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East Europe

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26 January 1993

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Comment on Impact of Breakup on Czechoslovak Army

93CH0230C Prague OBRANA LIDU in Czech
12 Dec 92 p 11

[Commentary by Zdenek Valis: "Let Us Learn From Our Ancestors"]

[Text] The division of the Czechoslovak Army will strike deeply into its existing system. In its more than 70-year history, it is experiencing this fact for the second time today, under completely different conditions than it did in 1939. The minister of national defense of the independent Slovak state, Lieutenant Colonel Ferdinand Catlos, at that time challenged the soldiers, noncommissioned officers, and officers, both Slovaks and Czechs in Slovakia, as follows:

"Soldiers were not permitted to politicize. I am demanding the same also for the future. The military must not criticize the relationships that have ensued. As an instrument of government power, it must obey this power. By obedience and courage, we will be able to correctly solve the question of the military separation. It is in the interest of each individual and of the whole to wait for an order. The decision will be in the form of a mutual agreement between Prague and Bratislava. The Slovak Government wants to put an end to this matter in a sensible manner within a certain brief time. Therefore, no one need fear that he will be wronged and must therefore be frightened. The reasons for mutual malice have disappeared and let the separation, wherever it will be necessary, be a friendly one....

"Neither the Hlinka Guard nor Slovak soldiers nor civilians may lay a hand on Czechs in their wait-and-see attitude, if they do not give them reason. Czech soldiers and professional military personnel may not intervene in matters involving Slovak internal order. Everyone will temporarily perform his duties according to the orders of his superiors, without regard to their nationality.

"Those Czechs who will be departing Slovakia will be preparing for departure without any kind of deviation from the bounds of required passivity. For those Czechs who have become acclimated in Slovakia, who have families, who have a positive mental and ideological attitude toward Slovaks and who understand them, a registry will be organized, and each personal matter will be decided by the Slovak Ministry of National Defense, in agreement with the Czech Ministry of National Defense.

"I specifically challenge each military personality in Slovakia to not engage in sabotage, particularly with respect to supplies and financial matters. The kind of consideration we will bring to bear against those who show an understanding for the inevitability of today's times will be matched by emphasis in prosecuting saboteurs and mischief makers. The toughest discipline in the military in Slovakia will be a matter of course and will be unconditional.

"Slovaks, soldiers, as of today, you are taking over responsibility for your state and for the life of the Slovak nation. Therefore, serve faithfully, dedicatedly, and with the highest enthusiasm. Czechs, those of you who have performed meritorious work for Slovakia, be assured that Slovakia will be forever grateful to you!"

As of that moment, Slovak military personnel wore the Slovak tricolor on their caps. However, according to Catlos, this "must not mean a reason and an opportunity for any kind of lawlessness toward others." He further promised that every violation of that rule would be suppressed in its embryonic stage and would be strictly punished. "A brave Slovak who boldly stood in the face of power that was armed to the teeth at the most difficult times will demonstrate his chivalry and honor at a time when things are changing. The defenseless are protected by our honor. They will also be protected by Slovak regulations and laws, but mainly by our Slovak pride. We will not tolerate provocateurs in our midst! Anyone who has superior power, is armed, and engages in violence or wrongdoing against armed elements is considered a provocateur of the Slovak matter...."

However, the undoubtedly well-thought-through and well-intentioned words of the future minister of national defense of the independent Slovak state were asserted in everyday practice only with difficulty. Much like Hurbanov's one-time assertion that "...what was to strengthen the Slovak people actually turned out to be a threat." On account of its literary and linguistic separation from the Czechs, the Slovaks lost any closer cultural ties to the West and were deprived of their resistance even in the face of the denationalization character of Hungarian culture and policy. Magyarization proceeded with such brutality that Count Tisza, looking about before World War I, was able to proclaim: "The Slovak nation is no more!"

But let us return to 1939 and to the notions of a "friendly separation," when the "Ministry of National Defense of the Slovak state ordered the disarmament by 17 August 1939 at 1200" of all military personnel of Czech nationality and "requested the German military headquarters to approve the deadlines for shipment to Bohemia and Moravia of other ranks, extended service personnel, professional military personnel, and civilian employees of the military administration, who have no housing or any transfer functions by 22 March, and for other individuals by 27 March (1939)."

However, reality was far more complicated. In Bratislava, an evacuation and liquidation commission of the Ministry of National Defense was established, which engaged in the evacuation of expatriated soldiers and members of their families and, in cooperation with the Ministry of the Interior, handled the evacuation of all other state employees of Czech nationality and the expatriation according to resolutions of the Slovak Government. Its activities were terminated on 1 June 1939, when the commission of the Ministry of the Interior took

over the agenda. This commission then dealt with "individuals who, for various reasons, were forced to remain in Slovakia (sickness, property, and so forth). Furthermore, it handled matters having to do with valuables confiscated by the Hlinka Guard and by the garrison headquarters during the turbulent days of the month of March."

However, there was yet another effort reflected here, and that involved officers and noncommissioned officers of Czech nationality who were married to Slovak women and who entered the nascent Slovak Army. Of course, the principle that command positions were always to be occupied by Slovaks, even though they were junior in rank, dissuaded many. As a result of pressure by the Germans, the acceptance of Czechs was more and more restricted, and, on the other hand, preference was given to all officers of the Czechoslovak Army of German nationality who found themselves both in Slovakia and in the protectorate, and they were urged to report to the then-forming Slovak Army. And as today's Colonel General Jan Ambrus, reserve, later recalled: "Officers were judged by their political reliability, which was determined by the Hlinka Guard rather than by their capabilities." It is therefore not surprising that the first promotions and appointments to functions in the Slovak Army resulted in dissatisfaction both among Slovak officers themselves and among members of the Czech nationality.

Their position turned out to be quite uncertain, even after three months, because the Slovak Government failed completely to formulate any conditions under which these individuals could be included in the Slovak Army, other than the fact that they must forgo advancement in pay and rank for three years. Although this was later rescinded and, at the same time, they were promised "...this would take place under the same conditions as for professional soldiers of the Slovak nationality," nevertheless...

The Slovak minister of national defense and the minister of the interior, as well as the commandant of the Hlinka Guard, made every effort to limit the relatively frequent Czechoslovak speeches and expressions of sympathy toward Czechs, and to reeducate the Army in the spirit of the Hlinka Guard. Thus, Catlos called battalion and regimental commanders from all over Slovakia to Bratislava to "investigate cases of incidents and to issue directives for effecting rectification." At the gathering of officers, he ordered one 1st lieutenant who had publicly stated that he is a Czechoslovak to be expelled from the Army. Lieutenant Colonel Imro, who was this officer's superior, stood up against this decision by saying: "Mr. Minister, I do not agree with this solution. After all, Minister Tuka did not even know how to speak Slovak in 1922, and today he is the best Slovak. Therefore, an opportunity and time should be provided to this young and good officer to reorient himself." However, not even this manly reminder was sufficient to change the minister's decision.

However, certain problems were also encountered by those Slovak officers who were married to Czech women because that circumstance (they still spoke in their mother tongue), at least according to the Slovak Ministry of National Defense, made them "nationally inadequately aware." The reaction of the accused officers only pointed up the absurdity of similar nationality requirements: "The circumstance that a professional soldier is married to a Czech woman, who speaks Czech when she still has not mastered the Slovak language, cannot be an indication of the fact that the officer in question tolerates that and that he thus demonstrates an inadequacy of nationalistic thinking.... If the decree lists cases of inadequate nationalistic thinking only with respect to those professional soldiers who are married to Czech women and, on the other hand, does not list cases of professional soldiers who are married to women of other nationalities, there can be no consideration...."

Every kind of extremeness, and thus also extreme nationalism, does not exactly have the best reputation in terms of historical horizon. And, in the knowledge of this fact, when we again stand before similar questions as those that confronted our predecessors more than 40 years ago, let us hope that this time the division of the Army will be accomplished without emotion and without mutual malice. Unlike those previous generations, we do not have the opportunity to make excuses or to blame a foreign—that is to say, a German—dictate! Both republics have also concluded a multitude of agreements, and there are even the most varied proclamations by politicians of both nations. If we again want to be an example for Europe, let us not allow this more or less coarse reality of dividing the armed forces to deprive us of even this idea.

U.S. Companies Lead in Direct Investment in CR, SR

*93CH0211D Prague HOSPODARSKE NOVINY
in Czech 1 Dec 92 p 8*

[Article by Hana Piskova, SBCS: "This Year, the American Companies Are Leading"]

[Text] From January to the end of September of this year, direct foreign investments in stock corporations on the overall territory of the CSFR have increased over the period January-September 1992 [as published; probably 1991] by 27,606.4 million korunas [kcs], which is \$975.8 million. This overall volume of capital invested directly in stock corporations studied by the State Bank of Czechoslovakia [SBCS] since the first of 1991 has reached Kcs 46,605.1 million, which is \$1.725 billion. The SBCS studies the actual inflow of these hard currency resources through the capital account of the CSFR balance of payments.

The relatively favorable development this year, especially in comparison with the data for 1991, is the result of a number of contracts made as a consequence of the radical privatization and the increased interest on the

part of foreign investors in investments in the CSFR that showed up by the end of May of this year. In the remainder of the period up until now, the reserved attitude of foreign investors and the stagnation in negotiating new agreements that has resulted from discussions of the relationships being arranged between the CR [Czech Republic] and the SR [Slovak Republic] have persisted.

Despite the above current problems, the index of influx of direct foreign investments represents 145 points for the first nine months of 1992 in comparison with the entire year of 1991. At the beginning of this year, there also appeared several stock enterprises with strongly capitalized companies. In addition to this, the majority of the contracts signed to date also contain long-term commitments by the foreign partners for further investments and assistance in renovating and expanding the production capacity.

According to an SBCS study of 30 September 1992, the influx of capital in the form of direct foreign investments was directed predominantly at the territory of the Czech Republic (about 92 percent) and, to a lesser extent, to the territory of the SR (about 8 percent). The establishment of new stock corporations with foreign participation on the territory of the Slovak Republic has not been supported to date by the financial flows that would ensure that the contracts that have been signed will be operative.

Table 1
Share by Republic
(in percent)

CR	92.3
SR	7.7

A substantial part of the foreign capital mentioned above comes through the National Property Fund of the CR and the SR and stems from one-time or progressive sale of shares or from the direct sale of entire enterprises within the framework of the approved privatization projects. There has been a significant contribution from this since the beginning of this year. There are also payments the foreign companies pay out directly for their participation in these enterprises. This particularly involves enterprises in construction, the consumer industry, and trade. An amount of almost Kcs 1 billion has been input by investors from Italy, Belgium, France, Switzerland, and the FRG just in cement works.

Table 2
Direct Investments in the CSFR in the
First Through Third Quarters of 1992
by Branch (in percent)

Trade and services	7.3
Banks	11.2
Foodstuffs industry	18.9

Construction	20.6
"Other production"	26.1
Other	15.8

The flow of capital mentioned above indicates the branch composition of the direct investments and predetermines the position and order of the individual branches. Thus, for example, the direct investments of the Philip Morris company and the Coca-Cola concern, as well as possibly others that were included in the SBCS analysis under branches of "other production," influenced the shift of that branch to first place, with a share of 26 percent of this year's total capital input. Construction was in second place, with a 20.6-percent Share, and the foodstuffs industry (which does not include beverages or tobacco) was in third, with a share of 18.9 percent.

From the geographic standpoint, the largest investor this year was the United States (a 28.9-percent share), followed by France (22.9 percent), and the FRG (16.8 percent). Other important investors were companies from Switzerland (7.3 percent) and Belgium (6.5 percent). The decisive share of the FRG in the overall volume of investments carried out in the CSFR (because of the influence of the Skoda-VW agreement) is gradually shrinking and, on 30 September 1992, amounted to less than 40 percent. The low share of Austria, which on 30 September 1992 amounted to 5.7 percent, is surprising. Austrian companies participated in a large number of activities, but with a low volume of capital input.

