apr 91 p 9

[Article by Alexander Duleba: "Does an Independent Slovakia Have a Chance? If Certain Factors Coincide...."]

[Text] When the subject of discussion is the constitutional structure of Czecho-Slovakia, the judgment of many is that an independent Slovakia has no prospects. The prognosis for a Slovak State is a future as a Hungarian Upper Province or a 16th Republic of the USSR, and the like. To my mind, the aim of these "assessments" is more to influence the present Slovak policy so that it would "moderate" its demands concerning the structure of the future federation, rather than an attempt at a scientific prognosis of the geopolitical situation of a possible independent state.

Three Frequently Repeated Fictions

The fiction of the "Upper Province." The Magyarization policy of Hungary was so blind that many nations are indebted to it for their national self-awareness, Slovaks among them. Moreover, politics is like a "river that cannot be stepped into twice." The end of the 20th century cannot be thought of as identical with the beginning of the 10th century—and a possible breakup of the Czecho-Slovak state cannot be thought of as identical with the breakup of the Great Moravian Empire. And even Masaryk's "cultural" Czechoslovakism, based on the economic level and ethnic similarity of the Czech nation during the First Republic, was unable to "assimilate" the Slovak nation and make it into "one of the branches of the Czechoslovak nation." And finally, only a political dilettante is unable to understand the importance of the national dimension of current Slovak politics.

The fiction of the "16th Soviet Republic." The Soviet Union today has enough problems keeping the current 15 republics to want to acquire another one.... The Carpathian Mountains have "proven themselves" as a natural geopolitical boundary which "cut off" from the development of the historic Russian state not only the Slovaks but also the Ruthenes-Ukrainians who ethnically tend toward it. And finally, even the Ukraine is divided into two parts—Western (with a strong nationalistic orientation) and Eastern (practically assimilated). Moscow and Kiev have enough problems keeping the Ukraine as a geopolitical unit.... And speaking about the USSR, I would like to point out the double standard of the fiction about disintegration. When the disintegration concerns the USSR, everything is perfectly in fine. Obviously, "no skin off my nose" is the attitude of our federal foreign policy.

The fiction of the "destabilization of Europe and lack of prospects for an independent Slovakia." Slovak Premier

V. Meciar and the Minister for Foreign Relations M. Knazka were showered with criticism after their visits to Germany, Italy, and the USSR, and were accused of undermining the political strategy of the Federal Government. An indignant reaction was caused especially by the discussions in Moscow, where it was agreed to establish a Soviet-Slovak bank in Bratislava, and also by Moscow's proposal that Slovakia become a model country for the development of "postrevolution relations with the countries of Eastern Europe." It cannot be denied that for Slovakia this proposal is more than tempting. On the other hand, we must not forget that this proposal is something of a "response" by Moscow to our federal actions on the Baltics....

In any case, accusing the Slovak government of national socialism and the like, when a great number of Slovak enterprises are facing bankruptcy (in part because of the reduced sales to the USSR), can be credited to ideological dogmatism. Why did we make the effort (and successfully!) to break up the Eastern markets through "dollar diplomacy" (Sofia 1990), when now we are urgently establishing clearing banks? Was it also difficult to foresee at that time that former CEMA countries without hard currency will inevitably have to come to the brink of collapse by an immediate and too radical a transition to a hard currency market?

If Interests Coincide....

The region of Central Europe (the chain of countries along the boundaries of the historical territories of the German and Russian states as it came into being after World War I), has always been a "sphere of interest" of the great powers. There is no reason to think that it is any different now. The foreign policies of all the "small" countries of this region always had to be based on the understanding of the great powers' interests, and their activities adjusted to come closer to the interests of one and to distance them from the other. Therefore, to know "who is who" in Central European politics is possible only by discerning the character of the interest of the great powers involved.

In the European political environment the United States has two geopolitically objective "given" allies: Great Britain (which as a great power since the end of World War I rises or falls with the rise and fall of the United States), and the "postrevolution" countries of Eastern Europe (whose European geopolitical situation and economic backwardness are destabilizing the positions of the integrating Europe).

Continental Europe needs above all the liberalization of the USSR foreign trade policy in order to have scope for its economic replacement process. It is separated from the USSR by the region of Central Europe. The scenarios of the economic reforms in Poland, Hungary, and Czecho-Slovakia, which resemble each other like peas in a pod, create a "mini cordon sanitaire" in this region. They separate and give specific character to this region for a long time to come. For the continental Europe this

creates an objective geopolitical obstacle in the direction of its main activities. Under the given circumstances, the fact that the western border of the USSR is blocked suits the United States more than it does Europe and Germany.

When we keep in mind that in this situation Slovakia gets a proposal from Moscow to become a model country in relations with this mini-cordon, and from the other side there is the continued interest of the continental Europe in a quick penetration of the Russian markets and the "break-up" of this special Central European zone which separates it from the USSR, we also get the answer to the question "who is who" in Central European politics, and whether Slovakia has—provided these factors coincide (USSR and German interests)—prospects as an independent state.

I am writing about this mainly because there are also these alternatives and it is necessary to avoid sweeping judgments and the propagation of geopolitical fictions.

A federation is certainly more advantageous for Bohemia, Moravia, and Slovakia. But its geopolitical situation makes possible also other alternatives and it cannot be defined only by the immediate concepts of federal policies.

Assembly Member on New Drafts of Constitution

91CH0620A Prague FORUM in Czech 7 May 91 p 9

[Interview with Dr. Ernest Valko, member of the Constitutional Law Committee and the Commission for Framing the Federal Constitution, by Petr Bartos; place and date not given: "What Will the Federal Constitution Be Like?"]

[Text] [Bartos] What are the alternatives for the structure of the Federal Assembly and is the prohibition of majority rule expected to continue?

[Valko] There are two alternatives: a unicameral or a bicameral parliament. That is the working proposal of the group of deputies whose chairman is A. Dubcek and which consists of 14 deputies to the Federal Assembly. Ten from the Slovak National Council and 10 from the Czech National Council. The technical realization will be carried out by a group of experts headed by Dr. Posluch. The group of deputies will have the final word, of course. However, the proposed bicameral system is different from the present one. There will be two chambers independent of each other; the first one will be the Chamber of Deputies and the second one will be called either the Senate or the Federal Council ("Upper House"). They will hold joint sessions only as an exception. The concept of the Chamber of Deputies is that it would have 200 Deputies, elected in the Czech and Slovak Republics [CR and SR] on the basis of proportionate representation. The Federal Council or Senate will consist of two groups of Deputies, 50 from the Czech Republic and 50 from the Slovak Republic. For example, the Chamber of Deputies approves a law, let us say, on

taxes, and then it has to be approved also by the Federal Council. But the Council does not approve it (only certain specific instances will be involved), and it makes some changes in the law which will then have to go back to the Chamber of Deputies and go through the entire approval process again. That is the so-called ping-pong question. It means that laws will be passed only by the Chamber of Deputies, and there, of course, the prohibition of majority rule will not exist. But if the Senate will have a parity composition of 50 deputies from the CR and 50 from the SR, the prohibition of majority rule will be indirectly present.

[Bartos] How many proposals for the federal constitution will the Federal Assembly debate? Will the preparatory commission consider also the constitution proposed by the CSFR President V. Havel?

[Valko] At the last session of the Parliamentary commission it was agreed that the proposal of the President will be one of the working papers for the framing of the federal constitution. On the basis of all kinds of requests by groups of deputies a determinant political line will be established and the constitution drafted according to it. There is a whole spectrum of political parties among the deputies and it is difficult in some cases to reach a consensus; because of that, the group of experts is working on various alternatives. But we expect that only a single draft of the federal constitution will be submitted. Of course, we cannot prevent any of the Deputies from submitting their own version, that is their constitutional right.

[Bartos] What will be the philosophy of the federal constitution? Will powers be delegated from the top down or from below to the top?

[Valko] We cannot say that the deputies are strongly in favor for delegating powers from the top down or the other way around. In my opinion, however, it is not important whether they are delegated one way or the other, as is often overemphasized, but that the power does not stay at the republic level but goes way down, to communities, to the smallest components. Only then can this system function smoothly. In countries where there are no disputes over jurisdictions, such a system is functional for an absolute decentralization—that is, a citizen delegates his jurisdiction to the community, the community to the republic, the republic to the federal government. Disputes between the center and the "union" (or republic, province, oblast, region) will always exist, they exist even in Belgium or the FRG. Although in the FRG they do not have the classic nationalist disputes, the federal government tries to prevent them by dispersing individual federal offices among several cities. We, too, can learn from their experience and try to disperse federal offices among several of our cities, so that we cannot be accused of any centrism. Imagine, for example, that the Federal Assembly would be in Bratislava; then nobody in Slovakia would rail against the "federal establishment", because: "after all, we have it here at home!" It is a

classic case of confusing centralism and federalism, and this perception has persisted, unfortunately mainly in Slovakia, to this day. Centralism has been merely masked by the word "federalism."

[Bartos] Is something blocking the drafting of the federal constitution at this time?

[Valko] The Moravian issue is somewhat unclear, and we do not know which way things will develop. A tripartite union and a tripartite federation are actually one and the same thing, and only the Germans have their own name for it: Bund—that is, union. Many people talk about a union, but they have in mind a unitary state with a provincial structure. Of course, if the question of a union structure were to be gaining more importance in ever wider political circles, the Federal Assembly would have to deal with it, which, however, it is not ready to do in the present situation.

[Bartos] What is your opinion about concluding a state treaty between both republics?

[Valko] At the meeting of the CSFR President with the Slovak representatives it was agreed that we shall not call this agreement a state treaty but a legal act, where the content will be crucial, not the name. In order not to interrupt the continuity of the CSFR and to have everything done according to law, the Public Against Violence [VPN] proposes ratification. If the Federal Assembly accepts the agreement, it will be returned to the National Councils, which will then ratify it by means of a constitutional law. According to the current constitution, the ratification must pass with a three-fifth majority.

[Bartos] Will the proposed constitution contain the provision that any republic will be able to secede from the federation?

[Valko] That issue is not being dealt with at this time. In the currently valid constitution it is laid down that our nations want to live in a common federation. The material aspect of leaving the federation is taken care of by the currently valid constitution, but there is no base for the process of seceding, no legal procedure has been established. But as long as there is the premise of voluntarily joining some union, then the entity in question should also have the right to leave the union. In the case of a two-member federation, that would of course mean the end of the state. But to my mind, in resolving the issue of the federation the most important thing is what predominates. Whether elements of cohesion predominate, or centrifugal elements. Most of all, it is necessary to discuss these issues calmly, without hysteria; and we must keep in mind that we chose the parliamentary system of our own free will and that we shall be dealing with similar problems all the time. And that the most important thing is a common consensus and not some rigid insistence on indefensible procedures.

[Bartos] Do you think that the process of approving the federal constitution might be postponed and that the constitutions will not be adopted by 28 October?

[Valko] Unfortunately, it was stated ahead of time that the main task of this electoral period will be the adoption of the constitutions. VPN recommended even before the process of framing the constitutions began that it should not be hurried. Not to set a definite date either for the national or the federal constitutions.

It will be difficult, but I am an optimist and I believe that the will of both nations to live in a common state will prevail. Foreign experts are constantly telling us that they expect Czechoslovakia not to break up. They indicate to us very realistically that the individual republics would not get the necessary support. We can see that even in the fact that the Western countries do not support communication with the Russian Republic, they want a unified Soviet Union, because its disintegration could be a very dangerous precedent for other states in Central Europe, for example, Yugoslavia or Czechoslovakia.

[Bartos] When is the draft of the federal constitution expected to be submitted for public discussion?

[Valko] It was thought that the group of experts should present a definitive version in May, but we must also wait for a statement by the Czech National Council, which will give its opinion on the Moravian and Silesian question by the end of April. Then the concept of the federal constitution will be developed from that.

Former Slovak Communist Party Drafts Program

*91CH0626A Bratislava NOVE SLOVO in Slovak
9 May 91 pp 6-7*

[Document issued by the Central Committee of the Party of the Democratic Left in its session on 27 April 1991: "What Are the Aims of the Party of the Democratic Left?"—first paragraph is NOVE SLOVO introduction]

[Text] Since the adoption of the platform document "Who Are We and Where Are We Going?" our society has undergone changes that require further specification of fundamental programmatic objectives of the Party of the Democratic Left [SDL]. The session of the SDL's Central Committee on 27 April 1991 dealt with the document "What Are the Aims of the SDL?" which will be discussed by the party and after its completion submitted to the SDL congress.

The Party of the Democratic Left strives for social progress and material and spiritual advancement of people who support themselves with the fruits of their labor and who are convinced that the road to the future leads through mutual understanding, solidarity, and cooperation. In its defense of a dignified life of our citizens the party proceeds from the universal principles of democracy. We are not a party of a communist type.

We repudiate the very philosophy of violent struggle for power, any imposition of state-bureaucratic concepts of the social system, and sacrificing democracy in favor of the dominance of interests of any social group. We are against superimposing ideology above specific demands of people whom we represent.

Our aim is a humane society which will open space to help and cooperation; an economy that includes everyone; democracy for all; and equal opportunities for every nation, nationality and ethnic group. We support democratic socialism as an international movement for freedom, social justice and solidarity, whose objective is to establish a peaceful world where these fundamental values may be expanded and where an individual may live a meaningful life and fully develop his talents and personality.

The Party of the Democratic Left, Its Values and Premises

1. The Party of the Democratic Left intends to express and enforce the interests and needs of the people and their families who lived, and still live, from the fruits of their labor: workers, farmers, artists, employees, and independent entrepreneurs. It associates persons of profound social feelings who support its program and contribute to its fulfillment regardless of their ideology.
2. The SDL follows the ideals and traditions of national and workers' movements by whose mediation people of labor protected themselves from exploitation by capital and bureaucratic state power; they protect their rights and interests, and provide equal opportunities of life for their children.
3. The SDL is the republic's political force with left-wing orientation. It complies with the political will of people of labor striving to improve their living conditions and to benefit from Slovakia's potential for development. It has a national program and at the same time, it promotes enforcement of all democratic rights of our national minorities and ethnic groups. It adheres to national-democratic and general democratic principles of the building of the Czecho-Slovak statehood from below and on the basis of contractual relations stemming from the agreement by the subjects of the federation.
4. The SDL strives for a legal state, parliamentary democracy, and application of diverse forms of social autonomy. We consider individual rights and civil freedoms inviolable. The SDL's policy against injustice and racial, national, ethnic, social, and civic discrimination protects man's dignity, his right to live a free life and to enjoy equal opportunities of life and respect for his work. We shall endeavor to enable citizens to control the social changes in an effective democratic manner. We regard political democracy as an essential condition and fundamental framework for all other rights and freedoms.
5. We agree with the demand that the church be separated from the state. We see Christian values as part of the cultural heritage of European civilization. They

constitute one of the trends of contemporary humanism. However, we are of the opinion that the moral code of all mankind does not necessarily have to be always based on religious faith, and that it is explained by scientific principles, by logic and by feelings of human kinship. Along with a moral renewal of our society we advance ideas of ideological tolerance and plurality of sources of positive ideas and ethical values. Thus, we are as much against any clericalization of our political and spiritual life as we are against its forcible atheization.

6. The SDL intends to cooperate with democratic forces. It holds its natural position among left-wing parties and movements.

For an Efficient, Socially, and Ecologically Oriented Market Economy for Economic Democracy

7. The SDL rejects attempts to return to the bureaucratic-centralist model of economy which proved incompetent in historical competition with market economies. The SDL aspires to a democratic, socially and ecologically oriented market economy. We shall oppose all efforts to implant in our economy a model that does not conform to democratic and social European traditions and does not adequately reflect trends of modern civilization.
8. The SDL demands respect for plurality of forms of ownership. It rejects ideologically and politically motivated preference for any of them. We endorse the development of various forms of cooperative and private entrepreneurship. We are prepared to cooperate with cooperative, industrial and entrepreneurial associations.
9. We promote consistent transition to market economy which can succeed only if it does not exceed the limits of social tolerability for citizens of Slovakia. Basic tasks of our economic reform call for the creation of a market environment and market entrepreneurship subjects. For that reason, we support the breakup of power monopoly of state bureaucracy under the leadership of any political party. We insist that the state play its essential role in economy, i.e., that it provide necessary conditions for the market and for successful operations of enterprises. That calls above all for goal-oriented economic policies, including opportunities for market operations as well as the launching and promotion of programs that will change the structure of our national economy. In this respect, it also is very important to open ways into the world for our enterprises and to offer individual support to large enterprises of nationwide significance and to enterprises that provide employment in a given area. We decisively oppose economic policies that lead the majority of our enterprises into a critical situation and deprive them of any possibility of development.
10. We want to help overcome Slovakia's single-economy orientation, and to integrate it in a democratic way in the European and world economy. We shall promote the development of economic relations with our traditional partners on the basis of market principles. We endorse controlled participation of foreign capital in

business ventures in our country, especially by means of strategic partnership, technological cooperation and assistance in enterprise management.

11. We agree that necessary authority should be transferred from the center to the regions because they know best their own problems. We shall see to it that the state aid guarantee the residents of each region equal conditions and opportunities in employment, in the educational system, health care, and culture.

12. The SDL supports the development of autonomy in communities and towns based on adequate communal property and on the establishment of an effective system of regional self-government and a rational state administration in Slovakia.

13. The SDL opposes the liquidation of agricultural cooperatives and forcible reinstatement of small agricultural production. We support private farming wherever agricultural workers themselves opt for it.

14. We support the development of modern forms of ownership based on the employee's direct ownership relation to the means of production, on democratic principles of management, and on joint interest in final results. We support new forms of workers' participation in entrepreneurship and its management.

15. The SDL strives for an ecology-oriented market economy. According to the results of broad-based discussions with experts and citizens who have an inviolable right to improve the quality of their life, the SDL will also encourage such entrepreneurship and investments that will enable us to stop the current disastrous development and help improve our environment in the shortest possible time. We strive to preserve our natural resources which belong to all people. To achieve this objective, the SDL will cooperate with expert ecologists as well as with ecological movements.

For the Development of the People's Creative Talents; For Slovakia's High Cultural Standard

16. We regard talent as the main asset of our nation. We encourage technicians, artists, scientists, scholars and educated individuals to participate in our public life which is an essential precondition for the development of democracy and moral health of Slovak society. In the areas of science, education, art and all of culture we shall insist on creation of favorable conditions for a genuine plurality of views, approaches and forms of development.

17. We intend to live and work in cultural Slovakia, among free, educated and moral people. We insist on education in the spirit of the latest modern scientific achievements and values of all-human ethics. We demand equal conditions for young people who are starting their career and for universal education commensurate to their efforts and talents, irrespective of their financial, social and ideological differences and nationality.

18. The SDL strives for general access to national and global cultural values without any philosophical and ideological prejudice. In a situation where Slovakia's cultural identity is endangered by commercialized culture, we see the place for genuine patriotism in national cultural programs supported by the state. We demand that a system of sponsorship be developed expeditiously on the basis of appropriate legislative and tax regulations.

For Social Security

19. The point of departure for the SDL is the premise that the very destiny of an individual and of our society must be rationally shaped. Therefore, it does not intend merely to weave a social safety net but it endorses strong and comprehensive state policies that may only be complemented but not replaced by charity programs. It builds its program of social policy on efforts to support and give advantage to people who demonstrate their own initiative and intention to better themselves and to invest in their own advancement. At the same time, it insists that people who through no fault of their own cannot be integrated in the working process or who have found themselves in poverty be able to live in dignity. On that we base our family policy—a policy of concern for the young, handicapped, and retired persons.

20. We support a vigorous state policy of employment and preservation of jobs with future potential which are advantageous for our society. We support the development of entrepreneurship and creation of new jobs in conjunction with prompt and effective retraining programs, especially in the most endangered areas of Slovakia.

21. We endorse improved health care based on social insurance. We support fundamental changes in the area of hospital and old-age insurance, which will help enhance our social welfare. We endorse state and public concern about better housing, especially that for young families and retirees.

22. The SDL is prepared to cooperate effectively with trade unions in enforcing our working people's interests and rights.

Position in Europe and in the World

23. The political changes in Central and East Europe have opened new opportunities for organizing this part of the world on the basis of mutual trust among nations and states. We may lose this historic chance. Therefore, Slovakia's social and economic transformation must be completed in accordance with democratic principles.

24. It is our aspiration that the CSFR enter the newly established European and global community as a state formation of two sovereign republics. We want all nations to work together on the global problems of mankind in the spirit of solidarity, friendship, and equality. We support the idea of a common European home, and we endorse the establishment of a new

structure of all-European security. We advocate a new economic order in the world, which will guarantee equal rights and benefit all. We endorse the development of effective methods of cooperation that will help span the chasm dividing the richest and the poorest countries in the world.

25. The Party of the Democratic Left strives for its integration in European and world left. We intend to cooperate in its formation with all leftwing political groups striving for democracy and just solutions to global, national and social problems, regardless of their ideological background. We are ready to begin a dialogue with all democratic political movements.

Civil Democratic Party Publishes Draft Program

91CH0572A Prague SOBOTNI TELEGRAF in Czech
20 Apr 91 pp 1, 3

[Unattributed article: "Ways Toward Prosperity—From the Proposed Political Program of the Civil Democratic Party"]

[Text] The Civil Democratic Party sets as its goal the transformation of Czechoslovakia into a modern European state based on a civic society, which will prosper in all areas of life. It avows the traditions of the first republic and the original assumptions and hopes connected with the overthrow of the totalitarian system in November 1989. We were the cocreators of the election program of Civic Forum for the parliamentary elections in June 1990 and for the municipal elections in November 1990 and we wish to participate in the fulfillment of these programs.

The Civil Democratic Party has a positive program, the fundamental principles for which are the following:

- A parliamentary democracy, based on clearly outlined political structures with clear responsibility and effective control mechanisms.
- A market economy, based on private ownership, which creates an active environment for individual assertion, individual initiative, and individual responsibility.
- A modern state concept, tying in to our traditions with natural authority vested in institutions which shape it; a concept of a state to which citizens can be loyal, a state which assumes jurisdiction only in such matters which cannot be better handled by citizens, associations, cooperatives, entrepreneurs, employee or other organizations themselves.

The transformation of the country has only just begun. We are faced with the complicated and painful process of privatization of the economy. We are witnesses to deep conflicts accompanying the process of creating a new political system. Conflicts regarding the constitutional arrangement have brought Czechoslovakia into a situation in which serious consideration is being given to the possibility of partitioning the country. The majority of the problems date back to the period of communist

totality; however, many were caused by the erroneous and hesitant policies of Civic Forum during the past year.

It will be the primary task of the party to acquire the broadest possible support among the public for this program, support which not only involves party members and voters themselves, but coalition partners as well. That is why we wish to strengthen civic congruity, cooperation, and responsibility, based on a socialist and ideological direction. We are convinced that only a realistic and pragmatic policy can guide our country along the complicated path toward prosperity.

We see the way toward a legal state and a civil society in bringing about such a constitution in which the principal building blocks will be the citizen, the family, the community, and the state, precisely in that sequence. The source of political, economic, and moral initiative is a free citizen. We consider the family to be a natural and irreplaceable institution, carrying within it a feeling of confidence and security. An autonomous community is the foundation for a civil state. We shall rid our life of the remnants of state-organized collectivism and we shall promote the shrinking of the state apparatus. We shall consistently respect proven principles involving the separation of the legislative, judicial, and executive power. We favor the preservation of a federal state, to the extent to which it will be functional. We believe that the best solution would be a federation based not only on national principles, but also on territorial principles.

We perceive the way toward an effective economy to be in a market order, which is intrinsically connected with private ownership and with the economic liberty of the individual. One of the best services which the state can render its citizens are stable, universally [words illegible] and liberal economic rules. That is why we shall strive to see to it that the legislative outline of the economy is perfected and that the direct incursions by the state bureaucracy into the economy are eliminated. For purposes of entering European integration, it is essential that our economy be bilaterally opened to foreign producers and investments, but also that efforts be made to achieve sales abroad. The market economy cannot get by without effective, flexible, and consistent macroeconomic regulation, which is an essential condition for the creation of a stable, noninflationary market environment. It is only in such an environment that the citizens can have confidence in the currency and in savings; it is only in such an environment that healthy entrepreneurial activity can develop. Communist management had a deeper impact on agriculture than on other sectors of the economy. In agriculture, it is necessary to gradually and nonviolently tie in to the traditions which are connected with this age-old human activity. We are basing ourselves on the proven experience that state ownership is the least efficient method of managing the land and that it is necessary to abandon it quickly. We favor the creation of natural ownership relationships with respect to the land and other agricultural property.

We are convinced that under the newly created conditions of civil responsibility and market economy, free citizens themselves will make the best selection of the most suitable organizational and cooperative forms for agricultural activity. The gradual elimination of economic and administrative barriers must be accompanied by the provision of sufficient room for private farmers, whom we shall support with all means at our disposal. The goal is an agriculture producing high quality and healthy foodstuffs which does not contribute to making the environment worse. We shall support the assertion of mature methods of management in the countryside, in forests, and on waterways.

In industry, agriculture, commerce, and the service sector, it is axiomatic that the creation of market relationships is an expression of the freedom of citizens, both in their role as producers and also in their role as consumers. In other words, for us, it has a value all its own without wishing to advance the economic aspects of human life above any other.

We want the state to finance those areas in the life of society which are agreed upon by the citizens on the basis of a democratic method and which then become public property. The assurance of defense, security, education, the judiciary, and public administration has an influence upon strengthening social confidence, international prestige, and is one of the conditions for economic efficiency. However, we are opposed to the high taxation of citizen incomes and enterprise profits and we shall, therefore, oppose an express lowering of the state's share in financing consumption. The lowering of profit taxes is also connected with support for the development of new jobs and an increased interest on the part of citizens to do good work which is the best way to prevent [words illegible] and other negative phenomena.

We see the way toward a socially secure [words illegible] healthy society in social equality and justice, based on an equality of conditions rather than results. We shall strive to achieve creation of conditions which permit people to care for themselves, in accordance with their own ideas and upon their own responsibilities. Social policy will then have to focus on actual social problems, that is to say, on helping those who are truly in need. Toward this end, it is necessary to create such a system of social security in which mutually augmenting public and private programs of social security can assert themselves. An important component of social security is composed of tax relief and indirect expenditures at the state, regional, and community level. We support the creation of preventive programs designed to avoid the development of unemployment, we promote government and nongovernment programs designed to create job opportunities for health-impaired citizens. The health provision system must be consistently separated from social welfare. The primary responsibility for personal health and for a healthy life style is that of the citizen. Economic resources for the health provision industry must, then, be based on general health insurance, private insurance, and coinsurance. We place emphasis on

health prevention, including support for physical culture and sports. We place mental health on the same level as physical health. A healthy society assumes the freedom of education which expands the possibility of free choices and it is therefore necessary to support free education with all means and forms. However, by doing so, we do not deprive the state of its duty to create a democratic school system. Education must focus on the conviction that no one else will solve our problems for us. A moral imperative today is to rid ourselves of the passivity of temporizing. Everyone must actively take on responsibility for himself, for his family, for the community, and for the state. This presupposes a renewal of the freedom of conscience and a strengthening of the freedom of exchanging information and ideas.

The way toward a healthy environment lies in gradual and connected steps, taken in the knowledge that the rectification of a devastated environment will cost us not only much effort, but also many financial resources [words illegible] our civic attitudes, life habits, and [words illegible]. On the basis of a clear determination of ownership, we must assign responsibility for relationships toward the environment, something for which every citizen bears responsibility. The state must assure the legal definition of the responsibility of citizens, enterprises and firms, communities, and state institutions for damaging the environment, it must create the necessary economic instruments to protect the environment, and it must expend appropriate financial resources to rectify the conditions where firms or communities are not capable of covering the costs.

The path toward an honorable place for Czechoslovakia in Europe and the world leads via the open development of collaboration with the democratic states of Europe and the world. Just like the countries of the European Community, we wish for the future development of a united federal Europe, based on ideas of common law, democracy, and prosperity for all. That is why we are striving to see to it that Czechoslovakia becomes a member of this community as soon as possible. The NATO alliance was and is the guarantor of peace and freedom in Europe. We consider collaboration with its member states as an important contribution toward solving the problems of our security. We seek to have good relations with all countries. We shall strive for various forms of regional collaboration, primarily with our West European neighbors.

The way toward a cultural society leads along all paths which we anticipate in this program. The universal cultural nature of human life is one of the goals which we set for ourselves and for all of society. We wish to create, find, and perceive it in all sides of the life style: in the culture of work, in the culture of dwelling, in the culture of free time, in human relations. We set as our goal the fight against gross and uncultivated expediency in relationships between people, in relationships with objects involving the necessities of life which surround us, in living or inanimate nature. Culture in the narrower sense of the word—as an essential phenomenon of human

activity—is a set of specific artistic works. For each society, it is the instrument of its self-awareness, bearing witness to its humanity. It must enjoy the support of the state in harmony with the status and development of its riches because it is part and parcel of this heritage, together with knowledge and education. It is an important national [words illegible].

The Civil Democratic Party is aware of the demanding nature of all these outlined ways for transforming our society into a prospering state. Their realization will require the maximum support of the citizenry. The Civil Democratic Party will tenaciously strive to achieve these accomplishments.

Slovak Heritage Society Drafts New Program

91CH0575A Bratislava SLOVENSKÉ NARODNE NOVINY in Slovak 5 Apr 91 p 3

["Text" of the National Program of Slovak Heritage Society proposal]

[Text] 1. A full political, economic, and cultural sovereignty of the Slovak Republic [SR], from which it is possible to cede voluntarily that which is to Slovakia's advantage, or at least acceptable. It means that the Constitution of the Slovak Republic will be the constitution of a sovereign state which can, by means of a state treaty, enter into a union with other states. (The SR is interested in concluding such a treaty with the Czech Republic [CR], and therefore in the subsequent text we shall assume that the will to conclude such a state treaty between the SR and CR will be found on both sides, and that such a treaty in one form or another will be concluded.)

1.1 Internal sovereignty is not sufficient, an external sovereignty is necessary, and sovereignty in the sense of direct and immediate relations between Slovakia and the world, because only that is the guarantee of its survival and development.

1.2 Economic sovereignty must concern especially the tax system, laws to regulate banking, the bank of issue (keeping the desirable currency and customs union and the common market with the CR, and therefore also connecting the Slovak National Bank with the commercial institution of the CR in a unified monetary system), and foreign trade.

1.3 In foreign relations close cooperation between the SR and the CR is possible on the basis of agreements. At the same time, it would seem appropriate to make use of Slovaks living abroad in the area of trade relations, information services, consular services, etc.

1.4 As far as the Army is concerned, the territorial principle should apply: Slovak units in Slovakia, Czech units in the CR, while keeping joint command on the basis of a treaty on joint defense against aggression.

2. The political system should be a pluralistic parliamentary democracy, based on balanced, interacting forces: legislative, executive, judicial, and the Office of the President. This will be achieved primarily through a democratic electoral system, as well as a policy of mandatory rotation of the key functions in the SR. Basic human and civil rights must be constitutionally guaranteed. In a society that wants to become informed, the state has the obligation to create conditions primarily for exercising the right to assembly and association, and the right to disseminate and gather information, rights which must never be curtailed or endangered in peacetime—not even by the state itself.

3. Matica Slovenska derives the concept of Slovak statehood from the national and civic principle, it considers the Slovak Republic to be the homeland of all the citizens. In this connection, it considers it inevitable to use the integrating function of a state language, Slovak. The principle of the national program of Matica Slovenska is to support national rights and freedoms, particularly national cultures.

4. The Slovak economic model must be based on the mentality of the Slovak people, from the objective givens of the Slovak country, from some fundamental structural characteristics of Slovak agriculture, industry, and services, population distribution and life style. With regard to these facts, new structures and a new infrastructure network must be formed, particularly in the information sphere.

Matica Slovenska fully recognizes the urgent need for a radical economic reform, as well as the general validity of its basic principles, which are relevant also for Slovakia. At the same time it stresses the need for a well-thought-out national policy of economic reform (based on a number of individual policies), within whose framework it will be possible to give preference to and accelerate some of the reform processes, leave others to a "natural rate" of development, and temporarily slow down yet others. That way it will be possible to avoid unnecessary misgivings and moderate to the maximum possible extent some social hardships resulting from the reform. With respect to what will realistically be a long-range process of privatization, Matica Slovenska is in favor of plurality and competition among various forms of ownership, and of the principle that ownership places obligations on the owner. To a large extent, however, state ownership should be set apart from the state budget, in the form of a State Property Fund controlled by the Parliament as well as the public (the main board members of the Fund to be elected). As far as enterprise structures go, the principle of support for small and medium enterprises and reorganization of several large ones applies.

