



JPRS Report

East Europe

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14 June 1991

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INTERNATIONAL AFFAIRS

Project for Central European 'Euroregion' Aired

PM0406094991 Wroclaw GAZETA ROBOTNICZA
in Polish 28 May 91 pp 1-2

[Article by (tok): "Three-Land Euroregion To Be Established"]

[Text] The initiative of setting up a "Euroregion" structure at the convergence of the borders of three European countries—Poland, Germany, and Czechoslovakia—came from representatives of scientific, academic, and cultural circles in Saxony. They perceive the idea of economic and cultural cooperation between these borderland regions as an opportunity for developing the border districts of the former East Germany—an area which is currently neglected and ravaged by economic recession. The realistic potential of the scheme is attested to by the fact that disputes have already arisen over the precise boundaries of the regions which are to cooperate with each other in the future. Should they include the whole of the Land of Saxony, along with Poland's Lower Silesia, and North Bohemia? Or should the Euroregion be comprised exclusively of the borderland districts and cities? A compromise was obviously necessary. As a result, the first Euroregion to be set up at the convergence of the borders of the former East Bloc will be made up of the following areas: Jelenia Gora Voivodship, most of Saxony, and the larger part of the North Bohemian District.

The 23-25 May conference on the subject, held in Zittau, was preceded by more than two months of preparatory activities. Six working groups met regularly to prepare the groundwork. Ideas emerging during these meetings indicated the possibility of setting up a number of concrete and substantial projects—for instance, in the field of the power industry. There are possibilities for using the by-product heat generated by the Turow power plant to heat houses in Zittau, Sieniawka, and even in a number of Bohemia's border towns. Conversely, the town of Bogatynia, which is situated in the narrow confines of the Zittau Promontory [Worek Zytawski], could be supplied with gas from the Liberec pipeline.

The first meeting organized on such a wide scale between the architects of the Euroregion project (called Euroregion-Nysa by the Polish side) served to define the feasible scope of the proposed cooperation for the immediate future as well as draft the longer term program to be implemented over the next years.

Absolute priority must be given to environmental protection problems. It should be remembered that the future Euroregion is also known as the "Death Triangle." It is essential to jointly carry out extensive simultaneous operations to eliminate the sources of all pollution and to protect the atmosphere and the water reservoirs. If the regional borderlands rapprochement is to become a solid

reality, we must build modern road and telecommunications networks as well as a larger number of border crossing points.

Opportunities for wide-ranging cooperation in the scientific and academic fields were drafted by Working Group 4, which brought together representatives of higher education establishments. Although, unfortunately, the documents prepared for the conference failed to mention the existence of an academic center in Jelenia Gora, the omission was soon amended. Everything indicates that the academic communities will be in the lead as regards future cooperation between the borderland regions. For example, it will be possible to apply for financing of research and teaching programs from EEC resources. The academic center in Jelenia Gora could make a significant contribution to projects designed to solve the borderland region's ecological problems, and also to the elaboration of theoretical foundations for the development of tourism in the region. Whereas Zittau and Liberec have only technical higher education establishments, Jelenia Gora boasts a decidedly more diversified academic profile. There should be no obstacles to academics from respective educational establishments in the neighboring borderland regions giving lectures and running courses on the basis of an exchange scheme.

Blueprints for future cooperation were also drafted by working groups dealing with the infrastructure, transport, tourism, and culture. Among other things, a joint program will be created for protecting and preserving the whole range of unique monuments of Lusatian culture. Various art and culture institutions in the three neighboring borderland regions will shortly set up a scheme for direct mutual voluntary cooperation.

It was decided that the secretariat of the future Euroregion structure would be set up in Zittau.

Eger Conference on Transylvania Criticized

91BA0757A Bucharest ROMANIA LIBERA
in Romanian 11 May 91 pp 1-2

[Article by Ion Pavelescu: "Too Much Fanaticism, Too Little Clear Thinking"]

[Text] Eger, a tiny locality in northern Hungary, is no longer an anonymous speck on that country's map: Since the middle of April it has joined the toponymy of Hungarian irredentism. The conference held there under a scientific pretext—Transylvania's past and present—from the very beginning became an anti-Romanian political event and ended with a declaration which essentially contains all the claims of our western neighbors who, dissatisfied with the situation created after World War I in the central Danube basin, where nations long and bitterly subjugated by the Hapsburg Empire achieved their national and state unity, have determined to regain their dominant position at any cost, even if it means destabilizing Europe's democratic order. The video presentation on television a few days ago showed us a string of vindictive, grim faces and made us hear expressions

that stood our hair on end, like: "the Trianon dictate," "70 years of oppression," "Transylvania is dying," "the pogrom of Tirgu Mures." Each such utterance and all of them together were designed to label the Romanians as invaders, to emphasize that the Trianon and Paris Treaties were illegitimate, and to call on the Hungarians who emigrated from Transylvania to come back and mobilize against the existing situation.

We find it absolutely natural that such declarations should elicit a reaction from us. As far as we are concerned, we reacted on 16 April by publishing the note "Aberrant Exaggerations" and more recently by carrying a longer report on the discussions held in Parliament. But how did the official institutions react? First, three weeks passed before the video of the Eger conference was aired. Second, we were reduced to learning from UDMR [Democratic Associations of Hungarians in Romania] sources that the filmed document had been edited in the style in which gymnasts are graded, namely by simply dropping the two opposed poles. Just so as to preclude any problems. Third and oddest, Mr. Virgil Magureanu took advantage of the situation created in order to propose to the supreme legislative representatives a vote on a bill concerning state security. Pretty smart, the SRI [Romanian Intelligence Service] chief: either you support the security I offer you, or I'll deliver you into the hands of the bugaboo in Eger, his angelic mien seemed to suggest. As for the exchanges in the two chambers, we don't want to anger anyone, but they reminded us of something said by a writer between the two world wars; referring to certain politicians, he noted that, while they had a surfeit of fanaticism, they made up for it with a shortage of clear thinking.

As we learned from none other than UDMR circles, the three organizations which convened the conference are among the most radical both in their demands and in the tactics they propose for attaining their goals. They simply demand that the international treaties be repealed and that Transylvania be returned to what they call the millenary Hungarian state; in other words, they want to dismember Romania. Neither historical nor demographic considerations enter into their views. Saint Stephan's Kingdom must be restored for another 1,000 years at the minimum. UDMR spokesman Mr. Odeon Bitay listed the protagonists of these ideas, whom he describes as most intransigent. They are the Transylvanian World Alliance (with headquarters in Buenos Aires), the Transylvanian International Commission (with headquarters in Vienna), and the Association for the Defense of Minorities (with headquarters in Zurich). UDMR apparently distances itself from those opinions and recommends a more realistic line. At its founding congress last April in Oradea, the documents adopted unequivocally stated that "Our native land, Transylvania, is part and parcel of the Romanian state an affiliation that was sanctioned by the Trianon Peace Treaty and then by the Paris Treaty." And although certain events occurred since then, its concept and behavior do not seem to have suffered changes.

In fact, even its participation in that convention came about in a circumvoluted manner. Officially, the UDMR was not invited. Only personal invitations were sent to some of its members. The most prominent among the personalities thus honored was of course Pastor Laszlo Tokes, who coincidentally or otherwise, is the honorary chairman of UDMR. Here we have the most delicate problem raised by this conclave. Everyone had a chance to see that, showing an enviable versatility, Mr. Tokes figuratively shed his priestly vestment and showed each of the three organizations the face it wanted to see, thus ensuring a lasting and functional tie between them. However, it was not at Eger that he pulled the best card out of his sleeve. That he kept for home use. He was perfectly aware of the fact that the statements about the allegedly unjust character of the Trianon Treaty and the downright wild outbursts about "dying Transylvania" would cause indignation among the Romanian public, the same public that had offered him so much sympathy after the 1989 events in Timisoara. So he had the foresight not to go all out. He did not sign the declaration proposed by Gyorgy Beke, a Szekler writer who left the country one week after the December Revolution. On the basis of that and in order to calm the spirits, he drafted and sent a declaration to ROMPRES entitled no more, no less, "I Am Not an Irredentist," which we published in an abridged version in our 30 April issue. We were accused of having shamelessly falsified the pastor's declaration. As if anything that comes from his pen should be etched in stone next to the Ten Commandments. Let's call a spade a spade: The bishop of Oradea (in the meantime he has been promoted) is not a simple irredentist, he acts as the main promoter of this current that is poisoning the relations between the Romanian people and the Hungarian minority, and between Romania and Hungary. His sophistry does not fool anyone at any time. If the UDMR wishes to retain the sympathy of the Romanian people, it has a duty to distance itself first and foremost from the extremists in its own ranks and from its own honorary chairman. As a Hungarian friend, a former mathematics professor from the Polytechnical Institute, now retired, was telling us, outside extremists are easier to isolate, but those next to us are more difficult. Which does not mean that they don't have to be put in their place, too.

But let us return to Magureanu's haste. It is possible that his was not a case of tactlessness, but of misguided tactics. He met with success about a few other bills he needed to expand his prerogatives, so he was encouraged and he figured he could use the present situation for his own interests. The fact that the opposition almost left the Chamber in bloc didn't seem to trouble him too much. Patience, Mr. Magureanu! A bill like the Public Security one must be pondered at length and from every angle. Because you can't possibly want the recently disappeared analogous body to be revived in an even more dangerous form. We are, or we claim we want a state of law.

Even the tone of certain deputies and senators sounded exaggerated. We must never forget that, as Edgar Balogh,

the reputed Hungarian Transylvanian writer, once said, while the minority must constantly reassure the majority about its loyalty, the majority, precisely because it holds the main levers of leadership in the state, must ensure the necessary framework for a normal coexistence and for the free assertion of all the citizens.

Before ending this article it may be a good idea to raise a question that no one has asked yet about the Eger Conference.

As is known, on the eve of World War II, wishing to gain access to the mouth of the Danube, Hitler slyly postulated that the best way to attain that was to turn Hungary and Romania into two irons kept perpetually in the fire, perpetually heated. Who is behind those who once again plot to destabilize central Europe? In our opinion, it is the duty of the two countries' diplomacy to detect those forces and to annihilate them, if they don't want us to once again become a mere tool in the hands of the big powers, with all the enslaving consequences devolving from such a situation. Consequently, let's have less fanaticism and more clear thinking.

Views of Parties on Eger Seminar

91BA0757B Bucharest DREPTATEA in Romanian
14 May 91 p 1

[Statement on the Eger Conference, signed by the leadership of the National Peasant Christian Democratic Party and followed by a statement on the same topic signed by Radu Campeanu, the chairman of the National Liberal Party; date not given]

[Text]

In Connection With the Seminar Held in Eger, Hungary (April 1991)

I. The existence of national minorities, especially in areas or regions abutting on the territory of neighboring countries or in areas that were once under foreign occupation is a general phenomenon in the modern world. This phenomenon is not characteristic exclusively of countries like Romania, where in fact Romanians make up eight tenths of the population. In view of the fact that this is thus a general situation, states practices of long standing have engendered certain national and international regulations that share common features. On this matter it is not permissible to try to devise "original solutions," and even less to differentiate and make exceptions about some of those minorities, whatever argument or criterion may be invoked in support of such a thesis.

The minorities in Romania are entitled to enjoy the common, generally accepted regulations existing in today's world and recognized by international law.

II. Concerning the Hungarian minority in Romania, more exactly in Transylvania, the PNT-cd [National

Peasant Christian Democratic Party] approaches this issue from the perspective of four nonnegotiable truths and requirements:

1. Transylvania is the cradle of the birth and formation of the Romanian people.

2. The Romanians always were and are now the majority population in Transylvania.

3. All the rights featured in the Declaration of Alba Iulia of 1 December 1918, in the UN Charter, the Final CSCE Act of Helsinki and the other documents pertaining to that system, and other relevant international regulations must be recognized in fact, not only formally, for the Hungarian minority living on Romanian territory as a result of given historical circumstances, as is the case in the legislations of the western democratic states. The Hungarian minority must not be granted fewer rights in order to subject it to discrimination, but neither can it be given more rights, so as not to treat unjustly the majority Romanian population or the other minorities. Every modern legal system features both rights and obligations, including and primarily toward the state to which one belongs. Similarly, the rights of one category cease where the rights of another begin. This imperative equally applies to the relationship between the Romanian majority and the Hungarian minority. This imperative must be based on other principles, primarily the principle of good faith and mutual tolerance, without which there can be no normal coexistence.

4. Differences and even possible disputes between the two ethnic groups or states (Romania and Hungary) must under no circumstance be artificially maintained or exacerbated. On the contrary, such situations must be kept under control and discussed calmly and rationally. Those who incite to exacerbating the conflict assume a heavy responsibility toward their own nation and toward peace and security in the region.

III. In connection with the Eger seminar ("Transylvania—Present and Future"), we have the following remarks:

1. The concerns about the situation and fate of the Hungarian minority are understandable, particularly from the viewpoint of the new Europe that is being built under our very eyes. Some of the aspects, ideals, and suggestions presented may be considered with interest and examined in a civilized manner with a view to finding appropriate solutions.

2. Theses, views, and arguments of a patently revisionist nature are unacceptable and constitute an insult to the Romanian people and a mistake toward the position of the Hungarian minority.

It is difficult to understand how certain persons—who even think of themselves as scientists—can at such a meeting talk about a territory belonging to another state as if the state in question and the majority population of that territory did not exist. Or if they did exist, to be

referred to exclusively in negative terms. The discussions held in Eger were designed to create the impression that Transylvania were a distinct entity rather than a part of the Romanian territory.

"We cannot abandon what belongs to us;" "Our rights are inalienable;" "Transylvania is in mortal danger;" "The imminent loss of Transylvania is the equivalent of [illegible word]" (Tokes).

We want to state clearly and without any reservation that a Romanian citizen, moreover someone of Mr. Tokes' stature, who is the honorary chairman of a political party—UDMR [Democratic Association of Hungarians in Romania]—even when he speaks only for himself has an elementary obligation to respect the truth and observe a standard of behavior toward the state to which he belongs and the unanimously recognized ethics of relations in a civilized society. Along this line, we were surprised by his involvement in discussions charged with false emotion and antiquated nostalgia fanned by ignoring the realities prevailing in today's Transylvania; [words illegible] the attitude of the UDMR, which disassociated itself from his stand.

Every political party and every person with a minimal knowledge of history will find it difficult to accept the description of the Treaty of Trianon as a "diktat." The entire international community, beginning with the Western states, viewed and continue to view this treaty as perfectly valid. The Treaty of Trianon, which confirmed the 1 December 1918 national referendum of Alba Iulia, made reparations for some grave historical, social, and especially national acts of injustice, and the Treaty of Paris of 1947 confirmed it.

It is unacceptable that profoundly deplorable events (Tirgu Mures), which caused a far greater number of dead and wounded among the Romanian population than among the Hungarians, should be described as an "anti-Hungarian pogrom." Similarly, there is no valid reason to support the aberration claimed in Eger, that all the minorities ("all the non-Romanians") are allegedly subjected to terror in Romania.

The circulation of these and similar theses is apt to arouse legitimate reactions of concern from the Romanian population.

Our party is a Christian and democratic party, modern in its ideas and with a tradition of respect for civilized and correct relations among people, minorities, and nations.

Consequently, our party acts and will continue to act to ensure that the democratic process continues in Romania and that both the Romanians and the minorities enjoy its fruits.

We intend to establish normal relations among all the sons of this country, to ensure respect for the rights of the minorities, and to create all the necessary material and cultural conditions they need to feel at home in their

homeland Romania, to whom they must belong and whom they must respect as dignified cocitizens.

[signed] The PNT-cd Leadership

Statement

The National Liberal Party [PNL], having learned of some statements made at the Eger meeting in connection with Transylvania, hereby clarifies its standpoint:

Although the Eger meeting was not a governmental meeting, some of the statements made there cannot be ignored because of their irresponsible contents.

Such statements not only pronounced a string of untruths, but they also constituted a serious political blunder.

The Romanian people's rights, as they have been sanctioned in international treaties, make any discussion of Transylvania's autonomy or any federation of the Romanian State into a violation of the European order and of the good relations among the countries in this region.

Faithful to its principles, the PNL reaffirms its support for the values of our European civilization and will observe the human and civic rights regardless of ethnic, religious, or social class considerations.

The PNL will always defend the inalienable rights of the Romanian state and people and will at the same time support the idea of a truly united Europe in which conflict-stirring and inflammatory statements like those made in Eger should no longer be possible.

[signed] Chairman Radu Campeanu

BULGARIA

Socialist Party Daily Describes Draft Constitution 91BA0739A Sofia DUMA in Bulgarian 15 May 91 pp 1, 3

[DUMA Press report: "Draft Constitution Received by the Editors"]

[Text] The draft Constitution of the Bulgarian Republic consists of a preamble and 161 Articles in 10 chapters.

The supreme principle is that of the rights of the individual and his dignity, inviolability, and security, the draft preamble stresses. It indicates that the Constitution adopts the universal human ideals and values: peace, freedom, humanism, equality, justice, and tolerance.

Bulgaria is a parliamentary republic, Article 1 of the draft stipulates, for which no other variant is provided.

The fundamental principles stipulate that Bulgarian is the official language in the Republic and that all citizens are equal in the eyes of the law. No privileges or restrictions in rights, on the basis of race, nationality,

ethnic affiliation, sex, origin, religion, education, convictions, political affiliation, and so forth are allowed.

Political life in the Republic will be based on the principle of political pluralism. No single party or ideology may be proclaimed as that of the state, the draft stipulates.

No political parties can be created on an ethnic or religious basis, or parties whose aim is the violent seizure of the power of the state or that preach ethnic, racial, or religious enmity. The religious institutions will be separate from the state. Paragraph 3 of Article 13 of the "Fundamental Principles" stipulates that the Eastern Orthodox religion is the traditional religion of the Bulgarian Republic.

Private ownership is inviolable, the draft stipulates. The right of ownership is guaranteed and protected by law. Article 21 provides for two possible options: Foreign citizens and juridical persons will have no right to own land, according to one. The other allows the right of ownership of land only under conditions and procedures stipulated by the law.

Bulgarian citizens by birth may not be deprived of Bulgarian citizenship, paragraph 3 of Article 24 of the draft stipulates.

The chapter "Fundamental Rights and Obligations of the Citizens" provides several options concerning the death penalty. According to the first, it will not be allowed; the second will not allow it in peacetime; the third will allow it in the case of severe crimes related to malicious deprivation of life.

Defendants will have the right to an attorney from the time they are indicted or, if detained, from the moment of their detention. The housing and the freedom and secrecy of correspondence and of other communications will be inviolable. Anyone will have the right to freely choose his place of residence and move within the territory of the country or leave its borders. According to the draft, any Bulgarian citizen has the right to return to the country.

No one is forced to provide information about his own or someone else's beliefs, or forced, persecuted, or restricted in his rights because of beliefs, the draft stipulates. It also gives anyone the freedom to express his opinion and to disseminate it orally or verbally, by sound or image. This draft categorically stipulates that the press and the other information media are free and not subject to censorship.

In the future, as well, the citizens will have the right to free medical aid in state health institutions under the conditions stipulated by the law. Primary education remains mandatory, and both primary education and secondary education provided by state schools will remain free of charge.

The third chapter of the draft deals with the structure and work procedures of the National Assembly. The

National Assembly will consist of 200 people's representatives, elected for a four-year term no later than three months after the term of the previous National Assembly has expired. People's representatives who are appointed ministers will not exercise their rights for the duration of their service as ministers.

The Grand National Assembly shall consist of 400 persons and shall convene by decision of the National Assembly, passed by a simple majority of all people's representatives.

The president of the Republic is the head of state and embodies the unity of the nation and represents the state in its international relations. Chapter 5 of the draft stipulates that the president shall be elected through direct elections for a five-year term. A Bulgarian citizen may become president if he is at least 40 years old, meets the conditions for the election of a people's representative, and has lived in the country for the preceding five years. A second electoral round is stipulated, within seven days, for the two candidates who have garnered the highest number of votes if no candidate has been elected in the first round. The president and the vice president may not serve more than two terms.

The president will instruct the candidate nominated by the largest parliamentary group to form a cabinet. If, within a seven-day period, the candidate is unable to submit a composition of the Council of Ministers, the president will assign the same duty to a nominee of the second-largest parliamentary group. If no parliamentary group is able to form a government, the president will hold consultations with a view to setting up a coalition government with the leaderships of all parliamentary groups. If no agreement can be reached, the president will appoint a caretaker government that will disband the National Assembly and set a date for new elections, the draft Constitution stipulates.

The Council of Ministers may request of the National Assembly a vote of confidence on its overall policy, its program, or specific items. If the majority of more than half of the National Assembly members do not give it a vote of confidence, the Council of Ministers will resign.

The judiciary is independent, Chapter 7 of the draft asserts. In the exercise of their functions, judges, juries, prosecutors, and investigative judges will be governed exclusively by the law. The supreme judicial supervision over the accurate and equal application of the laws by all courts will be provided by the Supreme Cassation Court. Judges, prosecutors, and investigative judges, as well as the Republic's prosecutor general, will be appointed by the president of the Republic by presentation of the Higher Judiciary Council. The mandate of the members of the Higher Judiciary Council will be seven years, and its members may not be reelected.

According to Article 142 of the chapter "Local Self-Government," Bulgarian territory will be divided into municipalities and oblasts; by law, the large cities may

also set up administrative rayons. Options provide for mayors to be elected directly by the population or by the municipal council.

The Constitutional Court will issue mandatory interpretations of the Constitution and issue rulings on requests for determining the illegality of laws; resolve jurisdictional arguments between the National Assembly, the president, and the Council of Ministers; and so on. It will consist of 12 justices, one-third of whom will be elected by the National Assembly, the second third by the General Assembly of justices of the Supreme Cassation Court and the Supreme Administrative Court, and the last third appointed by the president.

The Bulgarian coat of arms will be a golden lion on a dark red background. The flag's colors will remain white, green, and red; the song "Mila Rodino" [Dear Homeland] will remain the state anthem. The capital city will remain the same.

The provisional and concluding stipulations that determine the procedure for the self-disbanding of the Seventh Grand National Assembly, the establishment of a constitutional court, the election of a Supreme Cassation Court and a Supreme Administrative Court, and so on are consistent with the current Constitution. According to the draft, the new Constitution will be enacted three days after its publication in DURZHAVEN VESTNIK.

United BZNS Parliament Faction Formed

AU3005160591 Sofia Khorizont Radio Network in Bulgarian 1407 GMT 30 May 91

[Announcement on forming a united parliamentary faction of the Bulgarian Agrarian National Union read at a session of the Grand National Assembly by Ginyo Ganev, deputy chairman of the Grand National Assembly—live]

[Text] The Bureau of the Grand National Assembly has received an announcement that was registered in accordance with the regulations. The announcement reads:

Esteemed Gentlemen,

On the basis of Articles 16, 17, and 18 of the Code of Organizing the Grand National Assembly Work, we hereby submit a decision of deputies from the parliamentary groups of the Nikola Petkov Bulgarian National Agrarian Union [BZNS-NP] and the BZNS [Bulgarian National Agrarian Union] on forming a joint parliamentary group of the BZNS-United. In its activity, the faction will be guided by the BZNS democratic principles incorporated in the "Peace-Bread-Freedom-Sovereignty" slogan. The faction is a part of the united opposition, and it will struggle for the total democratization of the Bulgarian society and the removal of all harmful remnants of the totalitarian system. The faction will work for the construction of a united BZNS.

The parliamentary faction includes the following deputies: Metodi Nedyalkov—chairman; Svetoslav Shivarov—deputy chairman; Rosen Mikhaylov—secretary; Lazar Dulgurski—spokesman; Atanas Mochurov, Ivan Semkov, Vasil Gyorev, Gancho Ganchev, Andrey Andreev, Veliko Velikov, Ivan Zdrashkov, Georgi Finchev, Khristo Khristov, Atanas Uzunov, Ivan Bogdanov, Mikhail Mikhaylov, Yosif Petrov, Atanas Mikhaylov, Aleksandur Stamboliyski, Ivan Glushkov, Doncho Karakachanov, Petko Ogoyski, Aleksandur Velichkov, Elena Kircheva, Viktoriya Dimova, Doncho Donchev, Dimitur Batalov, Aleksandur Dimitrov, Asen Raykov, Konstantin Tsanev, Boris Spirov, Georgi Bunov, Viktor Vulkov, and Ivan Velichkov—members. The announcement has been signed by all members of the faction. It is pointed out that the list is open, and anyone who would like to join the aforementioned parliamentary faction can do so.

SDS National Council Address to People

AU0606171791 Sofia DEMOKRATSIYA in Bulgarian 31 May 91 p 1

[Address to the Bulgarian people by the Union of Democratic Forces National Coordinating Council; place and date not given]

[Text] The Union of Democratic Forces [SDS] National Coordinating Council, after analyzing the decision made by the Grand National Assembly on 28 May 1991, concludes:

The present composition of the Grand National Assembly, with a Bulgarian Socialist Party [BSP] majority—a party that proved that it has not changed and has no intention of changing—cannot accept a democratic constitution that will be the basis for the country's future development. The postponement of the parliamentary elections serves the BSP's strategy of standing in the way of the democratic process. This stand of the SDS National Coordinating Council is consistently and repeatedly expressed in its decisions, declarations, and statements. The last declaration, of 28 May 1991, urgently calls for all SDS people's representatives to immediately forego the Grand National Assembly plenary sessions until the dates are fixed for parliament's self-dissolution and new elections—that is, to leave the sessions and, after that, for parliament to dissolve itself.

Instead of complying with this declaration, the SDS deputies remaining in parliament presented the proposal that turned into a Grand National Assembly decision and ignored without ado all the SDS National Coordinating Council's and SDS National Conference's decisions to date.

The SDS National Coordinating Council thinks that the decision made by the Grand National Assembly on 28 May 1991 is another political agreement between the Communist Party and the remaining SDS deputies that leads to the BCP/BSP [Bulgarian Communist Party/BSP] being established as a normal democratic party and

obstructs Bulgaria's road to democracy because it offers no immediate changes to the system but a transition similar to Soviet *perestroika*.

This is why the SDS National Coordinating Council announces:

1. The SDS deputies who remain in the Grand National Assembly do not represent the union and cannot speak in its name.

2. It upholds its frequently expressed stand for the self-dissolution of parliament and immediate elections for a new Grand National Assembly.

Filip Dimitrov, chairman of SDS National Coordinating Council.

SDS Accuses Socialists of 'Obstructive' Policy

AU0406121691 Hamburg *DIE WELT* in German
31 May 91 p 5

[Report by Boris Kalnoky: "Bulgarians Quarrel About Constitution"]

[Text] Sofia—Filip Dimitrov, chairman of the Coordinating Council of the Bulgarian opposition alliance, Union of Democratic Forces [SDS], accuses today's Bulgarian socialists and former Communists of wanting to "destructure" the country in order to benefit from the total confusion.

"Today there is a state of complete political uncertainty," Dimitrov said in an interview with *DIE WELT*. "For instance, there was an agreement to pass the constitution by May and to schedule elections. This agreement was broken by the Socialists." A few weeks ago, this delay led to the departure of 39 opposition deputies from Parliament. Today already 50 have left, who are calling for a dissolution of the National Assembly in order to start anew with the debate about the constitution.

"The dilemma is: either speedy new elections with a bad constitution or a good constitution with late new elections," Dimitrov says. The draft constitution is incomplete or absurd in several points. "We have the draft of a presidential democracy with a president who is elected directly by the people. However, according to the same draft, this president is to have practically no power, except for the power of being perhaps permitted to dissolve the parliament under very complicated preconditions." Further difficulties can be found in the area of human rights. "A lot of Communist lingo and insufficient guarantees as regards the rest," the SDS leader complains. The organization of the Turkish minority has already threatened to also leave Parliament with its 23 deputies, if the rights of the "group" are not guaranteed in addition to those of the individual. So far, the draft constitution provides for a ban of religiously oriented parties, a direct blow against the Turkish minority.

"In addition, the constitution leaves too much leeway for laws and practices, which are practically unacceptable." All this, Dimitrov says, led to the departure of the radical deputies from Parliament. "They want to abolish the Communist majority in Parliament and start again from scratch."

However, the problem is that this delays the urgently necessary legislative reform work even more than is already the case because of the obstructive policy of the socialists.

"All this has led to great tensions within the SDS," Dimitrov says. This is precisely the goal of the Socialists: "They want to split us and make the country ungovernable, in order to be able to present themselves as the tested force of order."

Yesterday the decision of Parliament to hold a referendum on whether Bulgaria should be a republic or a monarchy in the future caused shock and confusion in the SDS. A stormy emergency session took place at the SDS headquarters, which Dimitrov, looking angry, left shortly before the interview with *DIE WELT*—because the proposal, which was approved by the Socialist majority in Parliament, came from Mr. Dertliev, the head of the Social Democrats, who also belong to the SDS.

Ecoglasnost Leadership Decisions Reported

AU0606110991 Sofia *DEMOKRATIYA* in Bulgarian
3 Jun 91 p 1

[Unattributed report: "Changes in Ecoglasnost"]

[Text] On Saturday [1 June] the Ecoglasnost Independent Association held its Fifth General Meeting. The meeting was attended by 135 delegates from 40 sections. Despite the contradicting opinions on the political situation in the country and the position of the association's parliamentary faction, with 108 affirmative versus two opposing and three abstaining votes, the General Assembly adopted the following decision:

"The Ecoglasnost members of the Grand National Assembly are called upon to walk out of the parliament by 7 June, at the latest. If the deputies ignore this recommendation, they will be stripped of political confidence and will no longer represent Ecoglasnost in the Grand National Assembly. As a member of the Union of Democratic Forces [SDS], Ecoglasnost thinks that the SDS is first of all a movement, and, in this context, it supports the decision of the 19 May National Conference on appearing with a united list at the parliamentary elections, without party quotas. The Ecoglasnost Political Club must not develop independent political activity or adopt independent political decisions because it has only the technical task of proposing Ecoglasnost candidates for the elections. No statements can be made on behalf of the Political Club of the Ecoglasnost Independent Association. Ecoglasnost opposes conducting the referendum on the issue of republic versus monarchy

before the parliamentary elections, and thinks that this is a new attempt to divide the nation without resolving the basic political issue—democracy or "perestroika."

The following persons were elected Ecoglasnost representatives in the SDS National Coordinating Council: Veronika Nikolova, Edvin Sugarev, Dimitur Topliyski, Emil Georgiev, and Luchezar Toshev. The resignations of the following members of the Administrative Council were accepted: Krasimir Kunev, Lili Vasileva, Lyudmil Milanov, Lyubomir Sedmakov, Stefan Sedmakov, Boryana Semerdzhieva, and Violet Tsekov.

Georgi Avramov and Boris Kolev were expelled from Ecoglasnost.