Table 3
Geographic Structure
(in percent)

United States	28.9
France	22.9
Germany	16.8
Switzerland	7.3
Belgium	6.5
Others	17.4

However, from the standpoint of the needs for restructuring and the further development of the Czechoslovak economy, it is not possible to consider even this increased influx and the overall results achieved to be satisfactory. Among other things, a comparison with the Hungarian Republic testifies to this, as there has been roughly \$4 billion invested from abroad in their economy, which is substantially smaller, in the past three years.

There are no significant changes in the results expected by the end of the year, but one can predict that, after the resolution of questions of the state legal arrangement, direct foreign investments will continue. This is supported by the continuing interest of global companies

(Siemens, Westinghouse, Porsche, Bosch, Renault, and Mercedes) in the potential of our important enterprises, such as Skoda Plzen, CKD [Ceskomoravska Kolben Danek Heavy-Machinery Plants], and selected fields (including the automotive) of the engineering industry and other fields of the processing industry.

CR, SR Fall 1992 Standards of Living Discussed
93CH0211B Prague EKONOM in Czech 20-26 Nov 92 pp 30-31

[Article by Eva Koutnikova: "Are We Afraid of Future Developments?"]

[Text] We published a testing survey of the market situation for the spring 1992 period in EKONOM No. 21 under the title "The Development of Opinions in Czechoslovak Households." That test works with an index of the consumption climate that captures the reaction of households to questions concerning the standard of living, prices, and the market's supply of consumer goods. The starting point is determining the difference between the numbers of positive and negative answers to the questions. A significant growth in the households' fears about developments in the next six months caused an overall worsening of the atmosphere of public economic opinion in the fall of 1992. Announcements of the introduction of the new tax system and the gradual lifting of price regulation for consumer goods brought forth a growth in unfavorable expectations in the development of price levels. This fact brought with it, as well, a growth in fears of the future developments of the standard of living for households. At the same, the optimistic rating for the future situation in the national economy also declined.

The degree of fears differs in the opinions of Czech and Slovak families. It is essentially possible to state that the

fears about future developments are slightly higher in the Czech Republic [CR] than in Slovakia. The attitude of the Slovak families is less critical, especially in expectations for development of the standard of living and the future national economic situation.

The growth in living expenses is gradually beginning to affect Czech and Slovak households. New items are being added to the families' expenses, which earlier were covered by social expenditures. This is accompanied by uncertainty because of a lack of experience in reacting to the rapidly changing external conditions of the macroeconomic environment.

In the test made of the market situation, the index of the consumer climate is an indicator of the status and development of public economic opinion. It captures the reaction of a household to questions concerning an evaluation of the standard of living, prices, and supply of the market with consumer goods. After its favorable development in the first half of the year, it was followed by a decline in September 1992. The reduction in the amount of the index is more significant in the Slovak Republic [SR], where its traditionally lower amount showed up again. In the fall of 1992, however, there are no significant differences between the CR and the SR, and the developmental trends are roughly comparable. From the long-term standpoint, however, there are noticeable differences between the republics.

In the CR, one can point to a certain persistent continuity of development. At the beginning of the summer of 1992, there was a certain stoppage of the favorable developments in the CR up until then, and this was replaced in September by an overall worsening. In the SR, by contrast, the index is moving "in spurts" and shows visible changes and the "polarization" of the fluctuations (see Table 1).

Table 1
Development of the Consumption Climate Index
for Spring 1991 to Fall 1992

	Spring 1991	Fall 1991	Winter 1991	Spring 1992	Summer 1992	Fall 1992
CSFR	90	98	89	91	97	89
CR	91	100	92	94	97	89
SR	88	94	81	86	97	89

Let us now look in more detail at the individual elements that affect the climate of public economic opinion.

The Development of the Standard of Living

A gradual improvement, particularly in Slovakia, is characteristic overall for the rating of the standard of living in the first half of 1992. Differences in the attitudes of Czech and Slovak households are being steadily

erased, and one could say that they have almost evened out, thanks to the positive changes in the evaluations of Slovak families and the restrained, or even critical, attitudes of households in the Czech lands. After a period of relatively favorable development in the standard of living (during 1992), there are indications of an increase in negative expectations that it may again come to a worsening of the household's standard of living (Table 2).

Table 2
Development of the Share of Negative Ratings of
the Standard of Living of Households

	Fall 1990	Spring 1991	Fall 1991	Winter 1991	Spring 92	Summer 1992	Fall 1992
CR Current	52	62	54	58	50	45	48
CR Expected	70	50	38	42	36	30	40
SR Current	62	64	58	68	56	50	52
SR Expected	64	50	38	56	38	30	38

The significant decrease in Slovak families that rated their current standard of living negatively (in comparison with the situation a year ago) and the very hopeful expectations and relatively deep optimism in the area of living standards continued throughout the first half of this year. By the fall of 1992, however, the number of unfavorable expectations had increased. In the Czech Republic, where the positive changes throughout the first half of the year were not as significant as in Slovakia, the growth of unfavorable expectations is much stronger. It is probable that there will be a drop in positive ratings of the standard of living. As future expectations indicate, it is possible to predict a gradual worsening of this element of public economic opinion.

In rating the standard of living (in comparison with the situation a year ago), the test showed a certain shift in household opinions. The predominate typical view for the entire first half of 1992 that, compared to the situation of a year before, the household's standard of living remains unchanged and is not getting worse was declining in September 1992. In the CR, and in the SR as well, there is a significant reduction in those opinions and their shift was balanced between positive and negative ratings of the standard of living. In September 1992, there begins to be a differing rating of the standard of living of households as projected over a longer time frame.

A Worse Situation in Supplying the Market With Consumer Goods

In comparison with the situation of a year ago, the evaluation of the supply has become worse, particularly through the influence of negative changes in the opinions of Slovak households. Of the aggregate of indicators studied, the rating of the supply situation was among the distinctly negative factors in the development of the climate of public economic opinion in Slovakia. There is noticeably a very uneven development—one could say "jumping around" in nature—of this characteristic in the SR, in which a significantly worse rating (in the spring of 1992) alternates with phases of distinct improvements (the summer of 1992). However, the long-term tendency is slightly downward. The growth in unfavorable expectations for the future development of supplies that the test showed in Slovak households also testifies to this.

For the Czech Republic, a downward development in the rating of supply is observable for the entire year of 1992. In contrast to the SR, the development of the opinions of the Czech households is continuous. In the spring of this year, unfavorable changes began, as documented by the downward development of the rating of the current and the expected supply situation. In September 1992, a certain halt in this development could be observed in the Czech Republic. In comparison with the spring survey, the household opinions are being maintained at roughly similar levels (Table 3).

Table 3
Development of the Share of Positive Ratings of the Level of Supply

	Fall 1990	Spring 1991	Fall 1991	Winter 1991	Spring 1992	Summer 1992	Fall 1992
CR Current	10	58	62	70	62	60	58
CR Expected	30	50	48	46	40	36	37
SR Current	5	55	56	60	52	60	50
SR Expected	18	42	40	38	34	34	30

Notwithstanding this development, however, this characteristic still has the greatest share of positive ratings. In September 1991, approximately 70 percent of Czechoslovak households indicated that the current level of supply was good or relatively good (in the CR it was about 75 percent and in the SR about 65 percent). Differences between the republics were again significantly reflected in the fall of 1992.

What Do We Expect in the Way of Prices in the Next Six Months?

After the relative stabilization of prices during the course of 1992, now the fears about future developments have grown considerably. This is evidenced by the marked increase in the number of households that expect a growth in consumer prices in the next six months. The negative shift in opinion is observable for households in

both the Czech and the Slovak Republics. The strong fears are based on the approaching deregulation of the prices of consumer goods and the expected introduction of a new tax system at the beginning of next year (Table 4).

Table 4
Development of Prices in the Past Six Months
Fall 1992

	CR	SR
Do Not Know	10	16
Prices Will Fall	5	4

Prices Will Stay the Same	15	20
Prices Will Rise	70	60

Economic Developments in the Next 12 Months

A stable share of about 40 percent of the households that expect worsening economic developments in the next 12 months is being maintained. The number of positive ratings has decreased, however, and the number of households that expect the same economic developments has sharply increased. More critical attitudes persist in households in the CR (Table 5).

Table 5
Rating of Developments in the National Economy

Negative Share	Fall 1990	Spring 1991	Fall 1991	Winter 1991	Spring 1992	Summer 1992	Fall 1992
SR	60	54	49	61	50	36	37
CR	58	49	42	52	45	41	40

The more complaisant view of the future of the Slovak households is noticeably influenced also by the development of the ratings of current earnings and an improvement in their financial situation. In September 1992, the test noted marked changes in the SR that showed up in a sharp increase in the favorable ratings of income. The shift in attitudes toward the rating of incomes in the SR follows after the unfavorable development at the end of

1991 and in the first half of 1992. The intensity with which Slovak households expressed the improvement in their earnings is entirely exceptional for the current period. It also can mean a marked probable release of, and an "excessive flow" of, financial resources in the form of growth in wages and other monetary income for the populace, which is concealing a certain risk of inflationary developments in the economy (Table 6).

Table 6
Development of the Index of Household Income

	Spring 1991	Fall 1991	Winter 1991	Spring 1992	Summer 1992	Fall 1992
CSFR	102	110	108	101	103	112
CR	108	112	114	105	110	115
SR	92	106	94	95	88	107

A certain hesitation is observable, however, in groups of inhabitants of the SR who are occupied with private enterprises. In distinction from 1992, when the test noted the development of distribution of financial resources in Slovakia that is connected with private

entrepreneurial activities, in September 1992 there was a decline in the number of households using savings accounts, personal insurance with savings, current accounts, investments in private entrepreneurial activities, and investments in real estate (Table 7).

Table 7
Distribution of Households' Financial Resources in Slovakia
(in percentage)

	Sep 1992	Jun 1992	Mar 1992
Savings	20.6	24.8	19.9
Insurance	26.6	30.2	28.2
Investment in real estate	5.5	6.4	3.7
Investment in private enterprises	4.3	5	3.7
Current account	2.6	4.7	1.7

In the SR, however, there was a growth in interest in the traditional opportunities for using financial resources (passbook deposits, certificates of deposit). In comparison with June 1992, there was a partial decline in the activity of the Slovak populace (or, in some cases, a return to the situation at the beginning of the year), and new elements of uncertainty showed up in the behavior of active and proreform elements of the populace and hesitation on the question of state support for private entrepreneurs. The Slovak populace is again beginning to secure itself against the future by the traditional—that is, passive and relatively sure methods. The significant

growth in ready cash in foreign currency deposited outside financial institutions can indicate an interest in accumulating foreign monetary resources without the possibility of records and control by the state.

The conclusions are derived from the long-term survey of public opinion repeated quarterly, the test of the market situation among the populace (TTS). The last survey was performed by ECOMA [expansion unknown] during September in a sampling of 1,402 Czechoslovak households.

Ludzhnev Discusses Future of SDS Dissidents*93BA0368A Sofia TRUD in Bulgarian 30 Nov, 1 Dec 92*

[Interview in two installments with Dimitur Ludzhnev, minister of defense, by Raycho Raykov; place and date not given: "Responsibility Is the Key Word of the Moment"]

[30 Nov pp 1, 3]

[Text] [Raykov] Mr. Ludzhnev, many people have been left with the impression recently that the SDS [Union of Democratic Forces] is running away from responsibility for governing after all the political obstinacy, declarations, and failed bargains with the DPS [Movement for Rights and Freedoms].

[Ludzhnev] Yes. Responsibility—this is the key word at the moment. And the problem is precisely that, while many people are talking about responsibility, as a matter of fact very few are ready to assume responsibility. The naming of Filip Dimitrov a second time as a candidate for prime minister was more or less avoidance of responsibility. Then we have the flight from responsibility by the leaders of the leading parties in the SDS, the flight from responsibility by the NKS [National Coordinating Council], and by the leadership of the SDS parliamentary group. Generally speaking, it has been made quite clear (in closed sessions, of course) that if you realize what a difficult heritage has been left to this government, what a difficult winter awaits us, and who will assume power, you will see that many negative dividends will be reaped. At the same time there has been the desire to retain all the key positions in the government, and the result is this combination as an answer to the question "who else if not the core of the old government?" And so this really is a key moment.