5. In the social sphere, at issue is not only the traditional participation in decisionmaking, especially in the large and medium enterprises, but particularly the real status of man, his will and hopes, as the center of social action, so that he would become more its subject rather than

only its object. Under the new circumstances it will be necessary to plan on the Slovak being permanently established in a specific locality and a microregion, but at the same time it will be also necessary to expand his freedom of movement. Particularly important will be the new policy of employment and the modern policy of charitable activities, in which a number of groups will have to be involved—especially religious, municipal, regional, cooperative, and private.

6. In the environmental protection sphere, it will be necessary to harmonize the requirement for a "green" Slovakia with the requirement for a "productive" Slovakia. To that end it will be necessary to create mechanisms in the sequence residence-region-Slovakia-Europe. It will be also necessary to use economic categories, especially of such type as the value of land and water, and ecological certificates for preventive influence on the use of the environment.

7. Especially important in the future will be a regional policy and strategy of the state that is in full accord with the working of the market mechanism. It requires the responsibility of the state for the entire territory of Slovakia and all its inhabitants. Matica Slovenska particularly stresses this principle, because it is immediately connected with its principle that every child of Slovakia is equally dear to the Matica Slovenska.

8. Last, but not least, we emphasize the irreplaceable role of national culture and spiritual wealth. Those are decisive elements which will enable the Slovak people to overcome the hard trials of these times and acquit themselves with credit. For that reason, Matica Slovenska will do all it can to save and develop the values of the national culture. At the same time, we also espouse the Christian spiritual legacy and the development of its transcendental values. The value of the individual human life and human soul is of supreme importance to us. And precisely for that reason we embrace the altruistic values drawn from the global as well as national spiritual legacy.

Head of Slovak Statistical Office on His Work

91CH0577A Bratislava NOVE SLOVO in Slovak
25 Apr 91 pp 12-13

[Interview with Rudolf Krc, chairman of the Slovak Bureau of Statistics in Bratislava, by Olga Hrnčiarová; place and date not given: "Lies or Truths? In Other Words, About Statistics"—first two paragraphs are NOVE SLOVO introduction]

[Text] Somewhere I read that there are three kinds of lies: lies, damned lies, and statistics. However, people who are better acquainted with the work of statisticians and with the aspirations of Slovak statistics, particularly in recent days, must concede that the linkage with lies is not appropriate.

Rudolf Krc has served as the chairman of the Slovak Bureau of Statistics for a little over a year; most of all, he

inspires his co-workers to make statistics serve much better our society and to raise our statistics up to international standards. With a degree of engineer economist he launched his career in a machinery plant; for several years he lectured in the Department of Statistics and Mathematics at the Institute of Economics, and for 26 years he worked in the Institute of Economics at the Slovak Academy of Sciences. That provided good preconditions for his determination to succeed. However, he maintains that success cannot happen immediately but possibly in 3 or 4 years...

[Hrnčiarová] Mr. Chairman, in what way may statistics be expected to provide more than summaries of figures, facts and data...?

[Krc] Life compels us to make radical changes in our system of statistics. In all East and Central European states all we have been focusing thus far were calculations of net material product (that is what our national income is called in the world). However, we were losing data on the nonproduction sphere (for example, the work of physicians, lawyers, etc) which from now on we also shall study in order to obtain a more accurate picture of our gross national product. That means that we shall switch to a system of national accounting so that we may become comparable with all of Europe and with the whole world. At present we are planning a survey—to register not only enterprises owned by the state but also those in private hands (the volume of goods they produce; their financial situation; the number of their employees, etc). Nevertheless, we must guarantee individual protection of such data—which will be a novel aspect: we must not disclose any information about them to anyone, not even to such agencies as our internal revenue, the antimonopoly agency, and so on.

[Hrnčiarová] Last year, shortly after you took office, you said to me that statistics in our new socioeconomic situation would be objective. Nonetheless, at the same time you admitted that in a sense, it might be possible to "manipulate" them. How do you look now, some time and some experience later, at this dichotomy in the nature of your work?

[Krc] I would not call it a dichotomy. Our objective is to interpret collected information in the most objective manner, and not to "doctor" it to suit this or that political party or movement. In a way, we must stand above the government itself; the data we shall offer to anyone will be as comprehensive as possible. If the SNR [Slovak National Council] approves the new law on statistics, we shall organize statistical councils which in a way will serve as another collegium of the chairman of the Bureau of Statistics; it will be agreed one year ahead of time the range of specific data to be processed so that the financial funds the state will continue to grant to statistics be most objectively divided among the most relevant tasks as well as tasks stemming from the CSFR from its membership in the European Council, the International Labor Bureau, the international Monetary Fund, the UN, and so forth. For the same reason, for us objectivity

is mandatory—if one of the international agencies would once find that our data are not objective or not protected, the trust in us would be deflated and interest in us would abate.

[Hrnciarova] In early March the SR government discussed the above-mentioned draft of the principles for the law on statistics of the Federal Bureau of Statistics has been discussed in early March discussed by the SR government. The Slovak Bureau of Statistics intensively participated in its drafting. To what extent does it conform with the statistics of developed states?

[Krc] I think that in this respect the situation of the Czech and Slovak statistics is quite satisfactory. In the middle of March I went to Budapest to attend a seminar of European statisticians, or more specifically, of chairmen of bureaus of statistics, at which the Resolution on Fundamental Principles and Directions of Official Statistics in the Area of Europe was adopted. Our Czecho-Slovak experts fully approved that resolution, and our statistics fully conform with its principles. For that reason, it is ridiculous, to put it mildly, to criticize us that we are ignorant and that we disregard or violate certain European standards, as it recently happened in the parliament in conjunction with the census of citizens, houses and apartments. In addition to the aforementioned protection of individual data and to the organization of registers of enterprises and plants, we shall study all essential factors of our economic and public life, and we shall progress to common classification, for example, of designations of occupation, which will bring us closer to European statistics also in terms of methodology. The Euroinfocentrum—a center for cooperation in European statistics—will soon be opened right here, in Bratislava.

[Hrnciarova] Do you occasionally get instructions not to publish certain statistics?

[Krc] From whom would I get such instructions? Today no one can give us such instructions! I have to smile when I recall a meeting of the SR government where I said: "Ministers, sirs, you have no right to dictate how the statistics should or should not operate!" And again, I have to smile when I recall another instance when a certain high official wrote to me that we must abolish all records on agriculture for the past year. In terms of theory, that would be erroneous, and in practical terms, impossible, if for no other reason, than because we still depend on resources of old information systems. For instance, we survey gross production, and the numbers of employees according to methods used in the past. In our agriculture 40 records are still used. To agriculturists this seems excessive—what acreage is cultivated, how many heads of cattle are raised, etc.—and want to abolish it. If we would do so we could not put together any statistical data from that area at all. And we must work with such data until we switch to other types of evidence. Life itself will demand other kinds of records. For instance, small agricultural enterprises will be organized. Naturally, I cannot ask a farmer to fill out 10

questionnaires. Here the one thing on which we shall depend will be tax returns which will include some indicators of a statistical type. However, demands have already been voiced that such information should be voluntary. No, it will be mandatory and there will be only one report every year. So with new enterprises and new entrepreneurs we shall advance to new statistics. At present we are reassessing hundreds of records. Gradually we shall switch to other evidence. "Other" evidence—that means that we shall turn from regular reports to selective methods. We shall repeat census—registrations—more frequently. Americans, for instance, conduct census of commercial enterprises and of industrial enterprises. In the same way as census of the population, census of such enterprises, trades and businesses will be conducted in shorter periods of time, once in four or five years...

[Hrnciarova] Could you assess how some basic trends of our economy and the standard of living of our population developed over the past year or to date?

[Krc] Last year the conditions for our development have radically changed. Our economic environment was affected mainly by the deteriorating external conditions; production was declined most of all due to the shortages of crude oil and to the disintegrating foreign trade relations. The most momentous domestic factors included the conversion of our arms manufacture which, however, has continued since the mid-1980's; furthermore, the phasing out of our mining industry and of construction works; draught, and changing prices in our agriculture. As compared with 1989, our national income was down 3 percent and the total volume of our gross industrial production dropped 4.1 percent (i.e., 11.3 billion korunas [Kcs]). Chemical industry held a decisive share (53 percent) in that decline (losses amounted to Kcs6 billion, i.e. 11.5 percent; for comparison, they represented only Kcs0.2 billion in 1989).

Basic construction production dropped 8.9 percent. In some enterprises the decline amounted to more than 30 percent, mainly because of shortages of orders, of investors' financial resources, and of construction materials.

Agricultural production was 11.5 percent below 1989 (especially due to a poor harvest of corn for fodder, densely sown grain crops, and sugar beets). The potato harvest was up, but because the year before last we had recorded one of our poorest harvests, the 9.5 percent increase was not very significant. Also, the situation of livestock declined. In late 1990 the losses of cattle amounted to 59,400 heads, 10,200 of them cows. The number of sheep was reduced by 21,000 heads. I may offer a comparison with the Czech Republic: industrial production as well as construction production in Slovakia declined far more than in the Czech lands. In gross agricultural production the difference is up to 4 percent in Slovakia's disfavor; in vegetable production it is as much as 10 percent. As for milk, its production in Slovakia was again below that in Bohemia. The livestock production declined more markedly in the CR than in

the SR. As compared with 1989, the index of retail prices increased 9.7 percent in Bohemia and 10.4 percent in Slovakia. How to explain this difference? Perhaps by a different structure of the consumer basket of our population and also by generally higher prices in Slovakia. Moreover, it is known that Slovak enterprises often want to "squeeze out" more from our citizens, but they also bear higher costs and smaller assortments of goods. In general, it may be said that the living cost index increased 9.4 percent in Bohemia but 10.6 percent in Slovakia. Likewise, last year's indicator of joblessness last year was less favorable in Slovakia (1.5 percent, while in Bohemia it was half that amount, i.e., 0.7 percent). In January and February of this year the unemployment rate in the SR reached 3.6 percent, while in the CR it was no more than 1.4 percent.

Adverse trends continued in Slovakia's demographic development as well. Last year there were 80,000 live births, which is 166 less than in the preceding year. Although the infant mortality rate declined, it still is 12.1 per thousand. There were 54,500 deaths, which is 600 more than in the preceding year. The mortality rate of middle-aged men continues to be high. For each 100 deaths of women in the 35-49 age range, 3.7 times more men of the same age died.

Last year there were many more weddings; 40,300 couples were married. There were nearly 24 divorces for every 100 new marriages. The natural growth of population amounted to 25,500 persons, which is 700 less than in 1989.

[Hrnciarova] Since the beginning of the current year the Slovak Bureau of Statistics has prepared weekly surveys of the highest and lowest prices of selected food items in certain selected locations of Slovakia, and followed the trends of increasing or declining prices. Why are you doing that? What data do such surveys provide and how can they benefit our citizens?

[Krc] After price decontrol we were interested in the development of prices, and wanted to learn whether there might be any diffusion of prices at all. We intend to inform about that management agencies, our public as well as the enterprise sphere in order to demonstrate that some of our price relations are untenable, and to explain the reasons for the declining interest in this or that location. Just consider the fact that during the eleventh week the differences in prices of blade pot roast was about Kcs8 per kg; as for T-bone steak, the difference scored a record—Kcs22 per kg (from Kcs57 to Kcs79), and all that in the same city—in Bratislava. In the district of Poprad 1 kg of fillet of beef sells for Kcs67.80, but in Humenne for only Kcs56. In the eleventh week butter showed the greatest disproportions. In the district of Bratislava-Suburbs 1 kg butter cost Kcs61.60 (i.e., Kcs15.50 for a quarter of a kg), but in the district of Svidnik it cost Kcs91.20 (i.e., Kcs23 for a quarter of a kg). There still are differences in the prices of rye bread with caraway seeds. While in the Velky Krtis district one

kg was selling for Kcs5.60, the residents of the district of Kosice-Suburbs paid for it over 100 percent more—Kcs13 exactly! On the whole, however, it may be said that consumer prices of selected food items are gradually declining. Prices increased slightly in only three of the 25 types of products under observation. We plan to publish these results regularly in the press; that will depend on which daily or weekly paper will make an agreement with us. Because the Czech Bureau of Statistics is also following the highest and the lowest prices, we may offer comparisons with the Czech Republic as well.

[Hrnciarova] Our citizens became acutely aware of the Slovak Bureau of Statistics during its recent census of the population, buildings and apartments. At that time you made more appearances than usual in our mass media as an ardent advocate of citizens and of this program that is not on the daily agenda of your office. How do you feel now that it is over...?

[Krc] That is hard to say because that as a matter of fact, that whole action is not yet finished. Until now our public could see what we were doing. Now the time has come for our invisible tasks: to process the preliminary results (the number of our citizens, their sex, nationality, religion, etc) by June of this year and to obtain definite results within two years. We were not the only ones who felt certain anxiety about how our citizen might accept the census questionnaire which contained some new information; the same fears were experienced worldwide. The people in the West, too, are not always willing to disclose, for instance, their religious affiliation. Nevertheless, it also is true that the statistical awareness, or as the case may be, consciousness of our citizens, even of the educated ones and of some deputies, is rather low. As you know, we have been attacked that we are proceeding in the same way as the members of the StB [State Security Corps], which is not true. I tried in vain to stress to our public that we were not collecting quite a few data that are reported in a far greater detail in the developed countries (for instance, citizens' incomes, incomes from sales, tax encumbrances). In the U.S. it is even reported who is black and who is white, and the origin of one's parents. If we should begin to determine such facts in our country, it undoubtedly would be regarded as an expression of intolerance, even of racism. However, it is also true that, as I have already mentioned, we must safeguard individual data, if possible, as long as for one generation, as it is done in the U.S.

The initial analyses of the March census indicated that, for example, one half of the Romany population in east Slovakia claimed either the Slovak or the Hungarian nationality and thus, we cannot get an accurate picture of their numbers. Still, that must be regarded as an expression of their own will. Some citizens in the Spis area acknowledged their German nationality, while certain residents of southern Slovakia filled their census forms in the Hungarian language, which one way or another violates the language law on the Slovak language because those are official documents.

[Hrnciarova] This year you launched the publication of SLOVENSKA STATISTIKA A DEMOGRAFIA. What do you plan to offer in its quarterly issues, on 60 pages (at the cost of Kcs10 per copy)?

[Krc] It was for several reasons. We realized that our Slovak statistics were inferior to the Czech statistics, and that both our national statistics were lagging behind the federal statistics. Furthermore, we lacked an opportunity for more regular exchanges of the results of research, statistical surveys, analyses and particularly for comparisons with the world. And finally: we are making contacts with the world, but we often have nothing to offer to it. Thus, we want to show that though this small nation may be lost somewhere in Europe, it is taking a scientific approach to statistics and demography.

[Hrnciarova] In several of our radio interviews you reproached me for asking you to comment on statistical data and for my looking for correlations between causes and consequences. You said that it would be more than one can expect from statistics. To what extent is that approach common, or rather, welcome in your field?

[Krc] You interpreted my words a little differently... It is something else to speak about economic policies carried out by persons other than statisticians—by the government, the national council, political parties and movements... Our task is to provide the underpinnings for our economic policies. We have not stopped to interpret the facts and figures but we do avoid confronting them with official economic policies. On the basis of our statistics, everyone has to do such confronting on his own, and I believe that our reader is mature enough to do his own interpretation.

[Hrnciarova] What are our statistics or statisticians lacking?

[Krc] A lot. For instance, we need a methodology and methodologists. Relatively many of our people went abroad to learn modern methods. However, in the first quarter already we had exhausted nearly half of our funds earmarked for foreign travel, although all we have to cover are the costs of travel. Furthermore, we must improve our knowledge of financial policies, price statistics, statistics of national accounts, the use of registers, classification, standards, and so forth. On many occasions I literally had to beg people: "Go abroad and travel in the world so that we may again learn something!" Thus, we still do not have a high enough standard of expertise and knowledge of world languages.

Intellectuals Said To Suffer From Discrimination

91CH0586A Prague OBZORY in Czech No 9, 91 p 2

[Editorial: "Prospects for the Intelligentsia"]

[Text] In the Czech nation, stripped of aristocracy and upper middle class, the intelligentsia has had for a long time the status of social elite. It commanded respect, but in return it was held to high standards, particularly

moral. But because it made its living most often in public service, it was characterized by dependency on the powerful and by a modest material status. And so throughout our literature since the time of national rebirth there appears the picture of the downtrodden teacher or priest, who, although with a passionate heart, but nevertheless secretly and fearfully works to wake up the nation and nurture in it love of art and the native tongue.

In spite of that the Communists, after gaining power, declared war on the intelligentsia. Why? "That man thinks too much, and such people are dangerous," says Shakespeare's Caesar speaking for all of history's dictators. "The hard fist of the working class" pounded their ranks with a series of purges and a permanent imposition of an officially legislated ideology, the adherence to which was supervised by a host of watchdogs, generally quite unqualified. Thousands of gifted, educated people thus ended up for years working with a shovel or in a circus trailer. Special indignities were meted out to Christian intelligentsia, whose best representatives went to prison with sentences of many long years. The official disdain for educated people was reflected also in the way they were rewarded financially: the regime profited from the fact that they, more than any others, cherish their profession and are thus willing to work for a wage that is far below the value of their output.

In culture, however, the Communist party saw an effective propaganda tool, so that at least during the time when it still had enough money coming in it invested in some cultural and professional institutions, and succeeded in corrupting a number of malleable souls. But as soon as the source of money began to dry up, the outlays for state-subsidized creative activities also began to shrink, and culture and education became merely a residual sector.

For these reasons, there existed during the entire era of totalitarianism a constant tension between the intelligentsia and the power structure, culminating in open conflicts in moments of crises. The discontent of writers, artists, pedagogues, and scientists with the ideological and economic situation was reflected also in their public statements, and that undermined—sometimes obviously but often unperceivably—the stability of the system.

Members of the intelligentsia greeted the fall of dictatorship with enthusiasm: for them it meant the end of oppression, of not being adequately appreciated, and at last gave them the freedom without which they cannot fulfill their mission. Those who in the past rejected the official ideology could now present themselves to the public, there was a gleam of hope that the doors of schools and scientific institutions will be opened to those who rightly belong there. At last it was possible to think also about a proper reward for intellectual work. After all, the spokespersons of the revolution were artists and writers from the "illegal structures", who spoke about the necessity to end our cultural backwardness, and about the need to give spiritual depth to Czechoslovak

society. At last, we were to overtake Nepal in the expenditures for schools, and generally our homeland was to be transformed into a country of intellectual blossoming.

But in a short time the helm was grasped by technocrats-economists, for whom intellectuals and culture were not worth even anger and hate: people and matters of the spirit leave them indifferent. Spiritual transformation was replaced as the fundamental problem of the times by economic reform and the onset of entrepreneurship, instead of moral transformation we are to learn to "behave economically." Culture again found itself on the sidelines, in fact, even the modest amounts that the pre-November regime allocated for these areas began to be cut back: scientific institutes and journals are being abolished, houses of culture are being closed, a reduction of the theatrical network is being planned, the deprivation of education is increasing, and cultural objects are treated as just any other kind of goods. The argument used by the deputy finance minister to justify the 22-percent tax on books—namely, that it does not matter if book prices go up sharply because then only truly quality works will be published—convinced startled television viewers that the era of incompetent masters over culture did not end with Jakes' fall. Because members of the intelligentsia are still state employees, the value of their even previously inadequate incomes continues to erode with inflation, the steep increase of the price of books and admissions restricts their possibility to mature intellectually, and as a result they also lose the prerequisites for creativity. Thanks to the rehabilitation process, the key positions are filled mostly by the "sixtyeighters" while the reduced number of jobs makes it very difficult to accept applicants untainted by collaboration into the ranks of, for example, college teachers, where less tainted functionaries from the time of the so-called consolidation still predominate. That again keeps Christians, who did not have opportunities for the entire 40 years, out of the game.

However, the problem of the intelligentsia is not just its problem, it is a problem for the whole society, because if it is not resolved properly it will have an impact on the entire nation. If we do not give the intelligentsia enough opportunities to make their mark at home, the most gifted among them will leave to seek them abroad and their talents will be mostly lost to our country. The crippling of cultural and scientific life for economic reasons will deprive many of those who remain at home of the possibility to apply their talents, just as the ideological aspect did earlier. Some of them become resigned and under financial pressure lose a deeper interest in their profession, devoting themselves only to the earning of money. And the patent discontents—as happened so many times already in the past—are greeted with open arms by the radical right or left, and that can put our too fragile a democracy at great risk. If the top officials of the state want to prevent that, they must set aside their indifference and give our intelligentsia and culture unequivocally positive prospects.

HUNGARY

Israel's Herzog Interviewed on Eve of Visit

LD0606204291 Budapest MTI in English 1155 GMT
6 Jun 91

[Text] Budapest, 6 June (MTI)—"I am looking forward to this trip with great expectations. The history of Jews in Hungary goes back to the Roman times. The Hungarian Jews played a major part in the cultural development of the Jewish people. I am proud of what the Jews have contributed to Hungarian culture, in the same way as of the contribution Hungarian-born Jews made to the Israeli culture.... This is the first country behind the one-time Iron Curtain that I am going to visit," Israeli head of state Hayim Herzog said in an interview with Thursday's MAGYAR HIRLAP, prior to his official visit to Budapest beginning next Tuesday.

"In my opinion, Hungary is a very important country, with which our relations are developing well. There are already Israeli investments in Hungary and, what is more, there is no other country in the world so familiar with your country as ours. I also deem it important that Israel is a Western country with close links with both the European market and the United States. I think this circumstance is highly important for the east European countries seeking inroads into the world market," Herzog stated in his interview with MAGYAR HIRLAP.

Foreign Ministry Official on NATO Proposal

AU0406145691 Budapest MAGYAR HIRLAP
in Hungarian 29 May 91 p 3

[Article by Sz.H.: "The Horn Proposal Is Useful"]

[Text] Hungarian foreign affairs circles find Gyula Horn's Rotterdam proposals useful. Several elements in Horn's proposals already form part of Hungary's foreign affairs practices, this was the answer given to MAGYAR HIRLAP by Foreign Ministry spokesman Janos Herman when asked how Bem Quay had reacted to the proposals made by Gyula Horn to the NATO parliament. Herman excused himself for the fact that it was only through news agency reports that he had become familiar with the contents of the Horn proposals. Herman made the following statement to MAGYAR HIRLAP:

"The direction of and philosophy behind the Horn proposals are similar to those formulated in the foreign affairs program of the Hungarian Government. The main lines of the Horn proposals coincide with our current practices; indeed, the Hungarian Government is trying to establish partner-like relations with NATO, and our relations with the West European Union are developing in a similar way. In general, it can also be said that our cooperation and our relations with Western integrationist organizations are evolving.

"There are also new concepts in the Horn proposals. For example, there is the idea of a 'cooperative state' status,

the details of this concept still need to be outlined, and there is the proposal that cooperating states should work together on security policy issues on the basis of a treaty. However, several elements in this latter proposal are already being implemented through bilateral relations. In other words, the concept is partly new, but parts of it already form part of Hungary's current foreign affairs practices.

"Any thought-provoking idea or proposal that aims to make European cooperation more close-knit is useful."

Marinovich Appointed as New Cabinet Chief

LD0306172291 Budapest MTI in English 1533 GMT 3 Jun 91

[Text] Budapest, 3 June (MTI)—The prime minister's press office has requested the Hungarian News Agency MTI to publish the following press release:

On 1 June 1991, Jozsef Antall appointed Dr. Endre Marinovich, 50, holder of candidate's degree in economics, cabinet chief to the prime minister.

Previously, Endre Marinovich worked as secretary at the Hungarian trade mission in Athens.

Constitutional Court Seeks Political Independence

AU0306131991 Budapest MAGYAR NEMZET in Hungarian 24 May 91 p 5

[Interview with Andras Hollo, secretary-general of the Constitutional Court, by Hajnalka Cseke; place and date not given: "The Constitutional Court Wishes To Be Completely Independent"—first paragraph is MAGYAR NEMZET introduction]

[Text] Do the constitutional judges need to be afraid of political pressure? Our correspondent asked Andras Hollo. A recent letter from Imre Konya, faction leader of the Hungarian Democratic Forum, posed the question. Imre Konya sent a letter to the faction leaders of the six parliamentary parties, the representative of the independent deputies, and the chairman of the Constitutional Court. This is what he wrote, among other things: "What we have to think about is nothing other than the limitation of the Constitutional Court's jurisdiction. For this, we have to modify the law on the Constitutional Court."

[Hollo] The Constitutional Court is the most important guarantee-providing organ of a power-sharing system. This organ has to have the true jurisdiction of public law, that is, we have to ensure that it can fulfill a real supervisory function within the political institutions. If this principle is violated, then we can only talk about the Court as a "shop-window" organ of democracy. Therefore, the control function of the Constitutional Court cannot be questioned by any political groupings or public dignitaries, but we can argue about the jurisdiction of this organ. It is a question of political consensus how far the jurisdiction of the Constitutional Court extends. I think the Constitutional Court occupies a

suitable place within the Hungarian institutions, it has a clear role and status, and only the rules on its jurisdiction are waiting to be clarified. I am sure that no one is endangering the independence of the Court, which otherwise endeavours to make sure that no aspects of righteousness or fairness, or any political or other economic aspects are asserted in decisionmaking [as published]. The Court takes strict care not to take over or assume the tasks of other organizations, and not to interfere with the government's activities.

[Cseke] Nevertheless, by its decisions, the Constitutional Court influences the government.

[Hollo] This is true, because our decisions are binding for every organization and every citizen. If we establish that some legal regulation is against the Constitution and this decision happens to affect a government measure, then not even the government can disregard the decision of the Constitutional Court. The government has to change its previous point of view and create a new concept on the given issue; indeed, to this extent we do influence the operation of the government.

[Cseke] What sort of guarantees do we have that the Court will not become a victim of party political battle?

[Hollo] To answer this question I have to start from the premise that, naturally, a political minority that has been voted down will not resign itself to a given decision, but will carry on trying to justify itself. It is possible that the constitutional truth is represented by a party in minority. There is a guarantee that the party in minority can turn to the Constitutional Court in such cases. At the same time, it is possible to misuse this guarantee, and a party might cite constitutional principles while merely trying to assert its own point of view by the decision of the Constitutional Court. It is hard to see through such machinations; still, on the basis of good faith, we will assume that all those people who submit such a motion are led by honest constitutional intentions. At the same time, the Constitutional Court also makes its decisions based on the Constitution. It disregards all other points of view and interests, thus it also strictly ignores party political interests.

[Cseke] Has it ever happened that someone attempted to exert political pressure on the Court, either in person or on the telephone?

[Hollo] There is tremendous pressure on the Court, but that does not manifest itself in the actions of individuals. Obviously, a statement made by the prime minister or the faction leader of a party, or their opinion on certain issues carries great weight. Still, the Court has to cut free from these statements. Nobody has directly interfered with our work yet, and I do not expect it to happen in the future, either.

[Cseke] The ad-hoc committee that was made up from the members of the Parliament's Constitutional Committee has recently started to examine the concept on

modifying the operation of the Constitutional Court. What is the essence of this concept?

[Hollo] We would like the Constitutional Court to be able to set its own procedure in the future, instead of the parliament. This would complete our independence. It would be desirable if the rules on jurisdiction were clarified, and if the administrative courts were made responsible and competent in the issues concerning certain institutions of constitutional law. We would find it proper if petitions were countersigned by lawyers "in order to filter" the cases, because anyone can turn to the Constitutional Court in any matter today. This way, we could prevent having to deal with petty suits. The Constitutional Court asserts its right to freely decide which cases it wants to deal with on its merits, and which ones it wants to reject.

SZDSZ Walkout From Parliamentary Committee

*91CH0606B Budapest MAGYAR HIRLAP
in Hungarian 7 May 91 p 3*

[MTI Report: "Committee Debate—The Free Democrats Walked Out"]

[Text] At yesterday's meeting of the Committee on Autonomous Local Governmental Bodies National Assembly, representatives discussed the upcoming general debate on the legislative proposal which deals with the transfer of state property into local government ownership. The legislative proposal is on the agenda of Tuesday's plenary session. Opposition representatives believe that far more paragraphs and sections required a two-thirds vote than what the Interior Ministry suggested. Representing the Interior Ministry, Tibor Balint acknowledged the fact that the list of such provisions could be expanded. The division chief expressed regrets during debate because in the course of amending the Constitution the cabinet withdrew a certain constitutional amendment. That amendment would have bowed to opposition proposals, and would have established constitutional conditions for acquiring ownership rights, rather than use rights while making use of state and local government property for certain purposes. The cabinet withdrew the proposed amendment for lack of support. Alliance of Free Democrats Representative Balint Magyar turned toward the press and announced that at no time did the opposition make such recommendation, the constitutional amendments would have served the interests of the cabinet by enabling it to remove real property belonging to the churches and areas needed for the Expo from local governments.

As a second agenda item the committee discussed proposed amendments to the legislative proposal concerning the capital's and the capital districts' autonomous governments. A real debate was sparked when the committee revised its previous position and voted to authorize district governments to perform any function performed by the capital government without the concurrence of the Capital General Assembly. Balint

Magyar questioned whether representatives of the ruling party truly expressed the cabinet's position, claiming that this concept was contrary to the agreement signed by the mayor and the district mayor, a document agreed to by the cabinet. In the end, the three SZDSZ [Alliance of Free Democrats] representatives, Balint Magyar, Maria Korodi, and Roza Hadosan, walked out of the room. Ruling party representatives decided to postpone the debate in response to the walkout.

Chairman Laszlo Kover on the III/III File

*AU0606171391 Budapest NEPSZABADSAG
in Hungarian 4 Jun 91 pp 1, 4*

[Interview with Laszlo Kover, chairman of the Hungarian Parliament's National Security Committee, by Attila Fekete; place and date not given: "Laszlo Kover: I Would Be Interested To Hear Mr. Antall's and Mr. Boross's Viewpoints"—first paragraph is NEPSZABADSAG introduction]

[Text] The chairman of the parliament's national security committee found out through the press that the inquiry into their own past, that the leaders of the FKgP [Independent Smallholders' Party] had demanded, had come to an end. This inquiry was aimed at establishing whether or not the FKgP leaders were named on a list of former III/III agents.

[Fekete] Interior Minister Peter Boross once said in relation to this issue that he would open the armored box containing the remaining documents together with you....

[Kover] I do not know what they keep the aforementioned documents in. I was not told about any kind of opening of armored boxes, nor was I invited to such a procedure.

[Fekete] The FKgP leaders went to see the prime minister to shed light on their irreproachableness; did your committee deal with their case after this visit?

[Kover] No. Given that the government had submitted its own bill concerning III/III agents, we presumed that the request presented by the FKgP leaders would only be dealt with after the passing of that bill, and in the spirit of that bill. In its preparations for the debate on the submitted bill, our committee charged Mr. Szokolay and Mr. Koszeg with the drafting of a report on the hearings conducted by our committee over the last few months. With the help of this report, we would like to establish whether the concepts contained in the presented bills can be put into practice at all.

[Fekete] What did you establish?

[Kover] Our committee has not yet discussed the detailed reports, so I would not like to comment on the contents of these reports.

[Fekete] Do you think that it is possible to establish whether or not somebody was an agent without turning to the remaining card index that is kept in the Interior Ministry?

[Kover] No, I do not think so. I am confident that the gentlemen who are responsible for the documents, Mr. Boross and Prime Minister Antall, in other words, will make a statement in the next few days on the reasons why they did what they did, and on the legal authorization on which they based their actions.

[Fekete] How would you qualify the documents kept in the Interior Ministry?

[Kover] I am convinced that they can be qualified as state secrets or professional secrets. I am sure that Hungary's former council of ministers declared them as such in a secret government decree.

[Fekete] Several FKgP leaders were issued with certificates to prove their irreproachableness. Could this effect the future of bills on this issue?

[Kover] That is unfortunately very likely. This incident could influence the wording of laws to be passed, and it could affect procedural rules. Furthermore, this incident has set a precedent, and from now on, it will be very difficult to deny government members the right to receive a certificate proving that they did not work as agents for the III/III group leadership. As a direct result, I think that unless the future law stipulates that previously issued certificates have to be destroyed or annulled and that inquiries have to be conducted anew in accordance with the procedures laid down in the law, some people will be left with a certificate "of debatable value" because of a legally legitimate but politically questionable government measure. Later on, there will be a danger of other people referring to the current certificates and being issued with certificates "under the table."