Petur Staykov and Krasen Stanchev left the organization.

'Bulgarian Kingdom' Association Established

AU0906180191 Sofia Khorizont Radio Network in Bulgarian 1730 GMT 9 Jun 91

[Text] On 9 June, representatives of monarchist movements in Sofia, Varna, Sandanski, Burgas, Blagoevgrad, Stanke Dimitrov, Shumen, Lovech, Pernik, and Vidin, and the Union of Bulgarian Priests agreed to form a "Bulgarian Kingdom" Association.

An initiative committee was elected. It will prepare within one month the association's program documents and charter. The association's constituent meeting will take place by 10 July 1991.

Further on Markov File; Semerdzhiev Involved

AU0806130191 Sofia BTA in English 1958 GMT 7 Jun 91

[Text] Sofia, June 7 (BTA)—Former General of the Secret Services Vladimir Todorov mentioned the name of Bulgaria's Vice President and former Minister of the Interior Atanas Semerdzhiev in connection with the disappearance of the police file of the Bulgarian writer Georgi Markov who was murdered in London.

Vladimir Todorov is now in Moscow. He is said to have been the last person to request Georgi Markov's file and he is one of the three officials of the former secret services who are charged with destroying Georgi Markov's file. The National Television broadcast a tape recording of an interview with Vladimir Todorov sent by a Bulgarian journalist who met him in Moscow. Asked how he had come in possession of Georgi Markov's police file Vladimir Todorov mentioned Mr. Semerdzhiev's name. Then he asked the journalist from the POGLED weekly to turn off the tape recorder.

Recently, there have been reports in the press that files of the former political police department which spied on Communist Party members disappeared while Mr. Semerdzhiev was minister of the interior in the former Socialist government of Mr. Andrey Lukanov.

Mr. Khristo Danov, minister of the interior, said that according to him it was the Bulgarian secret services who murdered Georgi Markov. Mr. Danov promised sensational disclosures on the "Bulgarian umbrella" case.

Scotland Yard investigators are in Sofia.

Intelligence Services Deny Italian Allegations

AU0306204291 Sofia BTA in English 1849 GMT 3 Jun 91

[Text] Sofia, June 3 (BTA)—The order for the attempt on the life of Pope John Paul II on May 13, 1981 in Rome came from Moscow—the Italian "IL GIORNO" daily writes today. The attempt was ordered by the Soviet State Security Committee. The Bulgarian secret services chose the Turk Ali Agca.

"IL GIORNO" cites a tape recording of the then leader of the Bulgarian State Security Mr. Konstantin Karadzhov giving instructions to one of his associates. It mentions trips, sums and statements made by Agca.

But today representatives of the Bulgarian intelligence services denied that there had been a person named Konstantin Karadzhov in these services. Their refutation was reported on the National Radio and Television.

Former State Security Agent Describes Service

AU0706104391 Sofia BTA in English 0905 GMT 7 Jun 91

[Text] Sofia, June 7 (BTA)—Mr. Konstantin Dobrev, a former member of State Security Counter-Intelligence now living in the United States, continues his story in today's "DEMOKRATSIYA," the daily of the Union of Democratic Forces. He describes the activity of State Security as "a nightmarish Bulgarian version of Orwell's visions."

Mr. Dobrev was an investigator in the case of Bulgarian emigre writer Georgi Markov who was murdered in London in 1978. He stresses that the money-consuming enormous State Security apparatus needed enemies to exist. And it invented them.

Mr. Dobrev explains in the last installment of the interview that a huge police file of a certain person could be compiled over the years and that operatives were extra eager because their performance was scored according to the number of recruited agents and informers.

Consequently, operatives were given a free hand and phones were tapped without permission.

Is the system any different now? How could it change when basic structures and people are the same, Mr. Dobrev says. According to him, now that State Security is losing the support of its own party it will get even more aggressive and repressive.

"I am sure there is even a plan for a retreat, or rather for an offensive in case they start losing ground," the former counterintelligence agent stresses. "I am sure the Communists have planned how to withdraw from power unscathed," he adds.

According to Mr. Dobrev, the state security roster numbered 6,000 at the time he served in it. To every 100 Bulgarians there were five or six employees of State Security, the Ministry of the Interior, or their agents.

Political Activity of Ethnic Turks Surveyed

AU0606135991 Sofia FAKS in Bulgarian 31 May 91
p 4

[Article by Blagovesta Ivanova: "Shall We Chant Allah Akhbar Together?"]

[Excerpts] The vacuum in policy related to the ethnic issue is being filled with the goals of the ideology of Pan-Turkism and Pan-Islamism, while the actions of the Movement on Rights and Freedoms [DPS] frequently defend the interests of the Republic of Turkey rather than the interests of individual Bulgarian citizens—Muslims, the facts indicate.

Since the establishment of the DPS, its leaders have been conducting regular meetings with Turkish diplomats accredited to Bulgaria. The movement has established relations with the "Turkish minority" in Greece and with organizations of Turks living in Germany and the United States. The Greek parliament member Dr. Akhmed Sadik attended the closed meetings of the 20-22 October 1990 DPS National Conference. At the official dinner after the end of the conference, he said that it is necessary to establish a uniform policy vis-a-vis the Turkish minorities in the Balkans.

More than 20 companies with Turkish participation have been registered so far in the Plovdiv region. On 12 February 1991, Chief Mufti Dr. Nedim Gendzhev, doctor of religion, registered a "Negima OOF" limited company at his home address. It deals with the production and marketing of several products, foreign trade activity, and so forth. The opening of a Balkan Commercial-Industrial Chamber and Center of Balkan Cooperation in Istanbul is stimulated. Two weeks ago, a Turkish businessman offered gold to Muslims in Gorna Oryakhovitsa for the construction of a mosque, provided his identity not be revealed. The Istanbul Chamber of Commerce methodically stimulates advertisement for Turkish companies in Bulgarian newspapers. The Turkish side especially actively supports the idea of constructing the "Rhine-Danube" Canal as a precondition of constructing new joint Bulgarian-Turkish companies. The leadership of "Moscow" Park Hotel in Sofia is besieged by Turkish businessmen, who display a specific appetite. The creation of duty-free zones along the Black Sea and of a Black Sea economic zone is being encouraged by the Turkish side through diplomatic and business efforts. Professor Konukman is chairman of the Turkish side of the Joint Bulgarian-Turkish Commission

on Economic Cooperation. He is the ideologist of the thesis on incorporating the "external Turks," along with the territories in which they live, to "Mother Turkey."

The same professor, who is also a state minister, asked the Turkish Government to stop admitting refugees—that is, to preserve the Turkish communities outside Turkey. [passage omitted]

Those who depart for Turkey have become targets of the special services, which try to recruit them under the cover of the "Balgioch" [name as published] Organization and the Association on Culture and Solidarity With Rhodopa and Danube Turks. The Turkish diplomats demonstrate increased interest toward social problems in our country. Turkey's military attaches travel throughout Bulgaria, and their routes are determined by the General Staff of the Turkish Armed Forces. In addition, the Turkish military attaches maintain regular contacts with the Embassies of the United States, Great Britain, and Italy.

Rehabilitation for Those Oppressed by Communists

AU0606133491 Sofia BTA in English 0752 GMT
6 Jun 91

[Text] Sofia, June 6 (BTA)—Yesterday the Bulgarian parliament passed an act rehabilitating all repressed between September 12, 1944 and November 10, 1989.

There were serious arguments on the period to be covered by the act. The Socialists wanted rehabilitation for the repressed after 1945. After lively debates and a special break required by the Socialists, they yielded before the opposition and the starting date of the period was set at September 12, 1944, as many people came to harm in the first days of the communist regime.

Among those to get rehabilitation are the illegally detained, the prisoners in socialist concentration camps, the interned, the exiled, those sentenced for non-fulfillment of quotas for sale to the state, the expelled students, the opponents to the forcible change of ethnic Turks' names, and the missing.

According to the law, the rehabilitated or their successors will be paid damages from the national budget.

HUNGARY

FIDESZ Proposes Reorganization of Capital

91CH0606C Budapest MAGYAR HIRLAP
in Hungarian 9 May 91 p 5

[Article by Peter Kispesti: "Would the Inner Districts of Budapest Be Discontinued? The Resurrection of the 'City' Concept"]

[Text] Two issues of major significance will be discussed at today's general meeting. Certain decisions which define the city's life in the long term may flow from these

discussions. The world exposition is one of these issues. The other topic of equal significance is the "city" concept which is less known to outsiders.

The city concept to be submitted to the general meeting by the FIDESZ [Association of Young Democrats], and which has been the topic of "behind the curtains" discussions for weeks between FIDESZ, the SZDSZ [Alliance of Free Democrats], the MDF [Hungarian Democratic Forum], and the cabinet, would divide the city into two fundamentally different districts. The inner districts (the 1st, 2d, 5th, 6th, 7th, 8th, 9th 10th, 11th, 12th, 13th, and 14th districts) would be part of the "city," and, to quote from the text of the FIDESZ submission, "in this interior settlement zone the capital city autonomous government would exercise autonomous authority, and would transfer certain autonomous rights to the autonomous governments (prefectures) of the inner districts."

Accordingly, the districts to be incorporated as part of the "city" would remain districts in name, but from a practical standpoint they would lose their independence, and the autonomous governments of these districts would perform registration and executive functions only. Issues related to autonomous government property, the assessment and collection of local taxes, to mention just a few vital issues, would fall under the jurisdiction of the capital city autonomous government in the inner districts. The legal authority of outer districts (i.e., the 3d and 4th districts as well as districts designated by numbers higher than 14), i.e. their present autonomy would remain unchanged.

Those who support the "city" concept claim that (and we once again quote from the FIDESZ submission) "concentrated urban planning and development tasks now faced by Budapest can be realized only through unified urban development and a concentrated utilization of assets. Isolated interests which also manifest themselves in the distribution of assets among districts are such opposites that this rich city would be condemned to having its districts expend funds only within each district and only in a manner consistent with district interests, and the assets available at the capital city level would not suffice to finance investments which serve the city as a whole." As a result of establishing the "city" the capital would be unified at least in part, and the opposite partial interests of districts which create controversy would disappear.

FIDESZ claims that the concept is also supported by the fact that a similar administrative technique is used in Vienna as well as in Paris.

Those opposed to the "city" concept claim that if the inner districts were to be combined into a single unit, a rift in Budapest between the wealthy core city and the poor outside areas would be unavoidable. As a result of concentrated development as called for in the plan, the "city's" advantages would continuously increase. Opponents of the concept also claimed that the same concept

has been proposed to a group of professionals a few years ago by then Budapest Council Executive Committee secretary, Peter Szegvari, who now serves as the clerk of the autonomous capital city government. The proposal was rejected at the time because disadvantages that would certainly occur appeared as greater than the advantages stemming from the centralization of inner districts.

In addition to the professional and economic arguments, those opposed to the concept also recognize a serious political threat in the fact that inner district autonomous governments elected barely a year ago would be practically swept out by the "city" concept. As a result of this voters would feel that central actions disregarded and nullified the political will they expressed in a democratic manner. Opponents of the "city" concept believe that for this reason one should not even discuss the concept until the next local elections.

FIDESZ' counter argument to all this claims that the voters must also yield to the rationality of having centralized city management. They stress that the present time, when the capital city law is debated in the parliament, provides an exceptionally good opportunity for the realization of the "city" concept. Inasmuch as the capital city general meeting approves the "city" concept on 9 May, the parliament would still have to approve the concept when the final text of the Capital City Law is adopted. FIDESZ feels uncertain about the possibility of persuading the parliament to enforce the "city" concept by amending the Capital City Law adopted in 1991 three years hence, when local elections are held.

Is there going to be a "city" in Budapest? It is hard to predict the outcome of debate. It appears that a large segment of the FIDESZ membership accepts this concept, the SZDSZ also supports the concept but to a lesser extent, while a segment of the MDF is rather doubtful about the truth of arguments supportive of the establishment of the "city." Some of the Budapest autonomous governments at the district level are vehemently opposed to the realization of the "city" concept. Such opposition exists in the inner districts because of the loss of autonomous governmental authority, while the outer districts oppose this concept because they are afraid that they would be lowered to play the role of the "city's" poor relative.

But the final world is not likely to come at today's capital city general meeting, but a few weeks later when the parliament deals with the "city" issue. And it is hard to predict what kind of political bargaining will motivate the drawing of district lines in the parliament at that point in time.

POLAND

Foreign Policy Vis-a-Vis Germany, USSR

91EP0467A Warsaw RZECZPOSPOLITA in Polish
22 Apr 91 pp 1, 6

[Interview with Andrzej Micewski, former adviser to Lech Walesa, by Slawomir Popowski; place and date not

given: "Between the USSR and Germany"—first paragraph is RZECZPOSPOLITA introduction]

[Text] What is the Polish reason of state at present? What should the foreign policy strategy of Poland be, squeezed as it is in between Germany and the Soviet Union, and trying to return to Europe? Finally, what should our stand be on what is happening in the East, what should our Eastern policy be, and also what should we expect of it? These are questions of fundamental significance to our future which the editorial office put to the key representatives of Polish political thought. We will publish these interviews successively on our pages.

[Popowski] All peoples look for their place under the sun. After several decades we have once again come to face problems posed by the geopolitical situation of Poland. Hence the question of whether the Poles, who are squeezed in between Germany and the USSR (so far, it has been more of a curse), have a chance for a future? How secure can they feel, and how can they guarantee their security?

[Micewski] For 45 years, the Soviet Union was the guarantor of the stability of the Polish geopolitical situation and the postwar borders. However, this meant that Poland was forced to give up a considerable segment of political and economic sovereignty, as well as to subordinate the country to a totalitarian system at first, and to a semitotalitarian dictatorial system later. Therefore, the USSR guaranteed not only the border of Poland but also the sphere of its political and international influence. The situation has now changed. The sovereignty we are regaining has once again faced us with geopolitical problems, both classical and absolutely new ones.

As far as I am concerned, I attach the greatest hopes in general terms to the participation of Poland in the general European security system which is being built as a continuation of the CSCE [Conference on Security and Cooperation in Europe] Helsinki process. However, I would like to add that the latter hopes appear to be quite remote given the fluid, not to use the word explosive, situation in the USSR. In addition, a certain concern about us standing alone in the long run is becoming perceptible in Polish opinion. To be sure, the peaceful mode of German reunification within the framework of the two-plus-four agreement has brought about confirming the acceptance of the Odra-Nysa border, but I will note that the issue of the German minority in Silesia continues to pose a potential threat, judging by the pronouncements in the Western press.

Likewise, our immediate neighbors in the East have not yet said their final word concerning the issue of our mutual relations because at present they are preoccupied most of all by a struggle for their sovereignty. In addition, Polish fans of "political romanticism" have recently demonstrated their sympathy for Lithuania, Belorussia, and the Ukraine, which certainly did not go unnoticed by the supporters of a qualitatively new integration of the USSR in Moscow.

In summation, I would say that at present our international position does not appear menacing, but on the other hand, it poses many questions for us concerning the future about which, unfortunately, the Polish government tends to keep silent about.

[Popowski] ...You have said that at present nobody questions the Polish borders anymore....

[Micewski] Not formally, but we cannot say on the basis of this that there is no problem at all. Politics requires long-range thinking because the balance of forces in the world changes all the time. After all, we have been able to observe something of this nature in the past two years. The entire arrangement which was created after World War II was abolished within a short period of time, altogether instantaneously. This is also the reason why I maintain that no country has guarantees for all time to come, and every country should tirelessly secure its state interest.

In this reference, I will take the liberty to point out essays by Klaus Bachmann, a correspondent of the Austrian DIE PRESSE, who likes to raise the issues of the German minority in Silesia, as well as to accuse some Poles of nationalism and anti-Semitism. In March of this year, he published a report with the characteristic title "Weg von Warschau" ["Away from Warsaw"] which suggested that the citizens of Silesia regard autonomy and German aid as their only salvation. Reportedly, they have great complaints to make about Warsaw, and refer to the "betrayal by Kohl and Genscher," stressing at the same time that only the German unions of expellees demonstrate a political interest in Silesia.

I do not want to dramatize such statements, but it is hard to ignore them. The issues of Silesia are well known in Warsaw. Also known are the shortcomings of the Polish self-government law which created the illusion that the self-government bodies may finance themselves almost on their own. All of this is true, but the former Prime Minister Tadeusz Mazowiecki was also right when he defended the principle that Polish policy with regard to the German minority should be precisely the same as that with regard to all other ethnic minorities.

Poland is struggling with drastic social problems. The former GDR, which is taking advantage of tremendous West German aid, is also facing difficulties. It is just that realities are as they are. However, in our case the objective shortcomings and mistakes made by Warsaw acquire a political dimension when perceived by the political circles of the displaced in Germany, for example, through the slogans of regionalization, and Europeanization of Silesia. This is why I say that with a view to the future, we should keep our eyes wide open to all the political ramifications which this issue has.

[Popowski] Nonetheless, when I read daily reports in the press, I get the impression that reconciliation with our Western neighbor appears to be relatively easier than that with the Eastern neighbor. In evaluating the latter, we operate most frequently within the categories of

either insurrection, or Targowica [the Targowica confederation of 1791; synonymous with treason], which in the rational West is perceived on occasion as being sort of a Polish peculiarity. Why is this happening? Who is mistaken in this matter—we or the West?

[Micewski] I agree that anti-German attitudes in Poland have already abated somewhat. After all, about half a century has passed since the war. Germany has ultimately recognized the Odra and Nysa border, confirming this once again after the unification. Therefore, we may say that regardless of various psychological conditions, sympathies, and antipathies, the situation is more or less normal, and the conviction is indeed becoming stronger that there is no threat to us from this side anymore.

However, this is not the case with our Eastern neighbor. The apprehension is quite deeply rooted in Polish public opinion that if some internal dramatic conflict comes about in the Soviet Union this will necessarily affect the turn of events in our country.

However, you have mentioned thinking in terms of insurrection or Targowica. I believe that we should persistently avoid both attitudes. We should make our policy with regard to our neighbor to the east rational, and precisely define our policy with regard to the Ukraine, Belorussia, and Lithuania, as well as our primary policy with regard to Russia, which will be the main great power in our region whether we like it or not. In this sphere, we should be firm realists, and should defend against neurotic responses which are typical in our country. Unfortunately, such tendencies occur among a segment of the new political elites.

However, since we are on the topic of Polish neighbors to the east: Stefan Kisielewski once told a joke to the effect that our common acquaintance, Adam Michnik, supports all nationalisms, especially Ukrainian, Belorussian, and Lithuanian, with the exception of Polish, because he deludes himself into thinking that there is no anti-Semitism in these nationalisms. I for one think that this assumption is erroneous. There are anti-Semitic elements in all nationalisms; for our part, we should support the right of the three republics mentioned above to independence, to participation in a community of free peoples in the East rather than support their nationalisms. One more point: We should not in any case play the national tendencies occurring in these countries against the greatest power in the region, which Russia will undoubtedly continue to be.

On one occasion, Soviet ambassador Kashlev advised me: Engage in economic negotiations with the USSR, with the republics, and with individual enterprises. He could not have given better advice. Further development of events in the USSR is quite difficult to predict; personally, I wish that this country could become an Eastern Commonwealth, a free community of peoples....

[Popowski] On one occasion, somebody joked that World War III is likely to begin on the Bug because there

are a great many contradictory interests there. As a matter of fact, everyone has some claims against everyone else, including territorial....

[Micewski] I am aware of several other very hot points throughout the world in which World War III might erupt, though I must admit that the situation along the Bug is indeed complicated. So many different ethnic, political, and economic interests clash there at present that one indeed feels the menace. However, you know, throughout its history Russia has been endangered many times, and has always come off well. Also, the Russians have a much better feel for political reality than we do. I am convinced that this great power, which now is on the defensive, will once again become mighty in the foreseeable future. From the Polish point of view, we should reckon with this fact and reason very coolly. We truly should not neglect the fact that Russia has a miraculous ability to regenerate as a state.

[Popowski] For us, the age-old dilemma came down to the question: Should we go with Russia against Germany, or with Germany against Russia; at the same time, we always shivered with fear that our neighbors would come to terms between themselves, over our heads.

[Micewski] I believe that such an alternative does not exist and cannot exist. The dilemma which you have mentioned could only be considered during World War I. In turn, at present we are dealing with a different problem. We are entering a period in which the process of internationalization, or the universalization of world politics is underway. Under the circumstances, the main political problem of Poland may be approached only within the framework of larger communities of nations. At present, we should strive for the unity of Europe at all cost, to create a security system which would take into account a broader partnership of not only the European states, but also, for example, the United States. Given this context, an attempt to side with one of the neighbors is simply absurd.

[Popowski] In view of this, what is your assessment of the policy of [former] Prime Minister Mazowiecki's government, which, during the unification of Germany, was very reluctant to make statements on the issue of the withdrawal of Soviet troops from Poland, as he fought for the participation of Poland in the two-plus-four negotiations. At present, this is being criticized because, as many people maintain, a very favorable opportunity was wasted at the time.

[Micewski] First of all, let us not exaggerate. I believe that the presence of Poland at the two-plus-four negotiations was purely formal. This had more to do with a certain prestigious act than any real dangers. With regard to the issue of withdrawing Soviet troops from Poland, I believe we should not approach this problem in a neuroathenic manner at present, given that at the time we recognized this to be a certain pressure factor and did not take advantage of the opportunities then existing. Of course, we should speak to the Russians and try to move

up the deadline for the withdrawal of Soviet troops. However, it is really of secondary significance whether this will occur during 1992 or in the spring of 1993. The Russians still remain in Poland not at all because they intend to bring any pressure to bear on us, but because they are overwhelmed with internal economic and political problems of such enormity that any extra thousand people brought back to the country—whom you need to do something about and put them up somewhere—are a real problem. This is precisely what we should take into account. Also, as I said, let us not exaggerate: They have many enough ways to pressure us other than the presence of about 50,000 Soviet soldiers.

[Popowski] With regard to your previous statement, can Poland preserve its independence and sovereignty on its own, without coalition support, given its current economic weakness and the still unstable political situation?

[Micewski] I maintain that it is absolutely impossible. If Poland wants to guarantee its security it should be a part of an international system of collective security. To my mind, this is the basic imperative of our national and state strategy. A system of such security cannot leave out any significant international subjects, nor can it be directed against any state. A balance between the West and the East should be accomplished within the system. If something of this nature came about, NATO may turn out to be unnecessary, despite this organization being a certain necessity at present, given the many unknowns in international politics.

[Popowski] I have sensed a certain desire to distance ourselves from the North Atlantic Treaty in what you have said.

[Micewski] This is something completely different. The internal weakening of the USSR prompts some people, including some in Poland, to look for support and security within the structure of NATO. Fortunately, President Walesa proved in Brussels that he understands well how illusory this concept is. On the occasion of another visit, fortunately not a Polish one, NATO representatives said clearly that they do not see a place in NATO for Hungary, Czechoslovakia, and Poland. This indicates that they think politically in Brussels.

Poland should bind itself to Europe and the United States in every way possible, but not to NATO, because this would be interpreted in the USSR as a political challenge. Any kind of Russia, regardless of its state system, would manage to come up with a retort to this inconsiderate step. Fortunately, not a single significant political school of thought in Poland thinks in categories which are equally illusory and dangerous.

[Popowski] The following statement was also made at a meeting of the Senate: "Secure from the West, we may turn to Eastern affairs with more freedom and certainty...." Granted, but in this case what do we want to achieve in the long run apart from liberation itself?

[Micewski] First of all, I do not at all believe that we are absolutely secure from the Western side. In turn, I maintain that in the East we do not want to achieve more in the territorial aspect than what we already have. I also believe that Poland should say once and for all and out loud that it does not have any territorial claims against either the Ukraine, Belorussia, or Lithuania, but in turn it sets forth the same postulates with regard to the Polish minorities in the territories of the three republics mentioned above which these republics have with regard to their minorities in Poland. So much, and nothing more.

[Popowski] Given this, what should we think about criticism by the Christian-National Union which has demanded that Ambassador S. Ciosek and Mr. Kosztrzewa be recalled because they reportedly neglected to attend to the issues of the Polish minority in the USSR?

[Micewski] I believe that this is a hasty response. I also maintain that Mr. Ciosek has played quite a positive role on many issues. I am thinking here about, for example, the attitude of President Walesa toward Lithuania, which is very quiet and different from that of, for example, Jacek Kuron. It appears to me that the position of the president would not be equally precise and balanced without a certain influence and elucidation of the Soviet situation made by the Polish embassy in Moscow.

[Popowski] Some believe that it has even been too cautious.

[Micewski] I am of a different opinion. I say that our position with regard to ethnic demands in the Soviet Union should be as realistic as possible. I wish them well, and I wish them independence as soon as possible. However, Poland cannot go further in its policy on this issue than the West does. If the Americans, the French, or the British see no reason to get more deeply involved in these affairs, it is because they do not want to bring about the disintegration of the Soviet Union or bloodshed. This is why I maintain with absolute conviction that a Poland striving to be European should not by any means excessively outpace Europe. In this instance, we are afflicted by a peculiar "children's disease of leftism." At times, the slogan "For your freedom and ours" is the guiding principle of the people who, apart from the fact that this is a truly beautiful slogan, are not able to perceive political realities. Our reaction should be utterly responsible, and this is precisely how President Walesa has acted, seeing to it that we do not become an irritant in the sensitive internal affairs of our Eastern neighbor.

[Popowski] Mr. Lagowski made statements in a similar vein on the pages of the Krakow CZAS stating, among other things, that Poland may be of interest to the West, to Germany, if it succeeds in shaping its relations with its Eastern neighbor....

[Micewski] I am of precisely the same opinion.

OPZZ To Field Parliamentary Candidates*AU3005103691 Warsaw RZECZPOSPOLITA in Polish
24 May 91 p 2*

[Article by K.Gr.: "The OPZZ Is Running in the Elections"]

[Text] The Council of the All-Polish Trade Union Agreement [OPZZ] decided at its meeting on Thursday, 23 May, that the OPZZ would take active part in the parliamentary elections and appoint its own representatives. The council discussed a possible no-confidence vote in the government, but failed to reach a decision.

OPZZ chief Alfred Miodowicz told journalists that a no-confidence vote in the government would be dictated not by parochial OPZZ interests, but social interests. "The OPZZ has clean hands," he said. "We have not nominated any candidates for ministerial posts in any government. We have never been a progovernment union."

After it has sought the opinion the OPZZ rank and file, the Council will rediscuss a no-confidence vote in the government in June.

The OPZZ will not join any nationwide coalition before the elections, but OPZZ field branches may join local alliances. Asked which groups are closest to the OPZZ, Miodowicz replied the Movement of Working People.

The OPZZ chairman himself is not running in the elections. He said that, instead, he will run in the elections in two years time, for that is how long he thinks the next parliament will last. Miodowicz said that there will be social unrest if the government does not change its policies. He said that "capricious" ministers will have to be replaced, and mentioned the health minister as an example.

"I am beginning to wonder if the parliamentary elections should have been held in the spring," said Miodowicz.

Miodowicz on OPZZ, Solidarity Cooperation*PM3005151891 Krakow GAZETA KRAKOWSKA
in Polish 25-26 May 91 p 2*

[Article by (dsf): "OPZZ Conference at Sendzimir Steelworks: 'It Was Solidarity That Supported Us,' Says Miodowicz"]

[Text] The agenda of the All-Polish Trade Union Agreement [OPZZ] conference at the Sendzimir Steelworks was dominated by accusations leveled against the government, the president, the parliament, and the Ministry of Industry. Conference resolutions—including amendments to the organization's statute—were accepted unanimously by the delegates, without preliminary debates.

Janusz Lemanski, OPZZ enterprise chairman, described the critically difficult situation of the Sendzimir Steelworks and warned of the danger of tens of thousands of employees losing their means of support. He stressed that "the creeping inflation combined with the economic recession has placed a heavy burden on the majority of Polish people." Consequently, it was "all the more essential for our union activists to maintain a high level of dynamic activity in defense of the workers' interests."

Asked by reporters why the OPZZ did not actively support the latest nationwide protest action organized by Solidarity, Alfred Miodowicz replied: "But it was Solidarity who supported us. We had carried out this kind of action many times before." He also stated that it was inevitable that eventually the efforts of both the OPZZ and Solidarity would be combined. "Sooner or later the government will be forced to sign a social contract with the entire union movement. There is already much cooperation at the 'grassroots' level; it is only the leaders who find it difficult to reach agreement."

Miodowicz also asserted that public opinion survey results, which are at present carried out by people from a different political camp, lack credibility and are completely unreliable. The OPZZ chairman stressed that he expected to see a totally ruthless parliamentary election campaign, whose consequence could only be that the new Sejm elected in it would fail to meet social expectations.

Growing Popularity of Liberal-Democratic Congress*91EP0466B Warsaw RZECZPOSPOLITA in Polish
15 Apr 91 pp 1-2*

[Interview with Donald Tusk, deputy chairman of the Liberal-Democratic Congress, by Alicja Balinska; place and date not given: "The Party for Nonparty People"]

[Text] [Balinska] The Liberal-Democratic Congress [KLD] became a party just a year ago, but already in 1983 the first issue of PRZEGLAD POLITYCZNY noted that people from the anticommunist underground centered around this publication were recalling the principles of Western neoliberalism. Today you are the deputy chairman of the KLD; then you were editor in chief of PRZEGLAD POLITYCZNY. Why did you choose this option?

[Tusk] The idea of liberalism manifested itself at a moment of some doubt. Even if the overthrow of communism was still a dream at that time, there was still the question: what's next? Were the frequently archaic stereotypes of Polish thinking on politics enough? Reading the classical writers of neoliberalism, who after 25 postwar years helped the Western world to say farewell to the socialist utopia, helped to resolve these doubts. When Friedrich Hayek, already up in years, went to Paris, thousands of people greeted him. Hayek, along with Ludwig Mises, Walter Lippmann, Raymond Aron, and others, constituted a group of people who met

almost in private in the Swiss town of Mont Pelerin and managed, through the power of their intellects, to transform the Western world. The aftermath of this was the subsequent neoliberal and conservative revolutions: Margaret Thatcher in Great Britain and Ronald Reagan in the United States. It was the neoliberals, coming out in basic opposition to Marxism, who succeeded in restoring the status of such fundamental values as evolutionism, governments of law, and individual freedom.

[Balinska] What are the chances that this movement will succeed in Poland?

[Tusk] Obviously, familiarity with such writings as Tocqueville's *The Former System and Revolution* [italThe Old Regime and the French Revolution] is not universal in Poland, but it takes no special perception to see at present that he was right when he said overthrowing a tyrant does not mean falling in love with freedom—which is our concern as liberals. Our community's problem was always that we had no points of reference to the political history of Poland, which was not a capitalist country whose middle class could develop naturally and peacefully. Poland lacks the experience of a pure form of free-market society. That troubles us a little, especially since other movements, which do not have available the sort of fundamental program that we have, but which do have available certain historical references, find it easier to formulate slogans which the Polish market will bear. Each slogan takes root somewhere, which is something that was not given to us.