[Raykov] And now a leading question, Mr. Ludzhnev. Does the fact that political decisions are made in the SDS National Coordinating Council not free you members of the parliamentary group from responsibility? Someone outside parliament makes decisions, you are given orders, and you must obey, or at least it works out that way.

[Ludzhnev] That was the big dispute between the people who later formed the B-12 group and the SDS leaders. Even in May I asked the question later elaborated in Memorandum '92—The SDS and Democracy, signed by 12 deputies on precisely this point: Who is to make decisions connected with government institutions and government policy?

It cannot be the National Coordinating Council. As a political body the NKS, as in all democratic countries, can recommend one political position or another in relationships with our partners, relationships inside the coalition between the individual parties for implementation of the SDS program, and so forth. But the SDS National Coordinating Council is not responsible for the government institutions, for the government, or for

government policy in Bulgaria; the parliamentary group is responsible for all this. Once elected, the deputies (and the leaders of almost all the important parties are in the parliamentary group) receive the constitutional mandate of making government decisions. Precisely this was pointed out in the memorandum; the parliamentary group cannot be transformed into a screen or a sort of interpreter of decisions made by an irresponsible body. Under the Constitution the NKS bears no responsibility whatever toward the government. It can make all sorts of decisions, and in doing so it makes these decisions in a situation in which most of the people who participate have neither the necessary information nor the necessary qualifications or competence, unlike most of the deputies who work on the various commissions and are familiar with matters relating to the mechanism of government and so forth. When I said these things, you must remember how Mr. Kurtev and other leaders, including Mr. Yordanov, criticized me very harshly. This was also one of the reasons for the "withdrawal of confidence" in me, merely as a figure of speech.

[Raykov] It may also be put in other terms, which in my opinion would also be more accurate: This marked the beginning of the longest and most painful expulsion in the history of the SDS and at the moment it is not known if you are an expellee or not.

[Ludzhnev] I am only partly expelled, so to speak, since the SDS NKS withdrew its political confidence from me precisely because I want to shift the center of power from the National Coordinating Council to the parliamentary group. But it is interesting to note that the parliamentary group has not agreed to accept the NKS recommendation to expel me, and so this situation of partial expulsion has arisen. Of course, this is as ridiculous as it is sad, because it is a typical relapse into our communist past and demonstrates the thinking of one category of people who at the moment predominate on the NKS. But as a matter of fact what we had in mind was not so much shifting of the center of power as the question of organization of relations between the NKS and the parliamentary group and the actual ability of this group to make independent decisions, with the positions of the NKS also being taken into account, of course.

[Raykov] And the response was not long in coming, of course. A very stern SDS party conference followed in September. The party declaration was that "we decide and you implement the decisions." It sounds crude, but ultimately that is the way it is.

[Ludzhnev] That is certainly the way it was in the parliamentary group. The deputies stood up and said that the politburo decides and we must implement its decisions, because we were elected on the blue ballot. And I stood up and said that precisely because we were elected on the blue ballot and have more than 2 million votes behind us (and there are on the NKS party leaders who represent barely 10 percent of those who elected them), we have far greater powers and far greater responsibility. This seems wonderful now. It is no accident that finally a large part

of the deputies in the SDS felt the weight of responsibility for the government on their backs and launched this notorious petition, which became the news item of the day.

[Raykov] Some colleagues termed it the revolt of the ants. But is there not among these people a fear not so much that power is slipping away from them as that they might lose their decent pay and warm seats in the National Assembly? I am aware that there is possibly a certain amount of cynicism in the question, but the question must be asked.

[Ludzhev] This may be a strong reason to some of the people. Many of the colleagues understand that in the event of new elections they can hardly count on the goodwill of the SDS National Coordinating Council to be included in the SDS electoral lists, or understand in general that it will be very difficult for them to be elected and they surely surmise that this is due chiefly to the fact that up to the present they have avoided responsibility. After all, what sort of situation do we find ourselves in now? Every Bulgarian citizen ultimately points to those who received a mandate from him in the elections as being responsible for the crisis. And those deputies who signed this petition feel guilty that they have not done their duty, that they have permitted a serious government crisis and an erroneous administrative and economic policy, have allowed the SDS program not to be carried out, and have allowed the government to be pushed to the brink of severe social and economic disaster. These people clearly understand that every citizen of this country is entitled to ask them what they are doing, what the government has paid them for, and whose interests are they protecting, their own or those of the country. I think that this is the basic reason. It is simply that the people have been suffering for a long time.

[1 Dec p 6]

[Text] [Raykov] Have they been suffering or have they been afraid?

[Ludzhev] These things are related, of course. I even understand their fears. Oppressed in the parties, for a long time they were kept in a situation of anonymity; the voters did not know them, and this was intentional. For a long time they were literally mistreated and manipulated by a small group that gambled on the fact that it was hardly this group that elected them to Parliament and that, if it had not been for the group and its hunger strikes and its anticommunist actions and tours around the country, hardly anyone would have elected the majority of the deputies. And so I understand the fears and discomfort of these people in opposing the NKS and the leaders, who have usurped the right to speak on behalf of the SDS. To my knowledge most of these people, who now are beating their chests and yelling that they are anticommunists and the only champions of democracy in this country, were unknown even in the spring of 1990.

[Raykov] May was too early for them; maybe they did not yet know how things would turn out.

[Ludzhev] Yes, it was too early for them. But let us leave it at that. What is more important is that I had the opportunity to be in government administration long enough to know what responsibility for a government means.

[Raykov] Some say that what was accomplished by the Popov government in which you served has not yet been destroyed, but that nothing of substance has been added to it by the two cabinets of Filip Dimitrov. Am I right?

[Ludzhev] Yes. The so-called Popov cabinet was actually a government of consensus of political forces and presented the advantage that it was made up mostly of people of the same mind as regards transition to a market economy. The SDS team in this cabinet had the good fortune to be selected by strong personages (the experts and not just the ministers) who were still working at the roundtable.

[Raykov] May has not left many of these people in the administration, has it?

[Ludzhev] Actually almost no one has remained. And these were people who had been politically oppressed or burdened, and this in effect made it possible actually to initiate all the basic macroeconomic reforms, more precisely the monetary reforms, last year. Of course, there were also some reforms in structural elements. On the whole, the country is still being held up by this net that we wove last year together with the Bulgarian National Bank. But this net is no longer holding out; big holes are now appearing in it. It will be difficult for us now to support the exchange rate of the lev, and the decline in output is so great that absolutely nothing good is in store for us. But the most important thing is that the government of Filip Dimitrov has not encroached on government ownership. Moreover, we are witness to restoration of a centralized administrative system of making economic and administrative decisions.

[Raykov] And so we will come back to responsibility. Are some people not responsible for the government's putting us in the position we are now in?

[Ludzhev] I think that those who bear the responsibility also have a sanction; they have received a vote of no-confidence twice. But what is especially unpleasant to me is the former Prime Minister Dimitrov and especially the finance minister trying to wash their hands by means of absolutely primitive speculations and demagoguery, asserting that someone has almost prevented the government from doing its work; that the unions, its president, have stood in its way; that the mass media, the DPS, and even the church have obstructed it. They allege in general there has been some sort of conspiracy, a wedge has been driven, and so forth; everything has acted to obstruct it. You see, no one can stand in the way of a strong and efficient government. But above all else a government must have an appreciation for dialogue.

This was the basic disagreement between me and the other ministers of Filip Dimitrov while I was in his cabinet. Reforms of national importance and such a large-scale transition to a market economy and democracy cannot be carried out at all without the support and confidence of a majority of the population. The motivation cannot be full stores; a full pocket can be the motivation. I am not a social demagogue and I know that pockets cannot be full now, but I know also that every person must have the prospect of having his pockets filled. And we must not have unemployment increasing daily, businesses going bankrupt, the standard of living declining, and no prospects in view. Last year we at least outlined some prospects; the people saw that we were stabilizing the currency and the market. Despite the fact that the standard of living was declining, we were not heading into the disastrous position of Russia and other countries. And what does the Dimitrov government offer the people now?

[Raykov] All right, but what help will something such as the revolt of the ants be? I personally dislike this term "ants"; I would prefer to say "deputies with an awakened consciousness."

[Ludzhev] I think that one of the big problems that we suffered from in this one year was achievement of a sense of the dignity of people. The SDS program states that the individual is the fundamental, central element in transition to democracy. During this year we survived an attempt by a handful of people to seize power again, to head some sort of authoritarian structure, and trample on the dignity of man. But I must say that they did not succeed. The greatest success of the changes in May was precisely the fact that these people did not succeed. These people were key figures, but they lost power at that time and there is no chance of their regaining it. And the greatest success is precisely that the people in the SDS parliamentary group sensed, understood, that they are individuals, that they must act in order to preserve their dignity. This is why it is wrong to speak of ants, because all of us were ants, but in that totalitarian society of the past, because the problem was to survive and live. If there is something horribly unpleasant to me at the moment it is the fact that thousands of people in this country fear for their jobs; both directors, government workers, and employees are afraid, because someone on some coordinating council, some governor or mayor, some party of governing personnel may demand their retirement, may declare them to be communists, a member of the *nomenklatura*, or some such. In the final analysis is this what we fought for?

This is why I think that it was an enormous success during several months after May that the nevertheless relatively autonomous institutions such as the trade unions, the Presidency, the media, and others, including even the church, were able to fight against this authoritarian tendency, this relapse into communism. And now we have a great opportunity in front of us, and it is in the DPS mandate. But it should not be thought that the DPS will form a government; this is out of the question and

impossible. This mandate can be put on the table, and responsible representatives of the two sides can sit down, isolated from the parliamentary groups (but not from the political bodies), and in a statesmanlike manner decide to form a working cabinet of individuals. That is my understanding of responsibility: to be able to fight with one's own personal partiality toward a party or persons and to say that the situation is unbelievably difficult, that the country is faced with a disaster, that there is even the danger of social and ethnic tensions, that the situation in the Balkans is not a good one, and then to say that this is why we must make a responsible decision and appoint the persons who are capable of stabilizing Bulgaria.

Minister of Industry on State Role, Reform

93BA0382A Sofia 168 CHASA in Bulgarian 8 Dec 92
p 12

[Article by Minister of Industry Rumen Bikov: "Complete State Withdrawal From the Economy Would Be Premature"]

[Text] *What the illusions and traps are along the way to structural reform in industry.*

Three models are known that are in stable operation in already developed market societies.

The first is the U.S. model, a liberal one, under which the market and market prospects rather than the government stimulate investment and redirect it to promising sectors and companies, diverting it from failing sectors and production processes. The role of the state is very limited in this case. It encourages high-technology production, secures hazardous investments, and finances major facilities of particularly great importance to the nation.

The second model is the Japanese one. Under it the government plays a strong leading role in orienting economic or industrial production toward a clearly defined goal, in effective participation in international competition, and in gaining and holding leading positions in this struggle. The state encourages diversion from unutilized potential or uncompetitive production to production processes of low energy and material intensity and finances basic and applied research. The industrial strategy, supplemented by specific programs and flexible corporate planning, is regarded as the basis of relations between the state and the economy in the Japanese model.

The third is the West European model. Intervention by the state takes the form of selection of a crisis management behavior and determination of the goals of development, along with assessment of national priorities and creation of adequate organizational and economic mechanisms for practical accomplishment.

My position is that currently the policy for restructuring industry must be oriented toward the principles of the

West European model of relations between the state and businesses. It is a question above all of formation of an adequate external environment stimulating structural reform. This includes such basic elements as a legislative environment, economic regulators (economic environment), and an institutional environment.

Amendment of the new laws in effect is of essential importance. A similar practice is followed in the other East European countries and there is nothing unusual in it. The foreign investment law, for example, should be updated with the economic preferences so necessary for attracting an influx of foreign capital, along with the priority areas for which the preferences are valid. The national strategy for structural policy in economics will win if the liberal terms for foreign investments are put in concrete form as regards both the economic controls (such as taxes and reduction of customs duties) and the economic areas. This will be of assistance in competition with Hungary, the Czech Republic, Slovakia, and other countries that are candidates for foreign investment. Appropriate amendment is also needed for the privatization law, particularly with respect to the prospects, techniques, and specific forms of involvement of a wider segment of society in acquisition of privatized property.