[Fekete] So top secret registers have probably been opened in the Interior Ministry. Are you afraid that anybody who is simply suspected of agent activities will refer to this and question the credibility of the registers?

[Kover] Interior Ministry employees have the right and the possibility to handle the aforementioned registers. We have no reason to suppose that any of these employees would try to abuse their positions. Furthermore, we are in a position to know that (as far as some agents are concerned) there are dossiers, even if there are not very many of them that clearly prove whether or not these people worked for the III/III department. However, is it acceptable for a valuable and potentially abusable card index to be in the government's exclusive possession? That is another question.

[Fekete] What steps is the committee intending to take, following these latest developments?

[Kover] We have not yet made a decision. I personally think that we should hear what the prime minister and

the interior minister have to say about these developments. I do not think that they have taken any unlawful steps in this matter, but there are a lot of things that I do not understand.

National Security Office Functions Examined *LD0606205991*

[Editorial Report] Budapest MTV Television Network, on the "vital questions" program, carried a 45-minute roundtable on the National Security Office with Andras Galszecszy, minister without portfolio, who is responsible for the government control and the supervision of the National Security Office and the information office of the Hungarian Republic, and Peter Hack, a minister of the parliament of the Alliance of Free Democrats (SZDSZ) lawyer, and university professor.

The first questions from the audience dealt with the recent affair of the prime minister giving out the results of the probity on certain Smallholder's Party politicians. Both guests agree that Antall was well within his constitutional rights to do so.

Then a general discussion commenced on the difficulties, which were presented by the enormous amount of documents and information materials gathered by former security agents, not only in Hungary but also in the other ex-Socialist countries, what to do with them, who should be authorized to deal with them, how to use them, etc.

The SZDSZ representative felt that it would be best if a new law regulated this in the future.

In Hungary the matter is made even more difficult because of what happened in December 1989. Andras Galszecszy had the following to say about this:

"In Hungary it is well-known that the basic documents, that is, the enlisting statements, other work documents, and agents' reports, were at least 90-percent destroyed, at least to my knowledge. Thus, absolutely valid documents containing the signature of an agent, proving that he or she is an agent, as far as I know, do not exist anymore."

In reply to another question from the audience regarding the Carlos affair, Galszecszy said:

"The investigation into the Carlos affair is still under way. I think that this investigation will be completed within a very short time, within the first half of this year, and obviously, some sort of statement can be expected on the matter."

Then, referring to previous examples abroad, he went on to say that not much good had ever come from complete public disclosure of terrorist affairs, because that inevitably brings about revenge by the terrorists. He recalled the capture of two female members of the Carlos group in France which led to seven terrorist actions in France.

Then, when it came to answering another question on the current possible activities of the Securitate in Hungary, Galszecsy avoided responding completely.

Talking about the former activities of the KGB in Hungary, and whether there was a formal KGB residential center in Budapest, Galszecsy said that there was no need for such centers. Since KGB advisors were inside the Ministry of Internal Affairs, they got firsthand information directly about Hungarian internal political life.

In replying to another question concerning the present set up of the security services and to what extent the old guard stayed in their positions, Galszecsy said:

"Old employees have stayed on in a relatively large number but only those who are young and in the lower ranks. They must stay because this is also a profession which has to be learned and they can not be replaced from one minute to the next by somebody else. They not only stay here, but almost everywhere in the administration, because the administration, national security, defense, all require particular professional knowledge. Both in the National Security Office and in the Information Office, the commanding body was replaced by Interior Minister Peter Boross, my predecessor. They were partly retired or made obsolete. All of those who were working for the 3/3 unit, that is the internal security unit, which carried out activities against the internal opposition, were removed. But the others, the intelligence officers, counterintelligence officers, antiterrorist squads, cannot be sacked because they cannot be replaced. Here, professional work is needed in these areas. Amateurs cannot be employed because that would be detrimental to the present Hungarian Republic. Thus, there are old members and there are new employees also. Thank goodness last year there were plenty of applications, we are taking on new people."

Finally, Galszecsy expounded on the fact that stringent regulations are in force to control the activities of officers of the National Security Office, and a new law also exists now which allows for the relevant parliamentary committee to look into the work of these organs at any time. Thus, everything is above board and legalities are observed and ensured at all times. The SZDSZ minister of the parliament mildly and cautiously disputed this. However, he concluded by agreeing that much progress has been made in the matter of security organs in Hungary. All we need to do now is to watch over them with "optimistic suspiciousness."

Deputy Chief Prosecutor on Carlos Affair

AU046153991 Budapest 168 ORA in Hungarian
28 May 91 pp 18-19

[Interview with Deputy Chief Prosecutor Sandor Nyiri by Katalin Rangos; place and date not given: "Intelligence Secrets: Who Was Involved in Hiding Carlos in Hungary?"—first paragraph is 168 ORA introduction]

[Text] Obviously, many people remember the so-called Carlos affair, the fact that the internationally sought terrorist was allegedly treated in Hungary and that his group was trained here and they "rested" in Hungary. At some time, there was talk of calling to account all the state and political leaders who had a hand in all this. Later, other scandals slowly diverted the public attention from the Carlos affair. However, Katalin Rangos heard a half sentence recently, and went straight to Sandor Nyiri in connection with this.

[Rangos] Has there been any criminal investigation of any state or party leader, an investigation that could be included in the framework of the Justitia-plan?

[Nyiri] Your question is putting me in a difficult situation because, in view of the Constitution, a prosecutor cannot engage in politics, but I am still obliged to inform you, on the basis of the press law. I said all this because the Justitia plan includes the concepts of a political party and, therefore, it is not a regulation that could oblige the acting authorities. As a prosecutor, I can say that the prosecutor's office reacts to all the reports, requests, and complaints it receives in accordance with the regulations.

A Lot of State Secrets

[Rangos] Concretely, I have come to you now because, in a television program a few days ago, a deputy of the Hungarian Democratic Forum said during a remark that, according to her knowledge, a single criminal procedure was initiated against former state and party leaders, in connection with hiding this terrorist in Hungary. However, I have not read or heard anything about this.

[Nyiri] All I can say is that an investigation is under way. We have not given details to the public because there are a considerable number of state secrets involved in this investigation.

[Rangos] Is it also forbidden to know for example how many former state and party leaders were involved in this affair?

[Nyiri] I cannot come up with names now.

[Rangos] For now, I only asked how many people were involved, and I understand that you cannot come up with names.

[Nyiri] Well, I will then say that some people were involved.

[Rangos] Why are there so many state secrets involved in this affair? Why is it forbidden to even know that such an investigation is under way? Is this because one would get some idea on how the Hungarian intelligence is working today?

[Nyiri] This could be a reason. The activity and style of the state security organs is a lasting thing, and it is not at all sure that the prosecutor must inform the public about this.

[Rangos] However, I cannot understand why the number of people affected by this affair is a state secret.

[Nyiri] Think about it. What could happen if I irresponsibly tell you something here, and the results of the investigation will bring something else to light?

There Is No Danger of a Repeat

[Rangos] Could you tell us whether these people are free or in custody?

[Nyiri] Nobody is under arrest. If you remember the times, you can find out that all the people involved are elderly people and, therefore, there is no danger of any repeat. Besides, there is no reason whatsoever to initiate forced measures.

[Rangos] Will the statutory limitation not affect this affair? This is a rather old issue.

[Nyiri] No, because there are different suspicions involved here, like the attempt of manslaughter on various people, and the accessory acts, like accessory to crime and complicity.

[Rangos] To make it absolutely clear, Carlos is suspected of manslaughter, and the abettors could be Hungarians....

[Nyiri] That is true. We received the relevant documents from Austria and Germany recently. Their translation is under way. Today, I cannot yet tell you anything about what these translations will show and how much proof will emerge.

[Rangos] Is it also a state secret whether you have any information on any such investigation in any of the former socialist countries where Carlos spent some time and also received assistance? Obviously, there must also be such abettors there. Is there any investigation under way against them?

[Nyiri] As far as I know, our northern neighbors are also investigating. This is what I know. I have no information about the other countries.

[Rangos] What about your investigation?

[Nyiri] We have almost finished listening to the witnesses, and we have collected the relevant documents, and the translation of foreign documents is under way. Our next step will be to analyze and evaluate the consequences that can be drawn from the available evidence.

[Rangos] In other words, whether we can bring charges or is a trial necessary?

[Nyiri] That is absolutely correct.

[Rangos] When do you expect to find out how many people will be charged?

[Nyiri] The position of the Prosecutor's Office will emerge by mid-summer. I must say that, given my position, I know the whole affair, and I think that I told you everything I could say now about this.

[Rangos] Is it true that this investigation was initiated by the former interior minister Balazs Horvath?

[Nyiri] Yes, that is true.

They Flew Toward the East

[Rangos] I will try to summarize what I managed to extract from your words. We know that an investigation was initiated on more than two people, because you said "some."

[Nyiri] Yes, it was some.

[Rangos] These people must be past middle age.

[Nyiri] Some of them are dead already.

[Rangos] Where did they work at the time? Did they work for the party apparatus, in state administration, in the national leadership, or maybe for those secret organizations about whose operations it is inexpedient for us to reveal anything yet?

[Nyiri] Now then, to speak in brief sentences: We received approximately 22,000 pages of documents in connection with the Carlos affair. The Ministry of Interior Affairs was under the party's direct control in Hungary at that time. They had a mechanism whereby the ministry uncovered things, reported them, and the decision was made in the party center. If I think in terms of liable people and blame, then I can say that suspicion can fall on those persons of the Interior Ministry and the party apparatus who worked in these areas. I would also like to add though that we managed to establish the fact that the aim of the existing leadership was to prevent the terrorists from committing anything in Hungary and to use all possible means to squeeze them out of Hungary.

[Rangos] So they allowed them into Hungary to chose the lesser of two evils, lest Hungary become a ground for terrorist attacks, and at the same time, they also tried very hard to keep them out of the country altogether.

[Nyiri] Now then, this affair did not begin by the Hungarians allowing them to enter the country, but by these gentlemen appearing here. Their presence was noticed here because an advisory was sent from abroad about their entry to our country. That was the way it started.

[Rangos] That means it was not the subject of an agreement that they could come and have a little rest here.

[Nyiri] No, it was not. I have just mentioned the many volumes of documents. There is an interesting report in

the last volume. At the time when Carlos and his men were not allowed to land their airplane anywhere, they also arrived in Hungary, but they were not allowed to disembark. Then they flew off toward the east, the report says at the end....

[Rangos] Can you confirm that people who assisted Carlos' and his group's operations in Hungary unaware of who they really were, are not under investigation? There must have been several such people. For example, people who gave them lodging, treated them in a hospital, or translated for them. I hope they are not affected by the investigation?

[Nyiri] They are the witnesses. They are the people who can prove that Carlos and his men had been here.

[Rangos] From what you are saying, my conclusion is that very few people indeed could have known about their presence here. After all, you are trying to find out the responsible people, who had agreed with certain people that these gentlemen can land here for a little time. The people, who were responsible for the fact that these terrorists were allowed to be here.

[Nyiri] That is correct. Even according to the rules of logic, we arrive at the numeric result that I have already mentioned to you: "some."

Legislative Proposal on Former Informers Debated

Text of Proposal

91CH0627A Budapest NEPSZABADSAG in Hungarian
14 May 91 p 5

[Unattributed article: "Legislative Proposal on Secret Agents"]

[Text] No. 2294: Legislative proposal for the use of the register, closed on 14 February 1990, containing the personal data of professional officers, officers falling under the "strictly secret" classification, and network personnel of the former III/III Group Headquarters of the Ministry of the Interior as well as of the data of the officers of the former special forces of the state.

In order to foster the integrity of democratic state administration, the National Assembly legislates the following law:

1. It must be examined whether persons defined under this law:

a) are included in the register of professional officers, officers falling under the "strictly secret" classification, and network personnel of the former III/III Group Headquarters of the Ministry of the Interior, closed on 14 February 1990 and deposited in the Ministry of Interior;

b) served as professional officers in state security units or during the years 1956 and 1957 in special forces.

2. The review specified under 1 includes the personal data of:

a) Parliamentary representatives;

b) Those elected by the parliament, requiring the oath of allegiance;

c) Members of the government;

d) Political, titular, public administration, and deputy state secretaries, i.e., state officials of comparable rank, ambassadors, the president and vice presidents of the Hungarian National Bank, and executives of banks under more than 50 percent state ownership;

e) Presidents, vice presidents, and division judges of county (and Budapest) courts, and Supreme Court justices;

f) Executives of county chief prosecutor's offices, department heads, and higher-ranking officers of the chief prosecutor's office;

g) Generals;

h) Mayors, the chief mayor, and chairmen of county assemblies;

i) Department chairmen and higher-ranking officers of institutions of higher learning;

j) Executives and editors of the Hungarian Radio, Hungarian Television, and Hungarian Telegraph Office;

k) Executive staff members of newspapers and periodicals with an average circulation exceeding 50,000;

l) State business establishment executives determined by the president of the Republic, the president of the parliament, the president of the Constitutional Court, and the prime minister.

3. The review will take place at the joint request to the minister of the interior by the president of the Republic, the president of the parliament, the president of the Constitutional Court, and the prime minister, i.e., persons designated by them.

4. The review will be conducted by the minister of the interior, with the collaboration of the chairman of the parliament's National Security Committee and, in connection with service in special forces, with the inclusion of the minister of defense.

5. Observing their confidential character, the minister of the interior will inform the president of the Republic, the president of parliament, the president of the Constitutional Court, and the prime minister, i.e., persons designated by them, about data obtained during the course of the review.

6. If the president of the Republic, the president of the parliament, the president of the Constitutional Court, and the prime minister jointly find it justified, they will

call upon the person concerned to resign from his or her office, i.e., to initiate his or her release.

7. If the person concerned will not resign or initiate his or her release after the summons, the president of the Republic, the president of the parliament, the president of the Constitutional Court, and the prime minister may jointly take measures to publish the data mentioned under number 5 according to the process specified in statutes regarding confidentiality.

8. This law will go into effect on the day of its announcement.

Grounds: on the use of the register, closed on 14 February 1990, containing the personal data of professional officers, officers falling under the "strictly secret" classification, and network personnel of the former III/III Group Headquarters of the Ministry of the Interior as well as of the data of the officers of the former special forces of the state.

In the wake of the change of political system, the fostering of the integrity of democratic state administration requires that only persons who have met the most stringent requirements should hold important offices. The proposal makes this evaluation possible.

One possible way to examine the integrity of the political past of the person holding an office is to use the data of the register closed on 14 February and deposited in the Ministry of the Interior, and to review the data related to the corps of state security officers, deposited in the Ministry of the Interior, and the data related to special forces, deposited in the Ministry of the Interior and the Ministry of Defense.

The aforementioned closing of the register of professional officers, officers falling under the "strictly secret" classification, and network personnel of the former III/III Group Headquarters of the Ministry of the Interior happened because that was the date on which law 1990/X, temporarily regulating the special ways and means of secret service, went into effect, redefining national security activities and assigning the latter to the national security services.

In order to submit a joint request to the president of the Republic, the president of the parliament, the president of the Constitutional Court, and the prime minister, i.e., persons designated by them, the minister of the interior, together with the chairman of the parliament's National Security Committee, and the minister of defense, will conduct the review of the person concerned on the basis of the existing data.

The review may be conducted only at request and may include only the register of persons mentioned in the request. The review will not encompass police, intelligence, counterespionage, and military intelligence activities.

For reasons of assurance, information connected with the request may only be provided to the president of the Republic, the president of the parliament, the president of the Constitutional Court, and the prime minister, i.e., persons designated by them, for the purpose of jointly deciding whether the compromised person should be called upon to resign or to initiate his or her release.

Instead of a detailed regulation and in consideration of the significance of their offices in state administration, the proposal leaves it up to the four constitutional dignitaries mentioned to determine the process from case to case.

The proposal does not offer a blanket provision for the publication of compromising data, for that is incompatible with the efforts to achieve stability. The data may be published in accordance with the process specified in the statutes concerning protection of secrecy only if the person concerned does not resign from his or her office or fails to initiate his or her release. Providing data or information to the president of the Republic, the president of the parliament, the president of the Constitutional Court, and the prime minister, does not affect the confidentiality of the data; the statutes regulating state and service secrets must be observed in their use.

Executive officer: Minister of the Interior Dr. Peter Boross.

Date of preparation: 2 May 1991.

Coalition Deputies' Approval

91CH0627B Budapest NEPSZABADSAG in Hungarian
14 May 91 p 5

[Unattributed article: "Coalition Representatives Approve"]

[Text] We also inquired about the opinion of the coalition parties on the government's legislative proposal.

FKgP [Independent Smallholders' Party] Secretary General Sandor Olah:

"We were very happy to hear last week's briefing on this issue of the Minister of the Interior. We are not satisfied that the legislative proposal wants to stop at the petty informers and staff members of the III/III department. On the other hand, because of humane reasons, I find it entirely understandable that a four-member group is to decide on publishing the list of names. We hope that a debate on the proposal will soon begin where we can present our detailed modification proposals. At the same time, I would like to mention the fact that the FKgP played a rather significant role in the present announcement of this legislative proposal. It is time for Hungarian public life to get rid of all suspicious persons."

Bela Csepe (KDNP) [Christian Democratic People's Party]: "By all means, we approve of this legislative proposal, for society is entirely justified in demanding that, one year after the change of regime, some steps be

finally taken forward in connection with the crimes of the past. Thus, the goal is a noble one, for everyone's past role must really be clarified. It is very important not to allow those who thoroughly compromised themselves in the old regime to assume important posts and jobs, in the present and even more in the future."

Istvan Balas (MDF) [Hungarian Democratic Forum]: "We already stated the justified social demand in last summer's Justitia plan that public life must be freed from, I actually must say, the traitors of the population. The fact that high posts are still occupied by actually unsuitable persons causes extraordinary dissatisfaction. Therefore, we approve of the announcement of the legislative proposal by all means. It is still unclear today what offices should be included in the review. There will no doubt be people who think that the scope recommended in the bill is too wide, and others who will think it is too narrow. Most people I talked to in the MDF faction are for widening the scope. No one will directly lose his or her job through an administrative process. But, on the other hand, if someone does not voluntarily come to see reason, then he must take the risk of public denunciation."

Minister, SZDSZ Disagree

91CH0627C Budapest MAGYAR HIRLAP
in Hungarian 13 May 91 pp 1, 3

[Article by K.L.: "Purge of Public Life or a Means of Political Blackmail? Getting Rid of Agents May Become a Boomerang"—first paragraph is MAGYAR HIRLAP introduction]

[Text] According to our information, sources close to the former Group Headquarters III/III indicate that as many as 50 current members of Parliament may be involved in connection with the government's legislative proposal for "disagentification". The proposal calls for a review of the crimes of III/III secret agents, they may be called upon to resign and, as a last resort, they will be eliminated from our public life through the publishing of their names. We asked Andras Galszecszy, minister without portfolio, supervising civil secret services, and SZDSZ [Association of Free Democrats] Parliamentary Representative Peter Hack what they think of the proposal.

In reply to our question, Andras Galszecszy stated again that he has not seen the lists or files and, thus, he cannot make any statement concerning their authenticity. He has also heard, of course, about names having been removed from or, on the contrary, added to the register in recent times. Some police staff officers also claim that the compilation of the files did not necessarily reflect the actual network personnel. These documents served, for instance, to account for certain restaurant expenses, so filling them out may have brought some money to the operative officer. But, more importantly, a certain number of enlistments were allegedly "expected" from

the staff and this may indeed have resulted in registering fictitious or real persons who, however, never worked as agents.

Despite all this, Galszecszy agrees with the principles laid down in the proposal and with the widening of its scope. He says that this is a very difficult decision, but the government's good intentions are undebatable: it offers a humane method of ending a delicate issue, for the objective is not to publicize the names but to purge public life, in a way that would minimize injury to the persons involved. At the same time, Galszecszy also has some concerns, for the legislative proposal undermines confidence precisely in those persons without whose help there can be no secret services. People working in those areas are justified in asking the question, what kind of a guarantee will they receive that would eliminate the possibility of exposing them to an embarrassing situation in case of a possible change of power? Those concerned may relax somewhat, for the legislative proposal on national security, which is in the making, provides more detailed regulations regarding the publication of the names of secret agents.

"Since I learned about the proposal from the press, I can only talk about my first impression," said Peter Hack who, together with Gabor Demszky, presented a similar proposal to the Honorable House last year. "The present proposal differs from our concept. We wanted to prevent the blackmailing of persons in respected positions. It was easy to determine the list of those who were exposed to this danger because of their political past, which yields absolutely no benefit to the new state apparatus. It seems that the list of persons as defined by the government does not serve prevention but, rather, exemplifies a kind of moral satisfaction because university department chairmen, for instance, can hardly present political dangers. Many people will no doubt question the government's proposal to sit down and specify in retrospect the posts that enjoy public respect.

The list of persons we put together is based not on after-the-fact judgment but on the time when legislators defined certain posts and required the incumbents to take an oath of allegiance to the state. In this way we could have avoided political affairs with possible embarrassing consequences. All this should have been dealt with a year earlier, regardless of the political atmosphere...."

In Peter Hack's opinion, we must be aware that only a longer process may bring satisfactory results but, at any rate, it is better to clarify the circumstances. In this respect, too, the outcome of the Horvath-Pallagi case was disappointing when they received a lesser punishment than Jozsef Vegvari who took all the risks and uncovered the activities of the secret service...!

"However, I do not believe that we can expect any great scandal or upheaval," said Hack. In response to our comment that many people think that this proposal, too, is suitable for blackmail, Peter Hack said that he does

not know what techniques they wish to employ in implementing the proposal and, although the danger no doubt exists, it is still lesser than it would be if the truth would come out later when a scandal could indeed break out, possibly leading to grave political consequences. This is one reason why it would be more beneficial for the person to voluntarily leave office.

According to some information, forcing former agents to leave certain functions and leading positions may become a kind of boomerang, endangering even those who threw it. The sources close to the former Group Headquarters III/III assume that as many as 50 current members of the parliament, e.g., several high-ranking church leaders, may be involved.

Actually, one can also arrive at this conclusion by way of logical thinking. The earlier political power proved to be extremely hungry for information, demanding quality work. Thus, it was very much in the interest of operative officers to reach people in the appropriate positions, be they members of the opposition, the churches or the press, who, because of their positions, could satisfy the power establishment's curiosity. And many of them were successful in holding onto their positions even during the course of the change of regime.

Incidentally, former operative officers are convinced that there was hardly any instance where the selected person refused to cooperate. If one of their colleagues failed, the opinion of the professional circles was that he did not prepare adequately. The pro found everyone's weak point with almost absolute certainty. And members of the III/III staff were undoubtedly pros. (Our commentary, entitled "Unclarified Purge", is on page 5.)

Fraudulent Lists Possible

*91CH0627D Budapest MAGYAR NEMZET
in Hungarian 13 May 91 p 3*

[Report by j.d.: "The Lists of Agents May Have Been Falsified, Says Former Internal Security Chief"]

[Text] As we previously reported in our Saturday issue, the government is initiating a review of the past activities of high-ranking public figures. The plans call for determining whether the persons reviewed were members of department III/III, special forces in 1956 and 1957, or the AVH [State Security Authority]. Membership alone is no crime, everyone will be measured on the basis of his acts.

The proposal raises questions not only from a political aspect but also from the aspect of the techniques of implementation. It is not certain at all, for instance, whether dependable lists of agents exist. It is correct that judgments will be based on acts, but are these acts to be found out? Not to mention that someone may have committed crimes without having been an agent or a member of the AVH or the special forces, and now no one is looking into his past.

Jozsef Horvath, chief of the former Group III/III, not long ago told us his opinion on publishing the list of agents. He thought that the objectives of such a publication may be political and tactical. (According to the presently announced concept, information on the persons being reviewed could be published only by the approval of the country's highest-ranking public officers.)

Jozsef Horvath thought that since all agents took an oath to the Constitution, they could have believed that they were serving a constitutional power establishment.

"I do not want to say that some agents would not deserve to be held accountable and to have their identity publicly disclosed. Those who have committed crimes should be called to account according to the Penal Code that is in effect." Horvath says that "The files of the agents and persons under surveillance may very well have been swapped. There is no guarantee that his did not happen."

Weapons Returned to Former Police, Soldiers

*91CH0630B Budapest MAGYAR NEMZET
in Hungarian 26 Apr 91 p 5*

[Article and telephone interview with Hungarian Democratic Forum (MDF) Representative Istvan Balazs by (k. b.); date not given: "End of Justitia Plan? Return the Weapons!"—first paragraph is an MTI report, second and third paragraphs are MAGYAR NEMZET introduction]

[Text] (MTI) The return of firearms used for self-defense may soon be requested by about 12,000, mostly retired police officers and soldiers, from whom they were withdrawn last year upon instructions from previous Interior Minister Balazs Horvath. The Constitutional Court Council, chaired by Geza Kilenyi, declared the minister's directive to be in violation of the Constitution.

The present decision was not unexpected because the office of the supreme prosecutor already expressed concern last September over the then interior minister's decision. Citizen rights and duties must not be dealt with in the form of directives, the law provides that such matters can only be governed by publicly proclaimed legal provisions. Further, the stenciled standard text also failed to comply with rules established by the law on state administrative procedure. No reason was given with respect to each individual involved.

Thursday evening we reached by phone National Assembly Representative Istvan Balazs, a member of the MDF [Hungarian Democratic Forum] faction. He took part in developing the Justitia Plan.

"Let me suppress the curse I would like to say. That's my response," the Representative said directly in response to our inquiry. He learned about the Constitutional Court decision as a result of our call.

"The danger has become substantially smaller than it was before," he added a few minutes later in response to our persuasion. "Eight months have passed since that time. Accordingly, returning once again the weapons into private hands at the present level of the ongoing transformation in the country represents a smaller danger than it did at the time they were taken away. Therefore, it is highly unlikely that this Constitutional Court decision could lead to armed restoration, not even indirectly could this decision result in armed restoration. But my personal opinion is something entirely different," he continued. "We are confronted by the same duality we must face in regard to most issues presented to the Constitutional Court. A constitution, which at the very end of the previous system has solidified at a certain level, fundamentally serves to protect the interests of the previous system. Damage is caused by constant reference to that document, and by disregarding daily issues and political tensions and problems that necessarily accompany the social and economic transformation. If we were to disregard these matters, and weigh purely the legal considerations, we would find that this decision of the Constitutional Court was flawless. It is yet another matter what negative consequences there may be, after all, this matter exceeds the competence of the Constitutional Court, and the Court should not even consider such matters until the enactment of relevant legislation."

[k. b.] Do you personally or as a group regard this as a fiasco?

[Balazs] I regard this as a fiasco from the standpoint of social transformation. But I repeat, the final outcome is chemically pure from the standpoint of law.

POLAND

New Solidarity Trade Union Leadership Profiled

91EP0477A Warsaw *POLITYKA* in Polish No 18,
4 May 91 p 7

[Article by Jagienka Wilczak: "New Solidarity Leadership"]

[Text] Two months after the Solidarity congress, which elected its new chairman, Marian Krzaklewski, Solidarity leadership is working, finally, as a full team, although there are still vacancies. The appointments took a long time, because not every member of the former team wanted to work with Krzaklewski, a man unconnected to any competing union groups. Some people chose to pursue their own career plans, but the most frequent openings for the former team happened to be in the Belvedere (nine people went there) or in private firms.

The most serious personnel changes happened in the closest environment of the chairman. Krzaklewski has not appointed a personal secretary. The position had been held previously by Krzysztof Pusz, who went to the Belvedere with President Lech Walesa. The post

(together with the room, opposite that of the boss, across a common secretariat) was taken over by the administrative director, Marek Witkiewicz, an engineer from the Radunia Shipyard in Gdansk. He enjoys the reputation of being Krzaklewski's trusted man.

For the time being, there will be no appointment to the post of the chairman's spokesman (formerly A. Drzycimski who also left for Belvedere). Krzaklewski believes that Solidarity, relieved of political duties, will need one spokesman only, the one for the National Commission will do. No one has filled this post yet, either. It should be a journalist without ambitions for a quick political career (until now most press spokesmen had such ambitions and the post became something of a spring board). Former Press Spokeswoman B. Malak resigned after the famous decision of the presidium to take away the Solidarity logo from GAZETA WYBORCZA. Her duties were taken over temporarily by Slawomir Rogucki, Secretary of the KK [National Commission] Presidium, 26-year-old art historian (KUL [Catholic University of Lublin]), deputy chairman of the Chelm [Solidarity] Region.

Both secretaries of the chairman were changed. Zofia Gust is now working as assistant to director of the Solidarity Economic Foundation and Joanna Strzemeczna is at Gdansk TV. They have been replaced by Renata Cwierzen and Katarzyna Zimmer who had previously worked with Krzaklewski in the Department for Professional Associations.

Following the chairman's motion, the composition of the KK Presidium has been enlarged. It has 20 members now (formerly 12) chosen from among the members of KK (which now has 96 members but will soon be enlarged by 15 professional secretariat chiefs). The principle of automatic inclusion in the presidium of chiefs of the five largest regions has been kept.

The Slasko-Dabrowski Region is represented by Alojzy Pietrzyk, 40 years of age, a mechanic from the KWK [Coal Mine] Manifest Lipcowy, chairman of the National Mining Commission, in the union since 1980, with a combatant past, participant in the roundtable negotiations, once considered a possible successor of Lech, his opponent in many union matters.

Mazowsze is represented by Maciej Jankowski (who succeeded M. Boni in the Regional Department and in the presidium), 44 years old, a welder by profession, employed by the Warsaw University, deputy chairman of the Mazowsze Region.

The Gdansk Region is represented by Bogdan Borusewicz, a 42-year old historian (KUL), a candidate for the Solidarity chairman in the last elections. The Lower Silesia Region [is represented by] Tomasz Wojcik, 45 years of age, Ph.D. in chemistry at the Wroclaw Technical University, member of Solidarity since 1980, delegate to the First Congress, active in underground structures during marshal law, successor of Wladyslaw Frasyuniuk as chief of the region and member of the KK

Presidium (Frasyniuk resigned because of his political activities in ROAD [Citizens Movement-Democratic Action]).

The following remained in the new presidium: Wojciech Arkuszewski from Mazowsze (appointed by the Second Congress), 42 years old, physicist, lecturer at SGGW [Main School of Rural Economy], since 1990 deputy chairman of the Mazowsze Regional Board, TYGODNIK SOLIDARNOSC journalist in 1980-81, in hiding during the marshal law (1982-83), worked for TKK [Provisional Coordinating Commission], published in TYGODNIK MAZOWSZE and WOLA. In the KK Presidium, he is responsible for the union's economic policies. He is assigned to Gdansk and occasionally visits Warsaw. He is chief of the Supervisory Council of the Solidarity Fund and chairman of the Solidarity Foundation Board.

Janusz Palubicki, treasurer, or even permanent treasurer (in Gdansk it is unimaginable someone else might perform this function), is a 43-year old art historian, bookseller, graduate of Adam Mickiewicz University in Poznan, chief of the Wielkopolska Region, interned, arrested for union activities and sentenced to four years in prison. His greatest problem is the Lodz Region which is continuously late with payment of dues.

Bogdan Lis, 39 years old, is an electrician by profession and senator of the Polish Republic; he continues to direct the presidium's foreign policy. He is one of the chief activists of the Union, cocreator of free trade unions, signatory of the Gdansk Agreement, was arrested and sentenced several times to prison terms for union activities and was a participant in the roundtable negotiations. He was supposed to leave for the Belvedere but, eventually, decided against it. While Lis was still undecided, there were plans to replace him with Eugeniusz Polmanski, a 35-year old mechanical technician, deputy chairman of the Slasko-Dabrowski Region (recently living in Gdynia, where he got married). Because Lis decided to stay in Gdansk, Polmanski was appointed to foreign contacts of professional associations. He is a new face in the presidium, appointed by the Third Congress, (previously in KK). The matters of professional associations, after Krzaklewski's leaving, have been assigned to Andrzej Steczynski, a dentist from Tolkmick, member of the Elblag Regional Board. He is 30 and had worked in the National Commission of the Health Service. He is a new member of the presidium but was immediately given many duties. He will have to reorganize the union structure, which is becoming territorial-professional as opposed to territorial (appropriate corrections to the statutes were introduced by the Third Congress). He will also have the responsibility of negotiating with the government. So far he has had the experience of conducting such negotiations on behalf of the health service. He will have much more work now. He was assigned to Gdansk and will probably have to give up his dentistry for at least a year.