[Balinska] But you do have available a program of substance.

[Tusk] Yes, it has so much substance that we can almost not use it during an electoral campaign. It is gaining recognition among experts and among the political opposition, but the electorate will have to give it some study. The basic subject serving as our point of departure is the reminder (to ourselves as well) that freedom in the deepest sense of the word is the content of liberalism. This does not mean only a free market or economic freedom, but freedom that is also compromised of limiting constraint wherever possible. We are not only referring to the totalitarian type of constraint that we know about from the autopsies, but constraint which emanates, for example, from the state's omnipotence. The task, then, is to expand the sphere of freedom, but within the bounds of reason. Today people are just beginning to understand that the basic evil of communism was the omnipresence of state institutions which encroached upon every sphere of life. We are still living in a country where various taboos still exist and are even growing in strength. It is very important to us that our ideas for the electoral campaign express our convictions adequately. We would not like to deceive ourselves or the electorate (this would not add to our popularity). The example of Tyminski shows that an irresponsible promise may obtain a large number of votes, especially in such a frustrated society as yours. I think that if the

liberals convince people that freedom pays, that it is also a necessary condition for economic success, then we can win over many people.

[Balinska] The KLD did not accept the offer of the PC [Center Accord] to enter the election together. Does this mean that you do not plan electoral alliances?

[Tusk] The KLD is already preparing for the election, although the lack of an electoral law makes precise actions impossible. We prefer alliances of electoral blocs or certain integrating movements in the direction of creating larger political organizations, for example, a broadly conceived liberal-conservative bloc. This would give us greater opportunities for winning the election for the reform camp. Solidarity RI [Individual Farmers [Rural Solidarity]] could be an ally of the KLD because the people in Solidarity RI know what constitutes the value of private ownership and we would like very much to see the Polish peasantry as entrepreneurs working in rural areas.

[Balinska] The current governmental structure, which is not a copy of the political map of Poland, seems to confirm the strength of the KLD....

[Tusk] I would not overestimate the role of the KLD in causing the government of Jan Krzysztof Bielecki to come into being, although the lack of competitive programs for the economic ideas of liberals certainly was significant, especially with regard to such a vital issue as ownership transformations. The personal confidence of Lech Walesa in the prime minister and the qualifications of the entire Gdansk group were certainly important.

[Balinska] What is it possible for the present government to achieve and what should it fear?

[Tusk] For Jan Krzysztof Bielecki it is not easy to manage the property that is Poland in a liberal manner. And that is not because he is not a liberal but because the substance with which he is dealing is so unliberal. A severe crisis is ensuing, our habits hinder us, there are also real dangers emanating from the fact that groups of people of obvious ill will have not yet jumped overboard. The prime minister is a true pragmatist, he is trying to purge certain structures and, at the same time, make decisions, the lack of which has had a crippling effect, making life miserable for society. Certainly progress will be evident in privatization, but above all, we must avoid a breakdown.

As for the KLD itself, interest in it certainly increased after the appointment of the present government. This is especially the case among young people, even though we continue to operate primarily in northern Poland and we have fewer than 30 branches. On 18 May, we will call a nationwide conference to put organizational matters in order. However, we will probably continue to be the party for nonparty people, translating the values of normal life and healthy reason into a fixed doctrine.

Liberal-Democrats To Form Parliamentary Club*AU3005121891 Warsaw GAZETA WYBORCZA
in Polish 27 May 91 p 2*

[Unattributed article: "Liberals Divorce Themselves From the Citizens Parliamentary Club"]

[Text] On Friday [24 May], the liberal circle in the Citizens Parliamentary Club [OKP] decided to form a parliamentary club of its own as soon the election campaign starts.

As we already reported, on Sunday [19 May], the Liberal-Democratic Congress approved the formation of a [deputies'] club for its own members of parliament that will not be part of the OKP.

At the present time, the membership of the liberal circle comprises five deputies (including Prime Minister Bielecki and Industry Minister Zawislak) and eight senators.

The leader of the circle, Senator Zbigniew Rokicki, told GAZETA the following: "In contrast to the reasons for the departure of members of the Democratic Union Parliamentary Club and Labor Solidarity from the OKP, we are not leaving the OKP because we do not like [it] or because there are irreconcilable differences between us. We decided that it was necessary to form a club of our own, because it will soon be time for the political tendencies that are represented within the OKP to begin to pursue politics on their own account and to assume responsibility.

"Our club will enter a coalition with the clubs formed by the remaining circles in the OKP. This will open up the possibility of joining the Democratic Union Parliamentary Club coalition. Senator Jerzy Dietl of the Forum of the Democratic Right has already joined us. We are waiting for the rest."

Soviet Army Unit To Leave Swidnica by 1 Sep*LD2805212191 Warsaw Radio Warszawa Network
in Polish 1200 GMT 28 May 91*

[Text] The Soviet Army unit stationed at Swidnica will leave the town by 1 September. This date was given by the government plenipotentiary for the stationing of Soviet troops in Poland, General Zdzislaw Ostrowski, in a letter to the Walbrzych provincial governor. He thereby confirmed an earlier declaration made by General Dubynin, the Soviet troop commander in Poland.

Gdansk Solidarity Seeks Charges Against Rakowski*LD3105153991 Warsaw TVP Television Network
in Polish 2017 GMT 29 May 91*

[no video available]

[Text] It is with bitterness and great regret that the Gdansk Shipyard Factory Commission of Independent

Self-Governing Trade Union [NSZZ] Solidarity has received the decision of the Sejm Commission for Constitutional Responsibility which has resolved not to recommend the commencement of criminal proceedings before the Tribunal of State against former Prime Minister Mieczyslaw Rakowski and former Minister Mieczyslaw Wilczek for putting the Gdansk Shipyard into liquidation.

In Solidarity's view the Sejm commission's decision means that the law in Poland protects the elite of the communist power. The factory commission has called on the president to block actions which make it impossible to call to account persons who are guilty for bringing the country and the economy to total ruin.

Orszulik on Church-State Relations, Politics*AU0406081191 Warsaw ZYCIE WARSZAWY in Polish
29-30 May 91 pp 1, 3*

[Interview with Bishop Alojzy Orszulik by Wieslawa Lewandowska and Kazimierz Woycicki; place and date not given: "The Effort To Be Oneself"]

[Excerpts] [ZYCIE WARSZAWY] As one of the architects of the roundtable and the changes that led to the establishment of a free state, are you pleased with the course of events in Poland?

[Orszulik] Everybody realized that the changes would be expensive and that reorganizing the system in a state with such large debts and whose economy has been so ruined would call for sacrifices from all of society. Following the formation of the Mazowiecki government, one could see that people were full of enthusiasm, that they were ready to participate in the changes and were ready to make sacrifices. However, with time, this readiness began to fade. There are many reasons for this.

Am I pleased? It is difficult to be pleased when one sees how the nation is suffering and that we are still living with fears about whether this entire undertaking of reorganizing the state and its economy really will succeed. What worries me is that the whole process of reorganization contains too little emphasis on the spiritual and moral regeneration of society. It worries me that the work that the church is performing with a view to bringing about the moral regeneration of society is often labeled clericalization or is viewed as the church's excessive influence on social and public life. One can see that political ambitions have taken precedence over the need for a common effort among the people in Solidarity, which is divided (and that I regret very much). It seems to me that there is a trend toward creating a secular state in which man is deprived of the transcendental aspect. [passage omitted]

[ZYCIE WARSZAWY] Is it not the case that members of the laity who are involved in politics and loudly declare themselves to be Catholics represent an excessively uniform vision of Catholicism. What is the church's attitude toward this phenomenon. Does the

church already have a political party or group that it would definitely single out and support?

[Orszulik] Autonomy in the temporal sphere and autonomy for the Catholic laity is about personal responsibility for the pursuit of a particular course of political activity. However, members of the laity who want to engage in a Christian form of politics must do so within the framework of church doctrine. Above all, they must be familiar with church doctrine. The church does not identify itself with any party. On the contrary, church documents, especially "Gaudium et spes," the Vatican Council constitution, state that the church cannot associate itself with any economic, social, or political system, or with any political party, including Christian political parties, because that would curtail the responsibility that lay Catholics have to bear themselves.

[ZYCIE WARSZAWY] In other words, one can still give proof of one's faith without belonging to a party that has the adjectives "Christian" or "Catholic" in its title?

[Orszulik] Of course one can. A problem only arises if the program of a particular party is completely secular or is hostile toward Christianity or the social teachings of the church. Catholics should not belong to parties of that kind. [passage omitted]

[ZYCIE WARSZAWY] To be more specific: One the one hand, there is a party like the Christian-National Union and, on the other hand, a party like the Democratic Union. Politicians from the Christian-National Union stress their Catholicism and accuse others of being insufficiently Catholic. Catholicism is something they regard not only as a religious virtue, but also as a political virtue in actual fact. Is the church closer to the Christian-National Union than to the Democratic Union, in which various political tendencies are present, but whose members are no less honorable? Does the church have any preferences in this respect, or does it look for the Catholic community in both these political currents?

[Orszulik] I think that Christian-National Union program is undoubtedly a program that is compatible with Catholic social teachings. I do not want to judge the activities of its members. However, as far as the Democratic Union is concerned, it is a combination of various ideological currents, including ones that are guided by Christian values. It is difficult to talk about some uniform attitude on the part of the whole organization. Time will tell which tendency will give the Union a clearer character.

[ZYCIE WARSZAWY] Are you pleased that abortion has become a political issue in Poland?

[Orszulik] Will it cease to be a political issue, because the Sejm has decided to postpone a decision on it? Left-wing forces made an issue out of it during last year's presidential election campaign. [passage omitted]

[ZYCIE WARSZAWY] Let us discuss the question of the separation of church and state. What is your understanding of the concept?

[Orszulik] My understanding is that contained in Point 76 of "Gaudium et spes," the Vatican Council pastoral constitution on the church in the contemporary world. It states: "The political community and the church are autonomous and independent of each other in their respective spheres. However, both communities, although for different reasons, serve the individual and social calling of the same people. They will be more effective at discharging their service for the good of all, the better they are at developing healthy cooperation between each other, while taking account of circumstances of time and place."

If the principle of the separation of church and state is introduced into the constitution, it will be a continual source of conflict and will be interpreted by secular forces as marking the elimination of the influence of Christian forces on economic, political, public life. One of the speakers at the Democratic Union congress provided an example of this when she said that it is impossible for church and state institutions to cooperate, and so, for example, the Ministry of Health and the Polish Caritas organization cannot cooperate. Why should such cooperation be impossible? [passage omitted]

Student Groups Protest Youth Council Formation

*LD2905103991 Warsaw Radio Warszawa Network
in Polish 0100 GMT 29 May 91*

[Text] The Supreme Council of the Polish Student's Union and the National Coordinating Council of the Union of Polish Socialist Youth have protested at the way in which the Polish Youth Council was created. In a position communicated to Prime Minister Jan Krzysztof Bielecki, both organizations point to the fact that the council groups together only youth associations close to the camp now holding power in Poland.

YUGOSLAVIA

Objectives of New Croatian Foreign Minister

*91BA0744A Zagreb VJESNIK in Serbo-Croatian
12 May 91 p 5*

[Interview with Dr. Davorin Rudolf, Croatian foreign minister, by Kresimir Fijacko; place and date not given: "Dr. Davorin Rudolf: Small States Can Help Europe's Stability"—first two paragraphs are VJESNIK introduction]

[Text] The intersection of domestic political events and international events, especially European circumstances, is today indisputably one of the most challenging points for examination of many postcommunist countries and determination of their future destiny. By the same token, from the Baltic to the Balkans foreign policy is one of the

most challenging and strategically perhaps most important fields of activity of the new democratic systems. The radical transformation of the internal governmental framework, especially in multinational federations, is creating a new mosaic of relations and interests in European space, and because those processes, whether we are talking about the Soviet Union or Yugoslavia, are occurring in a time of historical integrative processes on the old continent, the theoretical, political, and practical challenge of shaping a foreign policy strategy is all the greater.

Croatia, which also confronts a need to choose the most optimum foreign policies in the light of domestic and external circumstances, finds itself today in such a mosaic. That is why Dr. Davorin Rudolf, the new Croatian foreign minister, obviously has his work cut out for him.

The Most Stable Continent

[Fijacko] One of the issues which is today attracting the close attention of foreign policy analysts in Europe, in view of the events in the USSR and Yugoslavia, is certainly the strategic attitude toward what are referred to as small peoples. In your opinion, is the increase in the number of small states in Europe a welcome thing, and, accordingly, what kind of foreign policy can such a state pursue?

[Rudolf] In our time, the foreign policy of countries which according to the conventional system of categories are placed in the group of small and medium-sized states is being debated in many places. Those debates arouse our particular interest because of the anticipated transformation of the Yugoslav republics into independent, sovereign states within an alliance of states or a confederation or some specific alliance of disassociated federal units, which would exercise their rights and meet their obligations directly in the international community.

I would like to say at once that the emergence of the present republics in Yugoslav space as independent international entities would not impart anything new to the physical structure, if I might so call it, of the European international community. Small and medium-sized states actually dominate in Europe. The Republic of Croatia is larger in area than Switzerland, it is larger than the Netherlands, and it is almost twice as large as Belgium. Even the Republic of Bosnia and Hercegovina is larger in area than Switzerland. The Republic of Serbia, with its provinces, is twice as large in area as Switzerland, larger than Austria, and almost the same size as Hungary. Slovenia is nearly eight times as large and Montenegro about five times as large in area as Luxembourg. Croatia has a population of 4.7 million, Ireland 3.5 million, Switzerland 6.5 million, and Austria 7.5 million. Serbia with its provinces has the same population as Belgium or Portugal and a larger population than Austria or Switzerland. It may come as a surprise to hear that Croatia has a population equally as large as 16 sovereign member states of the United

Nations taken together: Malta, Cyprus, Fiji, Tonga, Sao Tome and Principe, Seychelles, St. Lucia, Bahamas, Bahrain, Barbados, Maldives, Comoros, Antigua and Barbuda, Samoa, Solomon Islands, and Surinam. All those states are equal under the law with other members of the UN, so that Malta or Samoa, say when a decision is being made in the UN General Assembly, have one vote, just the same as China or the Soviet Union.

[Fijacko] Why are some politicians in Western states reserved toward the efforts of a majority of the republics in Yugoslavia to become independent or to create an alliance of states or some kind of modern confederation?

[Rudolf] Some analysts in the Western world have an aversion to the emergence of new independent states in Europe within the framework of an alliance of Yugoslav republics or outside that alliance because, as they see it, this could result in territorial claims of neighbors, the Soviet Union—if, for example, there is a change in the present top Soviet leadership—could reach warm waters, foreign creditors would have difficulties in collecting debts, and so on. These are highly oversimplified forecasts. Europe, if I take the last 30 years, has been the most stable continent in the world in both economic and political terms. One excellent analysis states that it is precisely the existence of small and medium-sized European states that has contributed to that situation.

I do not believe, however, that the Western analysts are reserved toward a confederation, especially when we have in mind the widely differing types of such alliances, unions, or communities.

[Fijacko] Can small and medium-sized states conduct their foreign policy freely and independently?

[Rudolf] Even in a bipolar world, divided into blocs following World War II with strong tendencies toward concentration of forces around the pivotal states, the Soviet Union and the United States of America, small and medium-sized states have conducted an independent policy to a greatest extent: Sweden, Switzerland, Austria, and Finland, for example. And certainly Yugoslavia.

The Foreign Policy of Small States

[Fijacko] How important is a state's size to the effectiveness of its foreign policy?

[Rudolf] A state's importance in the international community does not depend exclusively on its size. For example, there is one very important state in world politics which is not even in the group of small states, but is rather among the miniature countries—the State of Vatican City. Or take Switzerland, which since the Congress of Vienna has successfully conducted a foreign policy that relied on the legal status of permanent neutrality. Switzerland has not taken part in armed conflicts since the time of Napoleon. Nor has Sweden, which conducts a foreign policy, as the Swedes put it, of "freedom from alliances." And the Republic of Austria

is a permanently neutral state. It is worth examining how attractive permanent neutrality is to small and medium-sized countries, especially when it is understood to be an active and dynamic foreign policy.

[Fijacko] How do you look upon international legal recognition?

[Rudolf] Almost everyone expects that the foreign policy activity of sovereign republic-states in Yugoslav space will be exhausted in efforts to obtain international legal recognition. I do not share that opinion. The international community will very quickly recognize the newly formed legitimate status. I take the position, as far as Croatia is concerned, that the emphasis in foreign policy activity will be on the constant promotion of our values, a refined cosmopolitanism contained precisely in our political tradition, and then in the field of international political, economic, and cultural relations, protection of human rights, and issues of protecting, preserving, and improving the environment. It would be very good, for example, if we could shorten the period of adaptation to entry into the European Economic Community, say, to seven or eight years.

[Fijacko] The present-day technological and technical revolution and economic relations are integrating the world in which we live. Will small states and peoples get lost in that grandiose process?

[Rudolf] Our foreign policy representatives will, of course, have to pay strict attention to preservation of Croatia's identity both in the "United States of Europe" and in the "United States of the World" and in a world without borders.

[Fijacko] As you see it, what kind of foreign policy must small states have?

[Rudolf] In the foreign policy of small states, it is important to avoid the traps that arise either from an inferiority complex or from tendencies to megalomania. The policy of being "a step ahead," which Yugoslavia has conducted for a long time, had its source in ideology, but it exhausted itself in the constant struggle for primacy in the socialist world, in the constant need for innovations. That is one of the reasons why many concepts and reforms were simply interrupted and never carried through. As I see it, a small country's foreign policy is optimal if it is calm, balanced, acceptable to partners, and creative in a constructive way. It must, of course, always be amenable primarily to national interests, just as it is in all other states.

What We Do Not Want

[Fijacko] On the program "Yugoslavia Today and Tomorrow" over Ljubljana TV, you recently expounded the so-called Rudolf Formula, which is referred to as a negative formulation of desires and goals in the negotiations of republic representatives in our country.

Because that program was not carried by the other TV networks, would you explain in more detail that conception of yours.

[Rudolf] What I said was this: Because we are unable to reach an agreement on what we desire, let us agree on what we do not want. What, then, is there that none of us wants? Clearly, civil war. Fine, what could cause it? First of all, a forcible changing of borders. So fine, let all six republics sign a solemn declaration in their assemblies concerning strict respect for borders at this historical moment. Following such an agreement, I believe, negotiations among the republics would take place in a far more pleasant atmosphere, and many details in the complex, say, of the Croatian-Serbian question, which are today in dispute, along with democratization of political life and economic progress, would in time simply melt away or be utterly minimized.

The letter which I sent three days ago to Federal Prime Minister Ante Markovic contained such a proposal.

Young people, university students, for example, who are now reading this interview, when they get to be my age will talk about state borders as obsolete creations that have almost disappeared, as something from history. And some among us would fight now because of those borders. That is nonsense!

[Fijacko] You often mention borders.

[Rudolf] Various issues related to borders, in our country and in the world, are important and very sensitive. Many borders were drawn in such a way that they have caused or still arouse dissatisfaction of certain states or peoples. In the Organization of African Unity, the states agreed back in the sixties that they would not raise the issue of their mutual borders because corrections or changes are possible only by force. And then the results are tragic. In Europe, it is simply impossible to change borders.

[Fijacko] Nevertheless, there has been a change of borders between the German states, and Germany has been united.

[Rudolf] I was referring, of course, to a forcible change of borders. The unification of Germany was achieved because in a way it suited everyone in the modern international environment. I recall Gorbachev having said on one occasion: "If Germany is united against the interests of the Soviet Union, tomorrow you will read in the newspaper that some Soviet general has come to replace me as the chief of state."

[Fijacko] Do you believe that war or civil war is still possible on the threshold of the 21st century?

[Rudolf] The womb that gives birth to wars, including, of course, those civil wars which are the most brutal, is still prolific. Someone wrote on the wall of a psychiatric clinic in France: "They are not all outside, they are not all inside."

But as far as we are concerned, we should remember that Yugoslavia's entire population represents only about three percent of the total population of Europe. But some among us are ready to cause a great turmoil for old lady Europe. And that old lady knows how to punish that kind of megalomania: Simply leave us on the periphery and let us rot forever.

Then, of course, there is also our own intelligence, our own history, and our own experience, which has mainly been tragic and cruel. I am convinced that good sense will triumph in the end even in our space.

"We Do Not Need Your Help"

[Fijacko] Will you be devoting particular attention to certain states?

[Rudolf] To every state, if relations with it indicate the possibility of the kind of mutual cooperation that will bring the greatest benefit to the Republic of Croatia.

[Fijacko] Does that mean that foreign policy must be pragmatic?

[Rudolf] It is mainly that in all states, especially those which do not possess the factor of power, both pragmatic and utilitarian as far as possible.

[Fijacko] How do you intend to operate in the economic field?

[Rudolf] In conversation with foreign representatives concerning economic relations, I have said on several occasions that we do not need your help. We do not seek it. You have your interests and we have ours. Let us do some good business.

[Fijacko] What do you think about Yugoslavia's postwar foreign policy activity?

[Rudolf] For a long time, Yugoslavia's foreign policy activity was bound up exclusively with the person of Josip Broz Tito. It is here, in my opinion, that he achieved the most. In internal matters, during the war and afterward, much of that was objectively conditioned by events in Europe and in Yugoslavia. However, in his foreign political activity, in relations with other states and statesmen, he had imagination and a very highly developed instinct. For example, he cleverly extricated himself from the bipolar world and immediately thereafter was still more agile in taking advantage of Yugoslavia's newly gained position in the space of southern Europe, which was geographically and strategically important—at that time, of course. We are, of course, speaking generally about the foreign political activity of Josip Broz, not, for example, about those of his activities with which I have never agreed.

There are examples in history of a policy of effective utilitarianism of states in international relations. At the moment, I can think of Turkey during World War II. In October 1939, it concluded a mutual assistance treaty with France and Great Britain that actually amounted to

a military alliance. When the Germans penetrated the Balkans, it signed a treaty of friendship with that country. At the same time, it was bound by a treaty on friendship and neutrality with the Soviet Union, it was a member of the Balkan Pact with Yugoslavia, Greece, and Romania, and it was a party to the Asian Pact with Iran, Iraq, and Afghanistan. Stalin was, of course, amazed, and in one 1943 letter he asked Churchill how Turkey intended to fulfill all those incompatible treaties? Meanwhile, it was conducting a policy of "wishing everyone a very good morning," and everyone went on tiptoes in its vicinity because they were afraid that if they angered it a bit, it would go over to the other side.

[Fijacko] Which statesman in the modern era has made the strongest impression on you?

[Rudolf] In the gallery of truly exceptional modern politicians from de Gaulle to Gorbachev, perhaps the most exceptional was British Prime Minister Winston Churchill; he would seem to have been simultaneously the greatest statesman and diplomat. But he actually had a tragic destiny. When he became prime minister, he said: "I did not become prime minister to preside over the disintegration of the British Empire." The fact is, however, that he took over the helm of the great empire as a small prime minister, and he left the scene as a great statesman of a relatively small state.

Many politicians have had their tragic moments even in our country. Ante Trumbic of Split, foreign minister in the first government of the Kingdom of Serbs, Croats, and Slovenes, who had strong national sentiments, participated with Vesnic and Stojanovic in concluding the Rapallo Treaty in 1920, which, because of a combination of adverse circumstances, gave Italy our important islands, Istria, Zadar, and Rijeka which became part of an independent state in which Italy's sovereignty was later recognized. I do not believe that submitting his resignation after Rapallo gave him any consolation.

Croatia's Interest

[Fijacko] In what manner and with what goals will the present Yugoslav republics conduct foreign policy when they are members of an alliance of states or a confederation, and some perhaps even altogether outside any common framework?

[Rudolf] It is my opinion that that activity must be correct and complementary, even synchronized if you like, regardless of the form of the new community. Tell me, please, one good reason why we would have to act disloyally, not to use some other expression, toward one another in international relations. It is undoubtedly in Croatia's interest that the other Yugoslav republics, both now and in the future, experience progress in all areas.

My purpose is to achieve well-being for Croatia, not bad effects for some republic that is our neighbor.

[Fijacko] What, then, is the main factor in shaping your foreign policy?

[Rudolf] The interest of the Republic of Croatia.

[Fijacko] What is your opinion of nonalignment?

[Rudolf] I have the impression that nonalignment drowned in the gulf of great changes in international relations and in the international community. Surprised by events, uninventive, preoccupied at the same time with quarrels in its own ranks, torn apart by armed conflicts of its own members, it stands helpless and speechless on the platform from which the train of history left long ago.

[Fijacko] Viewed over the long term, what disturbs you most?

[Rudolf] The greatest danger lies in a deepening of the horrifying gap between our economy—in all six Yugoslav republics if you like—and the economy in the economically advanced countries.

[Fijacko] The public was rather interested by your appointment as foreign minister. Tell us how that came about.

[Rudolf] The minister, Dr. Frane Vinko Golem, was going to Washington. Mr. Rudy Perpich was to be appointed in his place and arrived in Zagreb from Minneapolis, but difficulties arose in connection with his nationality, and that option fell through. I was proposed, or so I think, because I am a university professor of international law, and at the moment in the government certainly the closest to the field of foreign affairs.

[Fijacko] But you also kept the portfolio of maritime affairs.

[Rudolf] I entered the government as the minister of maritime affairs, and it seems to me that I have managed to shape the maritime, primarily Adriatic, policy of the Republic of Croatia, and its first real effects are already appearing on the horizon. I came to Zagreb with the intention of trying to promote our maritime industry, about which I have written so much, to stimulate development in that field, and then to go back to my scientific work because I still have to write a book on international naval law. I have already done the law of the sea in peacetime.

But I would still like to mention in conclusion that during the entire time of this interview about foreign policy, I have been thinking about our current domestic situation. I firmly believe that the destiny of all of us who live in this southern European space is not a curse. And something else, I would not like it to be said, one morning after we have woken up and asked what day it is: "18 Brumaire" [date of Napoleon's coup d'état in France under the calendar of the Second Republic of France].

Mesic's Election Failure 'Ordered by Tudjman'

AU0506084691 Skopje NOVA MAKEDONIJA
in Macedonian 19 May 91 p 3

[Article by M. Tanjga: "Domljan Instead of Mesic"]

[Excerpt] While the excitement and shock in the wake of the failure to elect Mesic head of the Federal Presidency is abating in Croatia, some completely different options have been unofficially emerging more and more. According to them, the scenario of the failure to elect Mesic in Belgrade was part of an agreement between Tudjman and Milosevic. These assumptions are supported by the fact that Tudjman was in a very good mood at the news conference on Thursday [16 May] and one could see that the fact that Mesic had not been elected did not upset the head of Croatia much. There is also Mesic's statement that the Croatian Assembly will be convened on Saturday and that secession from Yugoslavia should start. Today, we have checked both at the Banski Dvori and the Assembly, and as yet no extraordinary session of the Croatian Assembly is planned.

Those people who advocate the thesis that the failure to elect Mesic had been directly ordered by Tudjman support this by the fact of the increasing popularity of Stipe Mesic in Croatia and by some rumors that Mesic has parallel power organized in Croatia and has his people occupying all key posts in the republic. Another reason told is that Mesic has signed the SFRY Presidency document, something that the Croatian public has considered as capitulation and for the first time seriously demanded withdrawal of Tudjman and Mesic. Tudjman decided to get rid of the dangerous rival.

An opinion poll on popularity of politicians in the weekly DANAS has Mesic at the first place before Tudjman for the fourth week and the latter, the "father of the homeland" cannot stand the idea. Analogous to these unofficial rumors are also those on a new candidate for the first man of Yugoslavia—a person who would not be dangerous for Tudjman, Dr. Zarko Domljan, present president of the Croatian Assembly. In this trade which Mesic energetically denies, nothing is certain, but one can certainly apply here the old adage "there is no smoke without fire." [passage omitted]

HDZ Control of Croatian Media Condemned

91BA0763A Belgrade NIN in Serbo-Croatian
24 May 91 p 39

[Article by Svetlana Djurdjevic: "The Croatian Democratic Community's Jutelfobia"]

[Text] To draft a program on the basis of the ghost called Yugoslavism is nonsensical because Yugoslavism is dead.

That is a paraphrase of the line of argument presented in last week's press conference of the HDZ [Croatian Democratic Community] Executive Committee, which was

the basis for recommending termination of Jutel's broadcasting over Croatian TV. Aside from this undemocratic ideological disqualification, "too much Cyrillic, too much ekavian dialect" (statement by Slavko Degoricija, Croatian deputy minister of internal affairs) cannot be classified among specific objections of a professional nature either, nor that supposedly "in showing an attack on a soldier in a personnel carrier Jutel wanted to suggest that it was a soldier who was hurt" (Drago Krpina, political secretary of the HDZ and a representative in the Croatian Assembly). Nor did Ivan Bekic, vice chairman of the HDZ Executive Committee, argue very much more specifically in saying that "Jutel in part reports unobjectively, and then (not exactly willingly) it denies the reports, and it thereby imparts an unacceptable (hostile) political dimension to Croatia."

The last line of argument is that "we have had numerous calls from our members who expressed their disagreement and protest against the editorial policy of Jutel, and they were particularly frequent following the events in Split," and that this, in the words of Drago Krpina, HDZ political secretary, motivated the HDZ Executive Committee to recommend to the Ministry of Information (!?) that it adopt a decision to terminate Jutel's broadcasting.

It is well known, that is, that there has been resistance to Jutel from its very establishment, but also that it takes on greater intensity periodically as a function of the momentary balance of power within each republic. For example, there was no question of allowing Jutel to broadcast over state-owned television in Serbia before the elections, and it was allowed only under pressure of the opposition and the university students during the March events. The feeling of being threatened in Croatia is obviously growing by the day, especially after the unsuccessful attempt to get Stjepan Mesic elected president of the SFRY Presidency. The ethnic propaganda is being constantly intensified, from the well-known stories about the Serbian expansionist plot and hegemony, by way of publicizing the signing of statements of loyalty to the supreme command in enterprises, and culminating in the referendum for a sovereign Croatia. The space for Jutel is thereby narrowed, but the start that has been made to poll viewers on a large scale could perhaps have some influence. After all, respect for the results of a poll in which Mesic received almost three times as many votes "for" than "against" his election as president of the Presidency in a way imposes an obligation to take into account the results of the vote on who knows what question Jutel might ask tomorrow, and that could be very embarrassing.