It is urgently necessary to enact a number of new laws, the absence of which today is unquestionably having an effect on the course of the reform. Such, for example, are laws on private business, intellectual property, management of state enterprises, bankruptcies, and so forth. A private business law would be of particular importance in this instance. Aside from the fact that such a law is vitally necessary for legal protection and support of private business taking shape in Bulgaria, this law will be needed especially over the years in which the share of state industrial ownership will exceed private ownership. Because it is already entirely obvious, I will not comment on the need for an intellectual property law. A bankruptcy law is another important law that the reform urgently needs for the purpose of precise regulation of the legal basis of the process of liquidating enterprises. There is an especially great need for a law on management of state enterprises. This law would provide for suitable legal regulation of relationships between the state and the autonomous enterprises that the state owns.

The general economic environment is no less important than the legislative environment in promotion of the structural reform. The relationships among the individual economic controls must be taken into account in construction of this environment. Such, for example, is the connection between lowering tax rates and rapid economic development. Of similar importance are customs duties and excise taxes, as well as easier access to credit for sound business initiatives, especially for development of private industrial business.

Accumulated world experience indicates that the state intervenes actively in a market economy that has entered a crisis in order to bring the economy out of this situation, to revive it. This applies even more so to an

economy that has just begun to build its market foundations and mechanisms and that until yesterday was entirely subject to the dictates of the government. Consequently, mechanical application of one of the fundamental postulates of neoconservatism, complete withdrawal of the state from the economy, is premature for Bulgarian conditions.

Restructuring of ownership is the second essential orientation of the structural reform, realization of which has a direct influence on the market mechanisms in the country. The state is the authority competent to carry out the restructuring because of the continuing monopoly position of state ownership.

The reform of ownership contains several interrelated elements. First of all there is clear definition of the limits of state presence that may be asserted, which is achieved by a state sector confined to an economically justified framework. Stimulation of private business by the state would contribute to rapid strengthening of a viable private sector, in the form of establishment of new privately owned businesses, which, by their competition, financial participation, and cooperation in production technology (as subcontractors and buyers) would contribute to an increase in the efficiency of state enterprises. Abandonment by the state of bureaucratic regulation of foreign economic relations and replacement of such regulation by indirect instruments of economic policy (customs, taxes, a market-based currency exchange rate, and interest rates) will promote strengthening of the market mechanisms and improvement of the prospects for structural reform.

Difficulties With Tax Legislation Discussed

Crucial Role

93BA0383A Sofia 168 CHASA in Bulgarian 8 Dec 92
p 15

[Unattributed article: "New Version of Killer Taxes in Preparation"]

[Text] *The power to tax is a destructive force, according to John Marshall, United States Supreme Court justice. According to Bulgarian ministers, the force has been creative.*

The government budget directives for next year state that tax revenue is projected to reach 108.271 billion leva in 1993. This revenue is 72.95 billion leva for 1992.

The increase is 40.5 percent, with a projected growth of budgetary spending of only 35 percent. A package of six tax bills introduced by the finance minister represents the instruments for collection of a greater amount of taxes. These laws deal with matters of tax administration, taxes on profits, corporate income, sales of goods and services (the value added to them), and added excise taxes.

Even the current lower taxes have proved to be uncollectible. Only one-half of the projected amounts has been paid into the budget. A record tax collectibility of 75 percent is entered as absolutely official in the accounts of Minister Kostov for next year.

The optimism was based on allegedly lowered tax rates. These rates will make the tax burden 29.5 billion leva heavier.

When he assumed the financial post in 1990, the assistant swore that there would be a tax reform in 1991. When he became a member of the next government, he again swore that the same reform awaited us in 1992. The tax reform was ultimately doomed. The incomplete tax package will be considered by parliament in 1993.

Only now is the tax reform just around the corner.

Substitutes are being placed on the agenda: sleight of hand with figures, illusions with accounts, and other feats of prestidigitation.

The profit tax bill is advertised by its authors as having a reduced rate of 30 percent for firms in which individuals or foreigners own stock, rather than the current 40 percent. What the authors do not say is that this law incidentally allows the 30-percent rate to be raised for the budget by a Kostov coefficient such as 1.5. This would automatically raise the tax rate to 45 percent for private businesses and 60 percent for government-owned ones. In addition, banks and financial institutions would pay a ruinous 70 percent on their net income, with the remainder of this income being set aside as a reserve for bad debts.

The tax on total income has only three rates, 15, 30, and 40 percent in place of a graduated scale of rates. The new feature is that wages and other income will be taxed together. The essential aspect is in the proposed Kostov base amounts above, which determine the rate of the tax. This base is the minimum wage for the country, which will be established by another law, the budget law.

The bill for taxation of goods and services (value-added tax) has a single rate of 20 percent on all sales. This tax is to replace the sales tax with its rate of zero to 22 percent of the end price or in effect 28.2 percent of the wholesale price paid by the buyer. The modern idea of taxing only the income of the individual business is an ugly resurrection of the old concept of taking it out of everyone's hide at every stage of production and trade. The experts at the Ministry of Finance have displayed no imagination whatever in explaining the achievement. They have illustrated it as if drawing diagrams of the teachings of Marx. They took the knowledge of their chief political economist as their guide.

As a result of this bill, the cost of food products will go up 5.3 percent, and consumer expenses nearly 8 percent. These items already consume two-thirds of the budgets of Bulgarian households. The price of goods not previously subject to a sales tax or taxed at a low rate will fly

up to new altitudes with the proposed 20-percent tax. This applies to bread, milk, cooking oil, rice, and even currently "inexpensive" housing construction.

The excise tax bill makes its appearance on stage as a killer of normal human living standards. The original was taken from the "tooth tax" known from the annals of history. The trick is that the treasury orders persons who have already paid the excise tax to pay part of it again, by imposing a "value-added" tax on goods. In the past only one of the taxes was collected, not the two together combined with each other, and even with the duties already paid.

Article 13 of the tax administration bill is truly fatal to the separation of powers, administration of justice, and democracy in this country.

Subsections 4 to 9 of Section 1 provide that in order to determine monetary and material assets, including valuable books, the tax authorities may demand information from third parties, and to go beyond what traffic control authorities do by stopping and inspecting cargo vehicles. Section 3 provides for assumption by the tax police of an investigative function by acting in place of a preliminary investigative procedure authority.

The tax administration law unlawfully calls for changes in a large number of other laws. The transitional and concluding provisions direct the elimination of bank secrecy, amendment of the Code of Penal Procedure, and the Penal Code.

It is normal for the tax administration to have broad powers in a normal country. The folly in Bulgaria is that the unlimited powers of this administration remain under the control of the executive authority. In the civilized world the institution is independent.

Views of Legislators

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[Unattributed article including interviews with Asen Michkovski, chairman of the Economic Commission, and commission members Valentin Karabashev and Nikola Koychev; place and date not given: "Bills Omit the Most Important Thing"]

[Text] *Preferential treatment of private business and relief for creating new jobs are omitted from the assistant minister's package.*

The long-awaited package of tax bills is already gathering dust in parliament. It seems that only the author of the package, the retired finance minister, is satisfied with it. Deputies, financiers, and businessmen have already detected a fair number of flaws in it. The chairman of the Economic Commission, Asen Michkovski, and Commission members Valentin Karabashev and Nikola Koychev have commented on these deficiencies especially for 168 CHASA.

The Private Businessman Is Pushed Aside

[Michkovski] It is absolutely mandatory to give preference to private business in the tax laws. I think that this is to be done in a well-balanced law to stimulate local industry and private business in the country. There absolutely must be a tax vacation. There must be reductions in connection with railroad transportation, lowering or elimination of the customs duties on imported machinery and equipment, and regionally oriented incentives. Unfortunately, these problems are not regulated in the tax bills.

[Koychev] We still do not have a differentiated ownership structure, and so taxes should not be lowered. The government is simply obligated to collect what is due it from the enormous share of public property.

[Karabashev] It would be good for private firms to have an exemption period of several years during which they would pay no tax. After this period a tax lower than the proposed 30 percent on profits would be applied.

The General Tax on Goods and Services Will Cause a New Price Shock

[Koychev] The rate of this tax is excessively high. With the current creeping inflation, the cost of food products will rise 5 to 6 percent. In the beginning at least there should be two rates, one for food items and one for nonfood items.

[Michkovski] The untaxed minimum is very low in the bill for taxation of corporate income. The three income ceilings are unsatisfactory. There should be more tax levels, starting at a much higher level.

No one is giving any thought to new jobs.

[Karabashev] There absolutely should be a preference linked to creation of new jobs.

[Michkovski] The tax on profit should be linked to creation of new jobs, and this should be one of the most important preferences.

Banks Will Also Suffer

[Michkovski] What the Council of Ministers has proposed gives privileges to foreign banks. The tax on profit is very high. I do not agree with the option of granting access to bank accounts without a court decision; bank secrecy should not be violated.

[Karabashev] Taxing the banks leads to violent disputes. The minister (who is now retired) proposed a tax of 70 percent for government banks and 60 percent for privately owned ones and banks in which foreigners hold stock. Normal operation of the banking system would be impossible with a 70-percent tax, because a process of decapitalization of the banks would take place. A rate of 55 percent for all types of banks is acceptable.

Old Ideas Will Set Up the Financial System

[Michkovski] On a scale of one to six I give the tax bill package a rating of three. There is a golden rule that must be followed: It is important to tax according to what can be collected, rather than having high taxes that cannot be collected. Not every tax increase results in revenue for the budget. There is a limit beyond which the curve begins to drop sharply. We have not even plotted the curve yet.

The package does not contain the financial control law and the Chamber of Accounts law. There are internal contradictions both within individual laws and among the laws.

[Karabashev] Transferring the tax burden partly from businesses to individuals as wage earners and as consumers—such is the general logic of the tax reform. It is also the general trend in all countries. However, there is no law in Bulgaria regulating local taxes and fees.

The worst thing is that there is no chance for the tax laws to be passed by the end of the year. The main reason for this is the paralysis of parliament over the last three months due to the political crisis.

Zieleniec on CR's Relations With Germany*93CH0269A Prague PRITOMNOST in Czech No 9, 1992 p 11*

[Unattributed interview with Minister of Foreign Affairs Josef Zieleniec; place and date not given: "About Germany Without Emotion"]

[PRITOMNOST] Mr. Minister, many people here expect that Germany will be our most important foreign policy partner, but they are reluctant to say it out loud or draw practical conclusions from it. Let's review: Vaclav Havel's first foreign trip as president was to Germany, but then many people criticized him for it. Sometimes one has the impression that the Czechoslovak, or rather Czech, foreign policy wanted to "leap over" Germany and look for closer partners beyond the Rhine, or even beyond the Atlantic. How do you view this?

[Zieleniec] I would be very glad if we could at long last manage to speak about our policy toward Germany without emotion. I believe that the key to a significant part of the Czech-German problem is here at home. Precisely the notion that in foreign policy it is possible to bypass or leap over Germany is proof of that. The attempts in the past to join the West by leaping over Germany ended by us finding ourselves in the East instead of in the West. The geopolitical logic of the area in which we live is from that point of view unrelenting. In our foreign policy Germany must be given the weight that is commensurate with its size and its importance in Europe. And at the same time we must not forget that it is also our biggest neighbor.

[PRITOMNOST] Some years ago an idea of cooperation across the borders was born in West Europe, as well as a way to put it in effect by establishing the so-called Euroregions on both sides of the borders, particularly between those countries where until recently there was hostility. Subsequently Franco-German, Dutch-German, and other Euroregions came into being. In the past election term the Euroregion Chebsko was thus established. Some deputies and publicists expressed concern that this could turn out to be a kind of German Trojan horse, which will challenge the Czech sovereignty over Czech territory. Do you share this concern? And if not, how do you intend to support the idea of Euroregions?