Another member of the presidium is Stanislaw Weglarz, chairman of the South-East Region. He was appointed to a new field—training—which is said to be his hobby. Weglarz is to define and coordinate the training strategy, possibly utilizing foreign aid for this purpose. He is 43 and has a high school education. He was a miner in PGR [State Farm] Leczna, a combatant, and is the father of three daughters. He was a candidate for the post of the Solidarity chairman. His time is divided between Gdansk and Lublin: three days in each place. It is not known yet where he will pick up his salary.

There is finally one woman in the presidium, Ewa Lewicka-Banaszak, 40 years old, sociologist from SGPiS [Main School of Planning and Statistics] where she is an expert at the Center for Trade Union Research. She was appointed to the KK and then to the presidium by the last congress. She will have a difficult task: she is in charge of Solidarity's Social Policy Department in Gdansk and carries out a similar function in Warsaw where a special Solidarity office is being established for contacts with the government. Until now there has been no one with such responsibilities in the presidium. Lewicka has good credentials for this job as she has frequently aided Solidarity in negotiations with the government.

The Regional Department has been enlarged (until now it was a small unit of the Organizational Department) and its responsibilities were assigned to Jozef Polkowski from the Piotrkow Voivodship, foreman from KWK [Coal Mine] Belchatow and KKK [National Coordinating Committee] chief for brown coal. He is 36, has high school education, a was a combatant. Krzaklewski wanted him to be a Solidarity deputy chairman but his colleagues voted otherwise.

Other new presidium members are: Waldemar Bortosz, Swietokrzyski Region chief, psychologist, 36 years old, interned, worked in the underground. He is a good negotiator. Wojciech Lica, chief of the newest region, the Copper Basin Region (it was created a few months ago). He is to take over unemployment issues. Longin Komolowski, chairman of the Western Pomerania Region, 43 years old, engineer in the Warsaw shipyard, in Solidarity since 1980; there are no definite tasks for him yet. Zbigniew Sieczkos, the Rzeszow Region chief, lawyer, 41 years old, to be in charge of the Legal Department. In external affairs he will take over previous duties of L. Kaczynski—solving specially difficult and controversial matters.

In keeping with his announcement, Chairman Krzaklewski managed to create the post of secretary of KK Presidium, a completely new function, which was given to Slawomir Rogucki. He will be an organizational coordinator, making sure that the presidium can work smoothly.

The appointment of deputy chairmen, after the resignations of L. Kaczynski and S. Jurczyk, was no easy task, and took two sessions of the presidium. Finally, the

positions were taken by Bogdan Borusewicz (who will replace Kaczynski) and Jan Rulewski, a 47-year old mechanical engineer, chief of the Bydgoszcz Region, interned and arrested for underground union activities, then forced to work as taxi driver. He was in opposition to Walesa, member of the so-called Working Group, did not get back into good graces until December 1989, when he won the elections in his region. At the First, Second and Third Congresses he competed for the Union chairmanship position. He promised to move to Gdansk permanently and was given a post at the Akwen [building where Solidarity headquarters is located]. He will replace Jurczak, but the division of tasks between the deputy chairmen has not been determined yet.

Under the new leadership an organizational revolution took place. In place of bureaus, departments were created, doing away with smaller units. The organizational structure is now as follows: the presidium secretariat and KK are responsible for the whole, and the whole means the following departments: Economic Policy, Social Policy, Regional, Professional, Foreign Relations, Training, Legal, Information, and Treasury. Managers of departments are administrative staff, and do not have to be members of Solidarity. The principle of not taking just anybody who walks in, but Solidarity people with recommendations (those who worked in it in 1980-81 and in the underground) has been retained. Gradually, this may also disappear in a natural way. The Office for Contacts With the Government and the Parliament was dissolved. It had been inactive for months even though it employed six people. The Organizational Bureau was also eliminated. Its chief, Witold Marczuk, left together with Kaczynski for the Belvedere. There is no press office any more. Together with A. Drzycimski, his employees, H. Milczarek and M. Kowalewski, moved to the Belvedere. The Bureau for Ecology does not exist either. It was considered unnecessary for the union to keep this agency as a leftover from the times when Solidarity dealt with everything. The Bureau for Occupational Safety is gone too, its functions having been taken over by the Social Policy Department and presidium members responsible for this area. There will be no Bureau for Cultural Affairs and Sports, whose chief, Szymon Pawlicki has also gone to work at the Belvedere.

It was decided to keep one office abroad, in Brussels. It is directed by Joanna Pilarska (Jerzy Milewski was formerly its chief, but he has returned to Poland), a biologist by profession, a member of PAN [Polish Academy of Sciences], a political refugee. It is important for the union to be present in the center of a united Europe. The Brussels office is subordinate to the chief of the Foreign Relations Department, B. Lis. Other offices acting abroad under the Solidarity signboard are doing it on their own account. Some employees of Foreign Office joined the diplomatic corps of the Polish Republic (T. Konopka in Rome and P. Chruszczyunski in Paris).

The smallest personnel earthquake took place in the Economic Foundation and the Solidarity Fund. The Fund is still managed by Jerzy Kobylinski, 30 years old,

engineer who graduated from PG [Gdansk Politechnical School], interned at Strzeblinek, with experience in private sector economics. There have been changes in the three member Board of Directors of the Foundation, after A. Kozakiewicz had left (for the Belvedere). He was replaced by Jolanta Malinska-Kulak, a talented physicist. The two remaining directors, Miroslaw Mironowicz (formerly KK Economic Bureau) and Julian Skelnik are doing well.

One thing remains the same: the Personnel Office does not divulge any information, giving an existing categorical rule as a reason.

Mazowsze Solidarity Chief on Labor, Union Issues

91EP0482A Warsaw *POLITYKA* in Polish No 18,
4 May 91 p 7

[Interview with Maciej Jankowski, Mazowsze Region chairman of Solidarity Trade Union, by Mariusz Janicki; place and date not given: "Return to the Commune Is Just a Curse: Whom Will Solidarity Support?"]

[Text] [Janicki] At the last Solidarity congress you coauthored a resolution which confronted Bielecki's government quite forcibly. This resolution listed the specific terms for the implementation of union demands, supported by strike threats. The resolution did not pass. Do you still maintain that same position today? Is the Mazowsze Region antigovernment?

[Jankowski] The purpose of that resolution was to discipline the work of the union and the government's work as well. I have been working actively in this country for some time and I know that if the terms are not spelled out clearly, all sorts of matters will be put off until later, ad infinitum. Unionists are not interested in polemics in government offices, but in concrete provisions in employee-related laws.

[Janicki] Was this not a no-confidence vote against the government?

[Jankowski] If it were, I would have said so openly and clearly. The government is really making colossal mistakes, but for the most part they are the inherited from the past 40 years. I believe that everything should take place before an open curtain.

[Janicki] Do you not think that these attacks (and they are just that) on another Solidarity government by Solidarity itself may be taken ambiguously? After all, you were the ones who ultimately brought down communism and supported Walesa who then appointed the present prime minister. And now these attacks. Is this not somewhat illogical?

[Jankowski] No, I do not think so. I always maintained that to speak of the governments of Solidarity both now and under Mazowiecki was a mistake, a propaganda trick. The majority of the ministers in both governments

do not emanate from Solidarity. We are a trade union and Bielecki's government has a liberal face. Of course it often happens in the world that the road to government leads through unions, as it does in Germany, for example. Reagan was also a union man. Of course we supported Lech Walesa, but we did not influence the makeup of the government. This cabinet must be criticized by us because the economic situation is very unclear. I never believed that the government was a Solidarity government.

[Janicki] Then you do not have any scruples about attacking government. The OPZZ [All-Polish Trade Unions Agreement] certainly does not have any scruples about this. Is it the same with you?

[Jankowski] We are refraining from drastic campaigns. As a union we must defend employee interests, but as a social movement we are attentive to the totality of Polish affairs. That is how our role has shaped up historically.

[Janicki] But would you not prefer to free yourself of that baggage from the past and move in the direction of pure revindictory measures?

[Jankowski] No, I was nurtured on such a dualistic Solidarity. However, in my opinion, what the OPZZ is doing now is harmful to everyone, especially the workers. It is always possible to make demands, even of a 2 million zloty pay raise, which means the toppling of this government. It is possible to block the railroads, but what good will that do? The future is always threatened. A dictatorship is not out of the question, never mind what it is called. We are also threatened with the South American variety of capitalism. This being so, how can I help thinking in statewide categories? We want capitalism and democracy, but these two concepts coexist in 30 countries around the world. But this does not have to be the case here. We can have capitalism and prosperity for the narrow oligarchy, without democracy.

[Janicki] Are you not afraid that a portion of the Solidarity membership does not comprehend these global circumstances of the union, that they will leave when they find out that you are not implementing their basic social interests?

[Jankowski] That happens but other things happen as well. Some people quit and others join. But as a rule those who join are people who already have serious problems. Sometimes we get entire plants that are at the point of bankruptcy and liquidation. But they come to us looking for help. I have always said that the union will undergo a crisis but will survive it. In a situation of rapacious capitalism people understand that they will not cope with difficulties themselves. A natural influx into the union takes place.

[Janicki] To be honest, I think that such a mass influx is caused by the hope for Solidarity to exert purely political

influence. People believe that your ties with the president and the government mean that in the most difficult moments you will find some sort of miraculous way out. Is this not true?

[Jankowski] Yes, it is. I find this phenomenon to be quite damaging, for I know the kinds of matters people bring to me. They say: you were afraid of the commune, so now you be in charge. They phone me just as they once phoned a party bigwig, expecting an immediate solution to their affairs. This is somewhat understandable, since until now all changes took place under the Solidarity slogan. Solidarity is a real, perceptible force for people, not committees or the government. The people voted for us. This shows the tremendous lack of clarity of the political scene. In this situation people reach out to the organization that is closest to ordinary human affairs.

[Janicki] Is it true that there is a conflict between you and Marian Krzaklewski, the chief of Solidarity, that you do not like each other?

[Jankowski] I did not notice this. It is not a question of liking or not liking each other. We do have certain differences of opinion, but only up to the moment of decisionmaking by the qualified union authorities, after which time their decisions must be carried out. Counter-proposals can wait for another, more appropriate time.

[Janicki] Then will you not be the local hetman [chief] for the Mazowsze Region? As a rule, your region had its own opinion, which often differed from the opinion at national headquarters. Will there not be a kingdom within a kingdom?

[Jankowski] No. I am opposed to division. I must say, however, that the word "hetman" conjures up associations with Sienkiewicz and I find that attractive. But I do think that there should be no place for a hetman on the current political scene. I am not saying that there is no hetman, just that there should not be one.

[Janicki] Nonetheless, you recently embarked upon a strictly political initiative, which I do not think Krzaklewski would do today. You invited the leaders of post-Solidarity groups—ROAD [Citizens Movement-Democratic Action], the Center Accord [PC] and Labor Solidarity and the Democratic Union [UD]—to your office. For what purpose? Did you want to verify which of these political forces had the most to offer or were you attempting to bring about some new sort of alliance?

[Jankowski] I do not think that the people who have gotten divorced—and this was a natural process—should not speak to one another now. There is no point exacerbating conflicts which are often of a personal nature. Let these activists say what they want to do and how problems should be solved. The purpose of this meeting was to hold a discussion, to talk about future election alliances.

[Janicki] Will these be local alliances—you creating your own alliances and others creating their own alliances?

[Jankowski] The national commission will decide that. It will depend upon the electoral law. I do not support signing a coalition with entire parties on the national level. These parties are still weakly defined. I know people from various movements and I am often surprised why they are not allied with each other but continue to stand alone. At the moment I do not know whether the an alliance between Solidarity and the PC will mean the same thing in Warsaw as it does, for example, in Malopolska. But in Malopolska these groups are very different from each other. General commitments are dangerous.

[Janicki] In your opinion, which of the post-Solidarity parties is closest to the ideals of Solidarity? You mentioned the PC. Is that significant?

[Jankowski] The PC seems to be quite close to these ideals. With the PC I have one guarantee: that the interest of employees will be take into consideration in the program of that party. We may differ on many issues, for example, foreign policy and ownership, but I do have that certainty. Labor Solidarity is also quite close to us.

[Janicki] But these two groups are very different from one another.

[Jankowski] That is true, but it does not hurt anything. We will probably also have much in common with the PPS [Polish Socialist Party]. The UD, on the other hand, is completely nondescript in our opinion; it lives in constant fragmentation and change. But its liberal fraction is strong. I am familiar with the statements made by Aleksandr Halle and many others. With the PPS employee interests are very remote, very much in the background. It is treated as a burdensome political necessity. Nonetheless, I invited Jacek Kuron, who always votes in the Sejm according to the union line. Henryk Wujec and I communicate well.

[Janicki] Are you not afraid that in all these bargaining sessions Solidarity will again become used as an electoral locomotive and that it will then be cast aside as dispensable?

[Jankowski] I am a little afraid of that. But we will demand that parties clearly define whose interests they are defending. In my opinion our best guarantee is to support individual people whom we know well. If someone has acted beyond reproach for many years, then he does not necessarily have to come out under the Solidarity banner. We will support him anyway. The union will present its own union candidates and the others will have to be supported in the election.

[Janicki] Is Solidarity a Christian trade union?

[Jankowski] No, it is not. Of course, we do aspire to the social teaching of the church, which treats work in a dignified and humane way. The majority of Solidarity members are among the faithful. But that does not signify a political link with the church.

[Janicki] Michal Boni, your predecessor in your position, is now the minister of labor. The things he now says

differ from what he said when he was a unionist. He talks about renunciation, he conducts tough negotiations with unionists. Are you able to look upon this unruffled?

[Jankowski] I would not expect him to say anything different, and besides he has assumed a different role. For one to be a unionist when heading even such a ministry would be going a little too far. A minister is supposed to be a minister. It is the same with the president. No one expects Walesa to remain a unionist after entering the Belvedere. For me that would be paranoia. Of course, sometimes when people change the place they sit they completely change their viewpoint. But I think that among the people in the government who formerly came into contact with the union, something positive will remain. As for Boni, we will see how he will turn out. For the present, some of his speeches remind me a little of sermons.

[Janicki] You come into contact with workers, people from large plants. What is the prevailing mood among them? Are they really beginning to long for the former system?

[Jankowski] I think that the slogan "return to the commune" is just a kind of curse used to release tension. It is a clever turn of phrase, a succinct thought, but content-wise it is empty. Our members, most of whom are qualified workers, are well aware of the fact that there is no returning to the past, and that is very good. Of course, we should not trivialize the mood; the reforms that have been implemented are rough cut. A year of renunciation with a 30-percent decline in the living standard cannot help lead to frustration. But calm yourself—as a rule the workers are not crying "return to the commune." They know what the situation is in Romania, Bulgaria and the Soviet Union.

[Janicki] When will you become minister?

[Jankowski] Never.

[Janicki] Dr. Boni also considered himself every inch a unionist....

[Jankowski] But he is a doctor while I am a welder.

[Janicki] Experience has shown that such an education as yours is not an obstacle to gaining the highest state positions. Thank you for the interview.

Scant Interest in Parliamentary Elections Shown

91EP0467B Warsaw RZECZPOSPOLITA in Polish
22 Apr 91 pp 1-2

[Unattributed article: "Public Opinion Research Center—A Special to RZECZPOSPOLITA: Electoral Preferences"]

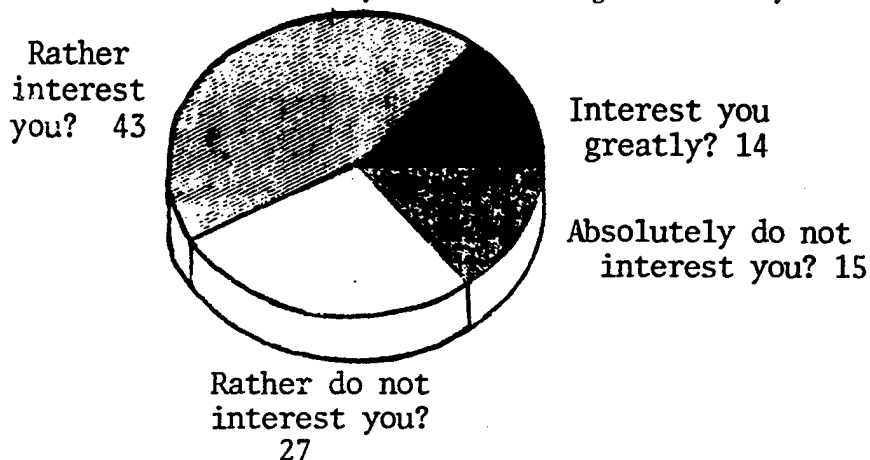
[Text] The CBOS [Public Opinion Research Center] is planning to hold monthly polls commissioned by RZEC-ZPOSOLITA on the forthcoming parliamentary elections. They will provide an opportunity to consistently track changes in the voting preferences of the electorate as the election day draws nearer and the election campaign intensifies.

Given the lack of an election law and a scheduled election date, the results of a poll taken on 13 through 16 April 1991,

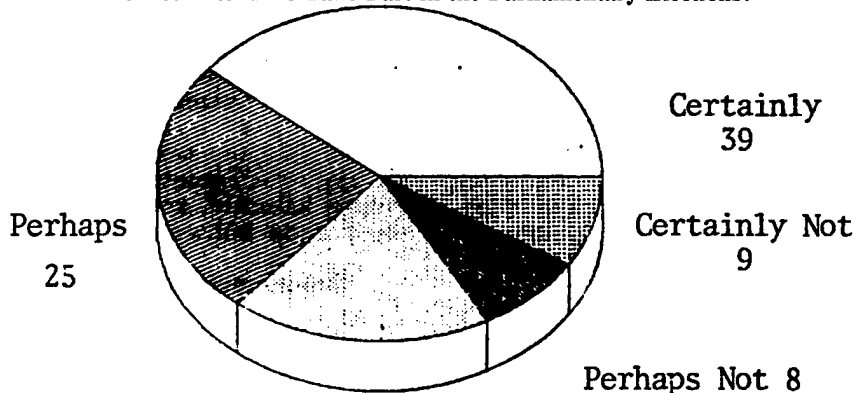
which are presented here, should be treated as a sort of "snapshot before the start." We may see from them what forces are available to the main political groups of the country before engaging in a contest. These findings also point out the attachment of our society to participating in elections regardless of the election campaign.

Slightly over one-half of those polled indicated interest in the forthcoming elections, but only 14 percent said that they are very much interested.

The Date of the Parliamentary Elections Is Drawing Closer. Do They...??



Do You Intend To Take Part in the Parliamentary Elections?



Key:

- Do Not Know 19
1. OPZZ—All-Polish Trade Union Agreement
 2. ROAD—Citizens Movement-Democratic Action
 3. PSL'S—Polish Peasant Party "Solidarity"
 4. KPN—Confederation for an Independent Poland
 5. "X"—Party X
 6. SdRP—Social Democracy of the Polish Republic
 7. PC—Center Accord
 8. 'S'RI—Rural Solidarity
 9. PSL—Polish Peasant Party
 10. UD—Democratic Union
 11. "S"—Solidarity
 12. KLD—Liberal-Democratic Congress

"Do you intend to take part in the parliamentary elections?" Thirty-nine percent of those polled answered "certainly yes" to this question. Exaggerating somewhat, we may state that these are people who can always be counted on. Election campaigns, posters, and special TV programs are not necessary to encourage them to take part in filling the new government. Who are these people?

Men, people in the 50 to 59 age bracket, those with a higher education, people employed in managerial positions or belonging to free professions, residents of the largest and smallest cities who have the highest incomes and believe that the situation in the country is changing for the better are most frequently certain to take part in the elections. In general, certain participation in the elections is promised primarily by people who have grounds to be satisfied with their own place in life and have a similar view of changes under way in the state. This determination is significant for those who would like to predict the order at the finish line on the basis of "a snapshot before the start." We will return to such considerations later in the article.

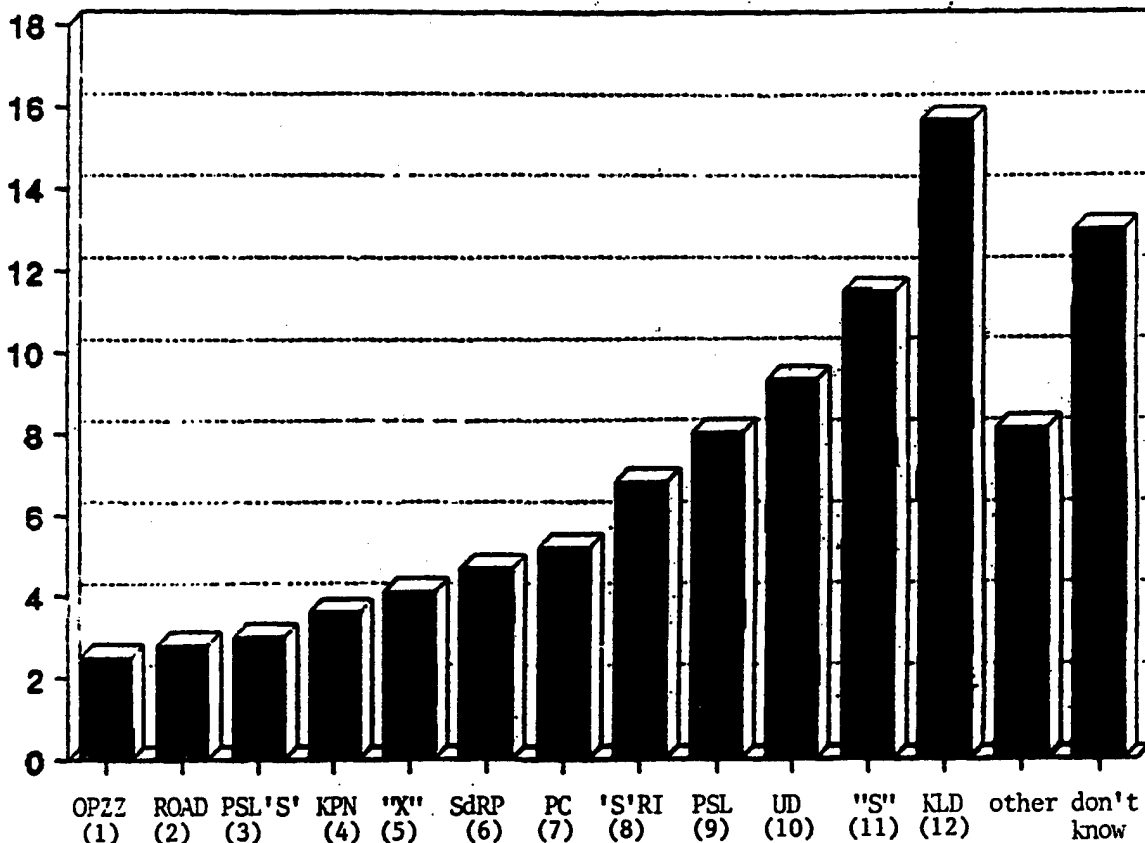
The similarity of statements by the residents of the smallest and the largest cities is characteristic. This is a phenomenon which is frequently encountered when political behaviors and views are described. It appears that it is due to the impact of two factors, the results of which are similar: Greater cohesion of local communities in the smallest cities and better access to culture and information in the largest

cities. In both cases, this results in greater numbers of people who may be placed in "the political class"—individuals who try to participate vigorously in the political life of the country regardless of current trends.

One-quarter of those polled stated that perhaps they would participate in the elections. The election campaign will be waged over their participation in the elections. Such individuals may be encountered most frequently among people under 30, residents of rural areas and medium-size cities (between 100,000 and 500,000 population), employees of trade and services, and rural workers. To be sure, one in five people polled stated that he did not know yet whether he would vote, but experience to date indicates that their participation in the elections is unlikely. Chances to exceed the 65 percent threshold of voter turnout in the forthcoming elections are slim.

If such results were obtained during the election campaign, the predicted voter turnout would amount to about 50 percent. This is the proportion of respondents who stated at the same time that they were interested in the elections and prepared to take part in them.

Respondents who stated their readiness to participate in the elections answered the question: "The candidates of which party or organization would you vote for most eagerly?". In the process, they used a list of 20 parties and organizations together with the names of their leaders. The name of K. Bielecki appeared next to the KLD [Liberal-Democratic Congress]. The departure from the principle of placing there the name of the formal leader of the party resulted from the belief that



the electoral success of the KLD will hinge to a greater degree on the popularity of the prime minister than that of Minister Lewandowski.

The results received indicate the great popularity of groups associated with the prime ministers of the Third Republic. Those who would like to make far-reaching conclusions concerning their chances in the elections on the basis of this are reminded that readiness to participate in the elections was expressed primarily by individuals who are satisfied with their position in life and take a favorable view of changes in the situation in our country. It is no wonder that primarily politicians responsible for this situation may count on support from such persons. As the election campaign intensifies and dissatisfied groups are mobilized, support for the parties of the prime ministers may decline in relative terms.

However, a decline in stated electoral support for the NSZZ [Independent Self-Governing Trade Union] Solidarity is the most spectacular. As recently as January, this was a political force which definitely dominated the Polish political scene. This is certainly the result of changes in the leadership of the union. As a survey commissioned by SZTANDAR MŁODYCH indicated, Marian Krzaklewski is not a politician who is commonly known. However, Solidarity may be the only political force in the country which does not require "election vehicles" in the form of popular leaders. This is why locating the name of the leader next to the name of the [trade] union could have led to a certain underestimation of stated electoral support.

We should also consider a certain understatement of the results concerning Party X, the SdRP [Social Democracy of the Polish Republic], and the OPZZ [All-Polish Trade Unions Agreement]. These organizations, and especially the Tyminski party, are among those criticized and deprecated most frequently by the mass media. This causes reluctance on the part of some respondents to admit to these rather than other political preferences. We must take this phenomenon into account as we attempt to interpret the results of all preelection polls.

Popularity of Leading Politicians Measured

91EP0466A Warsaw GAZETA WYBORCZA in Polish
24 Apr 91 p 6

[Article by (knysz): "The Prime Minister's Popularity Is Growing"]

[Text] According to a CBOS [Public Opinion Research Center] poll conducted in mid-April using a representative sampling of 1,000 adult Poles, Prime Minister Jan Krzysztof Bielecki's net (the difference between positive and negative assessments) approval rating is extremely high.

Here is the how political figures selected for the CBOS poll were rated:

- Prime Minister Jan Krzysztof Bielecki, + 53.
- President Lech Walesa, + 50.

- Sejm Marshal Mikolaj Kozakiewicz, + 27.
- Senate Marshal Andrzej Stelmachowski, + 24.
- Solidarity Chairman Marian Krzaklewski, + 23.
- Deputy Prime Minister Leszek Balcerowicz, + 13.
- OPZZ [All-Polish Trade Union Agreement] Chairman Alfred Miodowicz, - 22.

Sixty-eight percent of those polled said that "the work of the prime minister serves society well and it corresponds to society's interests." The prime minister failed to receive the approval of 15 percent of those polled.

Since Bielecki became chief of office the percentage of his supporters has grown from 35 percent in January to 68 percent at present.

Lech Walesa's approval rating is only slightly lower. The president has two percent more supporters than Walesa, while five percent more are in opposition to him. Since the beginning of the year, approval of the president has grown by 10 percent. During this same period, negative assessments of him doubled, increasing from 10 percent to 20 percent.

Marian Krzaklewski, the new chairman of Solidarity [trade union], proved to be the least well-known figure: 62 percent of those polled declined to answer. Thirty-one percent of the respondents backed him, while eight percent opposed him.

Half of those polled approved of Balcerowicz, but only slightly fewer (36 percent) opposed him. Compared to February, when the level of approval of the deputy prime minister declined to its lowest level since September 1989 (38 percent), the percentage of those backing Balcerowicz rose by 10 percent.

Alfred Miodowicz is the only figure polled by the CBOS who had a net negative rating.

Moczulski Initiates KPN Election Campaign

LD0306154191 Warsaw Radio Warszawa Network
in Polish 0000 GMT 3 Jun 91

[Text] Poronin—A meeting with Leszek Moczulski in this village in the Podhale area has unofficially started the Confederation for an Independent Poland [KPN] election campaign. The leader of the party charged that the rule of Solidarity advisers has exacerbated the ruination of Poland brought about by communist rule. He announced a coalition with parties which demand total changes and not just half-measures.

YUGOSLAVIA

Milosevic, Tudjman Plans on Bosnia Attacked

91BA0780C Sarajevo OSLOBODJENJE
in Serbo-Croatian 31 May 91 p 10

[Article by A. Busuladzic: "Muslim Bosnian Organization Press Conference: Double Aggression Against Bosnia-Hercegovina"—first paragraph is OSLOBODJENJE introduction]

[Text] The MBO [Muslim Bosnian Organization] contends that it has been informed that in the talks between Slobodan Milosevic and Franjo Tudjman, consideration has been given to the possibility of dividing Bosnia-Herzegovina based on the model of the Cvetkovic-Macek agreement.

The announcement distributed to journalists at the Muslim Bosnian Organization's regular press conference yesterday states that that party has been informed by reliable sources that in the course of the talks between Slobodan Milosevic and Franjo Tudjman, consideration has been given to the possibility of dividing Bosnia-Herzegovina based on the model of the Cvetkovic-Macek agreement, and that this option is deemed one of the acceptable variations and solutions for a Serbian-Croatian agreement. These sources also maintain that Dr. Tudjman discussed this possibility as a realistic and acceptable option for both sides in talks held during his recent visit to Great Britain. Needless to say, the MBO says, such a possibility of trying to resolve the conflict between Serbs and Croats at the expense of the Muslim-Bosnian nation and all other people of any nation who consider Bosnia-Herzegovina their homeland is not only completely unacceptable, but also untenable. And according to the CSCE [Conference on Security and Cooperation in Europe] agreements, this would signify double aggression against Bosnia-Herzegovina as a sovereign state, one just as sovereign as Serbia and Croatia.

With respect to this MBO information, detailed statements and positions will be demanded over the course of today from Mr. Kljuic and from the HDZ [Croatian Democratic Community] leadership in Zagreb, as well as from Mr. Karadzic and the SDS [Serbian Democratic Party].

The partnership crisis in Bosnia-Herzegovina is all-encompassing, and has led the republic into a state of paralysis and an inability to perform basic functions. Moreover, the partners themselves are involved in illegal and illegitimate activities, and for this reason the MBO is demanding that the talks between them be conducted publicly and that they clearly proceed from the position that Bosnia-Herzegovina is a sovereign and territorially integral country, that its government's starting point is the principle of ensuring democratic methods and denouncing all coercive methods in politics, as is the option of a Yugoslav confederation of sovereign states.

Academician Filipovic has said that the latest resolution by the Presidency of Bosnia-Herzegovina to the effect that in the event of an escalation of interethnic conflict it will call in the Army and federal police agencies is a desperate move, which clearly shows that the ruling national coalition wants to remain in power at any price.

VMRO Leader Calls for New Elections

91BA0780B Belgrade BORBA in Serbo-Croatian
31 May 91 p 10

[Article by H.B.: "Internal Macedonian Revolutionary Organization-Democratic Party Calls for Special Elections: Albanians Have Too Many Rights"]

[Text] Skopje—At a press conference yesterday, Vladimir Golubovski, the deputy to the republican parliament who was excluded from the ranks of the national party VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party of Macedonian National Unity] and who formed his own party, the VMRO-DP [Internal Macedonian Revolutionary Organization-Democratic Party], which is said to enjoy broad support in the western regions of the republic, came out with extremely radical positions with regard to the rights of the Albanian nationality in Macedonia and to their national parties, the PDP [Party of Democratic Prosperity] and the HDP [People's Democratic Party]. He also sharply criticized the republican government and individual ministers in it, saying that they are pursuing an "indulgent policy towards the Albanians."

Golubovski said that his prior convictions concerning the indulgent government were confirmed at yesterday's talks with Macedonian Prime Minister Dr. Nikola Kljusev and Minister for Education Dr. Dimitri Dimitrovo, who in his words have allowed for the possibility of keeping school records in ethnically mixed areas in the Albanian language, and that the right to education in the Albanian language is being expanded, which in his opinion is a right not enjoyed by any ethnic minority in the world. His party supports special parliamentary elections because of unkept promises by the Macedonian parliament and the republic's government towards the Macedonian population and the western regions of the republic, which are "losing their patience because of the continual pressure on them from the Albanians."