Incidentally, do we really need to present the idea behind the public or secret desire of any government to strictly control the system of mass communications? Realization of this desire depends on the level of democratization, about which in this part of the world we cannot really boast. Nevertheless, the Croatian opposition is mainly insisting on a fundamental position. Ljubomir Cucic, chief secretary of the Croatian Council of the European Movement, believes that Jutel's broadcasting is evidence

of the senselessness of an attempt to pursue what is called a middle editorial line because under these conditions it easily bows under to pressures either from the left or the right, just as it has bowed to such pressure in reporting from Croatia and about Croatia. But he does not consider that a reason to terminate its broadcasting.

Goran Milic and Zekeriah Smajic, Jutel editors, believe that nevertheless Jutel will not be removed from the programming of Croatian TV. The polls show that that program has a rating of 44 percent in Yugoslavia as a whole and only 26 percent in Croatia. Goran Milic believes that there were mistakes that provoked this kind of attitude of the Croatian public toward Jutel, but that all that can be corrected. The acceptance of Jutel in a mixed community like Bosnia-Herzegovina and the results of the poll (494,382 "for" Jutel and 61,935 votes "against") show that the editorial policy, viewed as a whole, is nevertheless accepted, and Milic trusts the promises of the responsible people in Croatian TV that cooperation will continue and that the time for party directives has passed.

Has it?

[Box, p 39]

The Appearance of Democracy

Srdjan Dvornik, member of the Democratic Opposition Forum of Zagreb: "The announcement of the HDZ Executive Committee through its press conference that it would call upon Croatian TV to remove Jutel from broadcasting (over which it broadcasts anyway at a time which only shows how Croatian TV openly makes fools of its viewers) has at least three functions.

"The first is to create the impression that the HDZ is not completely blended with the state, but nevertheless operates as a party, i.e., it gives ordinary members of the party and everyone else the illusion that they are making the decisions at least in some things, and not just President Tudjman and his advisers.

"Second, and this is related to the first, it imparts an appearance of democracy to those decisions which seem extremely unpopular if made by the government of the state itself. That is, if removal of Jutel from the programming of Croatian TV had been announced by the republic information minister, he soon would have gotten it on the nose, even from those few democratic factors which have managed to penetrate the public. Now the minister or the director of Croatian TV, who by the very virtue of his office is also a high-level state official, can do what they have been told to from above, but to behave as though they were listening to the voice of the people.

"The third function is to openly instill in the controlled and tightly held Croatian 'public,' again in a seemingly democratic manner, the principle that a different source of information that is not under control of the republic

regime is thereby hostile. Consistent with its own collectivism, the HDZ is continuing to pursue aggressively the position whereby the demands of the community have preference over individuals, enterprises, and editorial offices, and their interests must be derived from the interest of the national state.

"In any case, there are also criticisms to be made of Jutel, but in this kind of situation they move into the background. That is, the frequent lack of its own comment is probably the result of precisely the constant pressure of republic media executors that they will not broadcast Jutel, and the professional oversights—which do exist and are worth discussing—are far more harmless than the propagandistic manipulations of the republic television institutions."

Declaration on Rights of Croats in Serbia

*91BA0776A Zagreb VECERNJI LIST
in Serbo-Croatian 29 May 91 p 2*

[Unattributed article: "Proposed Declaration on Violation of the Rights of Members of the Croatian Nation in the Republic of Serbia: Animosity and Neo-Fascism"]

[Text] 1. In the Constitution of the Republic of Croatia, all rights and liberties of members of minority ethnic groups in Croatia are proclaimed and guaranteed. The Assembly of the Republic of Croatia has realized the conditions for freedom of expression by members of minorities. In the Republic of Croatia, members of ethnic groups (nations and nationalities) have their own cultural societies, schooling in their own language, the right to use their own alphabet, institutions, federations, and various organizations and parties, all of which is attested to by the numerous statements made at various gatherings by representatives of minority ethnic groups in the Republic of Croatia.

The Assembly of the Republic of Croatia has continuously and consistently committed itself to the further development of the democratic movement and to respect for all civil rights and liberties, in pursuit of a peaceful development of its society and a civilized resolution to the political crisis of the SFRY.

2. However, we have witnessed ominous events that have been heated up by warmongering propaganda and militant political logic, the sources of which are the unabashed Greater Serbian ambitions of the leadership of the Republic of Serbia.

Dangerous neofascist forces are emerging in Serbia unchecked and without censure, such as Seselj's Chetnik movement, for example. In official Serbia and its information media, terrorist groups in Croatia find assistance and support for their criminal activities.

The right of the Croatian nation in the Republic of Croatia to democracy and sovereignty is being challenged, efforts to achieve the forcible secession of part of Croatia and its accession to the Republic of Serbia are

being encouraged, and the Croatian nation as a whole is being vilified, slandered, and insulted from the rostrums of the Vojvodinan and Serbian Assemblies.

3. Emissaries from the Republic of Serbia and members of the government of the Republic of Serbia are coming to the territory of the Republic of Croatia in order to promote violence and create an atmosphere of chaos and fear. With the goal of destabilizing the democratic Croatian government and destroying the democratic movement in Croatia, special armed and specialized terrorist units and individuals are infiltrating from the Republic of Serbia.

In the region around Knin, terrorists who call themselves authorities are systematically and criminally forcing Croats (through threats, blackmail, physical mistreatment, robbery, and murder of the Croatian population) to leave these areas en masse. More than 200 families have had to seek refuge outside Knin opstina.

4. Not once has the National Assembly of the Republic of Serbia condemned this sort of behavior by a minor portion of the Serbs in Croatia; on the contrary, it is reflecting on the opportunity presented by the situation and putting the "annexation" of the so-called Krajina to the Republic of Serbia on the agenda of its sessions.

In addition, not once has the National Assembly of the Republic of Serbia disassociated itself from the criminal activities of its citizens in the territory of the Republic of Croatia.

5. Moreover, in the artificially created atmosphere of animosity towards the Croatian nation and the Republic of Croatia, the elementary human and national rights of members of the Croatian nation in the territory of the Republic of Serbia are being violated, especially in Vojvodina and Kosovo. The violation of the rights of Croats in Vojvodina is manifested on many levels. Croats have practically no opportunity to nurture their national and cultural identity. They do not have schools with instruction in the Croatian language, they do not have the opportunity during the educational process to learn the detailed history of their nation, and they are prevented from forming and expanding their own cultural and educational societies. In addition, in recent times they have been subjected to public terrorism through the information media. In the area of politics, education, and social life, they are subject to measures intended to see to it that the Croatian population loses its own identity, and they are deprived of those elements that are essential to a minority national community in order to preserve its individual essence and prevent assimilation.

6. Explosive devices are being set off near Croatian cultural and historical monuments, the characteristics of the Croatian nation are being cast off, and the Croatian population is being subjected to threats, calls for liquidation, abuse, police brutality, and terror. The latest events in Novi Slankamen, the blowing up of the Franciscan monastery in Bac, and the blowing up of the

Catholic church in Sremska Mitrovica and of the cathedral in Subotica are drastic indications of the level of danger to the physical safety of the Croatian population in Vojvodina. Not a small number of Vojvodinan Croats have been forced to seek a new home outside Serbia.

7. In the latest census, the authorities in Serbia also provided special columns for imaginary ethnic groups—Bunjevaks and Sokaks, which are in fact the local names for Croats living there. Even this would not reduce the number of Croats in terms of their overall share of the Vojvodinan population.

8. In the worst position are Croats in Kosovo (Janjevaks), one of the oldest ethnic minorities in Europe, since they have lived there since the Middle Ages.

There are pieces of evidence and eyewitness accounts from Kosovo Janjevaks of repression, such as illegally conducted house searches, unfounded arrests, and psychological and physical mistreatment during questioning that has no basis in law. There are also eyewitness accounts of inexplicable vaccinations of Croatian children in the presence of the security service and in the absence of medical personnel of non-Serbian nationality. Nighttime attacks on women and children for no reason whatsoever are also common, as are obstructions to the employment of Croats or the performance of other functions necessary for survival.

School instruction is given exclusively in the Serbian language. Only children of Serbian nationality are permitted to enroll in secondary school. It is superfluous to speak of any culture being acquired through schooling or of cultural organizations, because every attempt to organize Croats in the Republic of Serbia is met with a politically malicious interpretation. Croats in Kosovo are isolated in an area where they themselves have long demanded their democratic rights, and many of them are giving up and fleeing from Kosovo to Croatia.

9. All of the above indicates that the Republic of Serbia is engaging in state terrorism against its Croatian citizens, the same type of terrorism that it has long applied to Albanians in Kosovo or Muslims in Sandzak.

This policy of state terrorism is resulting in the emigration of Croats under pressure from their ancient homelands.

10. Based on all of this, as well as on the fact that trampling on the human rights of members of individual minority ethnic groups in the Republic of Serbia is a systematic activity, of which there is abundant irrefutable evidence, the Assembly of the Republic of Croatia decisively and energetically demands of the National Assembly of Serbia that it abide by ratified, international documents in the area of human rights, through which such activities would be halted, and that it express its full concern for the civil and national rights of members of the Croatian minority in Serbia, allowing them to enjoy

all rights and liberties, and creating conditions whereby they are genuinely equal citizens of the Republic of Serbia.

Power Struggle in Slovene Government Discussed

91BA0691C Belgrade VREME in Serbo-Croatian
29 Apr 91 pp 12-13

[Article by Svetlana Vasovic: "Crisis of the Slovenian Government: A Reasonable Man Is Departing"]

[Text] "If for six months I have been saying that something is green, then at this point I cannot say that it is red. However, if it has been red for some time already, I cannot be deputy prime minister." That is how Joze Mencinger, key man in the Slovenian Government, ended his career by pronouncing his own political epitaph.

After a sensational intrigue in which Lojze Peterle displaced him from the position of economic minister and deputy prime minister, as Mencinger left the rostrum of the Slovenian parliament, he was nevertheless loudly applauded by both left-wing and right-wing deputies, the leaders of whose parties had in recent months had such political differences that the conflict, which in the end was not an accident in the least, broke in two over Mencinger's back.

Behind the Scenes

There is no doubt that Dr. Joze Mencinger was known as one of the most powerful and competent people in Peterle's government of laymen. In the period of ministerial appointments, he was the only person to whom neither the public nor party leaders had particular objections. That is, Mencinger is an expert with a special pedigree—a doctoral dissertation entitled "Quarterly Macroeconometric Model of the Yugoslav Economy," which he defended at the University of Pennsylvania. Where he works in the Economics Institute of the School of Law at Ljubljana University, he is considered the heir of Dr. Aleksandar Bajt....

When Peterle revealed the list of his ministers, the media were unusually predisposed to Mencinger. They emphasized his attributes: "Soberness, thoughtfulness and patience, a sense of justice"; they flattered him by saying that he "was distinguished by a straightforward, unmythical, and pragmatic explanation of the economic categories and quasi-phenomena of the Yugoslav economy...." They all agreed that his choice was one of the principal bull's eyes in the conquest of the young Slovenian democracy. Incidentally, Mencinger was the only Slovene macroeconomist who sided with any new party in the election campaign. His choice was Pucnik's Social Democratic Alliance of Slovenia (SDZS)....

The question, then, must logically be asked: How is it possible for Mencinger to be sacrificed at a moment

decisive in Slovenian politics, just two months before proclaiming the disassociated and independent Slovenian state?

The essence of the problem lies in the fatal triangle Peterle-Rupel-Pucnik, which constitutes the backbone of Demos, the coalition in the election campaign created so that the Communists would be defeated. However, very soon after the election, when the time came to form the government, the first incompatibilities cropped up, and over the last year the political quarrels have gained intensity, so that today Demos exists only on paper.

The profound difference can be seen most clearly through the example of the government, which consists of 27 ministers. The portfolios were distributed among the victorious parties by agreement. The SDZ (Slovenian Democratic Alliance) managed to take, among others, those sectors which constitute the state proper—from foreign policy (Rupel), through the Army (Jansa), to the police (Bavcar). True affinities soon became evident: It did not go unnoticed when Dimitrije Rupel, president of the SDZ, and other members of this ambitious party signaled that it, rather than Peterle's Slovenian Christian Democratic Party (SKD) should have the last word in the conduct of government. It did not take long for the SKD to react.

Following a few months of smoldering, the fact that Peterle and Rupel, the leading men of these two parties, could not stand one another almost broke out into the light of day. Both of them began to conduct their own economic and foreign policy, traveling to various corners of the world in separate political arrangements. Peterle gladly chose states whose guidance is influenced by Christian Democrats (with emphasis on Italy), because he hoped that he would be able to put his hands on a bit of capital for Slovenia by means of ideological proximity. Rupel, on the other hand, took a look around him and decided to seek his support—first in the government. The political commitments of the various leaders were summarized strategically. Various lobbies thus came into being. The "Blacks" (Peterle's), Rupel's, and one in the middle made up of ministers in offices where professional competence rather than party allegiance was decisive. The differentiation resulted in an offense against the "independent ministers." A trial run was aimed at Stane Stanic, information minister. Things went smoothly, and Jelko Kacin took his place.

Nor did Peterle lose time; he brought some 20 SDZ workers under the patronage of God and his party, and Rupel's party thereby began to lose the equilibrium in the parliament. It also became public knowledge that certain SDZ members were going to church with certain Christian Democratic ministers. Suspicion along the lines of "who belongs to whom?" was aroused early on by France Bucar (SDZ), president of the assembly, because of the weekly masses when he was accompanied by comrades from Peterle's party....

Recently, the unending chess game stopped on Joze Mencinger, whom in the meantime the SDZ had recognized to be someone close to it, although he belongs to Pucnik's SDZS. Later, Pucnik personally complicated the situation; although not a member of either the government or the parliament, he has let no occasion slip to remind the other partners in the political duel that he is still the head of Demos, the formal coalition.

In short, in the midst of debates over adoption of various laws essential to the future Slovenian state, waves were made in the parliament by Pucnik's "hawks," who without planning it, after the March events in Belgrade, demanded "secession, immediately, here and now!" frightened that a possible democratization of Serbia could cause Slovenes to waver in the unanimous desire to flee the tiresome "Yugoslav tavern!" The debate of this topic was interrupted by Peterle, who decided to stick to the dates outlined previously. There was nothing left for Pucnik to do but to seal his move in an envelope. The first occasion turned up when Kucan delivered the address in the Assembly on 24 April. In that speech, Kucan dealt Peterle a sharp crack, reproaching him because of political tourism in France while the most essential documents were being adopted in parliament, and two ministers (Mencinger and Marko Kranjec, finance minister, who was close to him) offered their resignations. Kucan was first supported by a deputy of Pucnik's party, to the disbelief and entertainment of the opposition and newsmen. It was clear that a third front had been opened once and for all in the fatal triangle.

Along with all that, it should not be forgotten that each of the various party leaders is actually preoccupied with the same objective—separating Slovenia from Yugoslavia, the only difference being in the manner; some are slower, some more radical and more painful.... But, after that objective, it is not nirvana that awaits them, but the scheduling of new elections. Because it is clear that Demos is dead, there is a need to define oneself and establish oneself in power.

Who Benefits From Mencinger's Fall?

In the trial of strength and assumption of power, several ministers might have been targets: Mencinger, whose neutrality was to the liking of Rupel and the SDZ, was the victim. It was not difficult for Peterle to use the time-tested methods of court plots and intrigues to get rid of one of the most able and therefore most powerful people in the government. The trick was simple: Because Mencinger could not be persuaded to go, although he had experienced stormy criticism from various Demos hawks (because of how he spelled out the details of the law on privatization and denationalization and also because the most passionate "secessionists" calmed down when they were warned that what awaited Slovenia after secession was not roses, but thorns), a meeting was arranged for him with his professional colleague Jeffrey Sachs.

The operation was carried out by means of Janez Drnovsek and Dr. Boris Pleskovic, who is Peterle's economic adviser. Sachs was in Ljubljana and in a closed meeting of the government's council of economic advisers he, of course, came into sharp conflict with Dr. Mencinger's economic program, adopting an academic tone. Unsuspectingly, Mencinger went on an official trip to Luxembourg, and Peterle unexpectedly presented Sachs to the Assembly on 18 April. Inspired by the new public, Sachs again took apart the plan of the absent minister—Mencinger. Peterle made good use of Sachs, although his plan probably would not have been adopted, but once the affair became public there was nothing for Mencinger to do but to decently withdraw, immediately after he returned to the country.

"They brought in Sachs in order to stab Mencinger in the back," we were told in a parliamentary recess by Janez Kopac, deputy of the Liberal Democratic Party. "Why did Peterle do it?! I really do not understand why."

How much Peterle wanted to get rid of Minister Mencinger can be seen from the fact that at first he concealed the truth and told the assembly that the government had not paid Sachs and company anything for "their services." Finance Minister Kranjec reacted to that with his written resignation, because Peterle, regardless of any procedure and consultation with the government, had promised Sachs \$440,000, which was to be paid from an already overstrained State Budget unable to pacify increasingly acute social tensions.

Nor did Rupel let the occasion slip to nip at Peterle because Milonig, his personal choice as Slovenia's representative in the United States, had in diplomatic encounters "caused inestimable harm to Slovenia's state interests by circulating information that Slovenia was committing itself to some kind of capital from Taiwan."

And ties with Taiwan are harmful not only because of the possibility of China vetoing Slovenia's entry into the United Nations, but this was also the first official information to the effect that Peterle's people were attempting to buy Slovenian independence with shady financial transactions. On the other hand, informed sources say that these actions had also been opposed by Minister Mencinger. "I was very surprised at the short-sighted policy of Peterle allowing Mencinger to resign," Jasa Zlobec, one of the leading spokesmen of the left-wing opposition, told VREME. "I think that that kind of policy is increasingly panicky and is actually the result of the government's difficult position because of the conflicts among the parties in Demos."

The Fight for Managers

It is true that the most important reason for Mencinger's fall was hidden in the background of party struggles. The differences are not great in how people see Slovenia's economic future, but the key thing is that Sachs' criticism of Mencinger's program coincided almost entirely with the opinion of a majority of the members of the

Demos coalition, who want a rapid and effective privatization that would not be based on the principle of so-called internal privatization, which has made it possible for managers up to now, in spite of the purchase of shares imposed by the law, to hold on to their privileged position in enterprises.

"What worries me in the case of the proposed version of the new law on privatization is the fact that the managers (or directors) will have too large a role or even control over the enterprise. They will actually have the entire enterprise solely in their hands, just by holding 10 percent of the shares," Jeffrey Sachs concluded in a meeting of the government's economic committee, expressing his disagreement with the backbone of the Mencinger plan, because that is a point which the people in Demos, above all the Christian Democratic deputies, said brought Mencinger too close to Markovic's solutions, in which too little attention, according to Demos, had been devoted to the "overseeing of management." At the same time, it is no accident that the opposition, headed by Skoljec's liberals, wholeheartedly supported the Mencinger program. Put simply, the struggle for the new law on privatization incorporated in disguised form the essential struggle for the future outline of the formation of the new capitalist class in the Slovenian state that will be independent (beginning in June). What the Christian Democrats, aside from certain general objections, reproached Mencinger for most is that most of the future capital would be sold, and it would be sold to what up until now has been the management, those who were also managers producing in the context of the former "Red" system.

Thus, the right has unmercifully cast out Dr. Mencinger, thereby completely renouncing any sensible economic plan, just in order to trim the opportunities for that stratum of the technocracy which is ideologically closer to the left-wing parties or at least those in the center.

And it became clear that the parties are exceedingly dependent on capital in the fever of the election campaign, when the parties had appropriate campaign "sponsors." On that basis, some firms even today retain the pejorative nickname "Red" (Gorenje and Smelt), and over the last year the team in power has invested a great deal of skill and effort to begin a purge in the economy among managers who do not go along ideologically.... Because new elections await Slovenia after secession, it is clear that who ever retains sympathizers in the world of capital will be very important.

Demos, then, likes one part of Sachs' program—the one that envisages turning over shares free to all inhabitants so that when the market is established a new capital class would be formed from the ranks of those who hold it. And here the right emerges as the favorite.

The recipe is clear—prevent the left from obtaining financial injections and effective propaganda through the "Reds"; the problem remains in the position of the center and the right. The way out of this intolerable

situation is an increasingly difficult crisis of the government, which, "just when it least needs it," only two months before the most decisive step in the history of the Slovenian people, is being destroyed by the naked struggle for power.

The SDZ dealt quite enough blows to Peterle while he was in France. So that his next move, when he again takes up his post in the trenches, could be decisive. We might expect that this time he will attempt to win the war. The future will show whether the parties in power will calm their passions or because of their separate policies will "gamble even" the Slovenian decision on becoming independent.

Stankovic Criticizes Montenegrin Government

91BA0691A Belgrade VREME in Serbo-Croatian
29 Apr 91 pp 34-35

[Interview with Dr. Ljubisa Stankovic, president of the Alliance of Reform Forces of Yugoslavia, SRSJ, for Montenegro and former candidate for president of the Montenegrin Presidency, by Velizar Brajovic; place and date not given: "The Referendum Does Not Solve Anything"—first paragraph is VREME introduction]

[Text] Dr. Ljubisa Stankovic, president of the Alliance of Reform Forces of Yugoslavia [SRSJ] for Montenegro and candidate for president of the Montenegrin Presidency in the last elections, gave an interview to VREME after a lengthy silence and spoke about the current political situation and the reasons why he has been silent up to now. Another thing the public has not known is his assessment of the last elections and of the atmosphere created for the activity of the opposition.

[Stankovic] In view of the conditions under which the opposition parties operated before the election, and indeed today, the amount that has been achieved is exceptional, and there are reasons to be satisfied, although certain opposition parties, and indeed I personally, expected considerably more. However, when one looks at everything a bit more coolly, then it certainly could not have been better. The access to the media and to financial support was such that the victory of the LC [League of Communists] was guaranteed. That party possessed immense financial resources, not only what had been realized over decades from membership dues, but also the immeasurable amounts taken from the State Treasury because the state and the party were one and the same. Thanks to their people in management positions in socially owned companies and also the obedient policy toward the "great leader" from the other republic, they also received a great deal of money through their "incredibly successful" company. In just a few days during the election campaign, that country did more than 10,000 billion dinars' worth of business. What is more, a television crew followed every movement of the LC leader, went with him from village to village and showed only the effective shots, and it showed only negative commentary on the opposition. The League of

Communists, which at the present time has complete and sole control of personnel policy in the media, richly promoted certain newsmen for services in holding panel discussions during the campaign and for covering the candidate's appearances.

What money and the media together can do we have seen in our close neighbor, where the Workers Party was victorious in free elections, and that, believe it or not, with the same percentage as that of the LC in Montenegro.

The situation is still the same after the election. The opposition parties do not have the minimal conditions for their work. In Montenegro, the opposition is still treated as a necessary evil, something that cannot be prevented, but which must be combated in every way. The press continues to hound the opposition with slightly diminished intensity, but this is stepped up as soon as the danger threatens of the opposition being able to assert itself with its views. Finally, even in the parliament itself the opposition is frequently treated as being undesirable."

[Brajovic] Since the election, the public has received the impression that you have withdrawn from political life; you rarely appear in public, you rarely react, but you do attend sessions of the Montenegrin parliament.

[Stankovic] There is an essential difference between my conception of postelection activity and the conceptions of others, even those in the very top leadership of the SRS CG [Alliance of Reform Forces of Montenegro]. I have been personally of the opinion that the party which has taken power should be allowed to show the citizenry how many of its campaign promises it can deliver. I think that they are their own greatest enemy because of their abilities and inabilities. Their statement (made immediately after the election) that they had not promised anything will certainly not pass unquestioned. The people expect a resolution of the grave political situation and the still graver economic situation. This party that is in power cannot do that. They need enemies now as an excuse for their failures; without enemies, they do not know how to operate. And for that reason they should be left to themselves so that people realize for whom they voted. The time will come for the opposition to show how much it can do. Or, better stated, that time is already coming. In Serbia, it began on 9 March, and I would say that it is rapidly carrying over to other parts of the country as well, especially to Montenegro.

[Brajovic] It is obvious that the opposition and its leaders have been satanized even after the painful election campaign, which abounded in unsupported charges. One gets the impression that the new democratic government has realized that its paramount task is to do away with everyone who thinks differently and eliminate them from political life.

[Stankovic] The other day, the Montenegrin Presidency harshly condemned the persecution of dissenters during the time of the Cominform and rehabilitated all those

who were persecuted. Probably some future Presidency will condemn the present mistreatment of those who think differently in Montenegro. The persecution is now taking place. Now, instead of physical abuse, for every refusal to agree the citizens are subjected to moral abuse, which is the job of the state-controlled press. Even now, just like then, a verdict is pronounced with no opportunity offered for defense. The courts, to which I myself turned, respond that the lies uttered and written never intended to be the truth, but rather to entertain readers. Entertaining readers by playing with the honor and sully the reputation of individuals in Montenegro has always been taken more seriously than physical abuse. That is something that should be remembered by those who are now in power and those who experienced the suffering on Goli Otok and those who are now rehabilitating them. I myself and many others feel the results of persecution of that kind every day, but even that will certainly come to an end.

[Brajovic] How do you evaluate the negotiations at the level of Yugoslavia, the participation of the Montenegrin representatives and their acting in concert with the Serbian government representatives?

[Stankovic] The "traveling caravan," or better stated "fleet," is confirming week after week that it cannot take a single step in the forward direction. After the third meeting, they arrived at their own proposal (the so-called proposal of the SFRY Presidency) that dated back several months.

Above all, the question should be raised of whether the present leaderships want to reach an agreement in the first place. Does it really suit them to resolve the political crisis in Yugoslavia in a relatively short time and turn to the economy? I would say not. Milosevic and Tudjman (synonyms for the respective political options) are powerful insofar as they succeed in provoking mutual conflicts. They are powerful only so long as the other opposing side exists. What is their economic program? In Serbia, we have seen the same government in power for several years now. Everything they attempt ends up as an "economic rebirth" and alone. The economic situation in Croatia is still worse. The Slovenes obviously see no end to the Serbian-Croatian conflict and want to get out as soon as possible. The Montenegrin leadership long ago bound up its destiny with the present leadership in Serbia, and that is how it behaves, with no identity of its own. The attempts of Macedonia and Bosnia-Herzegovina to find a solution in the middle ground have found no response, especially since the latter is already being divided into the spheres of interest of Belgrade and Zagreb. The citizens of that republic in fact did much to encourage that in the elections. The referendum was a salvation for the Serbian-Croatian axis. It does not solve anything. In four republics, the majority will vote for an alliance of sovereign republics, and in two for a joint federal state. That, then, is where the clash actually begins. What, then, does this mean? Will those who are in the minority in their republics accept the decision of the majority (we see that certain opstinas are

even now setting themselves apart from the present boundaries of the republics—Bosnia and Croatia). After a majority votes for Yugoslavia in Montenegro, will a Yugoslavia be accepted that consists only of Montenegro and Serbia, will a new Podgorica Assembly be accepted? It makes no sense to hope that Montenegro would be an equal participant in such a community. It is worth remembering the statements of the present members of the Serbian leadership that that kind of system in which Montenegro and Serbia are equal is a devilish system aimed against Serbia's interests. Such people are not guarantors of Montenegro's future equality. Nor is the present vassal regime in Montenegro a guarantor of that.

It is obvious that these are negotiations being conducted by people who themselves do not know how to get out of this situation; some would go as soon as possible and take as much as they can, others would drive them out as soon as possible and hold on to as much as they can. In neither case are they able to accomplish this easily, and neither the world nor time are on their side. The citizenry, I believe, will soon turn to the real problems of life, and then, there will be no place left for many of those who are now on the stage.

[Brajovic] Is there any basis to the story that the Reform Forces threatens to fall apart and that you want to withdraw from political life?

[Stankovic] There is no question of the Alliance of Reform Forces falling apart. However, it is in need of organizational modification. The Alliance of Reform Forces in Montenegro is quite specific and consists of seven parties and associations and a large number of individual members. As such, it has been functioning as a movement for the elections. However, now the alliance has to be defined more precisely. The thinking varies widely. The possibilities are a coalition or a unified party. In my opinion, adoption of this latter concept would considerably contribute to operating efficiency. The answer to that question will be furnished by the next Assembly of the SRSJ for Montenegro, which will be held in a month and which, in addition to organizational redefinition of the SRS, will also hold elections.

Personnel decisions are in the jurisdiction of the election assembly. I will in any case try to make my contribution, regardless of my position in the organization, and I will do so in the measure, at the moment, and in the manner which I think will have the best impact on activity.

Montenegrin Media, Government Control Discussed
91BA0691B Belgrade VREME in Serbo-Croatian
6 May 91 pp 37-38

[Article by Esad Kocan: "State-Run Media: Owners of the Truth"]

[Text] A happy country does nevertheless exist in the Balkans. While everywhere around there are the lightning flashes of the media war, hatred, and lies, in the

official media of that small, but proud republic "the truth and only the truth" is the sole and supreme criterion. The sole possibility for the sinful human soul is to get used to it. After all, in Montenegro "people today are experiencing a kind of phenomenon, they have experienced the shock of freedom and it is difficult for them, after so long a time living in the sphere of strictly controlled information, to adapt to a situation in which all of a sudden they are offered so much truth."

Vidoje Konatar, editor in chief and managing editor of POBJEDA, used these words to explain the psychological troubles of the Montenegrin population because of the too sudden encounter with a surplus of freedom in a meeting of the republic government devoted to the media of which the Assembly is the founder. That meeting, otherwise a preparation for the parliament's debate of that topic, as was expected, took place in a family atmosphere. "In view of the basic right of the citizen to truthful, timely, and objective information," said Momcilo Stojanovic, republic information minister, at the very outset, doubts were cleared up as to what was behind the opposition's reproach concerning the work of the state-controlled media. He was not very original, but on the other hand he was very explicit: "This is a real struggle for power, actually a substitution for what the parties lost in the election."

The minister, of course, struck right to the heart of the matter—wholehearted support was forthcoming from the editors in chief and managing editors whom the government had named very soon after it took office "exclusively because of their attributes as professionals and specialists," firmly convinced that tried and true activists of the party in power "would not abuse the media to promote their own ideological views."

Mistreatment of the Public

On this occasion, the government's guarantors complained to their bosses about difficulties in establishing "firm editorial policy" in a context when they must get used to "new conditions, including even in opposition." "Our truth does not suit them," is the message which all the editors in chief and managing editors had in common. Nor has the prime minister of the republic missed an occasion to praise them, nor an occasion, like every father in the family, to reprimand the custodians of "our truth" "for lapses which are the result of the maturing of democracy." The prime minister, supported by general agreement, of course, specifically pointed to the danger to a healthy society represented by certain journalists who "present falsehoods about political events and about the protagonists of current Montenegrin policy." "This is being done even by certain newsmen of POBJEDA and RTV Montenegro," he cautioned in his own characteristic way, "who have even forgotten the last time they published anything in the news medium where they regularly receive salaries, but who abuse the Montenegrin public with their articles published in the opposition press and independent press."