[Zieleniec] The idea of Euroregions was born as an expression of the effort to overcome mutual hostility and lack of understanding. It is therefore not proper to assume a negative attitude toward them in advance and speak about them as a Trojan horse—which was, after all, an instrument of war. On the contrary, border-spanning regions could become, as the experience of European countries shows, an instrument of good neighborly relations. But their necessary prerequisite is a certain standard of international relations and a clear internal legislative base for their status and function. They cannot exceed the role of the state, they cannot therefore replace the usual international relations and international cooperation. The Czechoslovak legislature,

for understandable reasons, did not take Euroregions into consideration in the past, and so far we have been unable to close this gap. The actual developments have taken us a little unawares. The regions on the other side do not have a corresponding territorial partner here—we have communities and then only the parliament. There is no midlevel territorial self-government, be it called kraj, region, or land. The foundation for Euroregions should be laid in the Czech Constitution. If the regions are clearly defined legally, the regional cooperation could bring benefits to the participating sides and thus become one of the significant stabilizing elements of relation between the Czech Republic and its neighbors.

[PRITOMNOST] Good relations between the Czech Republic and Germany are complicated by the problem of the Sudeten Germans. It caused some hesitation on the part of the Germans during ratification of the treaty between CSFR and FRG. Some people think that this is a generational problem which will disappear when people who remember 1938-45 die out. We believe that a problem of this kind cannot be disposed off that way. Do you think that this is a problem that was simply made up or blown out of proportion? And if not, what do you believe would be the best solution that would respect the interests of both sides?

[Zieleniec] Even though the Sudeten German problem is not the problem of only the Sudeten Germans but concerns both the Czechs and Germans generally, it is only a marginal problem of German politics. If we were to treat it as a central problem, we would inevitably find ourselves on the margins of German politics. But that does not mean that we shall turn our backs on the Germans. We want to talk with Germany about the future face of Europe and about their and our role in its organization. European integration also provides us with scope for a mutually acceptable solution to this problem. Only a solution that is based on the interests of both sides can be the appropriate and stable solution. Precisely that kind of solution can be found within the framework of the emerging united Europe. The European process of integration will make it possible to look at this problem without magnifying it, and avoid one-sided attitudes in trying to resolve it. The emergence of a united Europe is not—and that is already obvious today, despite all the problems—a mere episode in the history of Europe. It appears to be a change that has a historic dimension. I am convinced that this process is opening up a possibility, for both the Czechs and the Germans, to place this problem, which for a thousand years has been a bilateral problem, into the all-European context. It cannot but be beneficial to our mutual relations. It is a truly historic opportunity.

[PRITOMNOST] Germany promised to assist us with our entry into the European Community. How do you envisage such help?

[Zieleniec] It is precisely in connection with the previous question that I believe that we are talking about an important confluence of common interests. Germany is

one of the pillars of the European Community, and its influence on creating the future shape of this grouping is great. It is a country that of all the EC members knows us the best. It can therefore play its role by introducing us there and influencing other countries to accept us. That is the way I understand the resolutions in the Czechoslovak-German treaty which you cite in your question.

[PRITOMNOST] As part of the federation, the Czech Republic cultivated different relations with various German federal states [Länder], such as Bavaria or North Rhineland-Westphalia. Will it have an interest or possibility to continue doing that when it becomes an independent state?

[Zieleniec] Germany must be understood not as an integrated but as an internally very differentiated whole. It has been thus during the entire history of Germany, and it is so today as well. Therefore we definitely are interested in continuing cooperation with Germany also at the level of the federal states.

LDS Chairman Views New Czech State
93CH0263B Prague CESKY DENIK in Czech
30 Dec 92 pp 1, 4

[Interview with Emanuel Mandler, chairman of the Liberal Democratic Party, by Michal Musil; place and date not given: "The Czech State Makes Me Happy"]

[Text] [Musil] The Liberal Democratic Party [LDS], of which you are the chairman, had the creation of a Czech state on its program as early as two years ago. Today, the Czech state is coming into being. What do you think about that?

[Mandler] I am sincerely pleased about it, but that is not a sentiment I see around me. Many people behave as if they have had their arm cut off somewhere below the elbow and are waiting to see if it will grow back again. It is a kind of general feeling of lethargy, which could have been anticipated because in the Czech lands there was a submerged, but strong, Czechoslovak patriotism from Cheb to the Tatras.

[Musil] Can it really be called patriotism. Isn't it a euphemism?

[Mandler] When you see people's reaction today, you realize that the Czechoslovak national feeling was very strong. We discussed this often and came to the conclusion that it is connected with what I once called the "Central European imperialism"—a centralist claim to the entire republic that developed over several decades.

[Musil] You are saying that in public consciousness the Czech state is like an unwanted child. What impact will this fact have on its functioning?

[Mandler] During the past several years, political parties from the left to the farthest right sang to us in unison that we have here a common sacrament—the Czechoslovak federation. It is logical that when people keep hearing

this for three years, when they hear that the federation is Masaryk's sacred legacy, they approach the Czech state with a feeling of injustice. The former president, the way he talks in the announcement of his candidacy, probably thinks that he himself will fill the void in Czech national identity, by channelling higher ideals like some kind of a medium. It is a concept equally complicated as his previous idea about how truth and love will take root in this country on their own and forever. The point is to imbue Czech identity not with phrases, but solely with the realization how earthbound these grandiose ideas are. It is now the task mainly of the governing coalition parties to come up with positive ideas which will show that we have been in the Czech state longer than in the Czechoslovak state.

[Musil] ...which will show that the Czech state is the logical outcome of democratic development?

[Mandler] Rather of revolutionary democratization.

[Musil] Why revolutionary?

[Mandler] If the developments had not been rapid and revolutionary, then Czechoslovakia may have endured. The Czech state is to a certain extent the result of the revolutionary disintegration of the Soviet system and also of the slowing down of the democratization process, which occurred because Havel's and Dienstbier's group came to power.

[Musil] You called this group at one time the "revolutionary establishment" and you said it was the main obstacle to achieving a liberal society in the Czech lands. How do you think this establishment contributed to the breakup of the federation?

[Mandler] It contributed to it absolutely in every respect. It was as if the group had embraced the claim so typical for the power groups of reform communists, which is, that what the communists ruined can only be amended by reformed communists. Its politics was so awful that it spoiled absolutely everything.

[Musil] Can we even call it politics at all?

[Mandler] It certainly cannot be called democratic politics. Their politics did not move within the boundaries of democratic politics. It was typical for the revolutionary establishment that those who were in power did not take into account the results of the elections. An example of that is the former president, who would, if it were not for the public's criticism, behave to this very moment as if he were still sitting in the Castle, regardless of whether he is or is not reelected.

[Musil] The fate of the Czech state therefore rests on the shoulders of the governing coalition. Are you afraid that some wrong approaches of the revolutionary establishment will be repeated?

[Mandler] I am afraid that these errors will be repeated as a result of the peculiar tangle involving the federal deputies. For if the deputies of the expired federal

parliament are transferred to the newly established lower house, something like a nationwide revolt will ensue. But if the deputies are not transferred, half of the deputies who belong to their party's elite will have legitimate power ambitions commensurate with their attributes. Therefore they will have to be given some positions, otherwise they will leave and the parties will be threatened with disintegration.

[Musil] Is what you just said a criticism of Vaclav Klaus?

[Mandler] Yes, but I would not want to go too far in criticizing Vaclav Klaus. I think that he is yet to be tested. Until then, some people would do things better than he does, and many people would do much worse. The problems under which he has been working were tremendous, because ODS was a centralistic, Czechoslovakist party that grew out of the Civic Forum. Vaclav Klaus lost a point or two along the way, but he probably could not have done anything other than what he did.

[Musil] Therefore, considering all the problems of ODS and the governing coalition, Vaclav Klaus basically acquitted himself well?

[Mandler] Yes, with the exception of the Constitution. When I read the Constitution, with forbearance, I must say that it does not contain anything fundamentally new compared to what was before. It is stated in the Constitution that the community is the basis of self-government, then there is a definition of the highest agencies, and in between there is something of an unspecified and undetermined link, which really makes no sense whatsoever, for it is only a connecting link between the communities and the constitutional agencies and the self-government remains with the communities.

[Musil] Why is land autonomy so important for a liberal society?

[Mandler] The function of the state in a liberal society is to interfere as little as possible. If there is no intermediate level, the center intervenes directly in the communities, no matter by what noble name it is called. Moreover, history has its strength and traditions. It is not possible to say in the constitution that the state is being restored within the borders of the lands of the Czech crown, and not restore the lands. Then every communist in Moravia will receive a tenfold support, because he will talk about Moravian autonomy, even though any democratic ideals are foreign to them.

Federal Defense Minister on Army Division
93CH0230A Prague HOSPODARSKE NOVINY
in Czech 17 Dec 92 p 11

[Interview with Imrich Andrejcek, federal defense minister, by Josef Prouza; place and date not given: "How the Army Is Being Divided"]

[Text] *One of the departments that resisted pressure to transfer jurisdictions to republic organs for the longest time was undoubtedly the Ministry of Defense. However, upon the demise of the federation, even that department will disappear, and the Army has been given very little time to divide into two parts. Because this most extensive military operation since the departure of Soviet troops has given rise to a number of conjectures, primarily among nonspecialists, we asked Imrich Andrejcek, minister of defense of the CSFR, for an interview.*

[Prouza] In what phase of the division is the Army now?

[Andrejcek] The division of the property of the Czechoslovak Army is proceeding precisely according to plan, and, in some minor aspects, it is even ahead of the plan. We have no serious problems; thus far, I have not had to resolve any problem that would disrupt the process of dividing the Army. Now, we are dividing the material portion of the property involved, and we are doing so at a ratio of 2:1, along with special considerations for the Air Force and for Air Defense, where the ratio is somewhat different with respect to individual weapon systems, but its overall value, on the basis of various characteristics—that is, technical, combat, fire characteristics—in the final analysis again comes down to a ratio of 2:1. Both republics have accepted this principle and are united in the view that this division is correct.

As far as the second part of the property is concerned, military state enterprises and contributory organizations, an actual division is not yet in progress. New founding listings are being prepared so that, in practical terms, at the moment the CSFR is broken up, when the new ministers will have the right to sign those listings, independent facilities will exist. The rest of the property, which involves real estate, will be assigned according to the general constitutional law on the division of property. Here, we have precise records, and I dare say that, if records were as precise in the rest of the economy, we would have solved half of our problems.

[Prouza] Doubts are again being heard regarding the fact that the territorial principle involved in real estate will work to the advantage of the Czech Republic in view of the doctrine of former years, which compelled the concentration of military objectives, for the most part, toward the western border.

[Andrejcek] I am familiar with that. It is a fact that, as far as real estate is concerned, the Army's share of federal property is substantially greater in the Czech Republic. But that is not a problem for the Army; it is a problem of the law and of agreement between the governments. I believe that the governments will find a mutually acceptable solution, even though it may require negotiation. In this direction, the Army is not involving itself. To this day, I have not personally participated in those negotiations. For us, the decisions by the republic governments will be binding.

[Prouza] On the other hand, Czech politicians frequently argue that we would rather not see the real estate heritage

of a "defensive bulwark" in Bohemia and reject compensation for military trappings.

[Andrejcek] I must tell you that I have not heard of a single Czech soldier who would dwell on this problem. Of course, the Army has abandoned a whole series of facilities as being unneeded, and their further utilization lies within the jurisdiction of the republics. The Army totaled up the property it did not need some three months ago and transferred it to the federal government.

[Prouza] What criteria predominate in dividing material property?