Results of National Census Reported

91BA0780D Belgrade POLITIKA in Serbo-Croatian
31 May 91 p 9

[Article by D.D.: "Results of This Year's Census: Greatest Growth in Kosovo"—first paragraph is POLITIKA introduction]

[Text] While Serbia without its provinces accounted for 25.3 percent of the country's total population in 1981, that percentage has fallen this year to 24.5. Besides Serbia, a decline in population share has been recorded in Vojvodina and Croatia. Growth [has been reported] in Kosovo, Bosnia-Herzegovina, and Macedonia, and stagnation in Slovenia and Montenegro.

Of the 23.5 million inhabitants of Yugoslavia, Serbia, with [a population of] 9,721,177, accounts for 41.4 percent. Of that, Kosovo and Metohija account for 8.3 percent (1,954,747) and Vojvodina 8.6 percent (2,012,605) of the country's total population. So-called Serbia proper, with 5,753,825 inhabitants, provides 24.5 percent of the population of Yugoslavia.

Compared to data from the previous census, the share of the population of Serbia without its provinces in Yugoslavia has declined by 0.8 percent. This trend of a decline in Serbia's share of the country's total population has been going on since the first postwar census of 1948. At

that time, 26.2 percent of the Yugoslav population lived in Serbia. Three years later, in 1953, Serbia provided 26.3 percent of all Yugoslavs (which was the only growth period), while this figure was 26.0 percent in 1961 and 25.6 percent in 1971.

In addition to Serbia, a decline in the republics' and provinces' share of the total population of Yugoslavia is characteristic of Vojvodina and Croatia as well. The northern province, which is the only region to experience negative growth over the past 10 years, accounted for 10.5 percent of the country's population in 1948, but 9.1 percent in the last census.

Croatia, which in this census has exactly 4,763,941 inhabitants, accounts for 20.3 percent of the Yugoslav population. In 1981, Croatia provided 20.5 percent, and in 1948 as much as 23.8 percent of the total population of Yugoslavia. Between the first and last census, the

share of Croatia's population has continually declined by around one-tenth of one percent.

Slovenia, which had 1,974,339 inhabitants on 31 March, has remained steady at 8.4 percent of the total population of Yugoslavia for three censuses. Montenegro, too, has provided 2.6 percent of the Yugoslav population since 1971.

The greatest growth in the share of the population in this census (although the data for Kosovo are provided on the basis of estimates) was recorded in Kosovo; in 1981, this province provided 7.1 percent of the country's population, compared to 8.3 percent now. If this Kosovo trend continues (and there are no grounds for assumptions to the contrary), this province will have more inhabitants than Vojvodina, Slovenia, and even Macedonia in the next census.

Bosnia-Herzegovina's share of the total Yugoslav population grew from 18.4 (in 1981) to 18.6 percent, while in Macedonia this growth was symbolic—from 8.6 to 8.7 percent.

CZECHOSLOVAKIA

Economic Development, Policy Explained

91CH0543B Prague HOSPODARSKE NOVINY
in Czech 28 Mar 91 pp 8-9

["Text" of the CSFR Government's December 1990 memorandum to the International Monetary Fund: "Memorandum on Economic Policy"]

[Text]

[Box, p 8]

The Memorandum on Economic Policy is a document that answers some of the questions preoccupying the economic fraternity. It was prepared in December 1990, and many of its objectives have already been realized. Publication of the memorandum is nevertheless expedient, in our opinion. In its cover letter to the International Monetary Fund, the Federal Government expressed its conviction that the policies outlined in the memorandum would be adequate to maintain domestic and external stability, and to achieve significant progress in restructuring the economy. The government was prepared to adopt any further measures that might appear essential for achieving the program's overall objectives and would consult with the IMF during the entire period for which the IMF's standby credit applied. In addition, the government would conduct, jointly with the IMF, two audits of the economy's development and of economic policy: one through 15 May 1991, and the other through 15 September 1991.

Introduction

1. The CSFR economy is characterized by inefficiency and disorders, the legacy of four decades of central planning. The present administration, which formed a provisional government on 10 December 1989 after the communist regime's downfall and has been confirmed in the first democratic elections in June 1990, believes that the only practical and realistic way of raising living standards is to completely dismantle the institutions of central planning, to free prices, wages, foreign exchange and trade, and to radically transform ownership rights. The IMF's support is requested for the realization of this key phase of the reform program in 1991, and also for adjusting to the harsh conditions of the trade shock stemming from the collapse of the trade agreements between CEMA countries, as well as from the crisis in the Middle East.

Development in 1990

2. Economic conditions deteriorated in 1990 as a result of the worsening external relations and of the uncertainties associated with the economic reform. It is estimated that the production volume fell by at least 3 percent during the year, and that the significant worsening of the external situation is causing a sharp decline in the volume of trade between CEMA countries. In particular,

there was a substantial shortfall in petroleum deliveries from the Soviet Union, and it became necessary to import petroleum from other sources, at considerably higher, world market prices. The balance on current account for 1990 is expected to show a deficit of \$0.5 billion in hard currencies, and an insignificant surplus in transferable rubles.

Expectations of a devaluation are putting further pressure on the balance of payments. To ease the situation, the commercial and noncommercial exchange rates, which had already been devalued in January, were devalued again as of 15 October, by 54 percent in terms of the domestic currency (by 35 percent in terms of foreign currencies), to 24 korunas [Kcs] per U.S. dollar. The reduced commitments by Western banks to the countries of Central Europe are causing a further drain on international reserves, and gross reserves of hard currencies are expected to drop during 1990 from \$1.5 billion to \$0.9 billion by the end of the year (this latter figure is the equivalent of three weeks' import in 1991).

3. An important initial step taken in 1990 was the restructuring of prices. That involved ending retail price subsidies for foods and fuels, followed by a sharp rise in the prices of petroleum products. The higher import costs after the October devaluation were factored into the domestic prices. Retail prices rose by 20 percent overall during the year.

4. Fiscal policy and monetary policy were restrictive during 1990. Public finance—it comprises the federal, republican and local government budgets, as well as the off-budget funds—is expected to be in balance overall (but without the compensation payments to the banking system for the losses it sustained as a result of devaluation). Monetary policy was likewise restrictive and enforced strict ceilings on lending. The growth rate of total lending to enterprises during the entire year is not expected to exceed 3 percent. After the two tier banking system's introduction in January, required minimal bank reserves were introduced at the beginning of October, forcing the banks to borrow from the State Bank. Simultaneously the discount rate was increased from 5 to 7 percent. In response to the declining volume of deposits, the discount rate was increased further in November to 8.5 percent; and interest rates, at a margin of 15 percentage points, were increased to a maximum of 22.5 percent.

5. Furthermore, a significant step was made toward putting in place the legal and institutional foundations for the private sector's emergence and growth. The most important laws that have been enacted include the following:

- a) The Law on Private Enterprise, which permits the private sector's activity in all areas of the economy;
- b) A law that specifies the conditions for the taxation of small businesses;

c) The Law on Corporations, which sets the conditions for incorporation and guarantees the corporations' independence of state agencies. The process of restructuring state enterprises into smaller and more competitive corporations has begun;

d) Amendment of the Law on External Economic Relations, which enables all economic units, including entrepreneurs, to export their output and to import their necessary inputs;

e) Amendment of the Law on Cooperatives, which establishes the right of the members of agricultural cooperatives to reclaim the land they owned originally, provided that the land's agricultural use will continue;

f) Amendment of the Law on Joint Ventures, which permits a 100-percent stake for foreign partners. Joint ventures have been granted the advantage of more liberal exchange regulations, and of more favorable tax treatment than what applies to domestic enterprises;

g) The Law on the Privatization of Small State Enterprises, enacted in October 1990. It calls for selling such enterprises at public auction during 1991.

Objectives, Main Points of Program for 1991

6. The aim of the government's economic program for 1991 is to create a market economy, while maintaining domestic and external equilibrium. But in 1991 the economy will be exposed to strong destabilizing effects resulting from the CEMA trading system's collapse and from the impact of the Middle East crisis on oil prices. In view of these effects, the program will strive to hold the drop in output at less than 5 percent, although the possibility of a sharper drop cannot be excluded; and to reestablish price stability after the initial leap in prices, which is estimated at around 25 percent. Although unemployment will rise from its present low level, we expect that, on average, it could be held at fewer than 350,000 persons (about 4.5 percent of the population of work age). In the program's initial phase, our reserves of foreign exchange will again be built up from their present low level (the equivalent of about 3 weeks' import in 1991) to support the liberalization of the foreign exchange and trading system, and to gradually build confidence in the reform's strategy. The deficit in the balance on current account is planned at about \$2.5 billion, the level that can be financed from external sources and is in accord with the economy's long-term debt-servicing capacity.

7. The program's main points are as follows:

a) The liberalization of practically all wholesale and retail prices;

b) Substantial liberalization of the foreign exchange and trading system, by removing all barriers to enterprise operations that are reflected in the balance on current account;

c) Unification of the commercial and the tourist exchange rates at the market level, and the maintenance of stable exchange rates to facilitate the liberalization of domestic prices;

d) A restrictive fiscal policy that will create a surplus equal to 1 percent of GDP, for all the budgets combined;

e) A strict monetary policy that will limit the growth of liquidity to 5.5 percent;

f) A wage policy aimed at controlling the growth of wages, and with the help of which it will be possible to avoid inflationary spirals; and

g) A quick program of small privatization by means of auctions, and an extensive program of large privatization in which the public will participate with vouchers.

Prices

8. Both the producer and the retail prices of practically all items will be liberalized as of 1 January 1991. The government is striving to eliminate thereby the price distortions that resulted from decades of strict price control, without regard for the world market prices or the market forces in the domestic economy. The liberalization of prices will be a continuation of the first measures undertaken in 1990, which ended price subsidies for food and energy and made it possible to factor into the prices by the end of the year the higher costs of petroleum as well as the exchange rate's October devaluation.

9. During the first months of 1991, the government will closely monitor the development of the prices of certain items of merchandise. Implementation of the new Price Law, which will go into effect as of 1 January, will make it possible to regulate the prices of goods and services produced within the framework of a natural monopoly such as, for instance, public services, public transport, and necessities. In the initial phases of the reform, moreover, it might become necessary to issue, under authority granted by the aforementioned law, directives for the producers of a certain range of goods. The volume of the assortment subject initially to price regulation will be about 15 percent of total output. As soon as circumstances permit, we intend to limit the number of products included in the list of regulated items.

10. The government is of the opinion that domestic energy prices must be brought in line with the international prices if energy consumption is to be rationalized. To that end, after the termination of subsidies for producers and consumers, the retail prices of electricity, heating, solid fuels, coal and natural gas will be increased by more than 100 percent as of 1 January 1991. In the future these prices will fully reflect the changes in production costs, and obviously also the costs of environmental protection. The retail prices of gasoline and diesel oil about doubled during 1990, and as of 1 January 1991 the wholesale prices of petroleum products will be raised to the level of the world market prices. Any

further rise in world market prices will be fully reflected both in the retail and the wholesale prices.

11. We expect that the liberalization of most prices, together with the substantial rise in the prices of energy and other raw materials and with the movement of world market prices, will cause prices to increase by about 25 percent during the first three months of 1991. In agreement with the implementation of strict fiscal policies, however, the rate of inflation during the rest of the year should drop to about 5 percent on an annualized basis. Namely, the rate of inflation anticipated for the entire year is around 30 percent.

External Economic Relations Policy

12. On 29 December 1990, the exchange rate was unified at Kcs28 per U.S. dollar. That action corresponds to a 17-percent devaluation of the commercial and noncommercial exchange rates that were in effect in mid-October. The tourist rate was abolished, and no more foreign exchange auctions will be held after the last such auction on 12 December. As of 1 January 1991, trade with the CEMA countries will be denominated in hard currencies, at the current rates of exchange.

13. The exchange rate is set on the basis of a basket of five currencies, the weights of which will be periodically adjusted in accordance with the latest developments in the market. We reckon that a stable exchange rate during the period after the liberalization of prices will underpin domestic prices and will help to build confidence in Czechoslovak wage and monetary policy. Therefore the present exchange rate is considered more than adequate for strengthening export incentives in the medium term, and it should minimize any pressures on the reserves of foreign exchange that might arise from short term speculation for changes in the exchange rate. Foreign exchange policy will be supported by suitable monetary policy and interest rate policy.

14. External economic relations policy will be analyzed periodically in cooperation with the IMF, on the basis of the audits discussed below, the movement of international reserves and the development of available external sources of financing. The reserves of foreign exchange will be monitored closely, their balance will be reported weekly to the IMF, and in the case of unexpected difficulties the Czechoslovak State Bank will evaluate such problems jointly with the IMF. Should any of these problems require additional measures, they will be adopted immediately. Under no circumstances will the government provide guarantees against exchange rate risks, nor will it reintroduce differentiated exchange rates in any form.

15. Trade and payments agreements are to be liberalized as of 1 January 1991. An annual foreign exchange plan that ensures central allocations of foreign exchange will no longer be used. Restrictions on payments and transfers in conjunction with operations reflected in the balance on current account will be abolished. Commercial banks will be authorized to make such payments,

provided they are properly documented. The system of foreign exchange standards, introduced at the beginning of 1979 as a temporary measure, will be abolished. Complete obligation to offer export earnings for sale will thereby be established. Individuals will be able to retain their foreign currency accounts.

16. Import will not be subject to any licensing. Some exports will require approval, to avoid disruptions in the production process. As soon as circumstances permit, we intend to remove these items from the list requiring approval, and the obligation to obtain a license will apply only to items related to defense or health protection, and to voluntary restraint of those items for which the partner countries have import quotas. Under no circumstances during the life of this program will the government consider the introduction of new exchange controls or the tightening of the existing ones, nor the introduction of export restrictions for balance of payments considerations.

17. It is expected that at the beginning of 1991 the demand for imports might rise temporarily and exert pressure on the reserves of foreign exchange. Therefore the government has introduced a 20-percent temporary import surcharge on consumer goods. That measure, we believe, is necessary as a short term instrument that will regulate selected types of import, while preserving the import of essential production inputs and machinery. In the medium term, for the purpose of modifying the structure of customs duties, the government intends to review the tariff system in detail, and this review could perhaps be combined with similar reviews in neighboring countries of the same type. On the export side the present system of export subsidies, which is causing price distortions, will be abolished as of 1 January 1991. The support of export must be achieved by improving our ability to compete in foreign markets; that includes nonprice incentives such as the supply of market information, adequate export credit, and the simplification of export procedures.

18. With due consideration for limiting capital transactions, as of 1 January 1991 the individuals and firms participating in foreign trade will be able to freely accept credit from foreign suppliers, although such credits will have to be registered with the State Bank. Foreign bank loans not related to foreign trade will remain restricted to commercial banks. Businessmen will also be able to offer credit to foreign customers without any restrictions, but they will need a special permit in the case of extending credit to what is regarded as a high risk country. At the same time, the laws regulating joint ventures and other enterprises with foreign stakeholders permit free repatriation of the capital or transfer of the stake in the case of liquidation. Direct foreign investment in portfolios will be supported by appropriate legislative measures and the simplification of administrative procedures. Foreign investment by domestic investors will require approval from the State Bank. Approval will be granted in cases when such investments serve to facilitate Czechoslovak export.

19. With CEMA countries and a few other countries, the existing bilateral and multilateral agreements that contain restrictions on transactions in foreign exchange will be rescinded as of 1 January 1991, simultaneously with the introduction of domestic convertibility. Negotiations are being held with the other CEMA countries on settling the existing obligations and claims. During the life of this program the government will not conclude any bilateral payments agreement that would violate Article VII of its agreement with the IMF.

20. Indebtedness and debt servicing in the medium term will be maintained at a manageable level. To that end the borrowing plans of the enterprise and private sector will be monitored to an extent sufficient to avoid an accumulation of debt servicing. Within the limits of our existing possibilities, the conditions and term structure of our indebtedness will be improved gradually, by reducing our reliance of short term credits from foreign suppliers (such credits now account for about 40 percent of our indebtedness).

Fiscal Policy

21. Fiscal policy will play a key role in limiting aggregate demand. Public finance, which comprises the federal, republic and local government budgets and the off-budget funds (except the funds of national [business] assets), will report a surplus of Kcs8.0 billion in 1991, equal to nearly 1 percent of GDP. Simultaneously, an improvement in the budgets' balance will be achieved through sharp cuts in public sector spending that will reflect the termination of subsidies and the cuts in spending, especially for defense, the government apparatus and investment.

22. Except for foreign loans, the government will not resort to any financing outside the banking system. The quarterly limits on public sector borrowing from the banking system will be set to reflect the planned budget surplus. The cumulative drop in the public sector's net borrowing from the banking system will not be less than Kcs11.0 billion during the first three months through 31 March, Kcs11.0 billion during the first six months through 30 June, Kcs9.5 billion during the first nine months through 30 September, and Kcs8.0 billion through 31 December 1991. These limits will be adjusted in the case of any drawing on foreign loans.

23. Regarding revenue, the government intends to undertake a comprehensive reform of the tax system in 1992 and 1993. Then the sales tax, which is collected on sales to final demand, will be replaced by a value-added tax. A uniform individual income tax will replace the present tax on wages, other individual income taxes, and the tax on entrepreneurs that has been introduced recently as a temporary measure.

24. Two significant changes will be introduced in 1991. Effective 1 January, as a supplement to the liberalization of prices, the sales tax will be standardized into four rate categories ranging from 0 to 32 percent (of the purchase

price); and a consumption tax will be levied on petroleum products and certain luxuries. This reform is expected to be revenue-neutral in principle. To provide support for the emerging private sector, including the state enterprises earmarked for privatization, the rate of the tax on business profit will be reduced by 10 percentage points.

25. A wide range of social security benefits is available in Czechoslovakia, including pensions, child allowances, maternity benefits, and unemployment compensation. Pensions and maternity benefits were raised in October 1990. In principle, pensions are expected to be adjusted to the development of wages in 1991. In addition, an amount equivalent to 1 percent of GDP has been set aside for unemployment compensation. That is too little. The unemployed are expected to receive compensation equal to about 50 or 60 percent of their pay at their last place of employment.

26. Expenditures for social security include also the uniform monthly allowance of Kcs140 per person, introduced in June 1990 to compensate for ending the retail price subsidies for foods. The planned compensations for ending subsidized electricity rates as of 1 January 1991 will be provided only in the form of raising pensions and child allowances by Kcs50/month. The savings resulting from this measure will amount to about Kcs4.0 billion. The system of such compensatory measures will be abolished in conjunction with the reform of individual income tax, or even earlier if necessary.

27. Subsidies to producers, except farm subsidies, were low in recent years. All direct farm subsidies will be abolished in 1991, and the proportion of subsidies will be reduced from 4 to 2.5 percent of GDP. The remaining farm subsidies will be divided between the price guarantee fund, which will stabilize the prices of four basic types of food, and special purpose subsidies such as the ones for environmental protection, for instance. One of the more substantial retained subsidies outside the agricultural sector will be housing subsidies, for maintenance of the state's housing stock and for low, fixed interest rates on mortgage loans. These housing subsidies will be reviewed in 1991, with due consideration for the feasibility of substantially limiting them in 1992.

28. Differentials between the controlled domestic prices and the export and import prices were equalized in the past through a system of taxes and foreign trade subsidies (FENZO). The entire FENZO system will be abolished as of 1 January 1991. In harmony with this policy, the wholesale prices of imported raw materials, including petroleum, will be adjusted as of 1 January 1991, and the adjustments will continue in accordance with the movements of import prices.

29. Several unforeseeable factors could make a balanced budget vulnerable. The economic situation might be worse than what is now expected, resulting in less tax revenue and in more spending to support the unemployed. Therefore the state budget includes a reserve of

Kcs3.5 billion to provide for these and other contingencies. If such unforeseen circumstances jeopardize a balanced budget, measures will be adopted to eliminate their consequences.

Monetary Policy

30. The credit program for 1991 is devised to preserve growth rates of money supply and of credit that are in accord with inflation's planned development, with the expected drop in production, and with the tasks in conjunction with the balance of payments. In the course of implementing that program, we are determined to prevent the initial leap in prices, which is expected in connection with liberalization and higher import costs, from causing an inflationary spiral. We are also determined to improve the financial system's effectiveness, converting it into a system in which credit restriction will be the principal instrument for setting realistic interest rates. Which means that direct credit controls will be lifted as soon as the indirect monetary instruments—such as the required minimal bank reserves (introduced as of October 1990), for instance—become effective. Until then, however, lending limits set for the individual banks and supported by interest charges will remain the principal instrument of monetary policy.

31. Although the money supply and credit have been restrictive factors already in 1990, it will be necessary to further curb monetary expansion in 1991. In agreement with that policy and after making a planned drop of \$1.7 billion in net external assets possible in 1991, the following limits have been set for the banking system's net domestic assets: Kcs592 billion for the first three months through 31 March 1991; Kcs620 billion for the six months through 30 June 1991; about Kcs630 billion for the nine months through 30 September 1991; and Kcs640 billion for the 12 months through 31 December 1991.

32. As mentioned in Paragraph 22, net borrowing by the public sector (not including the funds of national [business] assets) will be declining throughout the entire year, which will permit an increase of 23 percent in lending to enterprises and households during 1991. This credit program should enable the banking system to extend credit to the new private sector, including the privatized small enterprises; and the enterprise sector, to respond to the new price structure and to market stimuli; and it should serve to tighten financial discipline as well. To the extent that additional progress of the privatization program increases the deposits on the accounts that the funds of national [business] assets maintain with the banking system, additional room will be created for lending to the private sector, within the limit on the banking system's net domestic assets. The Czechoslovak State Bank will closely monitor the development of the privatization program as well as the accounts of the funds of national [business] assets, so as to undertake any measures that might be necessary to limit lending by the individual banks.

33. An integral part of the monetary program is a policy on interest rates that provide a more advantageous incentive to save and make debtors aware of the real costs of borrowing. As of January 1991, the State Bank's discount rate will be raised to 10 percent. That rate is lower than the annualized rate of the leap in prices during the program's first months, but higher than the expected rate of inflation during the rest of 1991. After the initial phase of price adjustments, the discount rate will be maintained at a level that will be positive in real terms. Depending on how the aggregate of indicators develops, the discount rate will be reexamined and adjusted if necessary. These indicators will include the change in the consumer price index, the development of the net reserves of foreign exchange, and the development of net domestic lending and of the loans obtained by the banks from the State Bank at the existing interest rates. Although we are assuming that the level of interest rates will remain close to the level set at the beginning of 1991, it might become necessary to raise the interest rates considerably for a short time, especially if our external positions deteriorate further or if the rise in prices is steeper than expected.

34. The market will determine the interest rates on loans and deposits. Under the banking system's existing monopoly structure, however, rules will have to be devised to provide reasonable protection for both depositors and debtors. At the same time, the State Bank will strive to persuade the commercial banks to maintain their interest rates [on deposits] on or above the discount rate's level; and their interest rates on loans, within a reasonable departure from the discount rate. If these efforts prove unsuccessful, it will be necessary to reintroduce obligatory limits.

35. A complicating factor in 1990 has been the sharp rise in the enterprise sector's indebtedness (debts that the enterprises owe one another), which at present is estimated at around Kcs40 billion, the equivalent of 6.7 percent of total domestic lending or 5 percent of GDP. The objective is to tighten payments discipline in the enterprise sector through, among other things, measures that have been checked with the commercial banks and will lead to the commencement of bankruptcy proceedings against loss-making enterprises. As a result, enterprises ought to be less willing to defer payments from other enterprises. The government will monitor the indicators of the money supply's expansion and, in conjunction with the audits mentioned below, will consult with the IMF on whether the programmed expansion of credit is reasonable.

36. A properly functioning financial system will play an important role in pursuing an effective monetary policy and restoring financial discipline in the enterprise sector. Considerable progress has been made with the founding of commercial banks in 1990, but it is also important to place the new banks on a solid foundation. To that end, effective oversight of banking will be introduced. In the first phase, the banks' portfolios will be reviewed, and

the banks will be granted additional capital when necessary. That recapitalization of the commercial banks, together with the renegotiation of most of their loans with fixed interest rates, will enable the banks to raise the level of their debtors' financial discipline. Moreover, the development of financial markets will be supported by increasing specialization and competition within the banking sector.

Wage Policy

37. It is estimated that in 1990 real wages have fallen by 6 percent on average, even with the assistance provided from the state budget to compensate for the curtailment of retail price subsidies. A further decline of real wages in 1991 is unavoidable if the leap in prices expected during the first months of 1991 is not to be offset by an inflationary spiral. Therefore a wage policy has been adopted that will limit the rise of nominal wages in 1991 to less than the rate of rise in consumer prices. The main elements of this policy are (a) a method of indexing the growth of the enterprises' wage costs; and (b) a tax on excessive wages that penalizes the growth of wages above the limit allowed by the method of indexation. For the purpose of taxing excessive wages, enterprise wage costs will be determined by including the bonuses charged to cost, and by excluding the bonuses paid from profit. Wage costs will be adjusted to the changes in the requirements set for labor, where such changes are necessary for reasons of efficiency. The rise in wages within the governmental sector will not exceed the limit determined by the method of indexation.

38. According to this policy, during the first quarter of 1991 an average rise of wages will be allowed in the nongovernmental and governmental sectors that does not exceed by more than 5 and 6 percent, respectively, their corresponding levels at the end of December 1990. During the year, at the end of each quarter the wages for the following quarter will be adjusted according to the following method of indexation: a) If the rise in the cost-of-living index is less than or equal to 10 percentage points as compared with an index of 100 at the end of December, wages will not be increased; b) if the rise in the cost-of-living index is more than 10 percentage points, but less than or equal to 35 percentage points, as compared with an index of 100 at the end of December, a rise in wages will be allowed equal to 60 percent of the amount by which the rise in the cost-of-living index exceeds 10 percentage points; c) if the rise in the cost-of-living index is more than 35 percentage points over an index of 100 for the end of December, a rise in wages will be allowed according to item (b), plus 90 percent of the amount by which the rise in the cost-of-living index exceeds 35 percentage points.

39. Any increase of wages above the level that the method of indexation specifies will be penalized with taxes. The enterprises will be taxed progressively: at a rate of 200 percent of the increase exceeding the specified level by between 2 and 4 percent; and at a rate of 750 percent of the increase exceeding the specified level by

more than 4 percent. This tax will be levied and collected at the end of each quarter, for each time the specified level was exceeded in the given quarter.

40. Wages (or bonuses) paid from profit will be limited to less than 20 percent of wage costs. The firms that exceed this limit will be penalized with taxes of up to 750 percent of the amount by which the limit was exceeded. This tax will be levied and collected at the end of June 1991 and at the end of December 1991, for any excess wages (or bonuses) during the preceding six months.

41. The government is aware that the success of its stabilization efforts depends on its ability to curb any excessive rise of wages. Therefore it has discussed these plans with the trade unions and enterprises and has secured their support. In the medium term the government expects a changeover to the market system of determining wages, which will encourage manpower mobility and raise productivity.

Privatization, Enterprises' Financial Discipline

42. An important element of the program for transforming the economy is privatization of most [business] assets owned by the state. The Law on the Privatization of Small Enterprises, which Parliament enacted in October 1990, calls for selling such enterprises at public auction. Preparations are now underway for these auctions, which should be held at the beginning of 1991. The sale of these small enterprises is expected to be completed in 1991.

43. The government is now considering the more complex problem of privatizing larger state enterprises and, evidently, the necessary statutory regulations will go into effect at the beginning of 1991. A flexible approach should be used. There will be support for converting enterprises into smaller, more competitive units registered as corporations, especially in the case of enterprises with monopoly positions in the market. A proportion of the shares in most enterprises will be reserved for distribution among the population, through vouchers. Interested parties are expected to make an offer for the remaining shares. If no offer is received, the management of an enterprise will have an incentive to sell the remaining shares on the stock exchange, in the customary manner. To facilitate this process, in 1991 we intend to set up a stock exchange with appropriate rules of operation. Foreign participation in the process of privatization will be encouraged. Foreign investors will be able to buy the shares of Czechoslovak corporations, become majority shareholders, and form corporations which they own.

44. To facilitate the liquidation of insolvent enterprises, a Bankruptcy Law will go into effect in the first half of 1991. It will make possible the orderly liquidation of the state enterprises that will be unable to operate efficiently in the new market environment. That law will also be an important element of the regulatory framework for a competitive market.

45. While privatization will strengthen the efficiency and profitability of the enterprises in the long term, the success of the reform and of the stabilization efforts during the transitional period will depend on the government's ability to impose financial discipline on the enterprises. To that end, a series of measures will be adopted to enable the enterprises to face the harsh budgetary constraints of the transitional period. These measures will include the following:

- a) Budgetary grants to enterprises will be limited to the amounts specified in the approved state budget;
- b) The government will provide loan guarantees for the enterprises only in exceptional cases;
- c) The introduction of suitable methods of bank regulation will give the banks an incentive to review their portfolios and to compel their debtors to adapt to strict financial conditions. Security guaranteeing repayment of the enterprises' loans, and their ability to service their loans on schedule, will be the basic conditions for renewing or granting such loans; and
- d) The enterprises' mutual indebtedness will be monitored closely, to ensure that such debt is not an accumulation of back payments of, or subsidies to, inefficient enterprises.

Balance-of-Payments Forecast, IMF Financing

46. A substantial expansion of export is expected during the next few years, in response to a significant improvement in our competitiveness abroad and to the structural changes in production. In the short term, however, our external positions will worsen as a result of the initial negative effects of trade liberalization and of the worsening real terms of trade. For 1991, a deficit of \$2.5 billion is planned in the balance on current account. In addition to the influx of private capital and to loans obtained in capital markets, the difference is expected to be financed also from assistance provided by the IMF, the EC and the World Bank to tide over our balance-of-payments difficulties. A substantial proportion of the resources provided by the IMF is earmarked for increasing the official gross reserves of foreign exchange, from their present low level of \$0.9 billion (the equivalent of three weeks' import in 1991) to \$2.3 billion (1.7 months' import in 1992).

47. In view of the pent-up demand for import, we expect a loss of reserves in the first part of 1991, followed by a more moderate loss during the rest of the year. Accordingly, the banking system's targeted net reserves of foreign exchange presuppose a decline of nearly \$900 million during the three months through 31 March 1991, nearly \$1.3 billion in the six months through 30 June 1991, \$1.5 billion in the nine months through 30 September 1991, and nearly \$1.7 billion in the 12 months through 31 December 1991. There is also a plan for gross reserves of foreign exchange, and the levels have been determined at which, if surpassed, the Czechoslovak State Bank will consult with the management of the IMF.

To ensure access to IMF resources in the coming years, moreover, the government will have to refrain from any purchases, or partial purchases, that would raise official gross reserves of foreign exchange above \$3.0 billion.

48. According to the plan, by the end of 1991 our foreign indebtedness in hard currencies, including borrowing from the IMF, should amount to \$12 billion or 37 percent of GDP, and the cost of debt servicing should be about 11 percent of the credit transactions on the 1991 current account. In accordance with these objectives, the state sector will neither contract nor guarantee loans repayable in less than a year, except for the current financing of trade; and it will limit newly contracted or guaranteed loans with terms of 1 to 12 years, so that their total will not exceed \$1.0 billion in 1991.

49. To protect from the unexpected high costs of petroleum imports our efforts to adapt during the life of this program, the agreement on standby credit also includes a mechanism for resolving unforeseeable external circumstances.

Barriers to Entrepreneurship Examined

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[Text] On this page we are publishing today the edited and abridged text of a report submitted on 12 March 1991 to the CSFR Council on the Economic and Social Contract. The report analyzes the barriers to the development of private enterprise in Czechoslovakia; it was prepared by representatives of the Czech Republic Association of Czechoslovak Entrepreneurs and the Association of Slovak Entrepreneurs. The chairmen of the two associations, Rudolf Baranek and Engineer Karel Pavlu respectively, introduced the report. It was revealed in the course of the Council's proceedings that CSFR Deputy Prime Minister Vaclav Vales would sponsor and submit the report to the Czech and Slovak Republic governments, and that it would also be on the agenda of the tripartite talks in both republics.