If the prime minister's remark about "regularly receiving salaries" is taken as an oversight committed in rhetorical enthusiasm, the other messages should be taken much more seriously. It is a fact of life, that is, that there are a large number of newsmen employed by POBJEDA and RTV who "are mistreating the Montenegrin public" through the independent press and newspapers in other republics, and also that some of them have truly forgotten when they published their last piece in their own papers. The Montenegrin prime minister, using the word "published," was in fact very, very precise without wishing to be, because writing is not the same as publishing; otherwise, the Montenegrin public could read or hear even in the state-run media different assessments of the view of the party secretary at that time favoring a referendum to decide on establishment of the multiparty system. If the articles written were published "in good time," that same public might confront even the opinion that life is possible even without democratic centralism, that to advocate pluralism differentiation simultaneously is to be either infinitely stupid or infinitely hypocritical, that gunfire in front of the parliament does not contribute to a "firm and unified" Yugoslavia, that the theory of a planetary conspiracy against Serbism and communism has points which are quite weak, that it is not really very smart to boast about the number of one's enemies, and that an irreconcilable commitment to the concept of "a federation or nothing" is not a synonym for patriotism....

Right All the Time

It is only because that public was protected in good time from "mistreatment" with articles of that kind that it has been possible for the "protagonists of current policy," from the January revolution to the present day, to be right all the time. Since the appearance of the independent newspapers in Montenegro (KRUG and MONITOR), the patriotic forces have mounted a decisive assault to destroy these centers for the gathering of traitors within. Aside from the constant demonization, altogether practical steps have also been taken. In POBJEDA, MONITOR was an occasion for prohibiting its newsmen from working with other papers without permission of the managing editor. Anyone who violates the ban of this professional, who is concerned about the mental health of the people because of "so much truth" and the "shock of freedom," will commit the most serious violation of work duties. Because the journalists of POBJEDA cannot publish anything even in their own newspaper without his permission, the only thing that remains for the recalcitrants is to truly forget when they last wrote an article, to edit stories from the livestock market, or to gather news in the field from inspectors concerning wildcat building for the city chronicle. Those are the lucky ones. The others are given a special editorial task that demonstrates the trust being placed in them: soliciting advertising for this paper of all the people.

The television journalists who do not adapt are in a considerably better position. For the present, they can

write articles for other papers from which even the paid advertising is not passed without censorship where they work. The official Montenegrin press has in the meantime been making a full contribution to development of a homegrown variety of wartime journalism. It is not, of course, just a question of dozens of people dead on the battlefield in Pakrac, but of systematically boosting the fighting enthusiasm of the masses. In the periodicals here, there are countless examples of the creative joining of rumors and "socially useful" lies in order to maintain the people's belligerent spirit. Even after others back off, POBJEDA continues to bravely brand not only the traditional Slovenes, Croats, Albanians, and reformists, but also all those representatives of opposition parties who dare to talk to them any other way than as enemies. The demonstrations on 9 March in Belgrade upset the established order of things only for a moment. Confused by the development of events following the support of the Serbian authorities against the "forces of chaos," the

Montenegrin leadership (as a concession to the opposition) consented to a debate on editorial policy in the public media. In a recent meeting of the Montenegrin government, however, Milo Djukanovic was short—he rejected the proposal that the editors in chief be chosen by the assembly; no one even asked for the journalists themselves to at least have an influence on the choice of their bosses.

There is clear indication of the consolidation of "our ranks" in the unanimous agreement that the assembly debate the news media of which it is the founder. In view of the well-known disposition of the communist majority in the parliament, that will be an interesting contribution to the development of freedom of the press. Because correspondents are protected to some extent, it will not take newsmen employed in the state-run media many guesses as to who will get into trouble again.

HUNGARY

Military Chain of Command, Restructuring Debated

Communist Scheme Alleged

91CH0556A Budapest HETI VILAGGAZDASAG
in Hungarian 13 Apr 91 pp 77-79

[Article by Ferenc Mernyo: "Army Crisis: Self-Centered, All-Around Defense"]

[Text] It seems as if the domestic policy storm created by the resignation of Lieutenant General Kalman Lorincz has passed. He is the commander of the Hungarian Honved Forces. The resignation was timed so that it took place on Holy Week. But has the storm really passed? The author, a reserve captain, and formerly the chief science officer of the Hungarian Military Technology Institute, attempts to answer this question.

Is the Honved Forces Command a water head? This question is asked by soldiers and civilians alike in the aftermath of a domestic political skirmish which started with a statement by the defense minister. Lajos Fur announced that the leadership of the Army was oversized, that it was unnecessary for the command and the staff to function in parallel, and that therefore, it would be desirable to develop a leadership structure consistent with the customs that evolved in European democracies. To accomplish this, Fur would soon initiate negotiations with all concerned parties, he said. As a sequel to this matter Imre Mecs, Alliance of Free Democrats representative and Defense Committee vice chairman, publicized in the press the SZDSZ [Alliance of Free Democrats] is not overly flattering position regarding the Defense Ministry's endeavors. Thereafter, General Lorincz, the commander of the Honved Forces, handed in his resignation to Arpad Goncz, president of the Republic and commander in chief. After consultations with the defense minister and with his own advisers, the president decided not to accept the resignation tendered by the commander. General Lorincz took note of this. On a final note Prime Minister Jozsef Antall received General Lorincz and assured him of his confidence, thereby seemingly concluding this out of the ordinary domestic political affair.

In order to understand the deeper context of this matter one must go back in time to the early 1980's. In those days the Hungarian People's Army was forced to fund its activities from a budget whose real value decreased year after year. To reduce the budget deficit, each year on a regular basis the funds appropriated to the military were further cut. The functioning of the Army with an unchanged structure and size was made possible as a result of expending for maintenance purposes part of the funds earmarked for development. The earlier ratio of development versus maintenance expenditures was 40-60 percent, and this still is the case in Western armies which function on a stable economic base. But the 1991

Defense Ministry budget revealed that at present the same ratio in Hungary was 10-90 percent.

Wages and social security contributions amounted to about half of the defense expenditures, and this remained unchanged to this date. This fact prompted the higher level military leadership to radically revise the personnel size of the Honved Forces. Beginning in the middle 1980's, the Army has undergone three military reform efforts. All three had as their expressed purpose the reduction of executive levels suspect of being water heads at that time already.

The first reorganization took place around 1983-84, when party headquarters toyed with the idea of economic decentralization. Consistent with that, certain positions of authority had to be downgraded in every ministry, including the Defense Ministry. The outcome of this endeavor was a reduction in the functions assigned to the Defense Ministry, nevertheless the size of personnel at the ministry remained essentially unchanged.

The second reorganization attempt took place in 1987-88, when organizers moved mountains. Units were transferred from one part of the country to another and many smaller divisions became one large division. The efficacy of the entire reorganization could be proved on paper only, because as a result of the reorganization the number of executive levels was not reduced, in essence not even the number of levels charged with commanding troops was reduced. On the other hand, certain colossal organizations were established, brigades, army corps, which certainly could have been deployed efficiently if troops clashed in the endless plains of the Soviet Union, but hardly in any realistically conceivable conflict in Hungary.

The third reorganization involved the Ministry of Defense itself. The Nemeth government was feverishly looking for ways in which the organizations of force (police, army), until then under direct party command and thus appropriately compromised, could be removed from under the direct influence of the future noncommunist government expected to exercise power following the then anticipated multiparty elections. In this endeavor Nemeth found an appropriate partner in the person of then Defense Minister Ferenc Karpati. Prior to his appointment as minister Karpati served as chief of the political group, and as such was held responsible for implementing the policies of the Hungarian Socialist Workers Party at the Army.

This reorganization began in the fall of 1989 and ended in March 1990, just prior to the elections. Virtually everything and everyone had been detached from the Ministry, and the number of personnel remaining at the ministry amounted to less than 10 percent of the previous number. Accordingly, the ministry's staff size was reduced on paper, a matter they never accomplished before. In addition, they managed to withdraw the entire core of army cadres from under the influence of the

future government, in order to avoid house cleaning based on party politics. It is well known that within the Honved Forces, the communist party organization involved more than 50 percent of the personnel. The same rate was 80 percent in midlevel leadership, and 100 percent at the ministry. Thus, the establishment of the Hungarian Honved Forces Command served as a classic example for how to salvage power. And these motivations sufficed for the parliament of those days to approve the change.

The functioning of a peculiar organization, the Defense Ministry Supply Directorate provides a shining example of how the size of the upper level army leadership was reduced only on statistical tables. Although on paper the combined size of the Ministry of Defense and the Honved Forces Command was smaller than before, the number of persons (functions) served by the Defense Ministry Supply Directorate has increased consistently throughout the years.

As a result of the reorganization, the president became the commander in chief of the Army, the way this is in most democratic countries. In most of these countries, however, the Army is directed by a triumvirate composed of the president of the republic, the minister of defense and the Army chief of staff (along with a clear delineation of authorities and jurisdictions). In contrast, the constitutional amendment adopted by the previous Hungarian parliament placed the direction of Hungarian forces in the hands of a triumvirate composed of president of the republic, the commander of the Army and the army chief of staff, failing to clarify certain individual jurisdictions. This, then fully cut off the government from exerting any influence upon the military.

This history is obviously part of the background to the reorganization announced by Defense Minister Lajos Fur and justified on constitutional grounds. Nevertheless, the following questions remain unanswered: who will implement the reorganization and the downscaling, and who will control these processes? Will it be the government via the Defense Ministry, or the generals who salvaged their power by establishing the Honved Forces Command, and who essentially acquired full power over the functioning of the Army, except for budgetary resources.

Naturally, the cabinet would like to exert greater influence on ongoing processes within the Army, because it is held accountable for the implementation of the budget, and is responsible to parliament which appropriates the funds for the preparedness of the Army. In today's chain of command, however, the defense minister amounts to barely more than a military courier between the commander of the Honved Forces and the president of the Republic.

The opposition's reaction is fully understandable. As a result of the two-thirds rule in parliament it is able to bear influence on military matters even from the opposition side. And since the opposition does not see a

comprehensive defense concept flowing from the Defense Ministry's activities, because such concept does not exist, it registers the government's endeavors merely as an effort to curtail the opposition's influence. This then prompts the opposition to instinctively protest. It objects "in advance" to governmental endeavors to increase its influence over the Army.

As things stand today, there is only one winner in a clash like this between the government and the opposition. The winner is the corps of generals and chief officers who salvaged their power by way of transfer to the Honved Forces Command based on the 1989 constitutional amendment. This group of people is capable to provide, leak or withhold information obtained from the Army in methodically proportioned doses sometimes to the government and at other times to the opposition, thus simultaneously holding the cabinet, the president, and even the parliament in check. After all, no one can assert in this country today that he possesses comprehensive information about the Army, about the material and technical conditions of the Army or its reserves, its combat readiness, preparedness, the morality of troops, or their level of training, except for the organization directly involved: the Honved Forces Command.

The events in and around the Army which transpire before our eyes are parts of an ongoing power struggle for the acquisition of influence and for the possession of information. Aware of its certain political independence, the actual leadership of the Army is magnificently capable of profiting from conflicts arising between the cabinet and the opposition. During the period preceding the budget debate it so happened that the Honved Forces Command regarded the Defense Ministry as the nice partner. But once the ministry attempted to acquire greater influence, and thus, tried to reduce the influence of not only the opposition, but also of the Honved Forces Command, the president became the target. He could be forced to make a decision as a result of a well-chosen resignation. The result is known.

But the situation was not resolved just because the President refused to accept the resignation of the commander of the Honved Forces. To the contrary, the Honved Forces Command appears to be gaining strength. Acceptance of the resignation would not have resolved the existing constitutional problem of course, at best it would have forced an early resolution of the problem. Resolving this problem by establishing a national army, an idea supported by all sides, is in the interest of both the ruling party and the opposition, but the role played by the president must not be neglected either.

Above all, Hungary's (alternate) military doctrine, overdue from the government, should be developed and presented to the parliament at last. This doctrine should be clear, and adaptable to any foreseeable situation. The size of an army which protects the sovereignty of Hungary, the size of the active duty and reserve forces, their mobilization plan and the structure of the chain of

command can be determined on the basis of a developed and agreed upon doctrine, while development, and within that the extent military research and development, domestic production and procurement from abroad, officer training and continued education in Hungary and abroad, the compensation system of the staff, etc., can be determined on the basis of economic indexes. And thus, it is possible to provide budgetary resources for an army described in detail along these lines.

In addition to participating in the development of the doctrine and of the military concept, which realizes that doctrine, the opposition should also be aware of the fact that as long as it intends to use its parliamentary veto power as the sole weapon to defend its position, it will only support the survival of structures inherited from the party state, and will indirectly contribute to the slow withering and disintegration of an army whose financial resources are tight and which functions at an unfavorable level of efficiency.

Supposedly the resignation of General Lorincz was not the sole intermezzo in the power struggle described above. Rejection of his resignation, somewhat incomprehensibly sanctioned by the prime minister's expression of reinforced confidence, did not put the arms to rest in this matter. All that took place was a retreat on all sides to previous positions before the beginning of renewed backstage battles.

Gen Kiraly's Views

91CH0556B Budapest NEPSZABADSAG in Hungarian
13 Apr 91 p 6

[Article by Bela Kiraly, Alliance of Free Democrats representative and retired general: "Military Reform: What Should Be Done?"]

[Text] Highland Lake, United States, 5 Apr—NEPSZABADSAG has published three noteworthy articles regarding this subject: Defense Minister Lajos Fur's statement on 23 March, Imre Mecsek's response on the 26th, and the Defense Ministry's counter response on the 28th. Thus far unsuccessfully, I have been encouraging debate precisely in regard to such vital military issues for months. I am pleased because this debate has now started. But this is only the beginning, the debate must continue. We have ample time to clarify long-term military concepts and to plan the most favorable defense system. There is no threat of war in Europe, and we could not realize our optimum defense system prior to the middle of this decade anyway. In the present constrained situation, however, certain reforms measures should be implemented urgently and immediately.

Before evaluating the issues raised in the statements, I would like to make reference to three factors which determine the sole framework in which reform is conceivable.

The first and most important factor is nonpartisanship in the Army, but political partisanship must also be barred from the debates and actions of political and governmental organizations which deal with the affairs of the Army. The second factor is the emphatic recognition of the fact that an army may become the nation's army only if in the souls of its officers, noncommissioned officers and soldiers a nation consciousness, a commitment to the nation constitutes a live force. In order to accomplish this it will be necessary to intensively teach our soldiers about Hungarian history in general, but the ideals, actions and after effects of 1956 also require particular clarification. Following decades of distortion, the proper knowledge of history can be the only foundation for developing a healthy Honved spirit. And last but not least, we must recognize that to a large extent, the future of our democracy hinges upon our success in making our economy viable within a short period of time. Our integration with Europe may be undisturbed if we succeed in accomplishing that. If not, we will descend to the level of developing countries. The preliminary condition for our success is the confidence of the Western financial world, this, however, has its foundations in our balanced state budget. Every ministry, including the Defense Ministry must grind its teeth, and by all means must stay within the limits specified in the budget.

Having said that we may discuss the problems mentioned in the three statements:

Reduction in Force

The shrinking of the organizational framework of the Honved Forces prompted the retirement of several thousands of professional officers. On the other hand, according to foreign observers and my own experience, the officer corps of the Honved Forces consists of highly trained professional soldiers at the peak of professional knowledge. Letting these people go wherever the wind blows would amount to squandering the golden reserves of national defense. Even if thousands of officers must be retired, the umbilical cord which ties officers to the body must not be severed. A special status must be established for retired professional officers under the age of 60, and officers to be forced to retire. All these officers should be placed in the "ready reserves." In this framework they should enjoy full pension benefits, but they should be recalled annually for 24 days of duty (with full pay consistent with rank), so that as a result of continued training they keep abreast of the evolving new theory and practice of the Honved Forces. Despite their retired status, these officers should be promoted in the same way as their comrades in arms on active duty in order to reinforce the feeling that they remained actual members of the Honved Forces.

"The Water Head"

I have asserted for months that the Honved Forces have a "water head," while there is a shortage of officers in the

ranks of enlisted men. Noncommissioned officers command countless companies and similar subunits for years. Defense Minister Lajos Fur reinforced this view of mine when he said that the total size of the upper leadership "was 50 percent larger than what would be desirable." This "water head" must be punctured, and the people, materials, technology, and money flowing from there must be reallocated to the "fighting units." I understand this concept to mean command posts at the Army corps level and similar units of equal rank, and their subordinate troops. At the same time the 5th Army Command of Szekesfehervar must be discontinued. It functioned as the Hungarian implementing unit of the offensive war plans of the Warsaw Pact. There is no need for this command since the military organization of the Warsaw Pact has been discontinued. At least one of the three army commands could also be discontinued. It is in this spirit that the entire higher command system should be examined and reduced, so that the "water head" be exchanged for a smaller but far more effective leadership structure.

Army With Two Heads

In every mature, European democracy the defense minister accountable to the legislature is the highest leader of the military. In Hungary, however, a not well-developed body has two heads. Between the two wars, three heads directed the Honved Forces: the Defense Ministry, the commander in chief of the Honved Forces, and the chief of staff. With the effective date of Law No. 11 of 1939 the post of commander in chief of the Honved Forces no longer existed and the leadership had two heads left. But above those two heads, the regent, the "supreme commander" issued orders to both. Although our constitution names the president of the Republic as the commander in chief, it vests the president with little executive power under normal circumstances. The question is whether the two heads amount to too much. This question suggests that we examine the role of the head of state.

The president of the Republic is the commander in chief of the armed forces. Our Constitution in part stringently limits presidential authority over the armed forces, and in part provides ample room for the exercise of this authority under extraordinary conditions. The Constitution establishes two main restrictions: on the one hand it authorizes the National Assembly to decide over "the deployment of armed forces within Hungary or abroad." On the other hand, it requires the prime minister's and the minister's countersignature regarding every action involving national defense. Some people make reference to laws enacted prior to the effective date of the Constitution, before the turnaround, which did not require a ministerial countersignature. But the constitution is the master in every constitutional state, and laws repugnant to the constitution are simply invalid. Those who intend to strengthen presidential "power" by bringing up such obscure legal provisions play with fire, and in the final analysis their endeavors may achieve the opposite of the intended results.

Even if these limitations are strict, the president's authority as commander in chief of the armed forces broadens at times when the deployment of armed forces may be at issue, notably upon the declaration of a state of war, and under extraordinary and emergency conditions. In these instances presidential power is indeed very broad, and so is his responsibility. This influence on part of the president begins when the National Assembly is impeded in making decisions. These conditions are proclaimed by the president himself. Under conditions of war and in extraordinary situations he serves as the chairman of the National Defense Committee which exercises executive power. His "powers" are also very broad in emergency situations.

All these constitutional provisions make it entirely unnecessary to increase the authority of the president of the Republic through legal provisions which, in any event, would be contrary to the constitution and would have questionable validity. All this would also render senseless the struggle to maintain the two headed leadership of the Honved Forces. The rights and duties of the president perfectly satisfy the need for him to exercise the authority of an actual commander in chief in critical times. For this reason, the only condition that is warranted from a practical standpoint must be established. The Honved Forces Command must be abolished, its responsibilities must be transferred to the chief of staff, and the chief of staff must be unconditionally subordinated to the minister of defense.

Let me conclude my statement by saying that beyond the Constitution and the laws, it is the character of the incumbent that largely determines the prestige and effectiveness of any state position. We are fortunate; in the person of Arpad Goncz we have a morally pure, wise statesman as our head of state. He perfectly expresses "the unity of the nation and guards over the democratic functioning of the state organization," the way the Constitution demands.

POLAND

Future Command, Organization of Army Presented

91EP0510B Warsaw POLSKA ZBROJNA in Polish
23 Apr 91 pp 1-2

[Article by Lieutenant Colonel Andrzej Medykowski: "Profile of the National Defense System: New Model of Armed Forces Presented"]

[Text] The most interesting part of last Monday's (April 22) session of the Interdepartmental Commission for Reforms in the Organizational Structure of National Defense was the presentation by General Div. Zdzislaw Stelmazuk, Chief of the Polish General Staff.

He presented the assumptions of the future model of the Polish Armed Forces, including the command and

administrative bodies. The lucid documentation, substantive treatment, and concise language of the presentation prompted the commission to accept these assumptions within a record-breaking period of time. It can be guessed that this warrants making public the principal assumptions of the model of the Armed Forces for the 1990's.

As we reported previously, according to these assumptions, the minister of national defense is to be a civilian, and the ministry itself will be transformed into a civilian agency of the state administration. On behalf of the minister the duties of commanding the Armed Forces will be exercised by the chief of the Polish General Staff—the General Inspector of the Armed Forces, who in wartime would be the supreme commander of the Armed Forces.

The leading (central) command body would be the Polish General Staff. It would attend to planning the organizational and technical development of the military as well as mobilization and use of troops in time of war, military training, and the provision of the military with every condition for maintaining a high combat preparedness and capacity. The Polish General Staff would be not only the main element of the national defense system but also a body initiating and coordinating certain measures relating to defensive preparations in this country.

Here it is worth noting that these assumptions were drafted on taking into consideration the following circumstances: the endeavor to make the Armed Forces unambiguously defense oriented; the arms limits established for Poland under the CFE-1 Treaty, the government's decisions of November 1990 concerning the numerical size of the Armed Forces in times of peace and war, the adopted concept of defending national territory, the current status and deployment of the Armed Forces and, this being an increasingly essential factor, the possibilities for earmarking budget funds for defense.

It is anticipated that the size of the Armed Forces would be reduced to 230,000-250,000 in peacetime, while in time it war it could be expanded to 750,000-800,000. They would consist of three armed services, i.e., the Army, the Air Force and Air Defense Troops, and the Navy. The Army would consist of nearly 150,000 personnel, including regional defense troops armed and equipped with weapons and facilities not included in the CFE-1 Treaty. A new factor would be the rapid-reaction forces maintained at the central level. It is anticipated that the overall size of the land army in peace time would be about one-fourth of that in time of war.

About one-fifth of Armed Forces, that is, fewer than 50,000 personnel, would be in the Air Force and Air Defense Troops and, although in peacetime they are to remain in the highest state of combat readiness, they are to be only half as numerous as in time in war. As for the Navy, in peacetime its personnel would total nearly 20,000, and it would operate about 40 combat fleet units.

The structural changes would make the Armed Forces defense-oriented, but they would not contribute to modernizing our military. The indicator of up-to-date equipment in the hands of the military is around 20 percent—it should be twice as high—and much of the other equipment has exceeded its operating life. Achieving the criteria of modernity and the limits specified by the CFE-1 Treaty, would require spending by the year 2000 a sum that would certainly exceed the budget of the Armed Forces until the end of this century, whereas in reality we can afford to allocate for this purpose only a fraction of that sum.

Structural changes should, however, contribute to reducing almost in half the number of positions at the ministry. It is expected that within the military itself the number of those subordinated to the chief of the Polish General Staff would aggregate 1,700, of whom 1,200 career military personnel and some 500 civilian employees.

Further, the speaker described the planned new structure of the General Staff. It would consist of three main sections, each headed by a different deputy chief of General Staff: the Staff for Strategic Planning and Organization of the Armed Forces, to be headed by first deputy chief of the General Staff (in wartime by the chief of the General Staff); the Training Inspectorate; and the Logistics Inspectorate, as well as many institutions, including the Directorate of Personnel, the Directorate of Finance, and Headquarters of the Military Police. The chief of the Polish General Staff would be the official superior of the commanders of three (or, as the need arises, four) military districts, the commanding officer of the Air Force and Air Defense Troops, and the commanding officer of the Navy.

During that session the commission decided on the final version of the assumptions for transforming the Ministry of National Defense into a civilian agency of the state administration, the structural model of the national defense system (inclusive of the organizational assumptions of civil defense), and recommendations concerning the defense industry. In the last-named case some of the previously existing discrepancies could be eliminated while others are yet to be resolved through a different procedure.

Condition of Weapons, Technical Equipment Viewed

*91EP0510A Warsaw POLSKA ZBROJNA in Polish
23 Apr 91 pp 1, 3*

[Interview with General Bde. Edward Ogrodowicz, chief of the Armaments and Electronics Service, by Lieutenant Colonel Longin Szerba; place and date not given: "Arms in the Polish Military"]

[Text] [Szerba] General, sir, the state of the ordnance and technical equipment of our military has always been of great interest to the public and, similarly, to the Polish military community. The professional involvement of

that community and its concern for the future of the armed forces, a concern dictated by the far from optimal experience gained from restructuring, necessitate an honest and open discussion of many heretofore suppressed or sensitive matters—including ordnance too.

Therefore, my question is: how do you evaluate the modernity of Polish ordnance? I am specifically concerned with its generations and the qualities comparable to their Western counterparts.

[Ogrodowicz] The interest in this topic is understandable. The modernity of our ordnance and technical equipment is the resultant of economic possibilities, both past and present, and the political and military situation of our country, also both past and present. The level of that modernity varies depending on the kind of ordnance or equipment.

Most ground-to-ground missile systems are obsolete; in practice only 10 percent of these systems meet the requirements of the modern battlefield. Of the air-defense missile systems about 30 percent are at a fairly modern level. Owing to its properties, that group of equipment becomes obsolete and depreciates most quickly.

The situation as regards artillery ordnance is better. Owing to our production of the Gozdzik 122 mm self-propelled mortar and imports, at present 54 percent of artillery pieces and missile launchers displays good tactical-technical parameters. Our radar systems, mostly domestically manufactured, are pretty good. But here a major role is played by the technology barrier, especially in the manufacture of components such as high-grade integrated circuits, power transistors, etc. Their quality is decisive to the quality of radar stations.

It appears that we are best situated as regards our small arms. The small arms manufactured at Polish plants are at world-class level.

Our optoelectronic equipment is steadily improving; this also applies to tank fire guidance systems and a growing number of automated command systems.

To sum up, with us it is the most complex equipment that is the least modern and requires the greatest outlays of funds, principally artillery and small arms.

[Szczerba] How would you assess the reliability, or perhaps more exactly, effectiveness of this ordnance? As known, it is overwhelmingly of Soviet origin, whereas the armed conflict in the Persian Gulf has clearly undermined, to put it diplomatically, confidence in its combat qualities and usefulness, as best demonstrated by the destruction of nearly all Scud missiles by the coalition forces—missiles which in Poland bear the name R-300.

[Ogrodowicz] You are oversimplifying somewhat. The effectiveness of ordnance cannot be reduced to its technical level alone. The attitude and training of crews and competence in using the ordnance also matter significantly. Patriot missiles are younger than the R-300's by

at least 20 years. Such antimissile missiles are capable of destroying practically any ballistic missiles, including those of the R-300 class. Besides, to put it plainly, press agency communiques cannot serve as a basis for thorough comparisons of the technical and combat qualities of ordnance.

But yes, indeed, roughly speaking, the ordnance used by the coalition forces was 15 to 20 years ahead of those used by the Iraqi side.

[Szczerba] Could you tell me what conclusions can be drawn from an analysis of the operating qualities of the ordnance and equipment over which your service branch exercises jurisdiction? Are they easy to service? To what extent are they automated? In brief, how far do we lag in this field behind the West?

[Ogrodowicz] This is directly linked to the problem of modernity. Modernity also means ease of operation, fewer regulations, more widely spaced servicing, easier identification of damage. Then there is the question of so-called operativeness of use. Simple equipment creates few problems whereas complex equipment bristling with electronics creates more problems. We are catching up with the lag in automating diagnostic processes. Our radioelectronic equipment monitoring and repair stations and diagnostic stations for the armament of combat vehicles are quite good, but compared with the West, I believe that in this field, just as in the field of weaponry, we are lagging behind 15 or so years.

[Szczerba] But we also have pretty good indigenously manufactured equipment. In particular, I am thinking of Nurk-series radar stations with their impressive specifications and the new models of military pistols. Are we going to develop their production considering that they also represent highly salable exports?

[Ogrodowicz] Yes, we are. As for the qualities of our radioelectronic and optoelectronic equipment, they shall be markedly upgraded after our industry gains access to new technologies and up-to-date components. Properly speaking, this concerns all kinds of equipment—command automation systems, air-defense equipment, antitank equipment, and ammunition. Pilot production of 9-mm small arms designed for Parabellum cartridges also has been initiated.

[Szczerba] The acquisition of modern equipment hinges chiefly on the possibilities for budgeting the needed funds. Could you make public the funds available to this purpose to the Armaments and Electronics Service?

[Ogrodowicz] The funds earmarked for such acquisition in 1991 account for 19 percent of all the funds allocated to our service for 1990 (compared with about 33 percent in 1990). Here it should be borne in mind that modern ordnance, and especially missile systems, electronics, and antitank systems, are extremely expensive. Besides, this not just a question of buying arms; this also involves setting up a system for operating these arms, training the crews, and securing stocks of missiles and ammunition

for a specified combat period. Most often these added expenses are higher than the cost of the combat equipment itself, but usually this is overlooked. Another characteristic of ordnance is that its various kinds differ greatly. For example, they do not consist of uniform or at least similar components, unlike other types of equipment.

[Szczërba] It is no secret that coproduction ties with our heretofore biggest arms supplier, the Soviet Union, are becoming disrupted. Are we looking for a new supplier?

[Ogrodowicz] It seems high time for that. For example, 62 percent of our ground-to-ground missile systems and 48 percent of our ground-to-air missile systems are by now more than 50 percent over the pertinent norms. Yet the situation at present is such that the share of modern equipment in ground-to-ground systems ("Toczki") is six percent and in ground-to-air systems, more, 34 percent.

Our Armaments and Electronics Service is intensively exploring the markets and terms for the acquisition of arms. We are looking at both our direct neighbors and more distant countries. It is difficult to arrive at final decisions owing to the still continuing restructuring of the Armed Forces. And there is the question of funds, which unfortunately is decisive..

[Szczërba] Since there is a shortage of funds for the acquisition of imports, modernization acquires a different, broader dimension, being less costly and taking less time. General, sir, how do you define the situation in this field?

[Ogrodowicz] Ordnance and electronic equipment have become, so to say, permanently modernized to an extent that, of course, varies—from equipping tanks with fire guidance systems through the introduction of new more effective kinds of ammunition to infrared guidance systems for small arms.

The most important kinds of modernization are those pertaining to equipping T-55A tanks with Merida fire guidance systems, along with analogous work on SKO fire guidance systems for T72 tanks, the installation of Strzala-2 missiles and extremely good tachometric gun-sights in ZU-23-2 antiaircraft cannon, and the introduction of irrotational hollow charge shells for the 122-mm self-propelled mortar as well as of shell heads with antitank mines for BM-21 artillery launchers.