[Andrejcek] The military organism is capable of reacting to a whole series of input data. Figuratively, people unfortunately have to use manual methods to accomplish what would normally be done on computers. We did not have programs worked out for utilizing computers. One example: We have two types of tanks, in addition to tank recovery vehicles—T-55's and T-72's. That is not all. We have two versions of the T-55, and we are dividing each version at the ratio of 2:1. Even modifications have to be divided—for example, tanks that have been in long-term storage, mothballed, that have high mileage on them, or, on the other hand, very little mileage (a high between-repairs standard applicable to other facilities). We must also divide property in accordance with between-repair standards and thus exclude the suspicion that one of the republics is receiving bad tanks and the other one good. Detailed data are in the hands of those workers whose job it is and who see to it that the division takes place in this manner. For a company commander somewhere at unit level, that means that he will receive an order, for example, to hand over an entire tank company. He does not know that somewhere in the General Staff there is a listing of tanks by turret number and that it is precisely his tanks that belong to a certain category and that it is exactly for this reason that they are being shipped to Slovakia.

What is important is an agreement with the deputies and plenipotentiaries to the effect that we will not permit the transfer of any inoperative equipment but that we will first repair it. A typical example is the Air Force. We have some aircraft that have passed their flying-hour standards according to the criteria used for division and must be shipped to aviation-repair facilities for servicing. The repair job takes several months. We know today already that, for example, a certain aircraft will become Slovak property, that it has been taken to an aircraft-repair facility, and that, after servicing, will be taken over by the Slovak commission.

[Prouza] Is there not some material property of which there is only one of a kind or several that cannot be divided at a ratio of 2:1?

[Andrejcek] I can again cite an example. We have two Tu-154 aircraft. The group that handled the division reached the conclusion that it will be just to keep one aircraft in the Czech Republic and the second in the Slovak Republic if for no other reason than that they can

fly abroad and have a long range. Then we have one Jak-40 aircraft and one Tu-134; those aircraft are again divided with a view to the fact that one of the republics was advantaged on the occasion of the previous division. But even that was not all, so that we had to figure further and had to balance the ratio using An-24, An-26, and turboprop aircraft. In civilian aviation, we found a ratio that would permit the division to be accomplished at a ratio of 2:1. Both republics agreed with what was proposed.

[Prouza] What was the value assigned to the individual aircraft?

[Andrejcek] In the case of combat aircraft, a whole series of technical and combat data is counted, and ammunition supplies, as well. In fact, every type of ammunition the aircraft is capable of using in combat is counted. Specialists who processed everything had to take into account an entire scale of criteria and do their comparisons with the help of those data. Furthermore, the Czech Government and the Slovak Government appointed commissions to verify those computations. Both commissions for the Air Force—the Czech commission and the Slovak commission—as well as the commissions for Air Defense, gave their governments their judgments by saying yes, that computation is correct, it is fair.

[Prouza] There were also no major complications regarding the air defense systems that are a still more specific type of property?

[Andrejcek] I am now speaking only of the system for controlling air defense. Naturally, that system is dispersed in an uneven manner and cannot be disrupted. Here, we computed its value; now, the verification of the correctness of the value expression is again ongoing. I anticipate that those things will become clear soon because a certain suspicion was voiced so that totally different people will be verifying the computations and the bookkeeping records, and checking to see whether perhaps some facilities in that system might not be included in the listing of material property scheduled for division. To the extent to which the conclusions are confirmed, the difference will be settled through the use of other property.

We are attempting to see to it that the Army is divided at a ratio of 2:1 regarding every type of property. If that is not possible, we combine groups of property so as to achieve the desired ratio at least within that framework. Part of the settlement, for example, involves the division of real estate, and, because of that, we are not even publicizing, for the time being, what the difference regarding material property is because that property is also divisible as well as indivisible. There is no point now in speaking of financial differences when we do not know how real property will be divided. Of course, I submitted a listing of the status of that property to the government and also listed the differences between the republics. Next, it is up to the decisions by the republic governments.

[Prouza] What kind of time frame is established for the definitive division of the Army?

[Andrejcek] The division of the Army should be completely finished as a result of the transfer of the last ton of materiel from Bohemia to Slovakia. That will occur toward the end of next year or not until 1994. We would like for it to happen in 1993 because we were seeking a virtual emergency solution for the storage of materiel on the territory of the Slovak Republic because of the decision to change the concept of equipping the Army and its division as of 1 January 1993, and now everything is being done to see to it that materiel is transferred without violating the state standards of security (but unfortunately, at the expense of maintenance standards). At present, the status is limited by the available rolling stock, and, with respect to explosives, it is restricted by the capabilities of people to unstock munitions under emergency circumstances without violating safety measures. Some types of materiel will be shipped during the course of next year, but we must perceive the division of the Army in a different manner—that is, as a division of jurisdictions.

In practical terms, as of 1 January, the Czech minister will begin to command all military formations, institutes, facilities, and staffs on the territory of the Czech Republic. The Slovak minister will assume those duties on Slovak territory. The federal ministry will cease to exist. Clearly, on New Year's Eve, I shall move to Slovakia. But, at midnight, I must report to the prime minister of the federal government that I have transferred command to the republic ministers. Furthermore, I shall be receiving the reports of commanders who will be subordinate to me until midnight. They must report that they are ceasing to obey my orders and that they are continuing to be subordinate to the appropriate republic official.

[Prouza] When we were checking to see what was of most interest to professional soldiers, they cited social security, which was hitherto guaranteed by federal law. How will things be after 1 January?

[Andrejcek] There is a great difference between what soldiers and officers at unit levels consider to be very important at this moment and what I consider to be most important. They do not know what I have already accomplished in that regard, and I cannot be issuing a report every day on the activity. That is why I welcome your question. The law on the demise of the Czechoslovak federation has been adopted, as has been the law on dividing property. Negotiations between the governments will continue, and agreements between the governments have already been signed regarding further collaboration—for example, the agreement on the method of settling relationships based on the division of the Czechoslovak Army and on the transfer of property, rights, and obligations and continued cooperation among the armies. The rank and file are not yet well acquainted with that agreement, but it makes it possible to conclude a whole series of additional agreements.

When we were first considering how many agreements would be required, we came up with 47, and later only 33. Now, negotiations between the plenipotentiaries of the Czech and Slovak Republics have concluded, each accord was evaluated, conflicts were resolved, and there are now only three agreements in which it is necessary to finalize some theoretical questions. And there are now fewer treaties because it was found that it was better to combine some of them.

Now, it is important for me that the Federal Assembly pass the law on eliminating the functions of judges, professional soldiers, the state administration, and so forth. In defense and security committees of the Federal Assembly, we spoke of the fear that the Army might have to give severance pay to all professional soldiers (whose service is ending), something for which we do not have the money. It was proposed to augment the language of that law, authorizing the republics to adopt their own laws through which they are taking on that part of the Army that will be located on their territories as of 31 December and will not be giving severance pay. Otherwise, for example, the existing commander of a company in the Czechoslovak Army who now becomes a commander in the Czech Army should receive severance pay as if he were leaving the service. That is nonsense. In other words, that question needs to be resolved with finality either on the basis of the federal law (I believe it will be approved and that the republic-level laws will confirm it), or the matter must be handled contractually. If that law fails to pass the Federal Assembly, we can make do with just the republic laws. We have them prepared, and they have been proposed.

We are continuing our legislative activities; we are prepared for all variations I have outlined here. There is still the resolution by the Council for the Defense of the State, calling for officers and soldiers to be accepted into that army in which they are to serve and in which they evince an interest. In other words, the service relationship is to continue, even though there may be a change from a service relationship with the Czechoslovak Army to a service relationship with the Czech or the Slovak Army. They will draw their pay because that has been assured. And virtually all regulations will remain valid until such times as the appropriate republic amends or rescinds certain regulations. But rescinding regulations is not so simple because every one of them makes some matter more precise; new ones must therefore be issued.

For a commander at the regimental or unit level, for the soldier in basic service, nothing will change on 1 January. He will remain on duty in the job he had; only those people who will be selected to serve at ministries of defense and General Staffs—the Czech as well as the Slovak—will change their epaulets and will be paid according to their new function as of 1 January. Should some kind of technical glitch occur here, a simple order by the minister would extend the existing table of organization for a month, and everything would be finished in January.

[Prouza] Even before the decision to divide the Army, its redistribution was being accomplished. Was it halted or delayed?

[Andrejcek] When it became clear that the Warsaw Pact would disintegrate, the ministry and the General Staff began working out a concept for a new army. Very daring solutions were proposed, but every deployment costs enormous quantities of money. So does reorganization. We can change the organizational structure only when we have created the necessary conditions for it. As early as the time at which a new military doctrine was being worked out, it was figured that the Army would be scattered about the entire territory of the CSFR. That variation for which we had sufficient resources was chosen. Since that time, the Army has actually been operating at a ratio of 2:1 because that reflects the number of citizens and the share of taxes they pay. We counted up whether we would have to take over all facilities that remained behind after the withdrawal of Soviet troops from Slovakia and that at one time had belonged to the Czechoslovak Army. We found that, if we take over all barracks and make only one building available as a school, and if we initiate the gradual reconstruction of the barracks at Komarno, the military in Slovakia will fit into those facilities.

Things were different with the Air Force. Here, special conditions are needed. Slovak airfields were not built as airfields in a combat zone. They did not have the necessary infrastructure and technical equipment. That again would have required enormous resources, and, because we did not have them, a method was worked out in the operational plan to secure the entire area by having aircraft overfly the region and field resources utilize those facilities only in case of need. Even when it was known that, in the future, part of the Air Force would be transferred to Slovakia, that program was deferred for lack of funds.

For the time being, Czechoslovakia has not adopted a standard procedure, like, for example, the United States or Germany, where the minister of defense submits a five-to-seven-year plan that is made more precise each year together with parliament when the budget is being marked up. Those documents and their entire series are in storage at the various ministries (including starting points, evaluations, and justifications as to why they were not realized) and are available to both republics in copy form. Even the original, least expensive variation as to how to divide the ground forces and the Air Force over the territory of the entire Republic did figure on a division at a ratio of 2:1, and that is the variation now being realized. But, before the decision to divide the Army on 1 January 1993, that variation was deferred to the future. Of course, since that time, it has become clear what model of aircraft will be deployed at which airfield, or which units will be located in certain barracks. In the event we do not receive resources sufficient to accomplish the temporary storage of certain types of aircraft in

hangars in Slovakia, such aircraft could not be transferred, and the situation would essentially amount to a liquidation of aircraft. We solved that problem by an emergency method.

[Prouza] In conjunction with reducing its size, the Army in recent years sold off unnecessary equipment and supplies. It was particularly among entrepreneurs who were interested in doing business with the Army that a number of concerns arose regarding level conditions involved in the competition for individual orders and business transactions.

[Andrejcek] Understandably, the Army does business with the civilian sector. Those employees who are entrusted with doing so keep careful records on the reliability of suppliers and customers and on individual firms. Anyone who has disappointed them in their confidence—for example, by failing to meet contractual conditions—cannot count on the fact that the Army will continue to turn to him. Those are the firms that originate the most complaints. We have created a contributory organization called X Trade, with whose work I am not satisfied. During the period of its existence, it has sold very little and purchased virtually nothing. I was asked to recall the director of X Trade, and I did so. I believe that, after two independent armies come into being, that question will be solved at the level of republic organs.

Czech Mobile Universal Carriers Described

*93CH0230B Prague OBRANA LIDU in Czech 5 Dec 92
p 3*

[Article by Vaclav Hofman: "Robots in Place of People"]

[Text] Czechoslovak armaments production has a tradition of many years and frequently surprised everyone with unusual solutions. In recent times, for example, it was the TAMARA early warning system that allegedly is capable of locating even the most modern "invisible" aircraft. Now, the public has been introduced to other unusual weapon systems—the ROBOT 1 and ROBOT 2 universal mobile carriers.

ROBOT 1, originating in the shops of the Research Institute at Slavcin, is an unmanned remote-controlled unit made up of many subsystems. Its tracked chassis and its structure made of dural alloy not only makes it possible for it to overcome various obstacles in the terrain, but also enables it to swim. It can function in a contaminated, gassy environment as well as in environments that are otherwise dangerous to man. Here it is capable of conducting reconnaissance with the aid of TV equipment and audio equipment. It is capable of measuring and taking soil samples, taking samples of materiel, and firing. ROBOT 1 has an adapter for two KONKURS antitank guided missiles mounted on its tracked undercarriage. As we found out from Lieutenant Colonel Eng. Fr. Strunc, one of the designers of this tank-robot, it has already undergone even firing tests.