In the process of economic reform since November 1989, a number of the prerequisites for the development of private enterprise have already been provided, and a series of new laws and amendments have also been enacted for the purpose of establishing the status of private firms—sole proprietorships and legal entities—and making them equal with the other players in our economy. After two years, in our opinion, we are still at the very beginning of developing a private sector; therefore, by no means all of the sufficiently liberal, equitable and administratively simple legal prerequisites and substantive economic conditions are in place for the rapid development of this sector. Sole proprietorships completely dominate the structure of private firms and account for roughly 98 percent of their total number. Only about 4000 legal entities, 2 percent of the total number of entrepreneurs, have been entered in the company register. At the same time, over 80 percent of

the private entrepreneurs are in business as their secondary occupation, and merely 20 percent as their principal occupation. Even this small comparison reveals one of the basic reasons why output is declining and generally binding statutory regulations are not being observed in some areas (private firms are charging the cost of their materials to the enterprises, working hours are not being observed consistently, etc.). On the basis of these facts, and especially of the information gained not only from talks with central administrative agencies but also from routinely monitoring the interests of its members, the Association of Entrepreneurs has analyzed this entire complex of problems and is forced to conclude that adequate prerequisites have not been ensured in all areas, contrary to what the governments and competent ministries are proclaiming in their approaches to creating a class of small and medium entrepreneurs in the CSFR.

1. Denationalization, Privatization

The Association of Czechoslovak Entrepreneurs is of the opinion that the development of private enterprises requires especially the consistent solution of the problems of denationalizing and privatizing national assets. We regarded the three basic privatization laws as the economic reform's inseparable parts; but we fear that, in their consequences, none of these laws serves the entire complex of transition to a market economy in the CSFR. So far as Law No. 403/1990 on Restoration is concerned, the Association supports the requirement of restoring properties to their pre-25 February 1948 original owners. Negotiations with foreign partners are one of the reasons, among others, for this requirement. Foreign partners justifiably complain that, since November 1989, it is possible to negotiate only with "competent" ministries that make no decisions. Therefore the foreign partners are demanding that a suitable partner—i.e., the legal owner—be designated by law for all future negotiations.

The Law on Small Privatization was drafted for the purpose of dismantling the state enterprise's monopoly, creating a competition-friendly environment, and breaking up the retail—wholesale—enterprise-directorate triangle that has been the dominant up to now. Without the fulfillment of this task, it would practically be impossible to create a class of small and medium entrepreneurs in the CFSR. To circumvent the aforementioned law, the various ministries, enterprise directorates and independent enterprises are artificially creating state-owned corporations or joint ventures with foreign participation, whereby specific operating assets become exempt from small privatization. Whatever is left is then sold at auction as tenancies for years, of nonresidential premises. Which means that the entrepreneur buys a leasehold without knowing its price; under the Law on Nonresidential Premises, moreover, within two years he can be given notice to vacate the premises, although he has already invested his capital.

In practice this means that even if the successful bidder at auction is forced to buy the operating unit's equipment, including its inventories, he is left in uncertainty as to who will or will not renew his lease when its specified term expires. The incompetence of the appropriate Ministry for Privatization, and the dilettantism in managing privatization—the privatization commissions do not have authority to act in accordance with the law and to transfer to private ownership especially operating units, as quickly as possible—are having a very significant negative role.

We regard the Law on Large Privatization as the transfer of state enterprises or state-owned corporations to private owners. Even before this law goes into effect, however, it is quite obvious to our Association of Entrepreneurs that enterprises of a certain type are being set aside in order to preserve the old groups, with the tacit consent and support of the appropriate ministries that are pursuing their objectives by forming corporations.

2. Okres Trade Offices

In its Decrees Nos. 63 and 64 of 7 March 1990 that implement Law No. 105/1990 on the Private Enterprises of Citizens, the Czech Government gave its consent to establishing departments of private enterprise at every okres national committee, or at every okres office as it is now called. But these okres trade offices have been created with due consideration for the concept of Law No. 425/1990. In other words, the okres trade departments, which approve applications for registration, verify the professional competence of entrepreneurs and oversee them, are actually under the direction and control of the Ministry of the Interior. The fact is that the employees of the okres trade departments are subordinates of the okres office's chief, whom the Czech Republic government appoints and removes from office on the Interior Ministry's proposal. With the Interior Ministry's consent, the chief himself determines the entire okres office's organization, and hence also the amalgamation of the okres trade office (Sections 8 and 9 of Law No. 425/990). It is therefore entirely illogical for a component of the Interior Ministry to have authority over these okres trade departments when the central agency in charge of matters pertaining to private enterprise has become the CR MOCR [Czech Republic Ministry of Trade and Price Development], pursuant to the Czech National Council's Decree of 18 December 1990. Thus the paradox arises that although the MOCR is the central agency concerned with trade and entrepreneurs, and also considers appeals in such matters, it has no influence whatsoever over either the devising and development of the okres trade departments' organizational structure or their staffing. As already mentioned, the Interior Ministry has de facto authority over the departments' employees. Hence the Association's lobbying efforts for a uniform system of the okres trade departments' direction and control by a single ministry have been disregarded. We also have proof that the okres trade departments are hiring the former employees of the abolished kraj national committees, of the enterprises'

civil defense and special projects departments, and other representatives of the former political structures who cannot be expected at all to support and develop private enterprise. To the contrary, they are intentionally obstructing the initiatives of private entrepreneurs. After several discussions, we are of the opinion that the Czech National Council ought to consistently adopt the concept of the draft law on establishing okres trade offices, so that at least within this single area of responsibility suitable conditions—including the responsibility of the appropriate ministry—may be created for the development of private enterprise.

We know for a fact that a number of legislative bills relating to the development of private enterprise—e.g., the Federal Trade Regulations bill, the Commercial Code bill, the Civil Code bill, the Code of Civil Procedure bill, etc.—are being considered at the federal level, in the form of comments on proposed legislation. Our legal group has established that the Czech National Council's draft law on establishing okres trade offices would in no way be in conflict with the mentioned federal bills. A law decree of the Czech National Council's Presidium, two or three paragraphs long and granting the okres trade offices independent status under the Ministry of Trade, would also be worth considering. That would tie in with how the status of the labor offices or tax offices is solved; they, too, are subordinate to their "own" respective ministry, rather than to two separate ministries. Furthermore, we wish to call attention also to the fact that in Prague, under the Law on the Capital City of Prague, appeals are considered by the the municipal authorities, rather than by the MOCR. Yet another paradox that does not indicate consistent state support for the development of private enterprise when here, too, the determination of rights and consumer protection are assigned to another state agency, and it, too, is under the Interior Ministry's direction and control.

3. Foreign Trade, Trade-Related Services

Pursuant to Decree No. 27/1991, Czechoslovak individuals who maintain their permanent residence on the territory of the CSFR may engage in the enumerated foreign trade activities without a license (or registration with the Federal Ministry of Foreign Trade), the only exception being Government Decree No. 256/1990. But even in these cases an entrepreneur's license must be obtained on the territory of the Czech Republic (or Slovak Republic) from the appropriate central agency (Section 8, Paragraph 3, of Law No. 105/1990). The Federal Ministry of Foreign Trade no longer requires that foreign individuals obtain a license for such foreign trade activities. Therefore the requirement of an entrepreneur's license on the territory of the Czech Republic, issued in accordance with Law No. 105/1990, seems to us an anachronism, an unnecessary barrier for which there is no justification.

So far as other barriers are concerned, we believe that registration in the company register places an entrepreneur at considerable disadvantage, throughout the entire tax system.

Regarding Section 5 of Law No. 42/1980 as amended (foreign individuals' access to foreign trade activity, provided they have registered with the okres trade offices), we think it is superfluous to examine the probity of individuals residing permanently abroad, because no state agency in our republic has authority to judge their good character.

4. Financial Policy, Tax System

For the time being the tax system (particularly in the area of indirect taxes) is very fragmented and nonuniform. It leads to considerable differentiation in the status of individual taxpayers and in the profitability of their activities. Perhaps only the general tax reform that is expected as of 1 January 1993 will completely solve this very negative phenomenon.

We regard as a barrier the obligation of individuals to pay a 20-percent import surcharge on top of the customs duty, and then sales tax based on the total. Another barrier is ability to buy supplies only from the retail network—i.e., liability to sales tax, unlike the other enterprises that are entered in the company register. Thus entrepreneurs have exceptional difficulties in buying raw materials, supplies and semifinished products, either at home or abroad.

These problems are further aggravated particularly by the unclarified details of our currency's convertibility, the steeper rise of inflation than had been expected, especially by the absence of a financial exchange and of the foreign banks' necessary network of branches, and by the incomplete solution of the protection of investments in relation to a number of potential partner countries. Foreign banks must urgently be allowed free entry into our banking system, and a competitive environment must be created. Very many projects of private entrepreneurs have fallen through merely because loans could not be provided for them. Financial policy is being hampered by the fact that the level of interest rates, ranging from 20 to 24 percent, is simply inadequate.

5. Business (Nonresidential) Premises

The very limited availability of business (nonresidential) premises is one of the most serious obstacles. The Law on Nonresidential Premises has not only barred access to one of the basic prerequisites for becoming an entrepreneur, but has also created conditions for incredible corruption in conjunction with granting leases. For the entrepreneur has no guarantees regarding the term of his lease, the amount of his rent or the protection of his rights. Especially foreign partners reject this form and are unwilling to invest their capital under entirely uncertain conditions, until these basic questions have been solved.

Unlike in all other countries with safeguards for investors, the CSFR does not yet have a system of real prices for buildings and land, and there is no competitive environment in its real estate market.

6. Energy Policy

We cannot agree with the government's energy policy. Official Action No. 01/91 of the Federal Ministry of Finance regarding the use of electricity for business purposes clearly discriminates against private entrepreneurs. Most small and medium entrepreneurs are low voltage [LV] customers, whereas the bulk loads of state organizations are supplied at very high [VHV] or high [HV] voltages. The rates are set as follows: for VHV customers, from 0.27 korunas [Kcs] to Kcs0.46/kWh; for HV customers, from Kcs0.30 to 0.54/kWh (plus the applicable additional charges); but for low voltage customers the rates are Kcs1.75/kWh plus Kcs15 monthly rental for the electric meter, or Kcs1.14/kWh plus Kcs1890 monthly rental for the electric meter. Here we wish to call attention once again to the fact that the small, privately owned hydroelectric power plants with a combined total generating capacity of 203 MW (800 more are under construction) operate at the same voltage level and are paid Kcs0.40/kWh for the electricity they supply to the state network.

We cannot agree with selling electricity from state enterprises to the public on the basis of state price lists, while the electricity from privately owned sources is supplied to the state network at prices reached by mutual agreement, without any applicable price list. After all, individuals are less able to defend themselves against a state monopoly.

Conclusion

Although a number of the prerequisites for the development of private enterprise are in place, it appears that we still are only at the very beginning of creating a class of small and medium entrepreneurs in the CSFR. The proposed measures discussed and approved by the Association of Czechoslovak Entrepreneurs are aimed at removing altogether the existing barriers in our statutory regulations and could be implemented very quickly. In particular, they call for supporting the dismantling of monopolies, elimination of red tape, establishment of records of title to real estate, and access to credit (reduction of the high interest rates). The Association of Czechoslovak Entrepreneurs believes that, until the emergence of a class of small and medium entrepreneurs, there will be no job creation by domestic employers, and unemployment will rise in our country.

The Association proposes:

- That a legal measure be adopted—under the supervision of the Czech Republic, Slovak Republic and CSFR Governments, and of employers and the trade

unions—to determine the exemption of state enterprises and state-owned corporations from the provisions of the law (e.g., the limits on the number of employees, the amount of profit, etc.);

- That the 20-percent import surcharge, which was introduced for individuals merely as a temporary measure, be abolished immediately. In this context we request that the sales tax be based on the cost price, rather than on the total cost. We also request a review of the classification of products as capital assets or production assets; and
- That a legal measure be drafted to abolish the provisions of the Law on Domestic Trade which require private entrepreneurs to buy their raw materials and supplies only from the retail network.

HUNGARY

Chinese Debts to Nation Remain Unsettled

LD0306190491 Budapest MTI in English 1611 GMT
3 Jun 91

[Text] Budapest, 3 June (MTI)—Hungary's surplus in bilateral trade with China amounted to 80 million Swiss francs according to Chinese calculations and to 109 million according to Hungarian ones.

The reason for the difference is that the Chinese side has only registered government-level agreements while the Hungarian side is also asking for payment with respect to debts existing on the basis of agreements made with Chinese provinces.

The Chinese side is opposed to transforming the surplus in the clearing deals into currency. It is also reluctant to pay its debt by delivering current goods, for example precious metals to Hungary.

In the course of recent talks between the Hungarian minister of international economic relations and the Chinese minister of foreign economic relations and trade, the possibility of selling China's national debt to Chinese and foreign companies and banks was raised. The two ministers are to continue their talks this autumn but the Chinese debt is not likely to be settled in 1991.

Israeli Delegation Visits Nuclear Power Plant

LD0606164391 Budapest MTI in English 0933 GMT
6 Jun 91

[Text] Budapest, 6 June 1991 (MTI-Econews)—Paks nuclear power plant (central Hungary) made a good impression on a group of Israeli experts who toured it earlier in the week.

This is the first time Israeli specialists had the opportunity to get to know a Soviet-made nuclear power station.

Experts rank the four-block, second-generation nuclear power station at Paks, which has a total capacity of 1,760

mw, among the 10 safest nuclear power stations with a capacity of over 150 mw in the world, and the Israeli delegation confirmed this view.

"We Israelis are already familiar with Western nuclear plants, and now need to get acquainted with Soviet nuclear power stations so as to be able to make the right choice for a nuclear power plant to be constructed in Israel some time in the future," Moshe Kacz, general director of the Israeli Electricity Board, told Eonews yesterday.

During its three-day study-tour of Hungary, the delegation headed by Mr. Kacz also visited Egi, a pharmaceutical factory, and the central physical research institute.

The Hungarian side offered the Israelis their air-cooled dry power plant technology (based on the Heller-Forgo cooling system) for purchase, and the Israelis are now considering the offer, Mr. Kacz told Eonews.

Foreign Capital Testing Domestic Market

AU0406130291 Budapest MAGYAR HIRLAP
in Hungarian 27 May 91 p 9

[MTI report: "Foreign Investments, Hungarian Enterprises"]

[Text] The proportion of enterprises that use foreign capital is 21.8 percent in industry, 11.4 percent in the construction industry, and 26.7 percent in domestic trade and tourism. Out of the 16,000 enterprises surveyed in the aforementioned three sectors, 3,590 were founded with foreign capital, out of which 1,229 finished last year [1990] with a deficit, a survey by the Ministry for Industry and Commerce shows.

As to the division of the economic areas, working capital worth 40.2 billion forints was drawn into industry by the end of 1990; 39 billion of that came from countries with convertible currencies, and 1.2 billion forints came from countries with ruble accounting.

As to the number of ventures, foreigners participated in 1,436 industrial enterprises in 1990, which is three times more than in 1989, but 525 of them ended the year with a deficit. Foreign interest in engineering industry declined to the advantage of light industries.

Most of industrial investments made in convertible currencies were worth less than \$1 million. Greater sums, \$1 to \$5 million were invested in 82 joint enterprises; capital to the value of \$5 to \$10 million was invested in 15 companies, and only 10 companies received more than \$10 million. Some 80 percent of the incoming capital is allotted to 107 enterprises (7 percent), out of a number of 1,436 enterprises.

Essentially, the point is that the interest by foreign capital is seemingly high, but considering the invested amount, this can only be understood as inquiries or trials, or as business risks that are worthwhile even if the business fails. According to the survey, a total of 455

enterprises operated in the construction industry in 1990, which is 3.6 times more than in 1989. The amount of invested capital was multiplied by 15 times; its value is over 6 billion forints.

Some 16 entrepreneurs use more than 80 percent of the working capital in this sector. Some 164 construction industry enterprises closed 1990 with a deficit, 102 of them were builders and 62 were production companies. Foreign capital showed most interest toward companies in tourism and domestic trade in 1990; the number of these companies approached 1,700.

The part of foundation assets that is in convertible currency exceeds 12 billion forints, which is also four times the 1989 amount. In domestic trade, 34 entrepreneurs have 70 percent of the foreign capital. Most of the businesses founded with 100-percent foreign capital can be found in this area, a total of 57 enterprises. However, the size of the invested capital is around 1 million forints in their case.

The number of businesses that operate with a loss was even higher in this area than in industry: A total of 760 businesses were affected. The proportion of stores selling mixed industrial products and catering businesses was especially high among the unsuccessful businesses.

Economic Migrants Travel Through Nation

AU0406133591 Budapest NEPSZABADSAG
in Hungarian 28 May 91 p 9

[Interview with Major General Balazs Novaky, national commander of the border guards, by Attila Gy. Fekete; place and date not given: "Our Money Will Run Out by Autumn; Determinations of a Border Guard: They Stop the Flood of Refugees"—first paragraph is NEPSZABADSAG introduction]

[Text] The number of border violations has tripled compared to the same period last year. Countless numbers of economic refugees are caught at our borders, who are on their way from more than 50 countries to the West through Hungary. The Ministry of Internal Affairs and the leadership of the border guards are taking steps to renew our relations with the similar organs of our neighboring countries. In the meantime, there is a danger that the funds of the border guards will run out by October or November 1991 in spite of the strict austerity measures. We interviewed Balazs Novaky about these issues.

[Fekete] How do you explain the enlivened relations with our neighbors?

[Novaky] The number of illegal border crossings and attempts continued to rise through our common borders with Romania, Austria, and the CSFR. We registered three times as many cases as in the same period last year. This alone would necessitate a closer cooperation with our partner organizations in the neighboring countries. At the same time, similar to Hungary, Romania, and the

CSFR, they are engaged in organizing their professional border guard and their frontier police. It is advisable to coordinate our steps and exchange our experiences now in the interest of more efficient cooperation in the future. Apart from these, the changes that are occurring in our countries have also made it necessary to place our cooperation on a new foundation. We have to outline our tasks regarding control of border traffic and the traffic through open fields in bilateral agreements.

[Fekete] Large groups of refugees arrive from Romania almost every day through the open fields to Hungary. What is the cooperation like between the border guards of the two countries, if people fleeing Romania can cross the border in masses led by smugglers?

[Novaky] Appearances are deceptive; our cooperation with our Romanian counterparts has been substantially better in the last few months than any time before. We must remember, though, that overnight, the violation of border was requalified from crime to a minor offense in Romania. Our colleagues there are struggling with the same problems, namely that the fine for a minor offense does not hold the foreigners back. Expelling the captured people and transporting them out of the country consumes a lot of money.

[Fekete] However, people eventually manage to cross the borders; most of them get as far as our western borders, and then they are transported back to the Romanian border at the cost of the Hungarian budget.

[Novaky] That is exactly the case; therefore, it is important to have our bilateral agreements as soon as possible, in which we could coordinate the guard duty of the border guards, among other things. It is superfluous to guard on both sides the same section of the border in these times of great migrations. We have to organize the border guard in a way to enable us to jointly block the way of illegal migrants. There should be a hotline between the unit commanders operating on the same section, so that they can, if necessary, discuss their most urgent tasks without going through the national headquarters.

[Fekete] When do you expect to have these agreements?

[Novaky] We did not have such agreements on border guards with Austria and the SFRY previously, but we will need them in the new European set-up. We will have to revise our previous agreements drawn up in the sixties with the other countries. Our negotiations on the preparation of the agreement with our northern neighbors have already progressed considerably, and we are past the first steps with the other countries, too.

[Fekete] You have recently had negotiations in Moscow. Did you manage to achieve anything tangible?

[Novaky] We have not had a meeting of Soviet and Hungarian border guard commanders for three years. Therefore, first of all, we reviewed our experiences in connection with border violations; we also agreed to

speed up border crossings and to coordinate the control of the open borders. Naturally, we also talked about some of the expected tasks that would result from the introduction of the Soviet world passport. For example, we will have to open new border stations for international traffic.

[Fekete] The Soviet partners agreed to the operation of a liberalized system of crossing for people who live close to the border for a few months in 1989. Then they unilaterally returned to an agreement made in 1985, which only allowed border area traffic on fulfilling a series of strict conditions and in very limited numbers.

[Novaky] We urged them to return to the 1989 agreement, but we did not get a clear promise. It is true, though, that they did not refuse our suggestion, either. The pope's visit to Hungary might bring a breakthrough in this area, too. We expect the largest number of pilgrims to come from the Soviet Union to our country during that time. We will commence talks with our Soviet partners in the near future on how to organize the crossings in and out of Hungary with the least interruptions possible.

[Fekete] According to your experience, how great a migration does your Soviet partner expect following their introduction of the world passport?

[Novaky] They do not share our worries. They emphasized several times that they would immediately reveal all the detailed regulations on the world passport to the international public for all countries to be able to prepare for all possibilities in time.

[Fekete] It was rumored that the reorganization of the border guard into a professional body has been suspended because of the unceasing flood of economic refugees. Is this true?

[Novaky] No, the formation of the frontier police is progressing according to schedule. The only difference is that some 5,000 or 6,000 conscripts will have to perform border duty instead of the planned 2,000 to 2,500 people. This solution was forced onto us by the situation that emerged after our decision. When the pressure on the borders decreases, it will be an easier task to reduce the number of conscripted units than the task we would face if we oversized the professional guard now.

[Fekete] It is rumored within the border guard that your money may run out by October or November 1991. Can you confirm that?

[Novaky] There is a danger of that. I have introduced strict austerity measures, I have reduced the use of cars as much as possible, I forbid the district commanders to come and give their reports separately, and so on. These are small things, but we can save a lot of fuel this way. Unfortunately, the violators of our borders do not take our tight finances into consideration. If things go on like this, and the main season is still to come, we might not have any funds left by the end of the year to buy fuel or

to pay the electricity and heating bills, and so on. However, I will say no more about this, lest you think I am complaining. All these are plain facts. I will announce in time when the end approaches, the rest is not within my competence.

Demszky Throws 'Personal' Support Behind Expo
91CH0581A Vienna DIE PRESSE in German
12 Apr 91 p 3

[Article by Tibor Fenyi and Peter Martos: "The Race for a Favorable Decision on Expo"]

[Text] Budapest—As of today, Friday, Hungary is likely to embark on a course of going ahead with Expo: at a press conference, Budapest Mayor Gabor Demszky will reveal his preference and, as far as anyone can tell, his "personal opinion" will be in favor of holding a world fair jointly with Vienna. More specifically, his acceptance is likely to be linked with the condition that the respective jurisdictions of the capital, the government and the Expo Program Office be specified.

Demszky thus is getting ahead by several days of Prime Minister Jozsef Antall's government, whose decision, according to Foreign Minister Geza Jeszenszky, is to be expected "next week at the earliest." The mayor will make that decision easier. The reason: Should the head of the Budapest autonomous administration, a member of the opposition's Free Democrats, accept in advance the cabinet's surely pro-Expo stance, it will make things easier for the prime minister: He will not have to worry about a new domestic political front coming into being while the many other difficulties and conflicts abound.

The mayor's opinion is hardly binding on the parliament's decision. There the governing coalition (whose three parties have on several occasions spoken in favor of Expo) has a comfortable majority. The opposition on the other hand is hardly in agreement: The Socialist Party is firmly in favor of the world fair and has the support of several independent and Free Democrat delegates in this matter. The 26-member Young Democrat caucus is likely however to cast a unanimous negative vote.

An entirely different situation prevails in the Capital Assembly, which will make the final decision on 9 May. There the Free and Young Democrats, who were originally considered anti-Expo, have the majority. Demszky's opinion is of course not binding; he has but one of 88 votes. However, it can be argued that his "personal opinion" will weigh heavily with the city delegates.

This new development plays against the background of a change in public opinion. While for a long time the bulk of the population had no opinion at all about the world fair, now those in favor outnumber the others as a result of the operators' massive publicity campaign. The Hungarian economy, mired down in a deep recession, has discovered Expo as a potential force to get things moving again.

At the same time another element has drawn great numbers toward favoring the big project: the belief that the world fair would create new jobs. Very recently the level of unemployment has risen dramatically following the fundamental restructuring of the economy. It has doubled within just the past year, and pessimistic forecasts conclude that the number of job seekers could rise from today's 200,000 to half a million by the end of the year. That is a weighty argument in a country whose population had for many decades heard talk of labor shortages exclusively.

This is the main reason why the unions' support of the world fair keeps increasing continually. However, many people believe that it would be to Hungary's advantage to postpone it by one year. They believe that economic activity could overheat until 1995, which means that much business would have to go to foreign enterprises, whereas one year later Hungary could perhaps deliver the goods. Many union leaders worry also that this could be a cause for great numbers of guest workers to arrive from Yugoslavia and Poland, which would make it impossible to reduce unemployment.

There is no doubt that the mayor's attitude has been influenced by the finance minister. Mihaly Kupa, the new man in charge of the Hungarian budget, has stated on several occasions that "under certain circumstances" Expo could take place; his predecessor had wanted to permit the world fair "only over my dead body."

The Capital Assembly has also contributed to making things easier. In November, it had submitted seven conditions to the government under which it would support Expo, the most important one being the passage of needed laws concerning such matters as real estate, licensing, and the property of local autonomous administrations. The general part of the licensing law has been completed; there is also an agreement about the capital's legal status.

In the meantime the Expo program office has promised early completion of a study of environmental impacts. There is some optimism that agreement will be reached about coordination of Expo infrastructure investments with Budapest development plans. While the real estate and housing laws are still unavailable, the government has promised parliament that draft laws will shortly be submitted.

Another significant change consists of the realization that the country has no resources to implement the original overly ambitious major projects. While an animated discussion is still ongoing about the order of magnitude of the world fair, everyone agrees that it was a mistake to shock the economists with megalomania. Being aware of the debt burden, they know what the country can afford—and that does not include projects costing several hundred billion forints.

The positive attitude is being boosted also by a negative element: with a certain bitterness, the Hungarians must recognize the fact that despite the change in the system

Western capital is merely trickling into the country. The fact that last year 50 percent of Western money invested in Eastern Central Europe went to Hungary, more than to the CSFR and Poland combined, is small consolation. The Magyars consider these two countries to be serious competitors; if they are to maintain their leading position, they must come up with greater attraction.

The change in public opinion started to manifest itself one week ago, when a majority of Budapest district representatives spoke out in favor of the world fair. However, several among them once again brought up the question of its location and the question whether the fairgrounds might not be sufficient. Or at least an area which would be less pretentious and therefore cheaper than the presently considered triangle in the southern part of Budapest which is to include Csepel Island in the Expo area.

In recent weeks only two things happened which had a negative effect. One was the National Bank's audit of the investment declarations of intention, which the Expo program office had stated to be \$8.5 billion. According to the audit, a considerable part of the offers cannot be taken seriously; the overall figure is said to contain several entries submitted by competitors for the same project.

The second setback for those in favor was the decision to conduct a referendum in Vienna. Inasmuch as such plebiscites do not exist in Hungary, politicians and media unfamiliar with them belatedly informed the population that this was not the type of vote which is binding like the one in the Hungarian constitution. Nor is there any danger that any Hungarian party would initiate something similar: The people's political passivity has increased to the extent that during the most recent special elections participation was disastrously low—a mere 22 percent.

Expo advocates expect an improvement in this also: an economic upswing might cure political apathy. Demszky recently gave this reply to such expectations: a positive effect of this large-scale project can be expected only if no inordinate demands are made on the taxpayers.

The mayor's words on that subject are tantamount to a prediction that the real discussions about Expo in Hungary will not start until after the decision is made. They will no longer revolve around a "yes" or a "no," but rather about the question of how risks, responsibility and profit are to be split between the state and the capital. The basic prerequisite for all that is of course that Demszky says "yes" today.

Participation of Provinces in World Expo Urged
91CH0589D Budapest UJ MAGYARORSZAG
in Hungarian 27 Apr 91 p 3

[Article by Erzsebet Juhasz: "Regio-Invest Plans; World Expo in the Country, Too"—first paragraph is UJ MAGYARORSZAG introduction]

[Text] The government said "yes" recently to organizing the World Expo on the basis of private venture. In making its decision, it took into consideration that the Expo and the related establishments will have a positive effect on economic development, especially on the development of tourism, services and the infrastructure, on increased employment, and on the possibilities of using active capital. These beneficial effects could appear in all regions of the country.

Thus, the World Expo involves not only Budapest but the entire country. But people in the regions, although they see the Expo's nationwide and long-term benefits, find it hard to accept that many billions would be invested in Budapest only, using the Expo as a pretext. They think it is necessary to organize events in the provinces, too. For this reason, regional towns also accepted key roles in the movement in the Expo's support, having already drafted the plans for related ventures.

The recently formed Regio-Invest Regional Consulting and Investing, Inc., in cooperation with the local governments and supporting intentions of both domestic and foreign investments, wants to promote, through regional development programs, a unified regional development of the country and the regions in particular. In connection with this, it worked out a separate concept for promoting regional World Expo ventures and events.

The firms's Deputy Director General Dr. Gyula Wirth said of the inclusion of areas and regions in the World Expo that this would be not only an excellent opportunity to have foreigners become familiar with the whole country but also a necessity. For Budapest would not be able to accept without congestion the large number of visitors at the same time, even if the indispensable investments in infrastructure would take place. For this reason, the visitors should be tied down with regional programs as well.

According to its philosophy that is also supported by the change in the East European countries, what the Expo would offer would not only be a technologically oriented fair but one in which human and cultural relations would also play a key role. This would put more value into our regions and their natural characteristics, real folklore, folk architecture, as well as our historic monuments which may also come to a new light in connection with the 1,100th anniversary of the Occupation of the Land. Thus, emphasized Dr. Gyula Wirth, we have more than a small hope that local community organizations, including catering and traditional ones, would be able to play key roles, serving as tourist attractions.

The chances of implementation through ventures may also increase: domestic and foreign entrepreneurs may discover more investment opportunities by considering the country as a whole. It is no less important that reckoning with the regions may also offer more opportunities to better utilize establishments after the Expo. It would be good to include organic techniques and

farming among the Expo's topics. This would provide two benefits for Hungary. On the one hand, we could come to the world's forefront in an area that is essential for mankind's survival; on the other hand, through the production of special products under beneficial conditions of climate and soil, new markets would be opened for our agriculture.

And, according to its concept, what role does Regio-Invest plan to play? Dr. Gyula Wirth said that the firm would like to promote regional World Expo events and ventures in integrally connected areas and business sectors of tourism, directly supplementing Budapest's center in the country's central region, and helping to receive visitors coming from the neighboring countries along the northern, eastern and southern borders.

For instance, they are planning to present in an entertaining and high-quality environment, regions, countryside, products, and wineries that best represent the country, e.g., the "Tokaj Land" and the "Orseg Land," to use monuments, historic sites and castles, and to organize musical, historical and other plays as well as carnivals. Their plans also include the presentation of protected areas and bio-villages as well as the promotion of tourism in villages, spas, and church estates.

Finalized Compensation Law Compared to Draft

91CH0589E Budapest MAGYAR HIRLAP
in Hungarian 22 Apr 91 p 9

[Article by Ildiko Nagy: "In View of the Changes; From the 1020 to the Compensation Law"—first paragraph is MAGYAR HIRLAP introduction]

[Text] The parliament's debate on the compensation law that began in early February came to the last act. Since the Constitutional Court refused to assume the responsibility of intervening in the legislative process, members of the parliament will likely decide on the bill this Wednesday.

The original text, "The unified text of the bill, including the modifications approved by the government, on the partial compensation for unjust losses in citizens' properties caused by the state after 8 June 1949, presented under No. 1020 in order to regulate ownership," has undergone significant changes since 14 January. The most important difference is that 100 billion forints are needed to cover the losses instead of the planned compensation vouchers amounting to 70 billion.

What has remained unchanged after the modifications? The date 8 June 1949 will remain, compensation will be only partial, and only natural persons will be qualified. Those will be qualified for compensation who were Hungarian citizens at the occurrence of the loss, even if they live abroad at present. In determining their heirs, the Civil Code's provisions regarding inheritance will not be applied; instead, only direct descendants (or their surviving spouses) will be qualified for compensation. A new element is that non-Hungarian citizens who lived in

Hungary between the occurrence of the loss and 31 December 1990 (e.g., Bulgarian gardeners) are also qualified.

In determining the extent of the loss, the starting point will not be the value at the time of confiscation. Instead, the blanket value must be determined. The basis for compensation for real estate will be the area; for factories, it will be the number of permanent employees. The amount of compensation for land will be 100 percent up to the value of 1,000 gold crowns (GC); in other cases, it will be 100 percent up to the value of 200,000 forints. Beyond that, the degressive chart will be applied, but compensation may not exceed 5 million forints.