[Szczërba] Professionals and military experts argue that modern ordnance and equipment should account for 30-35 percent of overall military ordnance and equipment. What is that ratio like in the Polish military?

[Ogrodowicz] It is difficult to dispute the opinions of experts; they are right. Roughly the same indicator also applies in our military, with the exception of ground-to-ground missiles and antitank equipment (about 10 percent).

[Szczërba] What does the new defense doctrine mean to the Armaments and Electronics Service? Which ordnance will be especially preferred? After all, the role of antitank weapons is growing, though not only them....

[Ogrodowicz] Our ordnance priorities are linked to our military doctrine as well as to the restrictions imposed by the Vienna-1 Treaty. The importance of antitank and air-defense weapons, reconnaissance and jamming systems, automatic command systems, and fire guidance systems is rising rapidly. These are the types of ordnance to which we will give priority in development and modernization.

[Szczërba] In the meantime, however, our acquisition of modern ordnance is declining in measure with the continuing price increases and the adoption of the convertible dollar exchange rate. An eloquent example is the situation with radar equipment, whose acquisition declined to 1.6 from 2.4 percent in the comparable years 1989-90.

[Ogrodowicz] You are right. The possibilities for acquisition hinge on the available funds. To some extent political conditions also may be a factor, but it is the availability of funds that is decisive. And as everybody knows, ordnance is very expensive.

[Szczërba] When, over what periods of time, and what kinds of ordnance have to be replaced?

[Ogrodowicz] Most of our present equipment will last us until the year 2000. In the second half of the 1990's the most obsolete types of equipment, chiefly antiaircraft missiles and antitank weapons, will begin to be replaced. We count on the normalization of the economic situation and a broader participation of the indigenous industry in this process. Replacement may occur only on condition that we supplant the withdrawn equipment with its more up-to-date counterparts displaying improved technical and combat qualities.

[Szczërba] As if that were not enough trouble, problems with equipment repair have arisen. What are these problems, specifically?

[Ogrodowicz] Among other things, owing to the rapid rise in the cost of in-plant repairs of ordnance and technical equipment, we have stopped following the time norms for equipment repair and instead begun to assign equipment for repair only when so dictated by its actual condition. This complicates the planning of the operations of repair plants and their revenues, but this way it is less costly to us, without impairing the efficiency of the equipment. Some of the repairs, particularly those of the less complicated equipment, are now being handled by the military itself. The Polish ordnance repair and manufacturing plants had been established for the needs of the former structures ensuing from the Warsaw Pact. Given the new organizational structure of the Polish military, and given the difficult economic situation as well, we are unable of assuring the operation of these plants at full capacity.

[Szczerba] Another problem: as known, the restructuring of the military also entails the reorganization of the Armaments and Electronics Service. I believe that, as of last April, the entire supply system has become roiled. The term logistics is gaining currency. This places under a question marks the operation of the Armaments and Electronics Service in its present form. What new model of this service will apply in the future?

[Ogrodowicz] The new model of the Armed Forces does not provide for services in their traditional form, or for so-called central supply agencies. Their tasks are being taken over by the nascent logistics department.

In time the Armaments and Electronics Service will cease to operate at all organizational levels. Its duties will be reassigned to the supply and maintenance services belonging in the structure of a logistics department that would treat in an integral manner the problems of military supplies and maintenance of military equipment.

[Szczerba] In this place it would perhaps be fitting, just for the record, to specify the ordnance and equipment covered by your service.

[Ogrodowicz] The Armaments and Electronics Service has been the central supply agency for 1,546 kinds of equipment, more than 100,000 spare parts, and 2,000 kinds of ammunition and missiles. This includes, among other things, the following groups of equipment: small arms, artillery equipment, ground-to-ground and ground-to-air missile systems, automated air-defense command systems, radar equipment, optoelectronic equipment, and missiles and ammunition.

[Szczerba] General, sir, one last and perhaps somewhat sensitive question: is it not your impression that, owing to the extremely rigorous and rigorously followed regulations, the access of career military personnel to service weapons is extremely restricted? For example, an officer who wants to pick up his own pistol in order to, say, clean it, is automatically suspect, because it might be used for other purposes. This is not normal. It used to be different. Could it be, though, that the former training in shooting at electric bulbs has so greatly impaired or undermined credence in an officer's personal sense of responsibility? Could you please address honestly this, after all, unsettling issue?

[Ogrodowicz] The question is indeed sensitive. These restrictions are of long standing and they do not apply just to the career military. In the 1960's, for example, a company's small arms used to be stored in the hallways. In my opinion, we should bring about a situation in which a person entrusted with the rank of an officer, that is, entrusted with equipment and people, should also merit confidence in his use of service weapons. This is a question of personnel selection, of requirements and qualifications in the broadest meaning of the term.

[Szczerba] General, sir, thank you for the interview.

YUGOSLAVIA

Concentration of Federal Forces in Slovenia

91BA0768A Ljubljana DELO in Slovene 28 May 91 p 3

[Unattributed article: "Above-Average Concentration of Yugoslav Army Forces in Slovenia"]

[Text] DELO has obtained information on which JNA [Yugoslav People's Army] units are deployed in Slovenia, and where; among others, units under the direct command of the Fifth Military District, units from the 13th Corps, and part of the 5th Corps of the VL PLO [Air Force Antiaircraft Defense] are in Slovenia

As we know, the entire territory of Slovenia is part of the Fifth Military District, with its command in Zagreb. In addition to units under the command of the 14th Corps, headquartered in Ljubljana, and the 31st Corps, headquartered in Maribor, there are also units in Slovenia that are under the direct command of the Fifth Military District, a unit from the 13th Corps headquartered in Reka, and some units from the 5th Corps of the air force and antiaircraft defense, headquartered in Zagreb.

The so-called A-class units have a full complement of equipment, officers, and soldiers. Among the units that are under the direct command of the Fifth Military District, the following are A-class units: two intelligence regiments in Maribor and Ljubljana, a detachment from a reconnaissance and communications squadron in Brnik, and a signals intelligence company in Sentvid.

The A-class units in the 14th Corps (Ljubljana) are a PLO light artillery regiment in Ljubljana Polje, a mixed artillery regiment in Ribnica, an armored brigade in Vrhnika, a mechanized brigade in Postojna, and border battalions with headquarters in Tolmin, Radovijica, Nova Gorica, and Sezana.

In the 31st Corps (Maribor), the following are classified as A: a pontoon battalion and a pontoon company in Novo Mesto, a mixed antiarmor artillery regiment in Ptuj, a mechanized brigade in Maribor, and border battalions with headquarters in Murska Sobota, Maribor, and Dravograd.

The 13th Corps (Reka) includes a motorized brigade in Ilirska Bistrica.

The Zagreb 5th Corps VLO [expansion unknown] and PLO have a missile regiment in Slovenia, and a battalion for air observation, reporting, surveillance, and guidance. In Crkije there are a missile division, a light artillery division, and a motorized vehicle brigade.

The B-class units have only a nucleus and some units, about half, but they have a full complement of equipment. Of the units under the direct command of the Fifth Military District, there is a support base of that type in Ljubljana. In the 14th Corps (Ljubljana), the

B-class units include the mountain brigade in Kranj, which has two battalions in Bohinjska Bela and in Tolmin.

The R-class units have only a nucleus and about 10 percent of the people, and everything else would have to be provided as reinforcements. The R-class units under the direct command of the Fifth Military District are: the training center in Novo Mesto, the military delegation at the Ljubljana Railroad Works, the ABKO [nuclear-biological-chemical defense] regiment in Novo Mesto, and the mixed artillery brigade in Slovenska Bistrica.

The R-class units in the 14th Corps (Ljubljana) are the forward antiarmor artillery battery in Jesenice, the Ljubljana-Sentvid motorized brigade, the engineer regiment in Kranj, the mixed antiarmor artillery regiment in Postojna, and the motorized brigade in Ajdovscina.

In the 31st Corps (Maribor), the forward antiarmor artillery battery in Slovenska Bistrica and Celje, the light artillery PLO regiment in Ptuj, the mixed artillery regiment in Maribor, the engineer regiment in Celje, the motorized brigade in Celje, and the motorized brigade in Novo Mesto fit into this classification.

Here are some more details: units classified as R also have some of their own parts completely filled out, i.e., they fit into the A classification. Thus, for instance, the ABKO regiment in Novo Mesto has an A-class battalion in Crnomlje. The Ljubljana-Sentvid motorized brigade has a completely outfitted motorized battalion. On the other hand, however, the A-class mechanized brigade in Postojna has one R-class armored battalion. The Postojna brigade has T-55 tanks, and the Vrhnika one has M-84's.

For a more detailed picture of what a mechanized brigade means, let us look at the composition of the mechanized brigade in Maribor. In addition to the command and attached units, it has four motorized battalions, an armored battalion of T-55 tanks, a howitzer-artillery division, a mixed antiarmor artillery division, a light artillery division, an engineer battalion, and a support battalion.

We did not succeed in obtaining completely reliable information on the number of JNA soldiers and officers in Slovenia. According to some information, there are about 6,000 people in each of the two corps, to which one must also add others who are in units that are not under the command of the two Slovene corps, but are in Slovenia. Another statistic says that altogether, there are about 25,000 in Slovenia. Consequently, there is an above-average concentration of military forces in Slovenia.

Croatian Minister on Trial, Serbian Dominance

91BA0666A Vienna PROFIL in German 15 Apr 91
pp 62-63

[Interview with Croatian Defense Minister Martin Spegelj by Rudolf Gruber in Zagreb; date not given: "Not an Inch of Croatian Soil"—first paragraph is PROFIL introduction]

[Text] Martin Spegelj, 64, Croatia's defense minister, is being protected in a villa in a suburb of Zagreb by bodyguards with pistols in their belts. Since the military prosecutor's office in Belgrade announced that a warrant for his arrest had been issued for alleged subversive activities, Spegelj is the most endangered politician in the disintegrating state of Yugoslavia. Spegelj was only 15 years old when he joined Tito's partisans. After the war he became chief of Croatia's territorial defense and advanced to become commander of the 5th Military District (Slovenia and Croatia). The short, rotund man was already in retirement after the first free Croatian elections in June 1990 when the new president, Franjo Tudjman, summoned him to join his cabinet.

[Gruber] Minister, for how much longer will your government tolerate the challenge to its power in Croatia's Serbian communities?

[Spegelj] Such illegal activities as in Pakrac or Plitvice will still occur, but they will become weaker because the leadership in Serbia has been damaged by the revitalized local opposition. We have always compromised in politics but when we are dealing with the sovereignty of the Republic of Croatia, there can be no compromise.

[Gruber] But in the "Autonomous Serbian Region of Krajina" you lost control a long time ago. How do you propose to recapture the region without bloodshed?

[Spegelj] We have not at all lost control in the Serbian areas. The regular police are performing their duty, now as before. The difference is the presence of the Army there; but it will soon withdraw again. You will see, serious negotiations about these problems will soon begin.

[Gruber] Why do you accept the Army's interference into Croatia's internal security problems?

[Spegelj] Actually, it is not the Army's responsibility but that of the Croatian security forces. But the tanks will leave peacefully because the Army will not fight against us, nor we against it. However, the Army's leadership is acting on the assumption that it is separating two equal conflicting parties. But that is not true. On one side is our governmental authority and on the other side are bandits whose terrorist acts we must oppose, just as any democratic government would. Since the Army is placing itself in the middle, it is preventing the Croatian state from carrying out its legitimate task and thus simultaneously supports the bandits' illegal acts.

[Gruber] With how many "bandits" do you have to reckon?

[Spegelj] We are not sure; there are between 300 and 700 in Plitvice. We only know that they are being paid by the Serbian government. Prisoners admitted receiving their pay in Knin.

[Gruber] The Croatian Serbs have already proclaimed the "Autonomous Serbian Region of Krajina." How do you propose to rescind this act?

[Spegelj] It is illegal. It not only violates the constitution of the Republic of Croatia, but also that of the Federation. We will try to find a political solution, but if peaceful means fail, we will have to use the police. We will not yield an inch of Croatian soil to Serbs.

[Gruber] The first attempt to incorporate the "Krajina Region" into the Serbian Republic has failed for the time being. Even the Serbian parliament has rejected its Croatian brothers' wish for political union. However, what would happen if the "union" were consummated the next time?

[Spegelj] In that case civil war would be inevitable. The Serbian leadership claims that Krajina was Serbian soil. Serbs have lived in this region for 300 years, but it has been Croatian for 1,100 years. Knin was the capital of Croatian kings.

[Gruber] A warrant for your arrest was issued four months ago by the military prosecutor's office in Belgrade. Why did you not appear on 8 April before the military court in Zagreb?

[Spegelj] Military justice does not recognize my political immunity; and I do not accept the charge since the military court has no jurisdiction over civilians. They just want me for a political trial.

[Gruber] However, you are not just any civilian but the Croatian defense minister who is accused of planning an armed coup in Yugoslavia.

[Spegelj] This is really strange. On one hand there is an armed insurrection of forces acting without legal sanction which is being ignored by the Army; on the other hand, the generals believe that I am planning an armed uprising against the Army. If that were really my intention, I would proceed in a more professional way. But why should I? It would be funny if it were not so tragic.

[Gruber] In the video, which the Army's secret service claims to have filmed secretly, you talk about the purchase of weapons abroad and about plans for a coup. You claim that the video is a forgery, but have not yet provided proof. Soon the results of an investigation by international experts will become available.

[Spegelj] We also have two experts from Vienna. But I can already tell you that forgery has been established. It is a common, Stalinist-type montage—statements are quoted all of which I made but in an entirely different context. In a certain segment, with a running time of five minutes, the tape shows roughly 100 instances of splicing. That, I believe, says it all.

[Gruber] On the tape you say that in case of civil war there can be no regard for the civilian population. How can such a sentence be concocted?

[Spegelj] What I said is: If it came to a violent suppression of the Croatian Republic, we would offer armed resistance. The statements came from a television interview in which the journalist asked me about the basic difference between civil and conventional war. I replied that civil war is much more cruel because in a civil war no consideration is shown for women and children.

[Gruber] Minister, will there be civil war in Yugoslavia?

[Spegelj] No, there will be no civil war, because it is not the right way for any of the Yugoslav republics to achieve political goals. The Army leadership also knows that people do not want an armed confrontation. Parents of 18-to-20-year-old soldiers do not want firefights, they are very scared. There is hardly any family in Yugoslavia that did not lose someone in the last war. Therefore in letters many parents are even asking their sons to desert; they write: "If shooting starts, take off!"

BULGARIA

KNSB 'Starting Platform' on Coming Negotiations

AU0206185191 Sofia TRUD in Bulgarian 27 May 91
pp 1-2

["Starting Platform of the Confederation of Independent Trade Unions in Bulgaria on Coming Negotiations for the Second Stage of the Economic Reform"]

[Text] The Executive Committee of the Confederation of Independent Trade Unions in Bulgaria [KNSB] expresses its readiness for open negotiations with the government and the employers for the purpose of signing an agreement on the second stage of the economic reform. Social peace will be guaranteed only under the conditions that the political forces renew their agreement and that parliament adopt a minimum package of laws related to the economic legislation. The guarantees for social peace will be stable only under the condition that the government, the trade unions, and the employers pursue their constructive cooperation, and that all the sides expected to sign the new tripartite agreement are ready to fulfill their commitments.

In positively evaluating the monetary aspect of the economic reform in its first stage, the KNSB Executive Committee calls the government's attention to the fact that the price of social hardships the population is expected to pay for the reform during the current period is excessively high. The situation can be described as follows: —The actual compensation for the people's incomes in connection with the price increase does not exceed 50 percent. —The number of unemployed has doubled as of the beginning of 1991, without the necessary measures for providing new jobs having been implemented. —The drop in production is greater than envisaged in the forecasts and is about to exceed the crucial limit of tolerance. —The process of demonopolization is slowing down, and the replacement of managers belonging to the old economic *nomenklatura*, whose incapability of working under the conditions of transition to a market economy was confirmed, is also delayed.

The KNSB Executive Committee has entrusted its experts with drafting the necessary evolution reports and forecasts for the second stage of the reform, on the basis of preliminary information provided by the Ministry of Finance and the government on the opportunity of coming agreements with the International Monetary Fund.

The KNSB Executive Committee proposes the following starting platform on negotiations about the second stage of the economic reform.

As of 1 August 1991, the minimum wage limit should be set at 670 leva.

In case the government should decide to increase the prices of petrol, petrochemical products, electric power,

and fuel, as of 1 June 1991, the compensation for the current wages should amount to 100 percent. The extent of the compensation should be amended on a monthly basis in case the prices of foodstuffs, basic consumer goods, and services should exceed the envisaged limit by 10 percent.

Negotiations related to the methods of negotiating labor contracts proposed by the government should be considered an inseparable part of the Social Peace Agreement's package deal. The system of granting compensations should be preserved as long as the new labor wage contracts have not come into force.

The 8-percent unemployment rate level should be considered as the crucial limit beyond which the independent trade unions will be entitled to take unilateral actions in case the government should fail to adopt the necessary measures of control over the unemployment rate.

The following measures should be envisaged in connection with an explosive increase of the unemployment rate: —A one-year moratorium should be imposed on the further employment of pensioners. —Individuals who are already employed in private companies where they earn an adequate income should not be employed by state and municipal enterprises. —At least 100 million leva should be invested by the end of 1991 for opening additional jobs in areas where unemployment has exceeded the tolerable limit.

The KNSB intends to submit to the government a list of enterprises whose managers have dismissed 30 percent of their personnel without adopting any alternative measures for improving the economic and financial situation of their employees. Such managers should be dismissed by legal procedure on the basis of the rules and regulations of demonopolization and managerial contracts.

The KNSB shall consider the purpose-oriented social welfare measures of the government for the people's strata affected by extreme poverty, which already represent 20 percent of our country's population, as a preliminary condition for the signing of the Social Peace Agreement. By 10 June 1991, the government should submit specific data on the various social welfare funds it has established and on the practical measures it has adopted in connection with setting up a second protective network.

The Tripartite Commission should discuss the draft submitted by the KNSB on the consumers' basket for children by 30 June 1991, and the basket should come into force as of 1 September 1991. On this basis, it should be guaranteed that Bulgarian children will be expediently and directly provided with the necessary foodstuffs and medicines in children's establishments.

The aforementioned starting platform is expected to be discussed at the National Consultative Meeting of the KNSB and at a coming session of the KNSB Coordinating Council. On the basis of several amendments and

addenda, the platform will serve as an official document of the independent trade unions in their negotiations with the government and the employers.

CZECHOSLOVAKIA

Tosovsky on Conditions, Uses of EC Loan

AU0406122391 Prague MLADA FRONTA DNES
in Czech 29 May 91 p 2

[Interview with Josef Tosovsky, chairman of the Czechoslovak central bank, by Vladimir Matejovsky; place and date not given: "An Advance Payment for the Future"—first paragraph is MLADA FRONTA DNES introduction]

[Text] Today in Brussels at around 1230, half a billion dollars will, figuratively speaking, find its way into our pockets. Only two signatures will be necessary for this on our part—the signatures of Federal Finance Minister Vaclav Klaus and of Czechoslovak State Bank Chairman Josef Tosovsky. We asked Mr. Tosovsky the following questions:

[Matejovsky] What kind of money is involved?

[Tosovsky] It involves the first half of a \$1 billion loan that the group of 24 advanced countries, the so-called G-24 Group, promised us last year. The location of the signing ceremony suggests that our creditor will be the European Community "twelve" who have their headquarters in Brussels. The loan will be granted in ECU's (editorial note: European Currency Units). We will be given 375 million ECU's which, expressed in dollar terms, is roughly \$500 million. The following mechanism is involved: The EC Commission, as the Twelve's supreme organ, will borrow this money on the capital market and, in view of the countries involved, the borrowing conditions will be very advantageous. They will then lend this money to us under identical conditions.

[Matejovsky] What will we use this loan for?

[Tosovsky] We—that is, the central bank—are the recipients of the loan. We will use it to maintain our balance of payments stability. This is not a purposeful loan for energy or ecology, it is a loan with the same philosophy behind it as the loan from the International Monetary Fund. It is necessary to stabilize and maintain the koruna's exchange rate with the proviso that the current deficit between exports and imports are covered by this borrowed money. The G-24 loan is for seven years; however, with the exception of interest, we will begin to pay it back after three years. We should have changed our economy so much by then that we will, on the contrary, export more than we import and will pay back our loans from the surplus.

[Matejovsky] Do we need another loan at all?

[Tosovsky] Since the beginning of the year, our balance of payments has developed better than we expected so that we have saved a little borrowed money. The surplus has been transferred to the central bank's foreign currency reserves which were at the relatively low level of \$1.2 billion in January. Our reserves are now roughly \$1.7 billion, but, in my opinion, their satisfactory level should correspond to the volume of imports for three to four months. I estimate they will reach almost \$3 billion. This is the answer to your question.

[Matejovsky] When will we receive the second \$500 million?

[Tosovsky] The entire G-24 operation took place following an EC initiative. Therefore, it is logical that the agreement with the Twelve was the fastest. This agreement will now serve as an example for bilateral agreements with the other G-24 states. Some of these states—for example, Finland, where I held negotiations within the framework of our president's visit—are already prepared to sign an agreement and grant us a loan. Others—for example, Sweden—still await longer legislative work. We will probably have a great deal of work in order to finish all of this before the end of the year.

\$300 Million Bond Seen as Success for Policy

AU0406124591 Prague HOSPODARSKE NOVINY
in Czech 31 May 91 p 3

[Excerpt] [passage omitted] Another proof of Western appreciation for Czechoslovakia's restrictive, anti-inflationary economic policy is the fact that in the coming months the Czechoslovak State Bank will be able to issue, through the Nomura Securities company, a minimum of \$300 million worth of bonds to finance structural changes in the Czechoslovak economy. What is remarkable about this issue is that it will be placed exclusively on the Japanese market. This represents an important signal for international financial markets, especially after the Japanese Ministry of Finance blocked a \$500 million loan for Poland promised by the prime minister during his recent visit to Poland. Japan is known to be one of the countries that disapprove of larger scale loans to former East European countries because of uncertainty over whether their economic and financial policies are sufficiently consistent.

Finance Minister Demands Access to Western Markets

LD0406120991 Hamburg DPA in German 1126 GMT
4 Jun 91

[Excerpt] Guetersloh (DPA)—Czechoslovak Finance Minister Vaclav Klaus has demanded that the West, and particularly the Federal Republic of Germany, open its markets to products from the CSFR. This was the only way his country could compensate for the sudden loss of nearly all its trade with the East, Klaus said at a symposium of the Bertelsmann Fund in Guetersloh today. [passage omitted]

Volkswagen Participation in Bratislava Official

AU0406150691 Bratislava PRAVDA in Slovak
31 May 91 p 2

[Text] Yesterday in Bratislava, the Volkswagen [VW] Bratislava Ltd. was officially established. At the outset, the new company will have capital of 60 million German marks [DM]. Deposits in 1992 and 1993 will further increase the amount of its capital to DM200 million, and the share of Volkswagen will grow to 94 percent. Investments of DM900 million are expected by 1994. The intention of the VW company is to manufacture in Bratislava gear boxes and assemble midsize cars (the first ones should come out as early as in December of this year), reaching the annual capacity of 30,000 cars in 1994.

Truck, Pipe Deliveries to China Considered

AU0406131091 Prague CTK in English 1657 GMT
2 Jun 91

[Text] Bratislava 2 June (CTK)—“We found many possibilities for cooperation,” Slovak Deputy Premier Anton Vavro told journalists today after talks between Slovak government representatives and a Chinese delegation led by Foreign Economic Relations and Trade Minister Li Lanqing.

Vavro said both sides want to open the door to bilateral trade, but problems of the financial settlement of trade transactions have to be solved first.

Li Lanqing said that the possibility that 1,600 Tatra lorries will be supplied to China was discussed. Under consideration is the delivery of steel pipes to northwest China where large oil and natural gas deposits have been discovered. Mutual trade is to be worth 700 million U.S. dollars this year.

The Chinese delegation arrived in Czechoslovakia on a five-day visit on May 31.

Gloomy Prospects for Electronics Companies

AU0406123891

[Editorial Report] Prague HOSPODARSKE NOVINY and Prague RUDE PRAVO in Czech on 30 May both publish correspondents' reports on a briefing given by Engineer Josef Hybs, director of the electrical engineering and electronics department at the Czech Ministry of Industry, in Prague on 29 May. The briefing was devoted to the prospects of Czech electronics and electrical engineering companies.

According to a 500-word “kli”-signed report published by HOSPODARSKE NOVINY in Czech on 30 May on page 2, Hybs said that while companies producing electronic components and consumer electronics (with the exception of major appliances and, possibly, color television sets) “are probably doomed to perish,” there are branches of the electrical engineering industry that

“have a future.” These include the production of telecommunications and radio communications equipment, medical equipment, and automation equipment.

Speaking about the development of electrical engineering companies this year, Hybs said that their production volume is about 26 down on the same period last year, mainly as a result of radical investment cuts, the collapse of former export markets, and the phasing out of arms production. Although exports to Western markets were 60 percent higher in the first quarter of 1991, this increase could not offset the loss of Eastern markets; exports to these markets are expected to reach only between 30 and 40 percent of the 1990 volume.

Overall, Hybs expects that the 90 companies in this industrial branch will have to shed about 30 percent of their workforce (they currently employ 114,000 employees).

Prague RUDE PRAVO in Czech on 30 May on pages 1 and 2 carries a 600-word Vladimir Labuda report on the briefing. The report quotes Josef Hybs as saying that “about one-third of the 90 enterprises of the electrotechnical industry in Bohemia and Moravia will probably go bust.” Fifteen of these enterprises are “jeopardized already, five of them severely.” Although Hybs refused to reveal any names, he indicated that “producers of integrated circuits and other active elements” have been hit most badly. Even enterprises that have a chance to survive will require foreign assistance. In this context the report mentions that talks are underway between Tesla Roznov and Samsung and between Tesla Stranice and Goldstar on cooperation in the production of color television sets. According to Hybs, about 12,000 people, or 10 percent of the workforce, have lost jobs in enterprises of the Czech electrotechnical industry between March 1990 and March 1991. Since March, this negative development has even “accelerated.” Tesla Pardubice, for example, will “soon” lay off another 800 people.

Major Natural Gas Deposit Discovered in Moravia

AU0406132391 Prague RUDE PRAVO in Czech
30 May 91 p 2

[Unattributed report in the “By Teletype, Mail, Telephone....” column]

[Text] Pressure of around 80 megapascal, which is unprecedented in the history of the Czechoslovak oil industry, has been recorded by the staff of the Hodonin-based Moravian Oil Fields company at a depth of 3,985 meters at the Karlin 1 prospect trial hole. According to J. Kalina, the company's director, pressure of this magnitude testifies to considerable natural gas reserves; these are estimated at several billion cubic meters.

Benzina's Heating Oil Prices Reduced*AU0406152991 Bratislava PRAVDA in Slovak 1 Jun 91 p 2*

[CTK report: "Benzina Is Reducing Its Prices"]

[Text] Prague—As the Benzina Praha State Enterprise announced yesterday, as of 1 June 1991 it is temporarily reducing the price of light heating oil from 5,670 korunas to 5,190 korunas per tonne. The price of heavy heating oil is being reduced from 3,350 korunas to 3,270 korunas per tonne. The aim of this decision is to give preferential treatment to customers who want to stock up in advance for the forthcoming heating season.

Minimum Wage Raised to 2,200 Korunas*AU0406133391 Prague CESKE A MORAVSKOSLEZSKE ZEMEDEL'SKE NOVINY in Czech 1 Jun 91 p 2*

[CTK report: "A Minimum of 2,200 Korunas"]

[Text] The Czech Republic Council for Social Accord held its 13th session in Prague yesterday. It dealt with adopting a minimum wage. The Council agreed that the minimum wage be fixed at 11.90 korunas per hour, that is, a gross wage of 2,200 korunas per month, effective 1 June or 1 July 1991 at the latest.

HUNGARY**Industrial Policy, Privatization Discussed***91CH06001 Budapest FIGYELO in Hungarian No 15, 11 Apr 91 pp 1, 3*

[Interview with Akos Peter Bod, Industry and Commerce minister, by Gyorgy Varga, FIGYELO editor in chief; place and date not given: "...The State Must Not Conduct Itself Like an Elegant Stranger"—first paragraph is FIGYELO introduction]

[Text] The Ministry of Industry and Commerce has been working on an industrial policy concept capable of managing the critical industrial situation as well as structural renewal, a policy that also shows and establishes the direction of, and conditions for recovery. Gyorgy Varga asked Industry and Commerce Minister Akos Peter Bod about the Ministry's work and whether the program will be complete by the April deadline.

[Bod] There has been no industrial policy concept during the past two or three years. Not having one is what industrial leadership thought was consistent with reform. But the government must have an industrial policy concept in a country where the size and proportion of the state sector is as great as in ours. We were able to make use of the various branch analyses that were left to us, but it is our job to develop a unified concept. Industrial policy shall be neutral from the standpoint of sectors, and this will also help the rapid development of

the private sector. We have begun working on an industrial development program before the Kupa program was publicized, and even before Mihaly Kupa was appointed minister. This work involves a number of outside experts and researchers. Thus, we have no great problems with the April deadline.

[Varga] Is there any relationship between the Kupa economic policy program and your industrial policy program, or are these plans running on two entirely different tracks?

[Bod] The Kupa program does not deal with production policy. It contains primarily growth predictions deduced from calculations made at the macro level. There is no overlap because the stabilization program preceded the programs for the various branches. Accordingly, we are not dealing with an economic concept that was developed from the foundations up.

[Varga] Isn't there an expressed or tacit expectation on part of the government that programs for the various branches, and thus, also the industrial policy concept be consistent with the Kupa program?

[Bod] No one expects that to happen. On the other hand our analyses could show that the collapse of Eastern trade is of a greater magnitude and that its consequences have more serious effects than the assumption reflected in the stabilization program. This kind of information should definitely be worthy of the attention of those who prepare the economic policy program. The two kinds of programs also serve different purposes. Banks, Hungarian and foreign entrepreneurs, and investors expect us to clearly inform them of our development, counter development and transformation plans in the foundry, petroleum and pharmaceutical industries; of our plans regarding state owned property; of our privatization priorities, etc. Privatization strategy is the center piece of the industrial policy concept.

[Varga] There are differences of opinion regarding the strength of the Hungarian economy, and as a result as to the methods to be applied in the transitional period. These differences exist between the Finance Ministry which plays a central role in formulating economic policy, and the Ministry of International Economic Relations, we could also say: between Mihaly Kupa and Bela Kadar. Which side do you take in this dispute?