And they turned out to be surprisingly good. The operator, who controls the entire device from a separate location as far away as 4 km, hit the center of a target at a distance of 2,700 meters. And he allegedly guided a missile by this method for the first time in his life.

A special camera and a range finder mounted on the ROBOT 1 superstructure allows the operator to fire the missiles and to control the actual movement as well as the orientation of the entire device. The picture and sound are transmitted to the screen of the control center, and the operator can quietly and safely concentrate fully only on guiding the robot with the aid of a control panel.

The drive is assured by electric traction. ROBOT 1 can follow an optical cable to a distance of 1,600 meters and, with batteries at half-capacity, has a range of 14 km, all of which is accomplished at a maximum speed of 15 km/hr. The dimensions of the device are 2,470 x 1,555 x 1,600 mm. The weight of the weapon system is 460 kg. The carrying capacity of the superstructure of the manipulator does not exceed 70 kg.

ROBOT 2 was developed at the Research Institute at Vyskov and is also an unmanned remote-controlled device controlled from the operator's location and intended for work in an environment that is dangerous to man. At first glance, however, it is clear that both operating models differ from each other. ROBOT 2 has four wheels that are driven hydrostatically. Its energy source is a combustion engine that drives a hydrogenerator. The superstructure is made up of a hydraulically controlled arm with a grapple that grasps various objects weighing as much as 38 kg and a television system of four cameras with either cable or wireless transmission. Even this prototype has a built-in weapon — a machine gun that is capable of rendering an unexploded mine harmless, for example, at a distance of 50 meters.

In contrast to the previous model, the ROBOT 2 operator uses radio control and must keep ROBOT 2 in sight at all times. However, control of ROBOT 2 in searching out dangerous objects and manipulating them, in destroying them through fire, or controlling ROBOT 2 during merely visual reconnaissance is that much simpler. The reach of the manipulation arm is 2.91 meters. The length of ROBOT 2 is 2,770 mm, the width is 1,490 mm, and its overall weight amounts to 1,386 kg. The maximum speed is the same as that for ROBOT 1—15 km/hr.

Although for the time being these are functional models, they too can indicate the direction in which modern military equipment will be developing. This development will lead to excluding the direct participation by man. It will lead to the maximum possible usefulness, accompanied by the minimum possible expenditures. After all, the price of ROBOT 1, with two KONKURS missiles (one costs approximately 200,000 korunas [Kcs]), is approximately Kcs750,000.

ROBOT 1 and ROBOT 2, however, can find full application in the civilian sector, as well. Their creators were

convinced of this by the great amount of interest shown by civilian organizations at the Praguesec '92 rescue equipment exposition. The great advantage of both robots is their capability of moving about and engaging in various activities in an environment that is dangerous to man. It is also no great problem to substitute the current superstructure, which was developed for military purposes, with another, completely according to the requirements of potential customers. The ROBOT devices can thus, for example, replace firefighters in transporting necessary materiel as close to a fire as possible, or they can possibly assist in knocking down the fire itself, engage in monitoring in dangerous operations at nuclear power plants, and so forth.

Even this is proof of the fact that, at military institutes, a considerable amount of technical and other novelties come into being that can very well find application in the most varied sectors of the civilian sphere.

GNP Expected To Increase in 1993

93CH0211C Prague HOSPODARSKE NOVINY
in Czech 1 Dec 92 pp 1, 3

[Article by (do): "The CR Budget Counts on Revival"]

[Text] Beginning next year, there will be a new tax system in effect, the federal budget will totally disappear, and health expenditures will be covered from sources outside the budget. So it is, at the very least, difficult to compare the Czech budget for this year with the proposal for next year. Despite this, two tendencies are obvious from the governmental budget proposal as compared with this year's: The share of the gross national product redistributed through the budget will be lower, and the relative share of enterprises in the budgetary expenditures will decrease.

The breakdown of the governmental budgetary proposal for the Czech Republic for 1993 that Minister of Finance I. Kocarnik presented yesterday at a press conference assumes that, right after beginning the transformation, the gross national product will show an increase of 1-3 percent, inflation will range between 15 and 17 percent (the effect of the new tax system will account for approximately 6 percent), and unemployment will stay below 5 percent for the annual average, although it will be higher at the end of the year. The balance of payments will be steady. In this, I. Kocarnik admitted that this forecasted development will be affected by external factors that cannot be changed through economic policy. These include the continuing world recession and the breakup of Czechoslovakia.

To achieve the projected goals, the government economic policy will make use of the new tax system that conceptually reduces the tax burden on the entrepreneurial sphere, which is supposed to stimulate investments. The budgetary policy moreover persists in the idea of a balanced budget so that a state deficit does not become an inflationary stimulus. Also included in the package of actions to keep inflationary influences down

is the fact that, with the liberalization of wages that is to go into effect on 1 January 1993, there will exist legal means by which the governmental policy can take action at the point when the growth in wages would "get the bit between its teeth." The average rise in wages is not to exceed 15 percent, according to the governmental recommendation.

The budgetary system of the Czech Republic (a centralized budget, health care, and the local budgets) counts on the same receipts and expenditures, amounting to 418.9 billion korunas [Kcs]. This amount exceeds that of 1992 by approximately Kcs 43.6 billion, with the populace covering Kcs 32 billion and the business sphere Kcs 24 billion. However, the populace will share in the use of 86 percent of the increase in resources and the enterprises in only less than 9 percent. For the first time, the budget structure includes an item for debt servicing; in 1993, this will amount to Kcs 13.5 billion, while the overall indebtedness of the Czech Republic (including debts to the MMF [International Monetary Fund] and so forth, but less the debt to the banking sector) will apparently amount to Kcs 125 billion on 1 January 1993. Because this burden is quite onerous for the new state, the government is submitting a proposal to the CNR [Czech National Council] that the National Property Fund also be used to amortize the debts, the amount in 1993 being Kcs 6.5 billion.

The budget reflects the attempt at targeted social policies rather than at broad ones; the state equalization allotment should not pay for children whose families have a per capita income greater than twice the minimum living income. This equalization allotment should further not be paid to working retirees whose earnings (besides the pension) are greater than half the minimum wages guaranteed by the state.

Of the expenditures of the Czech state budget, as proposed by the government, by far the greatest part falls to the populace (56 percent), and the enterprises' share drops below 8 percent. In the receipts' portion of the budget, the new tax, which is a value-added tax, takes the spotlight and should add Kcs 126.4 billion to the budget—an entire third of it. Income tax on legal persons will amount to Kcs 85.9 billion, which is 22 percent of the receipts, according to the forecast economic development.

In putting together this state budget for next year, the government is starting off with the results of this year and is convinced that the economy has really hit bottom and is bouncing back. This is supported by the development of the gross national product, which has been rising since the second quarter, the significant revival of construction production, and the hope that the September rise in industrial production (for the first time) will continue in the remaining months of the year. Another positive indicator is the increase in retail turnover, which for three-quarters of 1992, was 18 percent higher than for the same period last year. In the enterprise sphere, on the other hand, privatized and restructured

enterprises are rapidly adapting, while the state enterprises are still a drag, whose retarding effect will continue even next year. Nonetheless, for example, the development of foreign trade, in which the replacement of lost markets by new ones in the advanced economies is evident, shows the considerable capacity for adaptation of the enterprise sphere.

Tax Law Problems Viewed by Emigre Businessman

93CH0219B Prague EKONOM in Czech
27 Nov-3 Dec 92 pp 39-40

[Interview with Paul Lom, managing partner of the Australian KPMG company, by Libuse Bautzova; place and date not given: "Tax Regulations Are Not Complete"]

[Text] *"We advise clients on how to arrange their business so as to pay the lowest tax; we never seek ways of evading taxes," says Paul Lom, one of three management employees of the Czechoslovak branch office of the international KPMG consulting firm. Tax advice, however, is only one of the activities in which the KPMG Reviconsult Praha Enterprise engages. The scale of consulting services provided by this corporation also includes auditing activities, enterprise appraisal, assistance with privatization, management consulting, the transfer of bookkeeping practices to Western standards, and, to a limited extent, even bookkeeping for some foreign firms.*

The KPMG, as a consulting firm, whose clientele is largely made up of foreign enterprises, should have a relatively good overview regarding how the interest of foreign investors in our enterprises is developing. In this connection, we asked several questions of Paul Lom, who is an Australian national of Czech origin.

[Bautzova] How do you evaluate the current interest on the part of foreign firms in the Czechoslovak market? Do you feel that our internal political problems reflect negatively on this interest?

[Lom] A certain nervousness is present among potential foreign investors. Every foreign client with whom I speak asks what the economic consequences will be of the division of the country. At the very least, this uncertainty results in foreign firms taking somewhat longer than they would under normal circumstances to contemplate whether to enter Czechoslovakia. Of course, it is very difficult to say whether investor interest is less today than it would be if we remained as one country. No one is capable of estimating that. In any event, it seems that foreign firms will be interested in entering Czechoslovak enterprises following the completion of the first wave of privatization. Of course, the law on securities is a condition for the simple capital entry by a foreign investor in our market (an entry without bureaucratic intervention, which frequently accompanied the process of involving these firms in privatization).

[Bautzova] Are you already able to estimate today, in accordance with questions and requirements of your clients, the types of branches, enterprises, or possible funds that will be of greatest interest to foreign firms after privatization? Do they ask you to advise them?

[Lom] Most foreign firms are already familiar with our enterprises. They know what they want. I would say there would be more interest directly in enterprises rather than in the securities of funds. For the most part, it is also not possible to anticipate that foreign corporations would invest in enterprises without gaining control over them. They expect us to advise them how to conduct a certain transaction. They are also interested in the technical side of things. To the extent to which clients have an interest in one or another enterprise, I always give them the following advice: Never buy an enterprise as long as you do not believe that its current management is worthwhile.

[Bautzova] But it is generally known that Western companies will bring "their own people."

[Lom] They will place their own people in certain functions, but they will not get by without capable Czechoslovak specialists able to assure the operation of the enterprise. Experts from the West are taking those jobs in which there is little experience here under conditions of a market economy—that is, marketing jobs, financial questions, distribution, and so forth. Every firm that has invested significant capital in Czechoslovakia—be it Philip Morris, Coca-Cola, Air France, or, say, Volkswagen—has a number of its own employees here. Of course, no one will send more people here than is absolutely necessary. At some ministries, the view prevails that these foreign specialists will not be necessary in the future, but that is an erroneous notion; no major investment from the West will come today without bringing its own experts.

[Bautzova] Where do foreign investors see the greatest risks today in contemplating entry into the Czechoslovak market?

[Lom] In what they all probably fear the most—ecology. From the enterprise standpoint, they see risks in uncollectible claims, old inventories, inadequate machine maintenance, and so forth.

[Bautzova] And as far as legislation is concerned?

[Lom] The worst is the current uncertainty. Business will always adapt to legislation as long as it is at least a little sensible, but we are troubled by the fact that we must be telling clients virtually before the end of the year that we still do not know for sure how things will look in the new year.

[Bautzova] Can you be more specific?

[Lom] One of the most complicated matters is the interpretation of the laws. That is true particularly with respect to the new tax laws, which can be interpreted in various ways, and there is no one who would give you a

guaranteed correct interpretation. A client may come up with a specific notion regarding a certain trade transaction, but it is not possible to clearly determine according to the law what the tax consequences of the case will be. After all, I cannot visit the tax office and ask it how it will regard this matter a year from now. All of this requires time. A few problematic situations must develop; there must be several court cases and decisions with precedent-setting consequences. Or, the Ministry of Finance must begin issuing some kinds of unequivocal interpretations.

[Bautzova] How do foreign experts view our new tax laws, where they have had the opportunity to familiarize themselves with them?