In the regulations regarding the compensation vouchers, the interest rates were changed. Interest will be 75 percent of the central bank's interest rate for three years. Contrary to the original draft bill, the vouchers may be used in purchasing apartments owned either by the state or by the local governments; also, they must be considered private assets in Egzisztencia or privatization loan applications. A separate statute regulates their conversion to life-annuities. Another new element is that those qualified for compensation will have the right to priority in purchasing their onetime properties. (According to the parliament's Privatization Committee, this clause may significantly slow down the privatization process.)

The deadline for submitting a claim for loss has been changed from 30 to 90 days, and qualified persons living abroad must always submit their claims to the Budapest compensation office. The county compensation offices will send the concerned co-ops and state farms all claims related to their areas within two months after the submission of all claims.

A land fund of 30 GC's per co-op member, i.e., of 20 GC's per farming employee in co-ops and state farms, must be set up before returning any land. Arable land will be worth 1,000 forints for each gold crown. If a given farm does not have enough land to return, then the area for each qualified person will be proportionately decreased. The demarcation of the land will be done by a three-member committee, jointly selected by the qualified persons and the cooperatives.

Thus, the compensation law has hardly any clause that has not been changed during the debates, which were more political than economic.

Public Finance Adjustment to Economy Proposed

LD3105181291 Budapest MTI in English 1047 GMT
31 May 91

[Text] Budapest, 31 May 1991 (MTI-ECONews)—The aim of the new bill on public finances is to adjust the reform of public finances to the requirements of establishing a social market economy, Peter Kiraly, state secretary at the Hungarian Ministry of Finance, told a press conference here today. He stressed that while the

state concentrates 65 percent of the gross domestic product [GDP], a great deal of wastage is involved in the spending of public funds.

Under the three-year agreement Hungary made with the IMF early this year, no more than 54 percent of the GDP will go into state coffers by 1994. The bill contains detailed rules for drafting, discussing and approving the state budget, and the powers and authority of parliament, the government, the finance minister and the other ministers. The draft contains special provisions in the event parliament fails to pass the budget bill by the end of a given calendar year. The new bill on public finances will also address the issue of separate state funds.

At the moment, there are about 30 such funds totalling 130 billion forints (examples are the Gabcikovo-Nagymaros fund and the Soviet-Hungarian natural gas project in Tengiz). Even though these funds are handling public money, parliament has very scant information on what they are actually doing. The new bill rules that in future, special legislation will be needed on a case-by-case basis to create a separate state fund.

Ministry of Finance experts are pressing for existing funds to be allowed to survive another year, subsequently, the creation of any separate fund should be subject to the approval of parliament, they say.

The new bill contains provisions for the financing of budget-run institutions, and lays down rules for how these institutions can pursue business activities. It moves for detaching those institutions and ventures attached to the state budget which themselves engage in business activities, and for putting them on a purely business footing.

The original intention of the Ministry of Finance was to cut the budget funding of those organizations which engage in profit-making activities themselves, but this met with strong opposition from the affected organizations. The information system connected with public finances and the structure of budget-run organizations also have to be revised in conjunction with the reform of public finances. Similarly, new systems of data supply and accounting up to international norms have to be developed. The actual hardware for the information system is there already, the system itself will probably be based around the Ministry of Finance's computer centre.

The 1992 state budget will be drawn up in two stages, with consideration being given to the provisions of the bill on public finances. The government has until the end of August to present the proposed guidelines of the 1992 state budget to parliament. After the main guidelines have been discussed, the details can then be worked out.

Financial Research Institute Views on World Expo
91CH0589F Budapest BESZELO in Hungarian
20 Apr 91 p 9

[Interview with Kalman Meszaros, Financial Research staff member, by Janos Eorsi; place and date not given: "Self-Financing Expo"—first two paragraphs are BESZELO introduction]

[Text] The study prepared by Penzugykutato Rt. states that, through the open invitation of tenders for the World Expo, its program will become self-financing, including the necessary investments in transportation and other areas. The revenues from privatization and taxes will increase and, thus, "we can tentatively state that the World Expo will not be financed by the budget; rather, it will be the other way around...." We can also read at another place in the study that, indeed, "upon reflecting, the cost, and the amount of cost, of the World Expo are irrelevant from the state's and the budget's point of view...."

We talked with Kalman Meszaros, head of the group of experts who wrote the study. It was last February when he joined the Penzugykutato's staff; before that he was executive of a Budapest investment agency with international interests and board member of Girozentrale Investment AG, in which capacity he took part in the issuance of the first Hungarian international stocks (Novotrade, IBUSZ, Fotex).

[Eorsi] The World Expo Program Office constantly refers to your study as unequivocal proof of the World Expo's feasibility. The parliament's Budget Committee also received it (along with the apparatus material) at its last week's session as the only expert opinion, and we heard it there that no opposing opinion has been prepared, and no debate of experts has been held (although the chairman of Co-Nexus, a financial consulting firm, did express his supportive opinion). Thus, the way I see it, the study was written in an atmosphere in which an expert cannot be neutral.

[Meszaros] I do not agree with that. In December-January, when I was still at Girozentrale, I read about the wrangling on the World Expo, about the concerns whether it can be financed and organized. The way I saw it then was that, finally, there was a project which would entail not a decrease but an increase in value of our national assets. And, if this was the case, then the World Expo could be financed. Firms having direct or indirect interests in the investment project, followed by firms in tourism and related areas, would increase their orders, resulting in an increase in the worth of these firms. I also saw in practice that such an effect does exist. On the other hand, in writing the study, I consulted with people of various points of view, including people who were against the idea. Two years ago I would have agreed with the opponents, because financing the World Expo from the budget is questionable indeed. But if privatization

exists, then any project that increases the value of the assets to be privatized makes sense. And the World Expo is such a project.

[Eorsi] The Expo must be organized as a business. This idea is the reason why you write that "the government commissioner should resign and the World Expo Program Office should be abolished."

[Meszaros] There is a need for government coordination, but not in this form. The nonbusiness apparatus is too large. This was apparent even when statements of intention regarding the still nonexistent project were solicited. In this way the World Expo was devalued. Serious firms were justified in thinking that Hungary was undecided as to what it wanted to do.

[Eorsi] According to your study, the open invitation of tenders for the Expo would, in itself, increase demand for privatization (in your "pessimistic" estimate, almost \$3 billion worth of revenues from privatization could be expected, which would, in itself, be enough to finance the World Expo). But is this step really sufficient? Because there are the obstacles of regulations, the hesitation of the government lead by the MDF [Hungarian Democratic Forum], the monopoly of the State Property Agency....

[Meszaros] We, too, wrote that appropriate legal and institutional conditions are also needed. But the World Expo may force, must force, the creation of these conditions. The issue of land ownership is urgent anyway, foreign investors are concerned that it has not yet been resolved and that only the right to lease can actually be privatized in Hungary.

[Eorsi] But even if the appropriate regulation would be legislated, I think that a maturing process would have to take place before domestic and foreign investment partners could establish appropriate relations among themselves.

[Meszaros] We are not starting from zero, privatization is indeed taking place. There is interest in Hungary abroad.

[Eorsi] For instance, it will be decisive whether or not a well-running real estate market will develop in Hungary. You also expect this when you write about putting limitations on the increase in real estate values induced by speculation. But time is needed for that, too.

[Meszaros] There is sense in this counterargument but I still feel that all this can be resolved in time. The most urgent thing is to regulate ownership rights, the land issue, and licensing rights, or else, if these will not happen swiftly, a separate law on the World Expo should be legislated which would provide a preliminary legal framework. I think that two things could happen on the real estate market. It will shrink in case there will be a World Expo, and it will collapse (i.e., prices will fall to an extreme) in case there will not be one. In the final analysis, the value of a real estate is determined by the

profit-making capability of the business built on it; the Hungarian market, because it does exist after all, is similar in this to that of West Europe but, at the same time, most Hungarian firms lack an adequate profit-making capability. It seems to me that more and more real estate will be freed in Budapest, since many firms will come to difficult financial situations and will be forced to sell their real estate property. The World Expo could offset this, though not entirely, I think.

[Eorsi] This is not what the study discusses; rather, it discusses the increase in real estate values which could be another source for financing the World Expo.

[Meszaros] This is correct, but it applies only to the location, i.e., to the South Budapest lots. I add that these do not necessarily have to be sold, they could be brought into companies and, most of all, they could serve as collateral for investment businesses.

[Eorsi] In your study, you recommend setting up a World Expo Development Fund; part of the revenues from privatization would come into it. For, according to your line of thought, state enterprises would increase in value as a result of an expected increase in orders, and this extra revenue could even be sufficient for financing the World Expo. But it is questionable that it will be the interest in the activities of our enterprises that will suddenly increase; because of the short deadlines of the necessary investments, many orders will perhaps go to foreign investors.

[Meszaros] We think that this is only another possibility which can only increase the sources of financing. The reasons for our expectation that the World Expo would finance the budget are that a livelier economy would increase tax revenues, and the World Expo would create new jobs and, thus, the state would have to pay less unemployment benefits. For this reason, the state and the local governments would only have to advance about 30 billion forints; their revenues in the end would be higher than this amount.

[Eorsi] The question is, how long would we have to survive this period of advancing?

[Meszaros] Advancing applies to every project in the world. But 30 billion forints can be allotted for this purpose, in the hope of the expected benefits. Returning to privatization, first, we are more pessimistic in our calculations than the government, we say that 20 percent of the beneficiary sectors will end up in private hands by 1995, 40 percent by the turn of the millennium. Incidentally, the possibility of large orders may be an incentive, even internally, for enterprise units, to break up the present state framework. Second, in the case of such a huge program, the number of domestic orders would also increase; one does not usually import gravel, concrete, and steel.

[Eorsi] These were the things shipped solely by the Hungarian construction industry at the time of hotel constructions in the early 1980's.

[Meszaros] We do not necessarily have to build five-star hotels (these were the categories in which the participation of Hungarian builders were scant); but I also think that times have changed since then, a certain amount of progress has taken place. Moreover, foreign firms would find it profitable to subcontract mostly Hungarian entrepreneurs, for we have relatively cheap labor. And once they work with subcontractors, it may even be worth it to buy the firm.

[Eorsi] I also read in the study that the firm set up for handling the preparation and financing, "Expo Holding, Inc.," would take over from the government the guarantees specified by the International Office of Expositions (BIE), and would provide counterassurances. But is it possible to find business insurance for a sum as large as required by the World Expo?

[Meszaros] I feel that this issue has been somewhat mystified. It is not certain whether this government guarantee entails a financial obligation or is only a moral guarantee. It may perhaps only mean a guarantee that the pavilions will be erected and that the exhibitors will be able to take up their quarters; however, this guarantee could be taken over by the chief entrepreneurs.

[Eorsi] Budapest's present leaders feel that the selection of the site, which happened under the old regime and which is still adhered to by the World Expo Program Office, means nothing less than the government's interference with their concept of urban development. A concept of urban development is being forced on Budapest.

[Meszaros] Budapest also had a say at that time in selecting the site although the leadership was not the same as the present one. I cannot judge from a technical aspect whether their reservations regarding the old concept of urban development are justified. But I can say from an economic aspect that if action would finally begin, it would benefit the city of Budapest as well.

[Eorsi] Your concept heavily builds on the psychological effect of the open invitation of tenders for the World Expo. Would it not at the same time also mean, in your opinion, a psychological pressure for those who voice their doubts and concerns?

[Meszaros] I do not think this perception is correct. Those who voice doubts play a very important role: They raise issues which must be resolved. We could not progress without them. Of course, we saw political pressure both in Austria and Hungary. But I would differentiate them from economic expectations which are playing increasingly big roles and which express real ambitions.

[Eorsi] The question cannot be avoided: the study makes the impression that the Penzugyutato Rt. has an interest in the World Expo.

[Meszaros] It has absolutely no interest. It is an interesting correlation that the more an economy is in crisis,

the more money investment banks and consultants make. Penzugyutato must reckon with competition in case of an upswing.

[Eorsi] Could you assume a role, let us say, in Expo Holding Rt., which your study described briefly?

[Meszaros] No. This is not Penzugyutato's profile.

[Eorsi] Thank you for the interview.

Bod: Enterprise-Government Relations Improving

*91CH0589B Budapest UJ MAGYARORSZAG
in Hungarian 29 Apr 91 p 5*

[Interview with Minister of Industry Peter Akos Bod by Laszlo Doczy; place and date not given: "The Ministry Has Confidence in Us; A More Relaxed Industrial Atmosphere"—first paragraph is UJ MAGYARORSZAG introduction]

[Text] The minister of industry has already visited Veszprem, Baranya, and Szolnok counties, and most recently, Bakonyseg, where tourism was the topic of discussion and, among other things, the first "Hungarian Village Restaurant" plaque was affixed to the wall of local citizen Vince Kovacs' house. Peter Akos Bod stated his views to our correspondent.

[Doczy] Mr. Minister, you said, among other things, that relations between company executives and the government have improved. Please expound on that.

[Bod] Early relations were characterized by fear on both sides. The Hungarian Democratic Forum's poster promising a spring-cleaning elicited unfounded concern in many people. Well, it is not the poster but the program of a party that is important. We think that company executives should be evaluated only on the basis of their professional talent, their ability to cooperate, and their success.

I will state that no valuable person has lost his job just because earlier he had been a member of the Central Committee. It was proven during last year that government leaders were perhaps less experienced but displayed more professional knowledge. The work of the ministry apparatus was hindered in the beginning by the necessary reorganizations but the ministry became stabilized during the second half of last year. Because of the government's weak propaganda and the press' unwillingness to cooperate, it remained unclear for the public what the government wanted. It was last October when we began meeting with business organizations, e.g., the VOSZ [National Organization of Entrepreneurs] and the MTESZ [Federation of Technical and Scientific Associations], and we are planning to include others as well in the future.

[Doczy] On the basis of press articles, it seems that foreign evaluations of Hungary's economic situation

have improved during the past weeks. You have been in France and Germany recently. Do your experiences corroborate this?

[Bod] Yes, and this is proven by the fact that, among the onetime socialist countries, Hungary is on the top of the International Monetary Fund's recent list of creditworthiness. We are also at the top of the chart that reflects the studies made by American banks on creditworthiness and investments. Our economic results play a decisive role in this. Our balance of payment has never before been positive for such a long time, and our industrial production decreased by only 5 percent, while the decline in the other onetime socialist countries is generally significantly greater. Hungary's future is assessed the same way by those large foreign companies, Suzuki, Opel, Siemens, which also want to invest tens of millions of forints. I think that if they find investments worthwhile, then Hungarian private entrepreneurs should also draw similar conclusions.

[Doczy] You visited several counties during the past months. Did these visits have a specific purpose and order or were only part of a program?

[Bod] They were the result of conscious work, because although the primary duty of a minister is to represent the ministry in legislation and to direct the portfolio, it is also important to make his ideas known both to the professional and the nonprofessional public. Informal talks also make it possible for him to gain first-hand information. The itinerary was not accidental either. First I visited the crisis regions: Baranya, Veszprem and Borsod counties, Dunaujvaros, and Paks.

[Doczy] In what way do the activity of local leaders and the character of the problems differ in the individual regions?

[Bod] Disregarding Transdanubia's mining areas, the problems are not as grave as in other parts of the country. Entrepreneur initiatives are stronger in the western counties and, thus, they have more questions for me. Their questions concern concrete issues.

Deputy Criticizes Economic Chamber's Views

*91CH0589C Budapest UJ MAGYARORSZAG
in Hungarian 27 Apr 91 p 5*

[Article by Laszlo Doczy: "Privatization, Bankruptcy, Concession, Employment; The Law Is a Long Time in the Making"—first paragraph is UJ MAGYARORSZAG introduction]

[Text] The Executive Board of the Hungarian Economic Chamber and the parliament's Economic Committee were getting ready Wednesday afternoon to discuss issues concerning our economy as a whole, mainly those to be legislated. The consultation talks were canceled because of the parliament's change of program; the new time for the meeting is unknown. We will summarize in our writing what

the Chamber wishes to present and what the Economic Committee's probable reaction will be.

The Chamber claims that the process of privatization as a whole lacks the expected openness; society has not been provided with information either on the basis of the process' implementation or on the present process of selling. It recommends that the State Property Agency and the appropriate ministry hold a public debate with the MTESZ [Federation of Technical and Scientific Associations] and the private entrepreneurs association prior to the privatization of important state properties. It further recommends the making of a list of privatization exceptions which would determine the areas in which it would be desirable to maintain state property. The State Property Agency would have to adhere to this list once it was approved.

In connection with the bankruptcy law, they think it is important to differentiate between bankruptcies resulting from flaws in companies' internal management and those resulting from the possible flaws in state intervention. The Chamber thinks that it is necessary to settle the credit accounts of companies which in the wake of central decisions became insolvent because of accumulated debts. The bankruptcy law can be implemented only after settling the companies' situation.

The activities to be licensed, i.e., the areas in which operation is to be financed from the state budget, e.g., that of the MAV [Hungarian State Railways] must be clearly determined before developing the license system. The granting of licenses should always be done in open competitions that exclude abuses, and on the basis of objective criteria.

We must be aware that unemployment will become perhaps the most pressing social problem this year. The Chamber points out that, even according to the most optimistic estimates, we must expect a 4 to 5-percent unemployment rate by the year's end. It can already be expected that the 9 billion forints of the Entrepreneurs' Solidarity Fund will be sufficient only for a fraction of unemployment benefits. The Chamber continues to maintain that preference and benefits must be given to all competitive and profitable company initiatives which alleviate the problems of unemployment, and that the expenses of creating new jobs through ventures must be decreased through benefits. The Chamber's opinion is that employees should be offered more possibilities to buy company shares, for this would also make it possible to privatize companies that are not sought after for privatization.

The Economic Chamber recommends that, instead of the long and often protracted debates on individual legislative bills, it would be more beneficial in many cases to prepare and discuss so-called bill packages simultaneously.

We have asked Kalman Katona, parliamentary representative and committee member to comment on the Chamber's point of view.

"The State Property Agency must, and regularly does in the presence of the press, make reports to the Economic Committee and to the Finance and Budget Committee," he said. "The Chamber's concepts related to the bankruptcy law are well-founded but impossible to legislate, simply because it is impossible to determine in practice which companies went bankrupt because of their own fault and for which bankruptcies the state must assume responsibility. Real market economies do not differentiate between the origins of bankruptcies. In case the bankruptcy law is legislated, unemployment will also further increase, because it will be advisable to liquidate unprofitable companies.

"Regarding licensing, a basic law will have to be made setting the rules; details will be regulated by laws for the appropriate branches. The Chamber's views generally apply to bills which are in an early legislative stage and which, according to proposals of various organizations, experts, bodies, and representatives, go through numerous stages before they reach their final form. I agree in principle that it would be beneficial to discuss bill packages, but at present, we can only discuss the bills that have been presented by the experts or by the special committees. Other institutions have also sent us their observations which are similar to those of the Chamber. We welcome these, even if they contain sensible criticism, for their ideas and observations greatly help our work," explained Kalman Katona.

County Land Offices Prepare for Rush of Claimants

91CH0598B Budapest TALLOZO in Hungarian
3 May 91 pp 833-834

[Interview with Gabor Varga, deputy director of the Bekes County Land Office, and Geza Kleber, director of the Capital City Land Office, by I.H.; place and date not given: "Dusty Documents From Cellars and Attics; Overburdened Land Offices Prepare for Rush"—reprinted from NEPSZAVA 25 April 1991]

[Text] [I.H.] How do the land offices prepare for the expected rush of land claimants? Do they possess the financial and personnel resources this foreseeable enormous additional work will demand?

[Varga] We have prepared ourselves to handle the situation we will be facing after the enactment of the compensation law. We have been going through cellars, attics and old archives, collecting land registry documents, because we know that in this part of the country there will be many people laying claim to land. According to data collected last August, 12,000 people had submitted claims to 60,000 hectares of land. These numbers have only increased since then.

[I.H.] Will you have enough employees and funds to issue such a large number of certificates?

[Varga] Our higher-echelon agency, the Ministry of Agriculture, has already asked us to write up a paper summarizing the financial implications of the expected additional work. The eight land offices operating in the country will need to

hire at least another 25 new employees, and procure additional copiers, computers, not to mention paper and office supplies. In order for the process to swing into motion, and for us to start registering the former proprietors, we need to have at least 15 million forints. The process itself may be drawn out for two to three years.

[I.H.] How will you get started?

[Kleber] We must revive the old registry, while continuing to go about taking care of our usual daily business. In other words, we must work simultaneously with the registries of the deceased and the living. A lot will depend on the amount of reliable information provided by our citizens. Knowledge of precise data can be of great help to us. I have to tell you that even without the anticipated extra work, we have been overwhelmed by headaches and problems that have begun to hamper even our routine day-to-day operations.

[I.H.] Will you be able to keep up with the pace?

[Kleber] The 1991 budget still does not contain any provisions for compensation-related tasks, hence, once the law is enacted by the parliament, the government will still have to establish the necessary conditions of implementation.

From Jozsef Lengyel, senior associate of the Main Department of Land Affairs of the Ministry of Agriculture, we have learned that realistic claims that continue coming in from the land offices are forwarded to the Ministry of Finance for further review. At first glance it appears that for facility rentals alone, the nearly 120 land offices operated in dispersed locations and dilapidated buildings, will need about 20 million forints, as presently they are using cellars and garages to store old documents and maps. In anticipation of a massive onslaught of land claimants, they need to establish a "Compensation Headquarters."

The procurement of copiers and fax machines, and the wages of reactivated pensioners will be covered by the loss settlement offices.

Private Industry Growth Reported, Discussed

91CH0636D Budapest NEPSZABADSAG in Hungarian
30 Apr 91 p 9

[Article by Judit Kozma: "KSH-Compass; Private Industry's Forward Thrust"]

[Text] Last year the number of large enterprises declined, while small firms showed a dynamic expansion. We learned this from a publication entitled "Compass to the Economy" published jointly by the KSH [Central Statistical Office] and the Economic Research Institute.

As a result of the growing trend of establishing firms, the number of organizations active in the market almost doubled in 1990. This was accomplished in part as a result of breaking up existing business organizations, and in part by establishing new firms. Thus, at the end of the year a total of almost 30,000 incorporated firms were registered. Within this number, the number of limited liability corporations

increased rapidly and almost quadrupled, and the increase in the number of stock corporations is even more significant. With the establishment of new firms the ratio between large and small firms improved somewhat. At the end of 1990, 60 percent of the business organizations employed fewer than 20 persons, while an additional 15 percent employed more than 21 but fewer than 50 workers. A quarter of the business organizations, more than 3,800 firms, were established with foreign capital participation. In 57 percent of these, the capital stock did not exceed 1 million forints, and only in 2.4 percent of these firms did the capital stock exceed 100 million forints.

The number of small industrial organizations has also increased rapidly. More than 3,400 business organizations were established in 1990. By the end of the year a total of 7,528 small industrial organizations were registered. Within this group the number of limited liability corporations showed the largest growth: from 176 such organizations at the end of 1988, and 1,295 at the end of 1989, they numbered 4,670 by the end of 1990. About half the number of new limited liability corporations are part of the machine industry, and about one quarter of these firms is part of the light industry. Ninety-two stock corporations were established last year as a result of transforming large enterprises, thus increasing the number of such stock corporations to 217.

As a result of all this, the ratio of small firms has increased. As of 1 January 1990, 1,067 organizations operated with 20 or fewer employees. This constitutes somewhat more than one quarter of all business organizations. At the end of 1990 there were 3,346 such organizations, i.e., almost half the number of all firms. The number of firms employing more than 300 persons has also increased, but their ratio has significantly decreased.

A similar shift may be seen in the direction of small organizations upon examining the industrial production share of these organizations. While large enterprise production has significantly decreased, the production of small firms showed a dynamic increase. The table demonstrates the changing proportions. It was prepared on the basis of representative sampling processes.

Percentage Distribution of Industrial Production

	1989	1990 First Quarter	1990
Incorporated business organizations employing more than 50 persons	94.2	91.3	89 to 90
Incorporated business organization with fewer than 50 employees	2.0	3.7	4 to 5
Unincorporated Business organizations	1.6	2.0	2.5 to 3
Small tradesmen	2.2	3.0	3.5 to 4

Disposal of Lead Waste Presents Growing Problem

91CH0589A Budapest UJ MAGYARORSZAG
in Hungarian 27 Apr 91 p 5

[Unattributed article: "Excessive Damages; Batteries Eliciting Dangers"]

[Text] The case for using Hungary's lead waste, which became the point at issue of economic, environmental, local, and national interests, has grown all out of proportion in the past two years. About 20,000 tons of lead waste is produced in Hungary annually and, lacking recycling capabilities, we are facing an emergency situation. Since the shutdown of the Nagyteteny battery disassembly plant last summer, not only recycling, but also collecting and storing have become a problem. Thus, many batteries end up being dumped at the outskirts of forests and into ditches, greatly endangering the environment.

Economic losses are also staggering. Because of a lack of waste recycling, Hungary had to import lead last year although the domestic demand could be met through recycling.

Attention to the increasing environmental dangers was called at yesterday's press conference held by National Ore and Mineral Mines. Director General Sandor Nagy said that the best solution would be to finish as soon as possible the construction of the Gyongyosoroszi battery recycling plant, 70 percent of which has already been completed but construction had to be halted because of the local people's protest. Since then, the company perfected the original plan with the help of foreign firms, making the plant more environment-friendly. Company executives emphasize that the completion of the Gyongyosoroszi investment project would bring significant benefits, including 200 new jobs, 3-5 million annual revenues for the local government, a 15-million [currency not specified] foundation for the socially disadvantaged, and the bringing in of natural gas.

As ministry commissioner, Dr. Arpad Bakonyi said, the Ministry of Industry does not wish to exert pressure on either party, but it hopes that they will come to an agreement as soon as possible.

POLAND

Trade With Brazil: Changes, Goods Delineated

91EP0473A Warsaw RYNKI ZAGRANICZNE in Polish
No 38-39, 28-30 Mar 91 p 7

[Article by Andrzej Krzemirski: "Brazilian-Polish Trade in the Shadow of Reform"]

[Text] Both Brazil and Poland have recently experienced a period of radical change in the economic system. It is true that our reforms were, of necessity, more far-reaching, but in the Brazilian economy, too, a great effort had to be made to depart from extreme state interference and the strong protectionism in effect for many years.

The program for improving the economy, initiated by President Fernand Collor de Mello and revised a couple of times, is aimed particularly at modernization and higher productivity, and thus at the acceleration of development.

These reforms had their impact on Brazilian-Polish cooperation in various ways, but their effect was quite inhibiting. Poland's substantial debt to Brazil, amounting to approximately \$4 billion, was an additional factor in influencing relations between the two countries. As a result of the efforts made to solve this problem, an agreement was initialed in March 1990 which provided that payments which had been due during 1981-88 would be postponed. But as yet it has not been approved by the Brazilian Senate. Negotiations on restructuring our debt are both bilateral and multilateral, being conducted within the Paris Club. At the same time, we are seeking alternative solutions which might make it easier to reduce our debt.

Because of the unsettled debt question, the Brazilian private sector, in particular, is approaching trade and financial relations with Poland with caution. This problem is also affecting talks on the signing of a new trade agreement and the release, by Brazil's central bank, of the large, unsettled clearing balance for Poland's account. This sum was blocked by this institution after our country terminated the clearing agreement in October 1989.

Since that time, Brazilian-Polish trade has been proceeding without signed contracts or agreements. Only long-term contracts pertaining to deliveries of raw materials are in effect. They provide for exports of 3 million tons of our coal until March 1990 and 375,000 tons of sulfur a year until 1997. Similar agreements regarding our imports provided for deliveries of 3.5 million tons of Brazilian iron ore a year until 1990, and 25-47,000 tons a year of magnesite until 1992.

A distinct decline in turnovers in Brazilian-Polish trade exchange was noted over the last few years. Although they amounted to \$407.3 million in 1988, and \$298.8 million a year later, last year they dropped to scarcely \$179 million. For comparison, during the peak period of our mutual contacts, i.e., in the 1970's, trade reached a value of \$900 million a year.

Last year's figures were greatly affected by the already mentioned systems changes in the economies of both countries and by the about-face in economic policy, which was aimed primarily at stifling the very high inflation. These phenomena had their impact on prices, interest rates, foreign currency exchange rates, and the other factors which are of significant importance in foreign trade. It is not surprising, therefore, that many firms did not wish to enter into contracts, especially during the first six months.

A revivification of Brazilian-Polish trade did not occur until the middle of last year, but only in relation to our exports. A certain liberalization of imports by President

Collor de Mello's government contributed to this, plus the low exchange rate of the dollar to the cruzeiro, which automatically improved the competitiveness of goods imported to Brazil. The increased interest of Polish enterprises in export due to the drop of internal demand in our country also played a part.

But on the whole, import demand in Brazil was limited because of the deepening recession, and particularly due to the freezing of approximately 80 percent of the assets of their enterprises. It also turned out that the liberalization of imports, begun by the government, could not greatly increase its size. Due to the many years of a protectionist policy, tariff rates remained high, despite some reduction. In addition, at the end of last year the exchange rate of the dollar in relation to the local currency rose, which made the goods imported from abroad less attractive.

Despite the changing conditions, Polish exports to Brazil in 1990 increased 17.1 percent, reaching a value of \$141.1 million. This occurred mainly thanks to large deliveries in the second half of the year, which compensated for the drop in the first half and, in relation to some articles, brought even a significant growth over the entire year.

Traditionally, coal is the core of our exports to the Brazilian market. That, too, was the case last year, when deliveries of this fuel reached the record value of \$112.3 million (almost 80 percent of total exports to Brazil). This was possible due to both larger deliveries—almost one-third more—and higher prices.

Sulfur remained in second place. The amounts sold last year brought \$24.8 million (over 17 percent of our exports). This meant a drop of over one-fourth, due to lower price quotations on the world market and 15-percent smaller deliveries. However, the export of other chemical articles doubled to \$1.4 million.

Receipts from sales of gliders and licenses to produce them were four times higher than the year before; they totaled \$660,000. Exports of vodka also increased, although slightly—to \$310,000. The same amount as last year (\$520,000) was obtained from sales of light sources. However, malt exports shrunk to \$320,000 and microscopes to \$100,000. Other important items in our exports to Brazil were bearings (\$349,000) and textile machines (\$207,000).

The Brazilian market also received Polish horses, lathes, crystal, processed fruits, canned fish, and other goods in small quantities. Some receipts were also obtained from the sale of technical documentation, e.g., for mining, and from repair services in our shipyards.

Exports to Brazil was also accomplished through the intermediation of third countries, partly due to Brazil's continuing requirement that deliveries be made on credit. It was often more profitable for Polish enterprises to sell their goods cheaper for cash, utilizing the intermediation of Western firms, than trying to get a better

price and bearing the costs of credit in direct transactions. This is how powdered milk, for example, was supplied to the Brazilian market.

Contrary to exports, imports from Brazil shrunk drastically due to a distinct drop in demand in our country. Last year's deliveries of Brazilian goods amounted to only \$37.9 million, i.e., 78.5 percent less than the previous year. In this situation, for the first time in many years, mutual trade closed with a negative balance amounting to \$103.2 million in favor of Poland.

Raw materials and farm products predominate in Brazilian deliveries. Last year's purchases consisted mainly of tobacco—11 million dollar's worth, plus magnesite and rock crystal for a total of \$8 million, and yarn and fabric for \$7.9 million. The greatest drop occurred in the import of soya cake—96 percent, to \$4.2 million. Purchases of iron ore also shrunk drastically; they were almost 85 percent smaller than the year before and totaled \$3.2 million. Other important items were: sisal (\$2.9 million), vegetable tannins (\$400,000), and coffee (\$300,000).

In addition, through the brokerage of third countries, commodity exchange purchases were made. These were primarily coffee, cocoa beans, and derivative products. The value of this import totaled approximately \$20 million a year.

The factor which would certainly contribute to greater turnovers would be the settlement of treaty and financial matters, including the signing of a new trade agreement and an agreement on the restructuring of the Polish debt. No less important is stimulation of activity in Polish and Brazilian firms, particularly as regards acquisition and marketing and more frequent participation in fairs and other trade events. Poland is an interesting market for our partners on the other side of the ocean, but it still not known well enough. In any case, this also pertains to a knowledge of the Brazilian market by Polish firms, especially those which were formed recently and do not yet have experience or extensive contacts.