[Bod] I refrained from becoming involved in open disputes during the past several months, because the competition between individuals became mixed on occasion with competition between different strains of economic theory. I believe that the situation is better today than it was a few months ago, because the government is more united in its assessment of the situation. Internal disputes concern extent, techniques and the utilization of the available resources.

[Varga] I have in mind differences of opinion that pertain to principles, the ones which have political consequences. To be specific, I am thinking of the roles

to be played by the state and by the market respectively during the transition period.

[Bod] I am somewhere in the middle in this truly high caliber debate which is not devoid of extremes either. I am in the middle not because being there is comfortable, but because it reflects my conviction. Along with a significant state sector like the one we have, the state must not conduct itself like an elegant stranger. Not only the local business sphere but also foreign interests require the presence of the state. This, however, must not mean that the state designates the winners and the losers. Industrial policies which specify everything all the way down to the enterprise level have gone bankrupt. I regard as acceptable an active conduct on part of the state, along with moderate intervention.

[Varga] How should this be interpreted in the context of industry, and specifically with respect to the crisis branches of industry?

[Bod] Crisis centers within branches and regions must by all means be managed by the state. In this regard, the market should play only a secondary role. Since most of the regional problems stem from the crisis of industries that operate in given regions, the key to the solution is already in the hands of the state.

[Varga] What is this key?

[Bod] It's money, of course, but this alone will not suffice. Responsibility for regional crises is divided between three or four state administrative organizations. The streamlining activity is missing.

The state must also mitigate the severe consequences of the CEMA market collapse, which affects between 20 and 30 large industries. The state must find solutions to bridge the resultant problems. Advocates of the idea that "the market will take care of it" do not recognize the fact that significant sectors of the Hungarian economy like vehicle manufacturing and the pharmaceutical industry may be annihilated. The state cannot assume the consequences of management failures of course. To mention just one example, in 1990 Videoton had an inventory of military products that was large enough to fill orders for two years. They simply failed to take note of the fundamental change in market conditions.

But it would be pretentious to leave on their own enterprises unable to change markets for objective reasons, in the name of autonomy.

[Varga] You and others talk about between 20 and 30 enterprises which find themselves in a critical situation, and project the growth of unemployment accordingly. However, in reality, these enterprises represent only the tip of the iceberg, because the critical situation of those 20 or 30 enterprises also drags down an unknown number of subcontractors. Accordingly, as of today, the crisis center is surrounded by a crisis field of unknown dimensions.

[Bod] Unfortunately, I must agree with what you just said.

[Varga] What is your view of the establishment of the fund to help support the changing of markets and the export guarantee system as recommended by the NGKM [Ministry of International Economic Relations]?

[Bod] In the course of late 1990 cabinet debates I did not view as realistic the establishment of an almost 30-billion-forint fund to help support endeavors to change markets. This is not made possible by the situation in which the state budget finds itself. Thinking in more modest terms, however, the state should contribute to the expenses involved in entering the marketplace. I have a divided opinion regarding the renewal of technology for the purpose of entering a market. In a market economy this would be the business of investment and risk capital funds, and of banks. Yes, but there is no such capital in Hungary. Therefore, in the absence of a better alternative, funds should be established for such purposes, but not in the framework of the NGKM.

[Varga] I would like to understand you clearly. You clearly took the position that the state must not leave to their own the crisis branches. But in the end, what should the state do if neither you, nor any other ministry has the needed resources?

[Bod] There are of course certain resources, funds, to the tune of between five and seven billion forints. I am aware of the fact that this amount is not too high, but it's more than nothing. In addition one should take advantage of the opportunities offered by ownership rights. This is what I have in mind, if an enterprise loses its market by no fault of its own, and if neither an organizational change nor the changing of management helps, the assets of that enterprise should be transferred under the management of a holding corporation which supports the structural renewal of that enterprise.

[Varga] But not even a holding corporation can do miracles without money.

[Bod] True. But a holding corporation which develops a well founded business policy could attract foreign capital for the renewal of enterprises, and as a result these, enterprises could once again become viable in the market place. In such cases the state would be forced to suffer a certain loss in capital, but such loss would still amount to less than the total depreciation or loss of an entire enterprise or production culture. Thus far, the other ministries did not accept this concept of ours.

I have been saying this for quite some time. Enterprises must be upgraded prior to their privatization. I am aware of the fact that the opportunity to accomplish this is limited precisely because of the situation we just discussed, nevertheless, it would be worth a try. An enterprise that is broke greatly depreciates in the eyes of the money market. For this reason, wherever the situation

warrants this, we should take advantage of the opportunities offered by bridge loans. It is in the elementary interest of Hungary to privatize functioning enterprises, and not stalled enterprises.

[Varga] Interest expense reimbursements by the state in excess of 10-percent interest payments have been made available to 18 enterprises which found themselves in critical situations. Who prepared the list of these enterprises, and what were the criteria?

[Bod] All I can say about this subject matter is that at the moment, while we are talking, there is greater uncertainty in this regard than there was three weeks ago when we agreed with the Finance Ministry to provide bridge loans to the affected enterprises, provided that they were able to prove that within the foreseeable future Soviet letters of credit would be opened.

[Varga] Privatization continues in the absence of an industrial policy and structural policy concept, and thus far it had hardly any effect on the renewal of the production structure. What is your view?

[Bod] I was also pessimistic regarding this situation some five or six months ago. At that time I would have said that the State Property Agency was intent on simply checking off the various tasks and on collecting the money. Indeed there have been privatization projects in which industrial policy considerations did not play a role. But the situation has changed in recent weeks. By now there exists a consultative relationship between the Ministry and the AVU [State Property Agency]. We tell them the extent to which industrial or structural policy considerations should be enforced in the course of privatization. We exert a strong influence regarding the fate of management. In more general terms, in the framework of the industrial policy concept we also make decisions regarding the appropriate retention ratio of Hungarian or state property in given industrial branches, and relative to the permissible extent of foreign ownership.

[Varga] How does the industrial policy concept deal with the structural dimensions of enterprises?

[Bod] The process of decentralization and the establishment of small enterprises accelerates in Hungarian industry at times when the direction of movement is the opposite, toward concentration, in countries with more developed economies. True, in Hungary it is now that the pyramid is turned upside down. We are also using state resources to accelerate enterprise decentralization, primarily by way of privatization, or by making units of enterprises operating in separate plants independent. At first, horizontally integrated large enterprises will fall apart, and later, as privatized firms, they will enter the path of capital concentration based on the economic rationale of the market place. Incidentally, the industrial policy concept is already neutral from the standpoint of dimensions, it does not give preference to large enterprises against small ones, or vice versa.

[Varga] But if every enterprise falls apart into its component elements, this could undermine the competitiveness of Hungarian industry after all.

[Bod] I understand that. Therefore I would find it appropriate to place for example the Hungarian public road vehicle industry under some common umbrella. Or, for example, with respect to the Hungarian pharmaceutical industry where the mass character of production is at par or exceeds the limits of competitiveness, the "mass character" of research should also increase and gain strength, through joint effort, perhaps by attracting foreign resources. Within the oil industry I would not break up the National Oil Company into its component units, because this would endanger that company's ability to compete. In other words, the evolution of the size of an enterprise no longer is the subject of ideological consideration, it is increasingly becoming a function of the market and of technology.

[Varga] Considering the present, extremely low level investment activity, do you envision an opportunity to improve the competitiveness of Hungarian industry in the future? In my view, the emphasis in terms of economic policy has shifted so far in favor of short term financial balance considerations that no one bothers anymore with long-term interests to be expressed in the framework of production policies.

[Bod] We too asked this question from ourselves: Would it be possible to repeat the 30-percent increase in machine industry convertible currency exports? We examined the situation and found that the number of foreign licenses in industry increases slowly, that only the equivalent of 1 percent of the production costs is spent on research and development, that the number of persons working on research decreases much faster than the total number of employees in industry, and that the average age of industrial machinery is 11 years.

On the other hand, the ratio of Western machinery imports has exceeded the ratio of CEMA machinery imports ever since 1988, and machinery and equipment paid for in rubles was used primarily in the manufacture of base materials. In other words, more Western machinery and equipment has been placed into service in the processing industry. Although the net versus gross ratio of fixed assets is decreasing, it is stable in the pharmaceutical industry, the light industry, the communication industry and in the instrumentation industry. On the other hand, the success of the industrial market is not influenced by all means by the composition of products manufactured, but by the weakness of marketing. It appears that the close to 3,000 industrial joint enterprises produced a change which can be measured in the standards of marketing, and which gains expression in success at the marketplace. This is so even though these enterprises did not invest a lot of money into development. Perhaps this also explains our successful 1990 exports. And for how long can we profit from this? Most certainly throughout this year. Perhaps next year. But by 1993 the hidden reserves of these joint ventures will become

exhausted. Accordingly, we must count on losing markets unless technological renewal takes place.

Industry, Commerce Privatization Plan Released

91CH0600C Budapest FIGYELO in Hungarian
18 Apr 91 pp 22-23

[Unattributed article: "Privatization Plan: List and Explanation"—first two paragraphs are FIGYELO introduction]

[Text] While the Ownership and Privatization Committee of the Economic Cabinet has been working on the government's privatization strategy (FIGYELO Nos. 13 and 14, 1991), individual ministries also developed their own concepts. The following FIGYELO Study is a somewhat abbreviated version of the Industry and Commerce Ministry's [IKM] debate material entitled "Advance Indication and Strategy for the Privatization of Industrial and Commercial Enterprises."

The chief goal of proprietary reform is to improve the capacity of the economy to perform, and to permit the evolution of a social and economic system which rests mostly on private property. Enforcement of the following strategic principles is important in the course of privatization:

1. The decisive issue regarding the ownership structure is the ratio of foreign versus national ownership, and within the latter the respective proportions of state and privately owned property. Within the private sector the ratio of entrepreneurs and employees is important.
2. Market, nonmarket, and partial market processes should be used to provide property for future Hungarian proprietors. The development of institutional ownership and the provision of property to institutions is also important. The free of charge or preferential acquisition of property by citizens and by employees could play a supplemental role. However, market processes must be underscored with respect to private persons. As a result of limited solvent demand, and due to complex and relatively stringent financial requirements involved in supplemental borrowing, this process has not been appropriately encouraged. For this reason, it appears as necessary to introduce a peculiar rental or leasing system which would enhance the privatization of entire enterprises or large parts of enterprises.
3. Privatization must be taken advantage of so that Hungarian firms become linked to the industrial and

commercial systems of developed market economies, and find investment opportunities, developed technologies and modern management.

4. Antimonopolistic and decentralizing elements must be incorporated into the privatization process so that a competitive market oriented enterprise system may replace the monopolistic industrial and commercial enterprise system which focuses on distribution, and which still functions in many fields.

5. In many enterprises privatization must be accompanied by the full renewal of economic units. This applies to the market, to production, technologies, leadership, and organization as well as to finances. Enterprises cannot be privatized short of renewal; physical liquidation has become inevitable in many enterprises. Liquidation may involve societally unmanageable processes.

Map

Privatization must serve general economic policy goals, because the state's responsibility for the efficient functioning of the economy does not diminish even after the property is sold. The proposal's goal is to draw a "privatization map" which supports the workings of the State Property Agency, guides the spontaneous privatization of enterprises, provides an official privatization strategy, informs institutional and private investors of opportunities, and shows the results of privatization—the situation after privatization.

Since the government endeavors to reduce within the next 3-5 years the proportion of state property from the present level of more than 90 percent to 40-50 percent, as a matter of principle we adopted the idea that the extent of privatization as well as the choice of privatization methods should be as unrestricted as possible and that privatization be accomplished as soon as possible. The various barriers should not be viewed primarily as prohibitions, but as today's judgments as to where, to what extent, how and when an enterprise could be privatized on a realistic basis.

In the end, after several negotiating sessions the number of groups of enterprises needed for our analysis was narrowed down to three. These include the following: Enterprises which remain state property to an extent of 51 percent (the ratio which provides a strategic decision-making ability to the state); enterprises which to an extent of 51 percent become national, i.e., state and Hungarian private property; and enterprises which may be privatized without any restriction. (The following table shows the distribution of enterprise indexes.

Distribution of Industrial, Construction Industry, and Domestic Commercial Enterprises According to Size, Management Form, and Chief Privatization Goals (in percent)

Denomination	Small Enterprise	Medium-Sized Enterprise	Large Enterprise	Trust, Vacated Enterprise	Total
Efficient enterprises that may be privatized without advance preparation	4	21	19	2	46
Enterprises that may be privatized following stabilization through state resources	1	5	4	1	11
Enterprises that may be stabilized with the help of foreign capital	10	17	6	0	33
Enterprises not requiring state action	1	6	2	1	10
TOTAL	16	49	31	4	100

This table reflects the mutual relationship between privatization and structural transformation. It shows the various instances in which privatization, alternatively restructuring should come first. Efficient enterprises which do not require significant restructuring may be privatized without advance preparation. Enterprises which require relatively small investments, whose structure may be transformed or reorganized relatively quickly may be privatized after state funded stabilization. In hopes of greater revenues it is worth restructuring or reorganizing these enterprises prior to privatization.

Enterprises which may be stabilized as a result of attracting operating capital require investors capable of providing large amounts of capital, professional competence, modern technology and sales opportunities of a scope the state could not provide. For this reason restructuring would require advance partial or full privatization. No state action is required with respect to enterprises which find themselves in the most difficult situations, in which the state is not willing to invest, and which might be liquidated unless a buyer is found.

Techniques and Pace

Privatization techniques may be ranked on a declining scale based on the degree of freedom each technique provides. This means that along with the primary method of privatization, all other methods of privatization could be used, and further, that along with the second privatization method all except the first method of privatization could be applied, etc. The order of ranking is as follows:

- Listing on the stock exchange (and/or any other form of sale).
- Open competitive bidding (without listing on the stock exchange).
- Closed competitive bidding (only invited persons may participate, alternatively, certain persons are ruled out).
- Employee stock ownership program. (The whole or part of a firm is offered to workers for sale. This is not the same as the maximum of 10 percent free of charge

transfer of stock to workers: The Hungarian adaptation of what is known abroad as the ESOP system is presently being developed in Hungary).

- Conversion of credits, debts into stock (the creditor becomes an owner).
- Other forms of selling the whole or part of the state's ownership share.
- Raising capital (the securities of companies transformed from state enterprises are not sold, the buyer becomes partial owner as a result of purchasing a new issue of stock).
- Privatization after stabilization (enterprises which can be privatized after restructuring or reorganization).
- Enterprises which can be privatized through other means or under other conditions (special solutions which do not fit into any of the above categories).

Establishing a time schedule for privatization would be necessary even if we felt that an enterprise could be sold in a single step. One may expect, however, that situations like this will not be typical, and that privatization will take place by using several of the techniques over a period of time. This is so because in many instances advance preparations will be needed for example restructuring, reorganization, or changing an enterprise from a loss operation to a profitable operation, while changing these enterprises into business organizations will by all means be necessary.

During Debate

The World Bank also recommended the development of a privatization strategy. In September 1990 a World Bank delegation made recommendations concerning the contents of a privatization concept, and said that the World Bank was prepared to help implement privatization and restructuring. The criteria on the basis of which enterprises were classified and grouped have been developed in due regard to World Bank recommendations. We reported the objectives, the methods, and the interim findings of our examination to the World Bank delegation during its visit in November 1990. The delegation accepted our report as a basis for negotiations.

After discussing this matter at length, based on our present proposal we found that 64 of the 505 enterprises examined would remain 51 percent state-owned in the long term, while 21 would become national property to the extent of 51 percent. Noteworthy is the fact that no barriers in the way of privatization exist whatsoever with respect to 83 percent of the enterprises. The enterprises which fall within this percentage employ 49 percent of the workers employed by the 505 enterprises, represent 50 percent of the assets, but only 29 percent of the net income. This is so because the three large trusts are among these enterprises. These are the National Crude Oil and Natural Gas Trust [OKGT], the Hungarian Electrical Works Trust [MVMT], and the Hungarian Aluminum Trust [MAT].

Experts believe that about 574 billion forints in revenues could be realized from the sale of 812 billion forints worth of assets calculated on the basis of financial statements, if sales were effected pursuant to the recommendation. The appraisal of assets and demand factors could substantially change this amount of course. It is difficult to make an accurate estimate because one cannot accurately assess the size of reduction in state ownership that occurs as a result of the increased capital, a reduction which does not produce revenues. Similarly, one cannot predict the achievable exchange rate level, and cannot deduct the 20 percent share that is to revert to the companies and the amount to which local governments are entitled.

Forty-six percent of the 505 enterprises ranked were efficiently functioning enterprises which could be privatized without advance preparation. Eleven percent of the enterprises required small investments and reorganization so that larger privatization revenues could be expected after restructuring. In 34 percent of the enterprises studied stabilization required investments in excess of available state resources. Injecting foreign capital into these enterprises appears as indispensable. Nine percent of the enterprises is in such bad shape that one cannot even rule out their possible liquidation. One may regard this classification of enterprises as realistic, and that it may serve as a starting point for selecting privatization techniques and for the scheduling of privatization.

The Strategy

The privatization strategy that emerges on the basis of the proposal is as follows:

1. Broadly based privatization may begin by offering for sale efficient enterprises. A sufficient number of enterprises representing a sufficient value exists. Within a year or two stabilization efforts requiring the introduction of large amounts of operating capital should begin. Enterprises stabilized with the help of state resources, enterprises of a higher value by then should be offered for sale in the final phase of privatization.

2. The state should fully remove itself from the construction industry and from domestic commerce within 3-5 years.

Within the processing industry the state should retain its majority ownership share only in a few large enterprises. Within the energy resources sector the two large stock corporations to be established should remain under long term majority state control, and 11 of the enterprises which sever their relationships with the large enterprises should be partly owned by local governments.

3. The exclusion of foreigners from privatization is not characteristic. (Exceptions are the porcelain factories, pharmaceutical manufacturers and food wholesale outlets.)

4. Privatization may take place primarily in the framework of open competitive bidding. The other most characteristic form of privatization would be closed competitive bidding involving specialized firms. Other approaches to privatization (raising capital, exchange of credits, listing on the exchange, etc.) are subsequent supplementary means to the process which begins with competition or competitive bidding.

5. Only 85 enterprises require an AVU [State Property Agency] initiative to catalyze their privatization. Governmental action is required to start privatization at the OKGT, the MVMT, and at MAT's 71 enterprises.

6. At 95 percent of the enterprises privatization may be started within 1-3 years: at 24 percent of the enterprises within one year, at 50 percent within 1-2 years, and at 21 percent within 2-3 years.

7. The state retains its ownership share in 64-85 companies formed from enterprises, of these 64 enterprises remain under 51 percent state ownership. These partial assets may be placed under the long term control of the new state ownership organization.

8. It would be appropriate to implement small or large scale restructuring at 155 processing industry enterprises. These enterprises could then be sold at higher prices.

Along with the general characteristics of privatization as outlined above, a few areas require special handling due to their special situations:

—Cabinet level action is required with respect to the restructuring and practical privatization of the OKGT, the MVMT and the coal mines.

—Demand for the products manufactured by enterprises with military industrial capacities has declined in the long term. A separate decision needs to be made as to the size of the military industrial capacity to be preserved. Privatization possibilities should be examined thereafter.

—Sales difficulties in the Soviet markets influence the future of many enterprises. The saleability of these enterprises depends on the restructuring of their products and the respective markets.

—Monopolistic processing industry enterprises must be decentralized. This includes e.g., the paper industry and the Concrete and Reinforced Concrete Works.

—Hardly any revenue will be derived from the sale of enterprises in which the enterprise's own assets equal or come close to the enterprise's indebtedness. The privatization of such enterprises requires more attention because each such enterprise must be examined individually as to how it could be offered for sale.

—A 1995 world exposition would bear influence on privatization. The value of several enterprises as well as privatization revenues would increase.

The Industry

The state must be in charge of privatizing the mining and energy industries. It would be appropriate to retain the state as the owner controlling the majority of shares. The Central European region may be viewed as the primary potential investor partner. Activities not directly related to the main profile of enterprises must be detached from today's enterprise organizations, while loss producing units and activities—primarily in the mining industry—must be liquidated.

Decentralization, the preservation of mineral assets and the enforcement of environmental protection considerations are the conditions for privatizing the construction industry. Preservation of a national majority ownership may serve as the general foundation. In certain trades foreign majority control may be permitted on an exceptional basis if such control is not concentrated in the hands of a single firm or group. In the glass and fine ceramics industries enterprises having "known trade names conveying a sense of quality" represent special national values. In these the maintenance of Hungarian majority control is warranted for many reasons.

It would be in no one's interest if the state became actively involved in privatizing the foundry industry. (Unless regional restructuring problems concentrated within an area made such involvement unavoidable.)

At the same time, in the base materials and energy resources fields, thus, also in the foundry industry, one has to face the fact that West European countries would find it advantageous to place energy intensive activities which destroy the environment outside of their own countries. For this reason, it would be in our elementary interest not to establish new capacities as a result of privatization, at most we should modernize the existing capacities.

Privatization of the petrochemical industry must be accomplished jointly and in a streamlined fashion. Essentially four enterprises are at issue, the two enterprises attached to the OKGT (DKV, TIFO) [expansions unknown] and the Tisza and Borsod Chemical Combines. Their relative linkage, their mutual supplementing role, and their share in the international market necessitates that the state streamline their privatization.

The privatization position of the pharmaceutical industry is relatively favorable. It is in the fundamental interest of these enterprises to become associated in the course of privatization with partners capable of jointly

realizing sales revenues, and that privatization ensures an external market presence for these enterprises.

The survival of a majority of the machine industry enterprises hinges on complete structural renewal. Privatization is an organic part of, and condition for such renewal. State intervention may become necessary in places where the size of the enterprise and industrial policy considerations so warrant. (For example, Videoton, bus manufacturing, Raba.) Attracting foreign operating capital which also secures markets, products and technology is indispensable from the standpoint of the machine industry.

Light industry market conditions have been gradually deteriorating, the industry has gradually lost its relative competitive advantage. Outside operating capital is indispensable from the standpoint of the viability of this industry. As compared to other fields of industry, no particular state involvement in the privatization process appears as warranted at the moment.

In its present condition the state construction industry is not an attractive investment object, much of its committed capital has depreciated. For this reason, the restructuring of state enterprises must be accelerated so as to render functioning units of enterprises attractive to foreign investors based on real market judgments, and so that employees may also acquire property.

Housing construction enterprises which experience crises as a result of the drastic reduction in housing investments must be reorganized. Part of the revenues derived from the sale of superfluous assets in the course of reorganization must be reinvested for the purpose of creating technically renewed, adaptive entrepreneurial ventures and organizations which specialize in real estate use and investment.

Enterprises To Remain Under State or National Majority Control in the Long Term, as Proposed by the IKM [Industry and Commerce Ministry]

Name of Enterprise	51% To Remain as State Property	51% To Remain as National Property
ENERGY RESOURCES		
National Oil Industry Inc.	X	—
Hungarian Electric Inc.	X	—
PROCESSING INDUSTRY		
Hungarian Aluminum Industry Inc.	X	—
Duna Iron Works	X	—
Ikarus Body and Vehicle Factory	X	—
Hungarian Railroad Car and Machine Factory	X	—
Csepel Auto Manufacturing	X	X
Hungarian Cable Works (MKM)	—	—
Precision Mechanics Enterprise	X	—

Enterprises To Remain Under State or National Majority Control in the Long Term, as Proposed by the IKM [Industry and Commerce Ministry] (Continued)

Name of Enterprise	51% To Remain as State Property	51% To Remain as National Property
Mechanical Laboratory and Communication Technology Experimental Enterprise	X	X
Cement and Lime Works successors	—	X
Hollohaz Porcelain Factory	—	X
Zsolnay Porcelain Factory	—	X
Herend Porcelain Factory	—	—
Tisza Chemical Combine	X	—
Nitrochemical Industrial Plants	X	X
Hungarian Viscose	—	X
Egis Pharmaceutical	—	X
Kobanya Pharmaceutical	—	X
Alkaloida Chemical Works	—	X
Biogal Pharmaceutical	—	X
DOMESTIC COMMERCE		
Ferroglobus	—	X
Metalloglobus	—	X
Alfa Food and Chemical Trading Enterprise (EVKV)	—	X
Alfold EVKV	—	X
Bakony EVKV	—	X
Balaton EVKV	—	X
Kisalfold EVKV	—	X
Kunsag EVKV	—	X
Matra EVKV	—	X
Mecsek EVKV	—	X
Tisza EVKV	—	X
Alfold Tuzep	X	—
South Dunantul Tuzep	X	—
North Dunantul Tuzep	X	—
Northern Hungary Tuzep	X	—
Eastern Hungary Tuzep	X	—
Central Hungary Tuzep	X	—
Western Dunantul Tuzep	X	—

Domestic Commerce

State owned enterprises involved in domestic commerce which invested substantial parts of their assets in various corporations no longer perform actual economic functions. A majority of these enterprise central offices operate with a minimum number of employees and could be liquidated. In general, their continued operation as property managers is no longer appropriate.

Continuation of majority state ownership is warranted only in a very few commercial enterprises.

The transformation of car and spare parts dealerships, as well as of food retail outlets in Budapest is in progress based on a concept established earlier. A similar professionally designed program is required for the transformation of the heating fuel and building materials trade.

The situation of, and role to be played by productive equipment, retail, consumer goods wholesale, and most county retail enterprises needs to be reassessed. It would be appropriate to yield to independence endeavors manifested in certain parts of these enterprises so as to increase the number of organizations active in the marketplace. The state should initiate and support the restructuring of these enterprises so that the effort produces modern sales outlet networks.

The influx of foreign capital is desirable, nevertheless the enforcement of professional considerations is also justified. For example, the evolution of entrepreneurial ventures which dominate the marketplace should be prevented. A decisive part of foreign operating capital should be spent on developing the commercial infrastructure. In general, it would be inappropriate to recognize the contribution of commercial know-how as a form of capital contribution, and one-sided increases in working capital should not be permitted.

In the commercial field it would be appropriate to provide advantages to foreign investors interested in long-term development, in the investment of profits in Hungary, and beyond commercial ventures, in the development of production.

The potentials of the three hotel enterprises differ, their privatization is an important part of the First Privatization Program.

Relative to HungarHotels and Pannonia it would seem as advantageous to privatize these chains in groups established on the basis of professional orientation or the regions they serve. The uniform professional orientation of Danubius justifies that this enterprise be privatized as a unified whole. Nevertheless the feasibility of independently privatizing certain hotels having special potentials should be given consideration (Intercontinental, Hilton). With respect to all three hotel enterprises the advantages to be gained from separating ownership functions from management functions should be examined. Hotel management skills should also be regarded as values, because such skills can be sold in the international marketplace.

Viewed realistically, hotel enterprises could be privatized only with foreign capital, because the hotel industry requires long term, large capital investments. Restaurants and productive plants presently linked to hotels could be privatized separately (e.g., Mezes Macko shops, cold kitchens, kitchens in which pastry is produced).

From the standpoint of privatization the world exposition would result in a demonstrable appreciation of

property. Insofar as hotels are concerned, this appreciation could amount to as much as 20-30 percent. An independent hotel privatization program could be initiated for hotels selected in advance. Hotel privatization would receive a positive boost if entrepreneurs involved in the hotel industry attracted individual and institutional resources by establishing an Expo Company and by issuing stock.

In addition to "expanding" the already started privatization programs, preparations for starting new programs should also be made. The group of enterprises included in the second privatization program, "vacated enterprises" may be or must be enlarged continuously. Linking construction industry privatization to the Expo could be a new program; the two projects have certain common denominators.

The privatization of enterprises in which more than 20 percent of the assets were lost as a result of operating at a loss, must take place in an organized fashion.

State initiated decentralization must continue in horizontal and monopolistic organizations which are too large from the standpoint of the market. Similarly, parts of enterprises which manifest interest in becoming independent from the overall enterprise in terms of their markets, production and finances should also be supported. Both of these methods establish opportunities for privatization and will accelerate the process.

Distribution of Industrial, Construction Industry, and Domestic Commercial Enterprises According to Privatization Criteria Pursuant to the IKM Proposal (in percent)

	51% Remains State Property (Ratio Ensures Strategic Decisionmaking)	51% National Ownership (Hungarian State and Private Property)	Unrestricted Privatization
Number of enterprises	14	3	83
Net revenues	42	8	50
Employees	20	5	75
Assets owned	43	6	51
Income	62	8	30
Total resources	39	6	55
Anticipated privatization revenues	24	5	71

[Approximate percentages]

MALEV Privatization Actions Described

91CH0600E Budapest FIGYELO in Hungarian
18 Apr 91 pp 1, 9

[Article by Emilia Sebok: "MALEV—Fly We Must!"]

[Text] Today's status of Ferihegy and of MALEV [Hungarian Air Transport Enterprise] is as follows: They are an international airport and an international airline at the edge of Europe. On the other hand, the air transportation market of the western part of the continent will soon be unified. Accordingly, we should become part of this process as a result of privatization.

Awaiting Privatization

The MALEV Fleet			
Equipment	Pieces	Equipment	Pieces
TU 134	6	B 737/200*	3
TU 154	12	B 737/300*	1

*leased

Ferihegy airport is owned by the state and is operated by the Air Traffic and Airport Directorate ever since 1973. The LRI [Air Traffic and Airport Directorate] is funded by the state budget. Public international air transportation, and technical and commercial services are provided for by MALEV, an enterprise under state administrative supervision. In regard to both organizations ownership rights are exercised by the Ministry of Transportation. MALEV's ownership will be transferred to the State Property Agency as a result of initial privatization processes transforming the airline into a sole proprietor state corporation. From there on the AVU [State Property Agency] directorate will have authority to decide about privatization. According to present laws, that is. We were told by Deputy State Secretary Sandor Kalnoki Kis that the Ministry has given serious thought to continue to retain the ownership of MALEV.

Since MALEV is significant from the standpoint of both the national and the transportation industry's interests, the present and the future "owners," the KHVM [Ministry of Transportation] and the AVU, cooperate to a high degree and more intensively with respect to MALEV's privatization.

MALEV Indexes in Billions of Forints

	1989	1990
Total Revenues	12.99	18.01
Profits	1.43	1.33

Source: MALEV

Dividing

The settlement of ownership rights between MALEV and LRI begins with the division of assets between the two entities. Without doing so one could not tell what actually was subject to privatization. By no coincidence, pursuant to KHVM's suggestion, the economic cabinet dwelled mainly on this issue at its meeting last week, and applied only a broad brush approach to MALEV's privatization.

The proprietary conditions of the two organizations must be settled in a way that neither organization ends

up "plundered," but that instead both organizations acquire sufficient assets to permit the pursuit of viable and independent business management. (The LRI will also become a firm beginning in 1993, at the latest.) As a result of a healthy division of property the two organizations may develop alongside and mutually reinforce each other. MALEV's privatization situation would also improve as a result. The owner as well as both organizations have an interest in accomplishing this, even if certain issues concerning the distribution of property have become subjects of dispute.

Dividing the property is by far not simple. Related problems have accumulated for almost 20 years, and certain problems have become intertwined in rather complicated ways. Consistent with the confused property situation, not even the authority to perform certain functions has been fully clarified.

MALEV must recognize that pursuant to international practice certain activities (e.g. fuel servicing, the operation of duty-free shops) are tied to airports. An airline may perform such services only if it received authority to do so in the form of some kind of a contractual agreement with the owner of the airport. On the other hand, an agreement has been reached concerning MALEV's ability to temporarily retain certain rights it acquired. MALEV, however, would like to acquire exclusive use of what it has used exclusively thus far (e.g. the technical base). Further, MALEV wants to achieve that as long as it is permitted to perform a certain activity as (one of the) beneficiaries of a concession, it should not have to pay concession fees based on services rendered to its passengers and shippers.

Advisers

Privatization may have several, simultaneous objectives. On the other hand, AVU official, Laszlo Ember, stressed that certain fears were totally unfounded. The primitive approach to privatization has not been mentioned at places of authority, i.e., to sell MALEV suddenly as a single package, so as to produce revenues for the owner—the state.

Disputes exist of course with respect to the choice of the most desirable method of privatization, and the concerned parties do not agree with each other in every respect. But as compared to the initial situation, perceptions are now closer to each other.

The KHVM commissioned the firm CS First Boston last year to develop MALEV's privatization strategy. But as of today we know nothing about the kind of privatization FB [First Boston] is going to suggest. The signatories to the agreement handle the adviser's recommendations in strict confidence, they cannot provide information to outsiders. The privatization concepts discussed below represent only the opinions of the organizations and of professionals responding to our questions.

Meanwhile, however, MALEV's leadership has changed, and the privatization concept espoused by the new

management differs from what FB recommends in its continued capacity of a cabinet adviser. (Nor do AVU and KHVM intend to follow everything the FB recommends!) For this reason, MALEV leaders recently consulted other expert firms.

Quite naturally, however, it is the right of the owner to decide how and to whom to sell his property, or whom to permit to share ownership. Nevertheless it is always useful to consider the views of management familiar with the internal workings of the profession and with the firm. Governmental bodies involved in this matter go out of their way to do so.

Whom Do We Seek?

Privatization may produce the desired results only if consistent with trends reflected in the organizing efforts of international transportation. Individual airlines are increasingly linked to each other, but some linkages are loose, others are more tight. In addition to commercial cooperation, cross ownership is an increasingly frequent phenomenon.

Accordingly, in the course of privatization we must also take advantage of competitive advantages provided by the cross ownership of airline companies, i.e., we must primarily seek strategic partners who could be capital contributing partners at the same time. The provision of capital is of strategic importance from the standpoint of MALEV's future, so that Hungary may become part of the unified West European air transportation system even before that evolves.

It will be far more difficult for us to accomplish this as outsiders later on, and the conditions will be less favorable. We must not be satisfied with mere commercial agreements, because the advantages provided by such agreements are frequently enjoyed only by large airlines, and there is no guaranty as to the future intent of a commercial partner to join as an owner, the AVU official said.

Pacing

With that we reached the point where significant differences of opinion still exist between MALEV and representatives of the owner to the point where pacing the start of privatization must be discussed. Undoubtedly, in general, a firm that operates in good order can be privatized under better conditions and for a higher price than otherwise. Accordingly, if the owner did not allow enough time for management to shore up his firm, the owner would inevitably stand to lose money. Not to mention the fact that the privatization of an East European airline would evoke international interest of such scope that hasty action would also amount to a huge moral loss.

In contrast, in the KHVM's and the AVU's view such loss would still be smaller than the loss to be incurred by waiting until the firm was shored up. Although in this case we would be left out of the adaptation process pursued by large international airlines, we might have to confront the closed

doors of an already unified European market when trying to enter later by way of privatization.

On top, this potential loss may be increased further as a result of procrastination, because airline privatization in other former socialist countries (primarily in Czechoslovakia and in Poland) has already been placed on the agenda. The AVU believes that it would be a shame to surrender the present advantage, and claims that among the East European airline companies MALEV has been a leader thus far in adapting itself to international trends. (It is no coincidence that from within the region, in addition to the Yugoslavian JAT, MALEV has been the only member of the European Airline Association.)

On the other hand, MALEV Deputy President Dr. Andras Pakay believes that preparations for privatization must continue, but there is no need to hurry. This is because the attention of potential foreign buyers is focussed on MALEV, and no serious negotiations will take place elsewhere in East Europe until a decision has been reached with respect to Hungary. The KHVM also understands this to be the case.

The first step in privatizing MALEV is to transform the airline into a sole proprietor corporation. Linking state property with investments made by foreign airlines, as strategic proprietary allies, would follow thereafter. An agreement exists that not one, but several partners would be needed, by all means including one that operates in a Common Market member country, and another from overseas.

Schedule

Choosing the strategic partner is a rather sensitive part of the process. In this regard the owner must consider not only his own business interests, but also the arguments presented by the firm's management. This is because subsequently the management will have to work together with the chosen strategic partner.

On the other hand, the manner in which future partners will be able to acquire ownership shares in MALEV will depend on the future partners, and on agreements reached with them. They could either increase the capital or purchase part of the existing state property. AVU and KHVM agree on their joint intent that existing MALEV property must not necessarily be sold to foreign owners.

According to Mr. Pakay, it is of the greatest importance that in the midst of intensifying competition the strategic partner represent a qualitative step ahead in acquiring and entering markets (primarily with respect to the initiation and servicing of long distance routes). An equally important part of privatization is that in addition to the primary goal, the firm's additional capital needs also be satisfied (to finance the modernization of the equipment and other developments), and that the firm acquire operating and organizational experience. Conceivably, payment for the two Boeing 767's already on order could be paid from capital contributions made by foreign partners for instance, or foreign partners

might contribute equipment thus expanding MALEV's capital and capacities. Still to be decided is yet another issue: Should we invite pure investment capital that has nothing to do with the airline industry?

During the preparatory period, while searching for strategic partners, an opportunity for employee ownership must also be established. Subsequently, depending on the way the common European airline market evolves, the owners may acquire additional capital by selling stock on the exchange, thus concluding the privatization process.

It is the determined intent [of all concerned] to preserve MALEV as a national airline under Hungarian majority control, even though initially majority control exercised by the state may be warranted. (A 30-35 share held by strategic partners would be desirable.)

All this is needed not because of some excessive nationalistic spirit. This is necessary in observance of international aviation agreements, we were told by Sandor Kalnoki Kis. The rights and duties flowing from these agreements can be exercised or performed only by airlines which are owned and managed by the nation whose flag they fly.

Nothing has been decided as of this moment. At last week's cabinet meeting and in consultations among concerned parties only the outlines of an agreement concerning the sharing of property between MALEV and LRI have evolved. Concerned parties have yet to finalize MALEV's privatization strategy. This decision will be made next month.

Suzuki Stock Company To Turn Out 15,000 Cars

91CH0629B Budapest MAGYAR NEMZET
in Hungarian 25 Apr 91 p 9

[Article by (w. b.): "The Final Seal on the Suzuki Contract"]

[Text] Yesterday's press conference that followed the signing of a joint venture agreement to manufacture cars in Hungary began with a gentle slip of the tongue. Industry Minister Akos Peter Bod expressed his joy over welcoming the Honda firm in Budapest. Osamu Suzuki, president of the Suzuki Motor Corporation acknowledged the slip of the tongue and the subsequent correction with a polite smile. He has no concerns about competition for the time being. The Hungarian Suzuki Personal Car Manufacturing and Sales Stock Corporation, for which a contract was signed yesterday, is the largest joint enterprise in Hungary and is the first such venture of a Japanese firm in East Europe.

Forty percent of the enterprise's 5.5-billion-forint capital stock was contributed by Suzuki, another 40 percent by the Hungarian Autokonzern stock corporation. The Japanese Itoh commercial house has an 11-percent share, and the International Finance Corporation contributed 9 percent of the capital.

Production in the Esztergom plant already under construction will begin at the end of next year. Plans call for the assembly of 15,000 Suzuki Swift 1 and 1.3 litre five-door cars during the first year. The planned nominal capacity of the plant to be fully utilized by the third year calls for the assembly of 60,000 cars annually. Initially 40 percent of the materials, parts, and labor in these cars will be of Hungarian origin, but they would like to reach or exceed a 60-percent contribution level because that is required before these cars can be marketed in West Europe as products of Hungary. Plans call for the hiring of 1,100 workers in Esztergom, but since procurement plans also call for the involvement of several dozens of Hungarian subcontractors, a larger number of people will have their jobs secured by Hungarian car manufacturing which begins at last.

More than a year ago when the preliminary agreement was signed they talked about an anticipated price of 385,000 forints. Based on information received today, however, the Hungarian Suzuki will be made available at a price that will certainly exceed half a million forints. Responding to a question raised by the Czechoslovak news agency pressing to learn about prices, Istvan Lepsenyi, president of Autokonzern Inc., announced that in any event, the cars will be offered at a price lower than that of the Skoda Favorit. The Hungarian Suzuki Inc. was introduced to the press as the largest joint enterprise in Hungary, and thus, it would have been interesting to learn the extent and duration of customs duty and tax benefits the enterprise received as compared to let's say the General Electric-Tungsram transaction of a similar proportion. Responding to the question, Lepsenyi "informed" the press that in his view the benefits received were consistent with the law governing joint enterprises.

POLAND

Distribution of Coal Mine Subsidies in Dispute

91EP0442B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 13-14 Apr 91 pp II

[Article by Barbara Cieszewska: "In Mining: Disputes on Subsidies"]

[Text] Once again, as every year, disputes are occurring concerning the distribution of subsidies for hard coal mining. According to latest information from Silesia, unrest has developed in the mines. There is talk of unfair distribution, of preferences for the mines that saved the least in the past year. Let us note that the Sejm granted mining subsidies of 7 trillion zlotys, that is, 2.2 trillion less than last year.

In initial allocations, from this modest sum—considering the scale of needs—1 trillion zlotys was deducted and appropriated for other purposes. Almost a half billion zlotys, and precisely 400 billion and 900 billion zlotys were redistributed among mines that are most in debt. [A total of] 296 billion was earmarked for capital expenditures or preparing new fields, 59 billion

for ecological purposes, 21 billion as credit for the new, as yet unfinished, Krupinski mine, and finally, 200 billion in reserve.

In this way, the real subsidy for mines shrank to 6 trillion zlotys. The greatest protest is due to the half trillion zlotys for 11 mines that did not try at all during the past year to decrease costs and thereby increase profitability. In many cases they allowed themselves generous bonuses which caused the large indebtedness. Now, as if in reward, they are being given subsidies beyond the basic subsidy.

Trade union activists believe that a mistake was made at the level of preparing this plan. Mine directors were not consulted. They would immediately have pointed out the lack of logic in this system of dividing finances.

The plan was prepared in complete secrecy. This evoked wholly unnecessary anxiety among the directors and the workers. Fortunately, this is not the final plan. On Monday, a meeting of the trade unionists and mine directors will take place at which chiefs of the agency will present another version of subsidy distribution.

Polish Airlines Experiences Privatization Delay

AU2905120791 Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 23 May 91 p I

[Article by K.Sz.: "LOT Before Privatization"]

[Text] LOT [Polish Airlines] is waiting for the go-ahead to become private. The government passed the relevant bill on 5 March, but nothing has happened since then. Sejm commissions were meant to examine the bill on 22 May, but unfortunately they failed to do so, with the result that the meeting of these commissions has been postponed for at least another two weeks.

Let us recall that LOT was established by an act of parliament, therefore its transformation also requires an act of parliament. The reason for privatizing LOT is straightforward—as a private airline LOT will be easier to manage, and that is essential at a time of growing competition with foreign carriers. Transforming LOT from a state enterprise into a trade company may protect it against many pitfalls.

But there is another side of the coin. Right now LOT is weighed down by expenditures, involving the replacement of its fleet and the construction of a new airport terminal, kitchens for in-flight meals, and cargo facilities, so these costs will be easier to bear if there are shareholders to provide more cash.

The state will hold at least 51 percent of the shares in the private airline, thus maintaining a control over the airline that is essential in view of the international conditions governing the functions of a national carrier. Western governments exercise similar controls over the national carriers of their respective countries.

YUGOSLAVIA

Slovene Agency Director on Privatization Model*91BA0587A Ljubljana DELO in Slovene 20 Apr 91 p 19*

[Interview with Dr. Marko Simoneti, director of the Agency for Privatization, by Andrej Poznic; place and date not given: "Every Enterprise Is a Separate Story"—first paragraph is DELO introduction]

[Text] We talked with Dr. Marko Simoneti, director of the Agency for Privatization, about the proposed Slovene model for privatization at a time when an American economist, our old acquaintance Dr. Jeffrey Sachs, was explaining his own model somewhere at the other end of Ljubljana. This case also thus confirmed the only rule that is somewhat valid in the privatization fever that has gripped Eastern Europe: that there are no rules, and there are no best solutions. It is necessary to take risks, of course, and choose from among the flood of different proposals what seems best. And to hope....

[Poznic] Sometimes, with this rapid collapse of the Eastern economies, a person is consumed by doubts as to why we are even pushing for such changes at all, and whether socialism was not actually quite a good thing. The privatization processes particularly indicate that we are getting involved in something that is very, very uncertain....

[Simoneti] That is why it is very important to be aware that what we had 10 or 15 years ago simply could no longer preserve and renew itself. All of it together, to a great extent, was borrowed; it was borrowed from abroad, and borrowed at the expense of future generations. In today's transition, the problem is actually that we are making backward comparisons. We cannot escape restructuring, in one way or another. If we want to join Europe, we have to eliminate some types of production, we have to adjust our standards, and we have to restructure the management and organization of enterprises; and if we undertake those things through private initiative, the sacrifices will be much less and the transitional period will be much shorter than would be the case otherwise.

[Poznic] Europe, however, also has state property, and state enterprises which are very, very large and very successful?

[Simoneti] That is true, but Europe also has, above all, a large private sector, which influences the behavior of the state sector. It also has a regulated state that knows how to manage much better than ours does. Europe has antimonopoly regulations. Here, we simply do not handle those things in the same way as Europe. We have acted according to a certain inertia. Now everything has shifted to the other side, but I am convinced that in time some sort of balance will be reached again. It is true that privatization is not everything, but it is a precondition for any changes at all. It is as if you went to Africa and asserted that they did not have any ecological problems there. Perhaps, but their main problem is that they are hungry.

[Poznic] Although the need for privatization is often justified by very different arguments, for some people the main goal of privatization is greater economic efficiency, for others, the state's obtaining fresh capital, etc. In your opinion, what is the main purpose of privatization in Slovenia?

[Simoneti] Certainly greater efficiency for enterprises. In the long term, only that will ensure a better life. The state is simply not capable of handling things if 1,200 enterprises are doing badly. There are also other goals, however. In Czechoslovakia, for instance, they are purely ideological. They would simply like to make a complete break with the old system. I think that there is less of that here. For the Hungarians, it is important for them to obtain capital, because they are heavily in debt. I also think that that is not the main goal in Slovenia....

[Poznic] Although we are also heavily in debt....

[Simoneti] Yes, and it seems that we will be even more, since we are now financing all those reform programs, and also the state, by deficit financing. We will obtain some more federal debts, and some of them will arise with the rehabilitation of the banks.... The state debt may be much higher than it appears at present. It could consequently become an important element.

[Poznic] The initial experiences with privatization in Eastern Europe indicate that those two goals are opposed. If you want to increase efficiency, you have to embark upon privatization very quickly and very pragmatically; if you want to obtain fresh capital, either for repaying debts or for some other purposes, you have to embark upon privatization gradually, with a very good appraisal of the value of the property. Is there consequently a certain conflict between these goals?

[Simoneti] A conflict exists, at any rate, although I personally do not believe that the efficiency of an enterprise will be increased if we simply distribute property for the sake of faster privatization. A conflict, however, exists at any rate, and only after we have concrete changes in ownership and transactions will we see that different people have understood privatization to mean very different things. I venture to predict that there will be criticisms here as well: "But we imagined something completely different...." There will be a purge of enterprises and a purge of programs. People will lose their jobs. They are also losing them and would lose them in any case, but then they will attribute it to privatization. That is why it is harmful that the main goals have not been very precisely defined. The participation of foreign capital is also inconsistent. If we want to increase efficiency, improve technology, and obtain new knowledge, then we know more or less who can provide it. On the other hand, we are a small economy, in which it is necessary to decide in which sectors we will have foreign owners and in which we will not. The goals are consequently contradictory, and I agree that it is necessary to set priorities. I myself would subordinate everything to the goal of increasing efficiency.

[Poznic] You are mentioning a purge of enterprises. Does it seem to you that your model allows a purge? This is what I have in mind: you, yourself, say that autonomous methods of privatization will usually be followed here, which means that privatization will be carried out and guided precisely by those who would have to be most affected by it.

[Simoneti] The difference is between the model of additional capitalization, and autonomous privatization. In the first one, the money collected upon privatization will remain in the enterprise, which means that programs will be expanded and new capacities will be built. I am afraid that precisely for that reason the changes that will be necessary if the enterprise is to be organized efficiently will not occur. In my opinion, the second model, autonomous privatization, is the one that compels a purge. Why? Because every year it will be necessary to repay part of the loans, and an enterprise will have to orient itself toward its basic activity and do it well. I expect that autonomous privatization will accelerate the sale of assets, individual parts of property, and individual programs....

[Poznic] If we can clarify things somewhat, autonomous privatization involves at least one third of the employees having to decide that they will buy at least 10 percent of the appraised value of an enterprise, and that will start the privatization process, right?

[Simoneti] Yes, and the remainder of the value of the enterprise will be paid over [a period of] years to the Development Fund, which is a sort of "sleeping owner." The enterprise will be interested in profitable operation, in order to increase its own share in ownership and to avoid dividing its profit with the state, which will collect high dividends. There are consequently strong motives for doing good business. And there is something else: with that kind of privatization there will be a sale of assets. That is very favorable for the emergence of new, small enterprises. Small owners will buy the fragments left over from the process of purging large enterprises. In comparison with this method, we are afraid that with the method of additional capitalization enterprises will expand their programs even more, whether they can handle them or not....

[Poznic] Doesn't it seem to you that the main goal of the employees at enterprises will nevertheless be to protect their jobs, working conditions, and social peace within their own micromilieu? Won't this reduce the conflict necessary to launch revitalizing processes?

[Simoneti] It depends on the structure of the future owners. Autonomous methods are not limited just to people on the inside. Domestic outside physical persons can also be invited. They will primarily be interested in profit.

[Poznic] What about foreign capital? Why aren't you letting foreigners in too?

[Simoneti] Not with autonomous methods. Methods that include the agency will come into consideration with foreign investments. In such cases, it is necessary to decide how the property will be divided among the

different owners: how much the foreigners will get, how much the employees will get, and how much the enterprise management will get.... In any case, we can talk about that very academically, in general terms, or else we can take a look at what is really happening. In our pilot project, in which 104 enterprises participated, everyone also has the participation of foreigners in mind, simply because no one else can provide them with the strategic investments they need.

[Poznic] Is it then wrong to think that enterprises will prefer to decide on autonomous methods?

[Simoneti] Those who have large profits will aim for that, but otherwise enterprises will usually choose a combination of different methods. One should also be aware that even that 10 percent needed to initiate autonomous privatization is not such a very small amount of money.

[Poznic] Do you have any estimate of how much that is for the entire Slovene economy?

[Simoneti] If the appraisals of social capital are correct, it comes to 20 billion German marks (without the housing fund), and consequently, of course, 10 percent of that amount. If we assume that some enterprises will be restructured through bankruptcies, and some with the aid of foreign investors, then those proportions are not such that they could not be financed from domestic savings. Essentially, this is a question of confidence, which would attract money out of socks and also from foreign banks. The limiting factor, therefore, is only the confidence of the population and foreigners in the state.

[Poznic] Some people believe that the average worker in an average-size firm, if that firm were realistically appraised, would have to invest between 10,000 and 20,000 German marks in order to acquire his share. If that figure is correct, then I doubt whether the average employee will be capable of this....

[Simoneti] That is certainly not the goal. We are well aware that it is not good for the employees and the management to be the main owners in all types of enterprises. It is also known in the world that there are certain branches and areas—for instance tourism, or in labor-intensive manufacturing branches—where it is good, but in some it is not even advisable for people to hold onto their savings in addition to their jobs in an enterprise. I hope that people will slowly come to their senses and realize that this is not the most sensible thing—unless you really believe in a firm, and that firm is of such a type that additional motivation through joint ownership can do an enterprise good.

[Poznic] Can that be interpreted as an answer to the criticisms that the Slovene privatization model will not be equitable to everyone, and that privatization will not be fair?

[Simoneti] Regarding fairness, I can only say that what may appear to be fairest can turn out in practice to be the most unfair. Those who already have some property

today would accumulate even more in any event. Distribution according to past labor is one of our unique characteristics. If there is to be any kind of distribution, then I would be more enthusiastic about a division among citizens than among employees. In the final analysis, the enterprises emerged at the expense of the banks' losses. Division among employees is also dangerous because then all the risk is concentrated in one place. It is important to spread the risk. That is offered by Sachs's proposal for investment funds that would have a range of different enterprises in their hands. And one more thing about division: what could be divided up today is of questionable quality. People could be very disappointed later on. They would obtain something in good faith that would be very difficult for them to sell later on, or else they would sell it at a very low price, or after some time they would even find out that they had obtained shares in a firm that was going bankrupt and that they had lost everything, etc.

[Poznic] That is now essentially the argument against Sachs's concept of privatization, which is now appearing in Slovenia as a competitor of yours. They say that you had a rather stormy night in the government, where you argued about those two concepts. What is the heart of the dispute?

[Simoneti] He is proposing a macroeconomic approach. Around 100 or 200 large Slovene enterprises would transfer their shares to newly created institutional investors, and those financial institutions would then manage the enterprises, or would exercise control over management during the transitional period, before real privatization came about. It is not known, however, precisely who would exercise that control. Our approach is microeconomic. We say that every enterprise is a separate story, and each one has to find its own path to privatization. And enterprises here are already highly decentralized; it is not possible to oversee them on the basis of some common standards that we do not even have. We do not even have a law on institutional investors, much less people who would exercise control! If we bring capable people from enterprise managements into the funds, then we will certainly have difficulties in production; if we bring in foreigners, they will not understand the situation.

[Poznic] Foreigners, however, can handle the oversight?

[Simoneti] That is a great mystique. The boards of directors of American corporations are dominated by people from management. In Germany, boards of directors meet infrequently, four times a year, for instance, and the work is guided or overseen by banks. It is the same way in Japan. Having too much confidence in people from outside is questionable. Above all, however, Sachs thinks that in that way the largest enterprises could be privatized very quickly; but we think that this is essentially just nationalization. And a very important counterargument is that the whole thing has never been tested anywhere yet.

[Poznic] It seems that Sachs is proceeding from that German experience, where there are very few individual

stockholders, but there is a strong bank presence as enterprise owners, and that, on the other hand, he is coming very close to Spanish banker De Juan, whom we also know here, and who says that in the highly indebted Yugoslav economy it is precisely the banks that are the natural owners of enterprises; they, and not the workers, are the ones who loaned money in the past.

[Simoneti] There is essentially no dispute on this. I also think myself that the banks would have to play a big role in privatization, especially in rehabilitating enterprises. That is also because the banks know the enterprises best. Sachs, however, is now advocating the establishment of completely new institutions, which would manage enterprise property in the beginning, and privatization would only occur after those institutions had begun to sell controlling shares to the real owners. It consequently has to do with a mixed phase, and essentially nationalization.

[Poznic] Fear of nationalization? Your law is also being criticized for that. And that is not the only thing: certainly the agency and the fund are acquiring extraordinary political and economic power.

[Simoneti] At any rate, that power is divided between two institutions. In Germany and in Hungary, the functions of the seller of the enterprises and the owner of the privatization capital are identical. Here they are divided: the agency oversees the procedure, gives advice, and takes care of legality, but the fund will manage the property. Furthermore, in many cases here shares will be transferred to the fund without management rights. It is different in Hungary, and in Croatia as well a law is now being prepared that will be similar to Hungary's. It seems to me that the key thing in our model is that during the entire procedure all decisions remain in the enterprise, in the hands (if you will) of workers' councils as well in the case of a socialized enterprise. The value of the enterprises will actually be nationalized temporarily, but the enterprise will remain in the hands of the employees—until it finally passes into the hands of the new owner. That seems to me to be the key thing.

[Poznic] Nevertheless, isn't there a real danger that during the very process of privatization, enterprises will find themselves in difficulties with liquidity, and that at some point they will not be capable of repaying the loan to the fund, or will not be capable of buying up further shares? Isn't this that potentially concentrated power that you will have in time?

[Simoneti] Enterprises will of course have to be aware that they cannot embark upon privatization if they are not capable of following the program at least to some point, since otherwise they will really become state property. Preferred shares will be changed into common ones, and then the fund will manage them. The idea, however, is quite certainly not in having the fund control all those shares, because it simply will not be capable of doing that. There will be possibilities of political pressure, of course. For the time being, however, we are

trying to work as professionally as possible and we do not have any party or other ties within our institution....

[Poznic] Even though a prediction has already appeared that in the future Slovene policy will be moved out of the parliament, precisely because of the operation of these mechanisms, and into the agency and the fund?

[Simoneti] I think that those are exaggerations, and that we are making privatization into more than it actually is. Many systemic changes in the economy will have much more crucial results, for instance, the adoption of our own currency, the liberalization of trade, and so forth. There will be market pressures of which people are not even aware. There is also exaggeration in connection with the redistribution of capital. Let us recalculate just a little: we have 20 billion [German marks] in capital, which essentially has a negative yield. If we divide that among 2 million people, each one will get a thousand marks, and if that yield were increased to a fantastic two percent, that would mean 10 [German] marks earned each month. People have the illusion that large values are involved, because they simply look at the buildings, land, and equipment, whereas the value of the enterprises is nevertheless only what can be made from them in the given situation.

[Poznic] Some enterprises, which feel that they have to make something out of themselves, and which are apparently also capable of organizing themselves profitably, have already prepared privatization documentation. Those documents are already waiting at your agency. When will you start?

[Simoneti] We need legislation. The situation is unsettled, some federal laws are valid, and some of them are not valid. There are many things that are permitted—that is obvious from the assembly discussions—but it has not been settled legally, for instance with respect to denationalization.

[Poznic] Appraisal is a particular problem. Foreign consulting firms, among which a violent competition for work has started, are swarming around the Eastern capitals. None of them are swarming here.

[Simoneti] We decided here that domestic people would have licenses, because we want to develop our own personnel. If foreign firms want to work here, they have to establish ties with domestic appraisers, and that is what they are doing. Essentially, all the large world firms are already present in Slovenia. They have specific ties, but I know that they are also looking for locations for offices. At one time Belgrade was their natural haven. Now some of them are considering changing their strategy—deployment in several places.

[Poznic] One more criticism has been heard among the public. The domestic economic profession feels neglected, since they allegedly did not participate in formulating the model.

[Simoneti] I have already said several times that we are keeping track of everything that is written on this at home and in the world; we have taken part in a number of regular consultations in Eastern Europe; and we have included a number of good domestic and foreign proposals. There is no agreement on these things among the professional public, however: some are in favor of nationalization, others are in favor of distributing property, some are in favor of one sequence, others are in favor of a different one, etc. Of course, it is nevertheless necessary to decide on something for once.

[Poznic] You personally and Mr. Korze from the fund will have exceptional and abundant information—both on the situation and on the intentions of Slovene enterprises. That is a very sensitive role. There will probably also be pressures of one kind or another. Whoever received certain information from you would be at a great advantage when the ownership of a given enterprise is converted. How does a person handle such a situation?

[Simoneti] Formally and legally. We naturally have all the competition clauses in the contracts here. That has been taken care of. Substantively, I view things this way: the more open the process is, the more information there is, and the more appraisals are made, the more transparent things will be and the more protected you will be against abuses, and also against possible accusations. Then there is also the oversight. We are still just technical personnel, and we have decisionmaking bodies above us. The big decisions will be made by those bodies, and the biggest ones probably will not be made without the government's knowledge. That is particularly important for us, since in little Slovenia every large transaction has broad influence and consequences. I would also like to say something else. It is necessary to descend finally from the current high-level discussions about privatization to the microeconomic level, and start to carry out the process. If mistakes and shortcomings are demonstrated then, we will improve the law; if necessary, we will also replace personnel, and go forward. I think that the Hungarians took the right path. They began in a very decentralized way, and then worked on high centralization; now they are again opening up a whole series of new channels for privatization. They are working pragmatically; they have separated the process from politics, and are continually adapting it on the basis of possibilities and experiences. Everything else is only a technique that has to be mastered. And with domestic personnel! As soon as possible! That is the main thing. Foreigners cannot do it for us....

BULGARIA**Radioactive Uranium Discovered in Private Vehicle***AU0606165391 Sofia DUMA in Bulgarian 4 Jun 91 p 1*

[Report by Stoyan Sirakov: "Three and a Half Kilograms of Uranium Discovered in a Private Automobile"]

[Text] After a successful operation, the police confiscated a private automobile in which 3.5 kg of radioactive substance was discovered. This happened on Sunday at about 1200 in front of the Pirogov Medical Institute. It was announced by the press center of the Sofia Internal Affairs Directorate.

Part of the substance is an ammonium combination and the rest consists of triuranium osmium oxide [triuranov osmookis]. The owner of the vehicle is a Yugoslav citizen who, having learned about the police action, tried to hide in his country's embassy but was arrested at the Sofia Hotel. The substance was concealed in preserved fruit jars. It is highly radioactive and toxic in case of direct contact. It severely affects the lungs when inhaled,

according to specialists. They are convinced that this kind of storage represents a great danger to people's health.

The police acted after being tipped off and held the criminals under observation for about a week. The police officials participating in the operation established that the group of criminals consists of approximately 30 individuals, 29 Bulgarians included. The Yugoslav citizen tried to sell the radioactive substance, demanding the amount of \$300,000, while the real price is supposed to be \$100 per kg. The investigation clarified the origin of the chemical combination and the purpose for which the Bulgarian criminals intended to use the substance. It can be presumed that the substance comes from the Bukhovo mines, according to well-informed sources. The laboratories that produce such substances are entitled to own one kg as holders of a special permit, and 150 grams without permission. Numerous offenders have presumably participated in the illegal trade with platinum and mercury, according to the same source. A firearm and a vial of gas were also discovered in the vehicle in question. It can be assumed that the individuals who were arrested will be taken into custody.