The recession in the Brazilian economy may deepen in the first half of 1991 as a result of antiinflationary measures, and this, most certainly, is not a good omen for mutual relations. But on the other hand, the gradual reduction of import tariffs creates better conditions for those firms, including Polish, which export to the Brazilian market, and the overall liberalization of economic policy should help to improve the competitiveness of the goods offered by Brazil. It is to be hoped that the changes taking place in the Polish economy will also begin to bring results, having a stimulatory effect on our foreign trade relations.

In addition to the goods sold in the past, exports to Brazil could easily include railroad rails and agricultural aircraft, as well as some durable consumer goods such as household articles, bicycles, and sewing machines. The export of powdered milk could also be continued, without the brokerage of Western firms.

But we must realize that in many cases the high prices of the Polish products constitute a large obstacle, as does the low exchange rate of the dollar in relation to the zloty, which also serves to weaken the competitiveness of our exports. However, the elimination this year by the Brazilian government of the requirement that deliveries of investment equipment to those markets be made on credit terms, is good.

As to imports from Brazil, after the move to settlement of accounts in free foreign exchange, the attractiveness of purchasing raw materials clearly rose. Deliveries of iron ore or cotton, for example, from that country, may turn out to be just as advantageous as imports of these commodities from the USSR. The discontinuance of clearing, together with the obtainment by Brazilian exporters of the right to enter into contracts on the basis of quotations on the New York Stock Exchange, have also created better conditions for the importation of stock exchange articles, without the brokerage of third countries.

In addition to raw materials and agricultural products, which always dominated in our imports, a broad range of products produced by Brazilian industry is worthy of attention, particularly because many of its branches have achieved a high technical level.

In addition to the classic trade, a modest, for now, cooperation should be developed in the area of production or services. It seems that the participation of Poland in the expansion of Brazilian coal mining or copper metallurgy might be possible. Nor can coproduction in the pharmaceutical industry or inshore fisheries be excluded.

Aside from contacts on the governmental level, the vivification of relations between firms in both countries would be particularly desirable. And here the organizations which affiliate producers and trade enterprises have a great deal to do.

Of help in this regard may be the agreements concluded in 1987 between the Polish Chambers of Foreign Trade with the chambers of commerce in the Sao Paulo and Minas Gerais states, or the Brazilian-Polish Commerce of Industry and Trade, established in Rio de Janeiro last year at the initiative of our Office of Trade Counsel, which is intended to popularize various forms of cooperation.

If these efforts are accompanied by a continuation in both countries of reforms aimed at making their economies modern and efficient, then, with time, Brazilian-Polish relations may again achieve a level which will correspond to both the expectations and the economic potential of both countries.

Banking Privatization Process, Timetable Noted
91EP0484A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 25 Apr 91 p II

[Article by Pawel Jablonski: "Banks Will Have Owners"]

[Text] If the economic reforms being carried out in our country are to be successful, the banks must function efficiently. At present, the operations of the state banks leave a great deal to be desired. Their most serious fault is that they often become too attached to some of their old clients. It even happens that loans for some unprofitable plants are granted to the detriment of the bank itself. A situation in which profit is not the primary goal of the bank manager would certainly not occur if the bank had an owner who cared about his income. That is why, in addition to automating the flow of money and making organizational changes, most of the state banks must be privatized.

Throughout the world, various state enterprises are privatized, but very rarely are state banks privatized. It is true that in France two of them were recently privatized, but despite this there is very little experience connected with making such ownership changes. The most controversial matter is the appraisal of the bank's assets. It must take into account both the interests of the seller, i.e., the state and the buyers. This is especially important because the receipts to the State Treasury from the privatization of just one bank selected for this, can be higher than from the sale of all of the first five enterprises privatized.

Several banks have been designated for privatization, including nine commercial banks, established two years ago as regional branches of the National Bank of Poland. These are: Gdansk Bank, Silesian Bank in Katowice, Industrial Trade Bank in Krakow, General Economic Bank in Lodz, Wielkopolski Credit Bank, Pomeranian Credit Bank in Szczecin, State Credit Bank in Warsaw, Western Bank in Wroclaw, and Deposit-Credit Bank. In the first stage, these banks will be converted to stock companies by a decision of the Council of Ministers. The decision on this should still be made in April.

In the second stage, two or three of the best of these nine banks will be selected and they will be privatized this year yet. Three West European auditing firms, which have been examining the balance sheets of all nine banks, are just completing their work.

Early in April, the Council of Ministers approved the general plan concerning the rules for selling the stocks of the privatized banks. It was decided that the state will reserve for itself a minority block of the stock, and it is anticipated that in some cases it will relinquish its right to vote (to which it is entitled as a stockholder). Also, foreign investors will be able to purchase minority blocks of stock. They, in turn, will be able to exercise influence on the management of the bank through management contracts. The rest of the stock can be purchased by domestic investors, both institutional and private. Bank employees can buy some of the stock at preferential prices.

Because who is the owner of the largest Polish banks is important, the purchase and sale of their stock will take place with certain restrictions, as compared with the sale

of stocks of other enterprises. The banks designated for privatization have, at this time, a 95-97 percent share in the action to give credit to our economy.

Currency Denomination, Circulation Changes

91EP0484E Warsaw GAZETA WYBORCZA in Polish
9 May 91 p 3

[Article by (us): "Denomination—Lopping Off Zeros"]

[Text] In Wednesday's RZECZPOSPOLITA, the president of the National Bank of Poland (NBP), Grzegorz Wojtowicz, said that NBP has begun to withdraw 200,000-zloty bills from circulation and also announced that "in a short time," 20,000-, 2,000-, 200-, 20-, and 10-zloty bills will be removed from circulation. "The next step possible in the sphere of circulation (of money—GAZETA editorial note), is denomination"—writes RZECZPOSPOLITA.

Denomination is the lopping-off of zeros in the present bills. It may be, for example, that one "new" zloty will be worth as much as 1,000 "old" zlotys. A necessary condition for denomination is a very low inflation rate. Nor can there be any danger that it will reverse itself.

When Prof. Wladyslaw Baka, NBP president, announced last year that there would be a denomination [as published], he said that its official date will be released to the public six months in advance, and that all zlotys would be replaced at the same exchange rate.

We have learned that no one has officially retracted Baka's statement about the six-month advance notice.

On 24 January 1991, Wojtowicz said in the Sejm that when inflation falls below 10 percent, a "new" zloty would go into circulation.

According to NBP, after the "new" zloty is introduced, the "old" zloty will continue to be in circulation for some time.

We have learned from well-informed sources that the first new zloty bills have already been printed. They differ greatly from the present ones. But there are not enough of them to begin the denomination.

In connection with the change in 1990 of the name of country from Polish People's Republic to Republic of Poland, NBP must change the inscriptions on the bills within five years, i.e., replace all bills except the 500,000- and 1 million-zloty ones. These two already read Republic of Poland.

During Wednesday's meeting of the deputies club of the Polish Social-Democratic Union, Andrzej Topinski, NBP vice president, said that the bank is preparing a new series of bills for the purpose of denominating the zloty.

Summary of First Quarter Budget, Money Supply
91EP0484B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 16 Apr 91 p 1

[Article by Piotr Aleksandrowicz: "Money Under Control, Budget in Deep Trouble"]

[Text] In the first quarter, money was under constant and close control. However, the state of the budget after the first three months does not appear to be good. True, the figures we have are still incomplete and may undergo change, but certain facts have already been determined.

Money Supply

In March, industrial production prices were approximately 19 percent higher than in December 1990, and prices of goods and consumption services were 25.6 percent higher. During this same period, it is estimated, the country's money reserves grew approximately 18 percent and credits for economic organizations and the people rose approximately 12 percent.

At the same time, the amount of money in foreign currency accounts dropped, therefore the total money supply was lower than the domestic money supply and the rate of inflation. Regardless of how it is calculated, there was really less money in the economy than there had been in December. It was probably due to this that the correctional price movements in January and February did not develop into a new wave of inflation. At present the growth of prices is still being slowed down, however it is possible that inflation is, to a greater degree, more of a cost nature than a demand nature. This happens under conditions of a continuing recession.

The structure of the increase in domestic assets is characteristic. In March, the net credit in the banking system for the State Treasury rose suddenly, while credit for the economy, especially the socialized economy, continued to slow down. This is a clear sign of growing financial problems for the budget.

The foreign reserves of the National Bank of Poland rose in January, then dropped slightly in February, and somewhat more seriously dropped in March. This can be attributed to the payment of almost \$300 million to the Paris Club. But the changes are small and the state of the reserves is good, as stated recently by Stefan Kawalec, deputy minister of finance.

A Deficit Budget

What is really happening with the budget? According to the Main Office of Statistics [GUS], after two months expenditures from the State Treasury amounted, in round figures, to 31.4 trillion zlotys, while income was 30.6 trillion. The difference, a minus of 738 billion zlotys, was covered by credit.

We know that the credits drawn back in January from commercial banks have not been paid so far, which clearly shows how different the budget situation is now

in comparison with last year. At the end of March, the plus balance in the budget was scarcely 100 billion zlotys, despite a credit drawn in the amount of 2.5 trillion and the funds accepted from the Export Development Fund and from the surplus in last year's budget. It may be suspected that, in actuality, for many days the balance was minus, which means that the current credits granted by the National Bank of Poland were in violation of the law.

The budget is in trouble for several reasons. First, income tax receipts are lower, because due to the tight money policy, greater foreign competition, and the continuing recession, the profitability of enterprises has dropped. Some firms have nothing from which to pay taxes (on excess wage growth and dividends), and many of them, even if they had earned a profit it was too low, and that is reflected in the income tax. According to GUS, in the first two months the profitability of the economy did not exceed 10 percent, and for industry it was slightly over 11 percent. Even if the figures are not completely accurate and comparable, the difference is dramatic. Last year, the profitability of industry, calculated as the ratio of gross profit to prime cost of sales, was 36 percent after two months.

This serious drop in profitability is, for the most part, attributed to the almost complete collapse of export to the USSR and other East European countries, export which affects over 100 enterprises producing final products, and their several hundred coproducers.

The reassessment of stocks, and therefore the payment of dividends, is delayed. Income from privatization will not appear until the second and third quarters. The freeze on nonwage expenditures, begun in the second half of March, did not improve the budget's difficult situation. It appears that some increase in credits, planned in the second quarter, also will not basically improve the condition of the enterprises. It is doubtful that exports to USSR will be resumed quickly. This means that tax receipts may remain low and some enterprises will continue to be unable to pay taxes and dividends. The exaction of past-due taxes is restrained, and what is more important, numerous consents for deferral of payments, especially on excess wage growth, are granted. The budget, it seems, in a very persistent way has found itself in a difficult situation.

The shortage of treasury funds should be covered by credit drawn in commercial banks and through the issuance of treasury certificates. The permissible debt ceiling, written into the budget law, has not yet been reached.

The first issue of certificates was announced for the end of April. But the question is, who will buy the certificates? The people? The banks? A great deal will depend on the interest rate. It will undoubtedly be set so as to be competitive with other investments. However, the higher the interest rate, the more it will cost the State Treasury to buy up the certificates.

It seems, therefore, that regardless of the immediate freeze on budget expenditures and the issuances of certificates to cover the lack of funds, thought should first be given to adapting expenditures to the lower incomes.

Particularly because the economy is in a bad state and has serious modernization and investment needs, it should not be burdened with high taxes in order to finance the extremely high public expenditures. The redistribution, in Poland—a poorly developed country, of national income by the budget appears to be too high.

Classic programs designed to keep budget expenditures in line are based on the limitation of social expenditures, reduction of employment and real wages in the public sector, and reduction of subsidies to the state sector. The budget law gave the government the powers to reduce expenditures on its own. The question remains, will it make use of these powers and will they be sufficient to achieve a relatively permanent balanced budget.

Unpaid Back Taxes by Enterprises Viewed

91EP0484C Warsaw RZECZPOSPOLITA
(ECONOMY AND LAW supplement) in Polish
20-21 Apr 91 p II

[Article by Katarzyna Jedrzejewska: "Well-Known Debtors"]

[Text] Taxes collected by the Downtown-Warsaw First Treasury Office make up almost one-fourth of the country's budget income. One of the elements in the report presented by the office on Thursday, covering the actual status as of 31 March 1991, are the back taxes owed by enterprises and economic units.

For the period ending 31 March, they amounted to 5,994 trillion zlotys. Reminder: the figures pertain only to the Warsaw Voivodship. In this almost 6-trillion sum, deferred arrears amount to 4,078 trillion zlotys.

Most of the arrears pertain to taxes on excess of wages and salaries—4,896 trillion zlotys, of which 3,066 trillion are deferred.

The following have relatively the highest deferrals:

- Polish State Railroads (PKP) General Management, deferrals exceed 2,221 trillion zlotys and their payment has been divided into instalments: the first due on 30 September 1991 and the second due on 30 June 1992.
- Polish Post, Telegraph, Telephone (PPTiT), for whom the sum of 355.3 billion zlotys has been deferred and its payment spread out over three instalments, the last of which is due on 30 June 1992. The deferral was granted on the basis of a Ministry of Finance decision.
- Municipal Sanitation Enterprise—deferred arrears amount to 9,741 billion zlotys.

These are unquestionably tycoons as regards the deferred payment of taxes on excess wages and salaries. On the

other hand, up to 30 March 1991, payments of taxes on excess wage growth have not been deferred for the following:

- PKP General Management—the sum of 1,602 trillion zlotys for February 1991 has not been paid.
- Municipal Transportation Establishments (MZK)—25.7 billion zlotys
- PPTiT General Management—155.1 billion zlotys.

Both MZK and PPTiT appealed the office's decision on postponement of the date for payment of these arrears. However, from the tax on excess wages, 2,275 trillion zlotys flowed into the Downtown-Warsaw First Treasury Office. This sum is equivalent to almost the entire 3-trillion amount planned for the current year in the budget law from the tax on excess wages.

Arrears in income tax are smaller and according to the actual status on 31 March 1991 amounted to 987.3 billion zlotys. Most of these arrears, totaling over 971 billion zlotys, were deferred by the First Treasury Office.

The following benefited from deferrals:

- Dromex—44.8 billion zlotys
- P.P. Airports—12 billion zlotys
- Unitra RAWAR Scientific-Production Center, Warsaw RAWAR Radio Plants—4.3 billion zlotys
- PZL Wola Mechanical Plants—4.6 billion zlotys

Of the total amount of deferrals, 69.1 billion zlotys was for enterprises in the following ministries: industry, land use management and construction, and transportation and navigation.

On the other hand, 2,451 trillion zlotys came into the First Treasury Office from income taxes. The budget law for the current year envisages receipts from income tax to the central budget amounting to over 110 trillion zlotys.

The arrears in dividend payments, as shown by the First Treasury Office, totaled 55.8 billion zlotys for the period to 31 March 1991, of which deferrals exceeded 36 billion zlotys. Deferrals were granted mainly to the following:

- Polish Petroleum and Gas Mining—14.1 billion zlotys
- Warsaw Heat and Power Generating Group—2.4 billion zlotys
- Warsaw City Power Industry Plants—3.4 billion zlotys

However, almost 87 billion zlotys flowed in.

Arrears in payments on wage taxes amounted, according to office figures, 19.4 billion zlotys, of which 271 million zlotys was deferred. The largest debtor is the Moda Polska State Enterprise, whose debt to the treasury office exceeds 3 billion zlotys. And these are only the back taxes on wages.

Moda Polska owes again as much in sales taxes and these arrears have not yet been deferred. Neither has the First Treasury Office deferred sales taxes for Unitra Polkolor. Here, too, the debt amounts to over 3 billion zlotys.

To date, the Downtown-Warsaw First Treasury Office has issued 95 executory writs for a total sum of 125 billion, 461 million zlotys. The court executive officers in the Warsaw district treasury offices will see to the enforcement of the writs.

Truck, Bus Industry Modernization Urged

91EP0442A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 17 Apr 91 p IV

[Article by Antoni Kowalik: "Transport Vehicle Industry: By Truck to Europe"]

[Text] At present approximately 540,000 delivery vehicles, 414,000 mid and large-capacity trucks and 61,000 buses travel our roads. The estimated annual need for these means of transport to the year 2000 is: 77,000 delivery trucks, 50,000 freight trucks, and approximately 7000 buses. Is there any chance that the industry can meet these needs? What favors and what hinders the development of this branch of production?

The vehicular transport branch includes seven enterprises for final production and 12 cooperating factories and replacement parts enterprises, a research base, and more than 60 contributing plants. These are assets estimated to be worth 2.3 billion zlotys, in the past year employing more than 36,000 workers. Annually, this industry could produce more than 80,000 vehicles. At present, however, its production level is approximately 60 percent, averaged for all enterprises. There are plants in which production is 23 percent of actual potential and those in which this index is above 78 percent. This is the result of continuously decreasing sales of vehicles in the Polish market and termination of foreign sales as well as a lack of demand.

Our trucks and buses also stopped being competitive in the Eastern market. Also, their technical level varies a great deal. In addition to antiquated and inefficient vehicles of the Zuk, Nysa, and Autosan H-9, we produce vehicles with technical characteristics close to similar vehicles of European companies. These are: Tarpan-konker, Polonez-truck, several Star [models], specifically the 266 and the 244, and trucks of the Jelcz type. They differ from Western vehicles by being significantly less durable, less reliable, and less comfortable and, obviously, by everything connected with economic exploitation.

None of the trucks and buses produced in Poland has a chance of export sale. From an analysis of the potential for developing this industry, it follows that with the current state of technical equipment of factories and related technologies, it is impossible at present to produce a vehicle with the European standard of quality. Most important are the motors; the present motors are so

far from meeting modern demands that trucks fitted with them might not reach Europe.

In this situation, does the Polish transport industry have a chance for development? From the analysis mentioned, which was made with the participation of the Ministry of Industry, it seems that it does. Even more, experts speak of an objective, outright absolute need to modernize this branch. It is believed that demand for delivery vehicles and trucks will significantly exceed the amount of domestic production in the near future. If this production were to be neglected, we would have to spend two billion U.S. dollars every year for truck imports.

Meanwhile, as specialists in this branch say, modernization of the domestic industry can be relatively rapid, obviously on condition that it be linked to cooperation with renowned foreign companies and reliable supplies of modern assemblies and technical elements. Therefore what is concerned here is not an independent start-up of production of modern delivery vehicles—this is at present impossible—but a gradual elimination of the distance separating us from Europe, beginning, for example, with the assembly in our factories of vehicles of a recognized manufacturer.

Additional arguments favoring such a solution are, specifically, the good general infrastructure of this industry, qualified personnel, and a scientific-research base that exists in Poland and abroad, a sales and service base, relatively low cost of production, the need to keep a job under the threat of growing unemployment, as well as the desire to cooperate that foreign companies have expressed to our enterprises.

In this strategy for development—production-trade cooperation—all Polish vehicle manufacturers of trucks and buses see their chances. The program that resulted from these plans foresees, specifically, the assembly or production of up to 3.5-ton delivery vehicles in Lublin; the exploitation of the production potential in Poznan for starting a factory for light delivery vehicles; modifications for different uses of the Nysa, and cooperation with other manufacturers, for example, manufacturers of private cars.

Long-distance international transport, on the other hand, would depend on import from such manufacturers as Volvo or Mercedes, which does not exclude cooperation of these companies with Jelcz or Sanok and modernization of the latter's own production.

Farmers' Inability To Pay Back Loans Feared

91EP0484D Warsaw POLSKA ZBROJNA in Polish 11 Apr 91 p 3

[Article by Andrzej Wasiak: "Machines Available, No Buyers"]

[Text] The financial condition of many farm machinery producers is forcing them to put their workforces on compulsory furloughs. That is still the case in Ursus, near Warsaw, and was until recently in Strzelce Opolskie.

We see a similar situation in Agromet Farm Machines Factory in Krajutno. In Plock, only spare parts for combines are now being produced and production is being reorganized. In place of two production lines, one is being installed, because approximately 300 grain combines are standing on the lot next to the factory and rusting. Will they be sold soon?

Agromet Farm Machines Factory in Brzeg has not yet halted production, but the demand for its products has dropped drastically. And yet these are machines that are needed, especially now, in the spring. Brzeg produces an entire range of artificial fertilizer and manure spreaders. Unfortunately, there are no buyers for them, therefore their production will be reduced.

There is an apparent overproduction in the farm machinery industry. Presumably they are producing less than formerly and trying to reduce production costs, and still the number of unsold machines in the factory lots is steadily growing.

Farmers Lack Money

The countryside is getting poorer and poorer and nothing indicates that the situation will improve soon. This is hard to believe when you see the suburban Warsaw hothouse vegetable growers parading about in their luxury automobiles. But they are only the recent exceptions which confirm the rule.

The bankers who grant credit to farmers know their financial situation the best. They say that there is such a shortage of money in the countryside that farmers are taking out loans to buy sowing seed, artificial fertilizers and pesticides. As if this were not enough, they observed an increase in borrowers recently when the date for payment of land taxes drew near. The first instalment was to be paid in March.

The farmers, therefore, are operating on what money they have left. This, too, causes the bankers a great deal of worry, because the functioning of banks is based on savings. Yet the peasants have already drawn out of the banks about two and one-half times more in loans than they have been able to save in money. It is extremely fortunate that craftsmen and city dwellers also bank their savings, otherwise the bankers, too, would have to take compulsory furloughs.

But there is the fear that the farmers will not have any money with which to pay their debts. Naturally, the bankers know that outlays in agriculture are cyclical. They know that the farmer is poorest in the spring. But if there were to be a year of crop failures, and this can always happen, the results might be tragic.

What To Do?

Because the farmers' coffers are empty, which not only the bankers are aware of, what is left for the farm machinery producers? After all, they cannot extend their employees' compulsory furloughs into infinity. Money for them too, has to be gotten from somewhere.

The factories in Brzeg already last year greatly reduced the scope of what is called "passive coproduction." They want to put the entire coproduction system into order. This would allow them to reduce the cost of haulages. Machine parts could then be bought from cheaper producers, or some of them could be produced in their own plants. This would certainly help to make the final products cheaper.

"The prices of our machines," says Kazimierz Warchal, assistant manager of the factory in Brzeg, "are now set principally by the costs of materials. But we are trying not to raise them. That is the case, e.g., with the manure spreaders, whose price we have been able to hold at the level of the second quarter of last year. The demand for it immediately went up, because 12.5 million zlotys for such a machine is still affordable."

They are also trying to expand the range of their products. They are renewing the production of feed cars, feed mixers, and a whole series of small products for agriculture. To sell them, they have set up their own shop next to the factory, thus eliminating the greedy middlemen. Maybe thanks to these measures they will survive.

Assistance From the Ministry

In the Department of Industrial Policy in the Ministry of Industry, they blame the past for the present misfortunes. In the past, the factories producing farm machinery and equipment enjoyed a monopoly position. They did what was easiest, manufacturing just one assortment. Their products could always be sold, if not sooner than later.

Yet sales of farm equipment are extremely seasonal. It is sold mostly in the fall, when the farmer has fresh cash after the harvest. The period just before the harvest seems to be the worst time, which is what we are now experiencing. Formerly, the problem was solved by the wholesalers. Now, unfortunately, they cannot afford to hold anything all year round. There is a shortage of cheap credits and the costs of storage are very high. All of this means that the assortment of production in each factory must be expanded.

Combines in Plock should be produced in addition to other equipment which would be bought throughout the year. The same with fertilizer spreaders, beet combines and sprayers. Many factories have already understood this and have begun production. They did this by modernizing their plants, in which the ministry helped them. They are beginning to produce equipment not just for agriculture. For example, an assortment of production for the food industry has been expanded.

The ministry is also helping them in carrying out the restructuring processes and in establishing contacts with

foreign contractors. German, French and Scandinavian firms are applying and offering their services. Except that recently business in this field in Europe seems to be getting worse. The period of prosperity in the production and sales of farm machinery throughout the world has passed. Poland, too, will be affected by the consequences of the changes taking place in the world economy. Let us hope that they are not too painful.

YUGOSLAVIA

Effects of Independence on Slovene Economy

91BA0798A Belgrade BORBA in Serbo-Croatian
4 Jun 91 p 12

[Article by D. Draskovic: "Settling Accounts With the Best Payer"]

[Text] After the detainment or hijacking of the personnel carriers which the JNA [Yugoslav People's Army] had ordered from TAM [automobile and engine factory] in Maribor to meet the needs of the garrison in Titograd, from a statement by Janez Jansa—to the effect that the republic would reimburse any financial loss to the producer—the question arises of further relations between the Army and Slovenian industry.

Last week, that is, the question was directly put to Dusan Sesok, minister of finance, whether it was true that the Army is "retreating" from Slovenian industry, which realizes 20 percent of its income meeting the Army's needs? Sesok did not reply. All of this has been enough for the Slovenian public to be concerned with the question of how much Slovenian industry earns from production for military purposes.

The figures obtained indicate that last year 55 Slovenian enterprises earned \$270 million in "special-purpose" (military) production. To be sure, that is less than the year before, but only because the JNA received far smaller appropriations.

While less goods were going to the domestic market, there was an increase in the share of Slovenian enterprises in exporting to countries in the Third World. According to a statement by Izidor Rejc, minister for industry, the JNA is still interested in this production because of exports contracted for. It is quite certain, Rejc confirms, that Slovenian enterprises have been mastering new technologies thanks to special-purpose production for the Army.

Up to now Slovenian enterprises have engaged in special-purpose production under agreement with the Federal Directorate for Special-Purpose Production, which means that the republic was not a middleman in these transactions. After Slovenia becomes independent, its enterprises would like to continue with these transactions. Accordingly, representatives of these enterprises recently held a meeting with Minister Izidor Rejc and Dr. Andrej Ocvirk, deputy prime minister, and representatives of the Federal Directorate for Special-Purpose Production.

The enterprise representatives did not succeed in convincing the ministers that in future the republic should be the guarantor for the jobs running into the millions which those enterprises do for the Army [as published]. Minister Rejc felt that Slovenian enterprises ought to organize consortiums with the Army or work on contract so that those enterprises ought to be restructured, and the government would help them in that.

Figures to the effect that electronic and laser technology and radio-relay stations and the production of all-terrain vehicles cannot be directed elsewhere from TAM overnight indirectly support stories to the effect that cooperation between the JNA and Slovenian enterprises has been unilaterally broken off. If after independence Slovenia should terminate this special-purpose production, responsible people in the government warn, this would be felt by Yugoslav industry as a whole.

But this would also be a very serious blow to the Slovenian economy. After all, last year the military industry supported 8,000 Slovenian workers, and if the JNA suddenly broke off relations with Slovenian enterprises, many workers and their families would be hit hard. It would take about two and one-half years and funds amounting to 400 million [German] marks to reorient those enterprises from military to other purposes. But, as things now stand, it is clear even to laymen that the funds do not exist for that and that it takes many years of work and experience to produce the best tank.

[Box, p 12]

\$200,000 for Each Tank

Andrej Kokalj, director of the Ravne Steel Mill, says that 19.23 percent of their production is related to cooperation with the JNA (out of a 4,600-man work force, 500 work for the Army). In a time of high illiquidity, Kokalj says, the JNA is the best payer. At Ravne, they make vital parts for tanks and important parts for the trucks which TAM makes. The Ravne Steel Mill receives about \$200,000 from each tank sold. At the same time, thanks to cooperation with the Army, valuable superalloy technology used in manufacturing aircraft engines has been mastered.

HUNGARY

Welfare Minister Surjan on National Pension

AU0406145291 Budapest MAGYAR NEMZET
in Hungarian 29 May 91 p 4

[Interview with Welfare Minister Laszlo Surjan by Cs.M. on 28 May; place not given: "There Will Be No Money for It for 10 Years"—first paragraph is MAGYAR NEMZET introduction]

[Text] At a commemorative meeting on Monday [27 May], on the occasion of the 100th anniversary of Hungary's social security system, Laszlo Surjan held an introductory speech on welfare affairs. In his speech, Surjan dealt with the plan concerning a basic national pension people would be entitled to on the basis of their civic rights. When will this basic pension be available, and who will benefit from it? These were the questions we put to Minister Surjan on Tuesday, during one of the breaks of the meeting.

[Surjan] The basic national pension will be obtainable on the basis of civic rights, and it will be funded through public taxes. We would like to grant this pension to people who have reached a certain age, according to our plans, these people should be pensioners who have reached the age of 65. We have worked out a concept for a minimal allowance, and as the name implies, this minimal sum will fall below the poverty line of the time. In other words, it will not cover subsistence needs. In the long run, our proposal's aim is to create the right conditions for the allocation of this basic national pension, and we hope that the parliament will put aside a separate part of the budget for this purpose.

[Cs.M.] Laszlo Surjan also told us that, at the moment, the Welfare Ministry is busy dealing with the introduction of a bill on local government social security systems. At this stage, it is impossible to know when the concept concerning a basic national pension will be presented to the parliament. One thing is certain, old people will not be able to benefit immediately from this basic national pension. Indeed, according to experts, over the next 10 years, Hungary's budget will have no money for this purpose.

Public Education Minister on Prospects, Tasks

AU0406124291 Budapest NEPSZAVA in Hungarian
27 May 91 p 5

[Interview with Bertalan Andrasfalvy, culture and education minister, by Csaba Szerdahelyi; place and date not given: "Public Education Is Not in a State of Collapse"—first two paragraphs are NEPSZAVA introduction]

[Excerpts] The one year of restructuring that has passed shows that the Culture and Education Ministry is perhaps carrying out the most important activity, albeit the least spectacular one. This is the area where, if we make mistakes, these will also cause irremediable harm to the coming generation.

We asked Bertalan Andrasfalvy to grant us an end-of-school-year interview.

[Szerdahelyi] What experiences have you gained in the course of one year of activity as minister of education?

[Andrasfalvy] For the time being, the bulk of our activity is based on trying to avoid scandals, rather than carrying out spectacular changes. We inherited a lot of open questions on which we have to take a stand several times a day, without giving out orders or changing the regulations. This means a constant state of preparation. When a ship docks in a port, the

only important thing is that it has reached its destination. Nobody is interested in the captain's struggle to navigate the ship, his way of calming the mutineers, and his care for the passengers. All this is nothing. The important thing is that the ship has reached its destination. The same applies to our activity. We also "reached our destination" at the end of our first year, although we are still struggling with a lot of political, personnel, organizational, and labor affairs problems.

[Szerdahelyi] Do you wish to evaluate your activity so far with a single grade?

[Andrasfalvy] Each area of our activity deserves a separate grade. In the course of our history, we have never signed such an open, sincere, and progressive agreement with a neighboring country like the one we recently signed with Romania and the one currently in preparation with the Slovaks. Unfortunately, these agreements were not interesting for the press, although we sent the full text to the press, and people could have read a lot of things between the lines, things that are still forbidden to say. It is a great achievement that, from now on, we will mutually recognize each other's university diplomas. There was no such thing even between the two world wars! It is also a recent achievement that, for example, the university students from Nyitra [Nitra], who will teach Hungarian to the Hungarian minorities, can study in Hungary while Hungarian students are trained in Slovak language at Bratislava University. In this area, we definitely deserve the highest grade. However, if I look at the degree to which our teachers are satisfied with their financial situation and social progress, our grade is much lower. [passage omitted]

[Szerdahelyi] What is your opinion about the contradiction prevailing in the Western aid and the depletion of intellectuals?

[Andrasfalvy] It is impossible to stop the depletion of intellectuals; this is some kind of selective emigration. Before, people fled the country; today, only intellectuals have a chance to find a job abroad. We cannot change this through administrative means. We can only influence this by making this legal and increasing the possibility of return, as well as by joining the post-graduate training system. However, I do not have illusions because the "market" dictates things in some areas: If someone does not find a job at home, he will try abroad. [passage omitted]

[Szerdahelyi] In your opinion, what are the weakest points in our public education?

[Andrasfalvy] If we talk about elementary schools, we need adequate teachers....

[Szerdahelyi] Is this an egg and chicken problem?

[Andrasfalvy] Yes. Therefore, we must start work everywhere at once. I am optimistic because, in my opinion, 80 percent of the teachers are still working out of a sense of vocation. It is not true that all the teachers were compromised, because there have always been teachers who told their students things about Hungary that could not be included in the school curriculum. Therefore, the teachers conveying values to their students were intimidated the most. However, the Hungarian education is not in as much danger as some people claim today. [passage omitted]