[Lom] In some respects, the new tax laws are comparable with those of the West, but some portions will have to be amended over time, or possibly augmented. I can cite as an example the case of transferring dividends from one corporation to another. In the West, if I own a chain of corporations, which is quite customary, I can transfer dividends from one corporation to another without having to pay tax twice. Another shortcoming is that I cannot "total" the gain and loss from two subsidiaries: If one corporation has a gain of 1 million korunas [Kcs] and the second has losses amounting to Kcs1 million, I will have to pay Kcs450,000 in taxes, although my group as a whole earned absolutely nothing. Branch offices of foreign firms in Czechoslovakia are also heavily impacted by the fact that the income taxes imposed on foreign employees are rising rapidly. As of next year, employing such people in Czechoslovakia will be very disadvantageous because their income taxes in Czechoslovakia will, for the most part, be higher than what they would be at home. I believe that the taxation to which they will be subjected next year is excessive. The employing firms will have to pay them that much more. And, finally, I would cite one more example of the imperfection of the law. Individuals who live abroad and own certain properties in Czechoslovakia—let us say, real estate they have inherited—must pay regular taxes on income here but will not be able to deduct expenses involved in maintaining this income. It is possible that their property may show a loss, but they will nevertheless have to pay taxes, which is in no way attractive. But, who knows? Maybe that was the intent. So these are some examples that will have to be "improved" later. I believe that, even at the Ministry of Finance, people are aware that these tax laws are not complete and that changes are necessary.

[Bautzova] You are working up independent reports on the situation in the enterprises for your clients. What problems are you encountering?

[Lom] I consider the greatest problem to be the valuation of enterprise claims. It is not simple to say whether one or another claim is actually uncollectible and that in another case you have a chance of collecting 50 percent, and so forth. Everything else can be at least estimated, but this is a frequent problem.

[Bautzova] How would you characterize the current status of accounting in Czechoslovak enterprises?

[Lom] The basic accounting documents do exist in enterprises and, in my view, are relatively reliable. However, the problem lies in the fact that reports that are worked up on the basis of these data do not have the ability to tell the story they should have. The valuation of some line items continues to be based on the previous economic system; no consideration was given to reserves for uncollectible claims, and so forth, and so forth. I believe that our enterprises are not yet prepared to make a transition to a new system of accounting. As of the new year, new accounting rules will apply, but if anyone thinks that the accounting rules are the most important thing, he is in error. They involve only an uninteresting series of numbers. Many countries have no prescribed accounting statutes (for example, Australia does not, Great Britain does not). What is far more important is the availability of accounting principles: How are assets and liabilities valued, how are basic assets written off, where is use made of time differentiation? These are matters that exert their influence on the entire economic results of an enterprise.

[Bautzova] Does this mean then that Czechoslovak stock corporations are not even adequately prepared for an audit? Are there trained auditors?

[Lom] Neither side is well prepared; and this year a number of Czechoslovak stock corporations will need to be audited. For the present, it is absolutely impossible in terms of capacity for an audit to be accomplished here according to Western norms and standards. But, after the securities market develops, this will be essential. We have attempted to develop a certain acquisition activity among Czechoslovak enterprises, but we also have a limited capacity.

[Bautzova] Are you planning any kind of changes in your activities for the future? Is there some kind of new area you would like to penetrate?

[Lom] Certainly, we are faced with much work. We expect that, when enterprises begin to restructure following privatization, they will begin to establish new information systems and will require our consultation services. We will not be expanding the spectrum of our activities. But we are constantly hiring new employees; there are almost 100 of us now in Czechoslovakia. We are primarily interested in hiring new graduates of the Advanced School of Economics, but, unfortunately, there continues to be a shortage of experienced specialists who would want to do this work or who are capable of doing this work.

Stock Exchange Operations To Start End of 1992
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[Roundtable discussion by Irena Satavova and Nadezda Vandurkova with economic and stock exchange experts: "The Key Word Is Confidence—A Discussion on the Prague Stock Exchange"]

[Text] *The law on a securities market, Law No. 214/1992 Sb [Collection of Laws], was adopted by the Federal Assembly of the CSFR on 21 April of this year. At that time, a preparatory committee for establishing a stock exchange, made up of representatives of seven large commercial banks, had already been working for virtually an entire year. After its expansion in January 1992, the preparatory committee was transformed into a special-interest association, and, on 7 July 1992, the signature on the founding agreement established the Prague Stock Exchange Corporation. A license to initiate operations was received from the Ministry of Finance of the Czech Republic on 16 October of this year. The statutory organ of the Prague Stock Exchange is the Stock Exchange Chamber, headed by Richard Salzmann, doctor of jurisprudence, candidate of sciences. The executive director is Eng. Jiri Franc, who, in an interview given to EKONOM—No. 35/1992—stated that the stock exchange should begin to function as of the end of this year. One of the questions put to the roundtable was whether this would actually be the case. The following people sat around the table: Eng. Ales Barabas, a member of the Stock Exchange Chamber and chairman of the Committee for Quotations; Eng. Jiri Franc, executive director of the Prague Stock Exchange; Eng. Dusan Triska, doctor of jurisprudence, candidate of sciences, director of the projected RM [expansion unknown] system of extraexchange securities trading; Peter Kysel, international investment and stock exchange expert and a banker from London; Dr. Martin Kapl, an employee of the Institute of Economic Sciences of the Faculty of Social Sciences of Charles University and coauthor of the book Penize a vy [Money and You].*

The purpose of the discussion was to bring readers closer to the current status of preparedness on the part of the Prague Stock Exchange to trade in securities, and to recapitulate the fundamental facts connected with the stock exchange, or, possibly, make an effort to seek answers to questions that will quite likely soon become very topical. For purposes of clarity, we broke the discussion into five topics, concentrating on WHO, WITH WHAT, WHERE, HOW, and WHEN, with respect to trading on the stock exchange. Despite these limitations, some of the more general views or differing opinions touch upon all parts of the discussion.

Who

[EKONOM] Buys and sales on the exchange can be accomplished by individuals authorized to trade in securities; these individuals are stockholders of the stock exchange, individuals who have acquired an authorization to trade on the Prague Stock Exchange from the Stock Exchange Chamber and from the National Bank of Czechoslovakia. How many stockholders does the Prague Stock Exchange have today?

Franc: There are 17 stockholders today. The basic capital amounts to 5.36 million korunas [Kcs], and the stock

exchange was granted a consortium credit of Kcs65 million, which will be capitalized in the immediate future.

[EKONOM] The stockholders also include foreign legal entities. However, their share in the basic net worth is limited by the law on the stock exchange to a maximum of one-third. Why?

Franc: That is based on the law on a securities market. We are now fully utilizing that one-third and are having problems not exceeding it. The great interest of foreign clients will have to be solved by expanding the membership base of stockholders.

Barabas: Even I am not clear about the intentions of the legislators concerning that one-third share, and I believe it is an unhappy solution because the stock exchange was supposed to be an open institution through the maximum possible method. The correctness of this view is confirmed even by the high degree of interest in the securities of the exchange on the part of foreign institutions that have come to Czechoslovakia. The legal restriction of a one-third share makes it impossible to accept them, and that is why we will have to undergo a restructuring within the framework of increasing the capitalization.

[EKONOM] What kind of increase are you contemplating?

Barabas: For the time being, I cannot specify the exact sum, but, if the capitalization of the consortium credit results in increasing available capital to Kcs65 million, an additional increase will most likely reach the limit of Kcs100 million. However, the goal of the stock exchange is not to have a great deal of basic capital. Its success depends on the volume of realized trades, on who is trading on the exchange, on how the system of guarantees is solved, and so forth.

[EKONOM] In other words, it can be said that the one-third share specified for foreign capital—which is criticized by foreign investors—is inadequate?

Kapl: It is difficult to say whether one-third is a little or a lot. In relation to what? We cannot even base ourselves on any kind of foreign examples because that one-third should be measured by the size of the market that will be created here on the basis of privatization. And that market will be short on liquidity. That should be the determining factor for setting the share played by foreign capital.

[EKONOM] What probably is more important than the share of foreign capital in the overall wealth of the stock exchange is the question of the ratio of the banking and nonbanking sectors. With regard to the banks—the stockholders of the stock exchange—there is essentially a conflict of interest because their primary interest is, after all, that the entrepreneurs should acquire capital through their credit resources rather than by trading securities on the exchange.

Kapl: In Hungary, that conflict of interest resulted in the fact that the participation of the banking sector in the stock exchange has been expressly restricted.

Franc: At the time the association to prepare a stock exchange was begun, the banks were the only ones who were able to finance the activities of the association, and that is why their participation in the first phase is perhaps a bit more specific than the participation by others.

Barabas: I believe that, at present, there is no sensible solution to this question. The banks are naturally a target of criticism, but we must realize the conditions under which the Czechoslovak capital market is coming into being. The entire financial infrastructure, which is customary in developed market economies, is just being born here by some method, and this had to exert an influence on the conditions under which the stock exchange has come into being. As a matter of a target solution, however, the stock exchange should be an institution that is open to the maximum rather than an extended arm of the banks.

Kysel: Today, the banks have a money monopoly. People or enterprises must come to them with their financial claims and requirements. In the future, it will be necessary for each person to find the best way of acquiring financial resources according to his own choice. The possibilities for selecting will be advantageous for all of society, and the opening up of the exchange will help to create this selection.

Barabas: I absolutely agree with Mr. Kysel, and I wish to stress that it is precisely the functioning capital market that is the best competitor for the banks.

[EKONOM] Who will be the other authorized individuals who may trade on the stock exchange?

Franc: Not everyone can come to the stock market. Only traders in securities who obtain licenses from the Ministry of Finance will have access to the market, and the Stock Exchange Chamber will, at the same time, issue an authorization for them to trade securities on the Prague Stock Exchange. We expect they will number between 40 and 50, depending on the needs of the market. In my estimation, it is likely that they will increase to 60. For purposes of granting authorizations, the Stock Exchange Chamber has created a committee for membership questions, which is currently processing the detailed regulations for membership in the stock exchange that should be published in the immediate future.

Triska: Regarding the question of authorization or the unauthorized direct entry into the market, I see what is basically an unsolvable problem. I cannot imagine that some committee or commission in this state could decide who deserves and who does not deserve to acquire a "license" to enter any kind of market. Moreover, I am afraid that, in deciding who should be permitted access to its market, the stock exchange could be overwhelmed by monopolistic interests on the part of

some of its members. The principle of the exclusivity of membership, therefore, perhaps functions well abroad (and I doubt even that), but here it is not too likely that it could be applied.

Kysel: I believe that, if the stock exchange is to be successful, it must be well-capitalized so as to be able to cover any possible losses based on erroneously concluded trades and to facilitate the liquidity of the market in securities. Without liquidity—and this is based on international experiences—stock exchanges are not capable of operating effectively. Their members must be sufficiently strong in terms of capital. That is why it has to be the stock exchange that has the right to decide who to accept into its "club" or who to reject.

Triska: This is precisely one of the truths that most likely does not apply in this country. Not because the risk of "uncovered" trades is small. On the contrary. The risk is so mammoth that trades cannot be accomplished without each order being subjected to pretrade validation. By applying this method, however, the need for risk-capital is then expressly lowered.

With What

[EKONOM] We already know who will have access to the stock exchange. However, with what will they be trading? Which enterprises will be considered to be sufficiently worthwhile for their securities to be tradable on the stock exchange? And, according to which criteria will they be selected?

Barabas: The principle for selecting enterprises is being prepared by the Committee for Quotations. The selection will be a subjective process, based on certain mandatory criteria, which the stock exchange will approve. The proposal of these criteria is now being prepared by the Committee for Quotations, and it will present them to the Stock Exchange Chamber by the end of November. We will be basing ourselves on what has been found to be proved throughout the world: a certain minimum volume of publicly issued securities, so as to assure their liquidity (there is a polemic going on as to whether this limit should be set at Kcs50 million or Kcs100 million, but the main problem lies in the fact that, in both cases, we are moving about in the world of accounting values, while market values can be quite different), and a certain percentage of publicly issued and thus tradable securities based on the overall net worth of the enterprise (an absolutely optimum case involves an enterprise that entered coupon privatization to the extent of 97 percent of its worth and is thus maximally potentially tradable, even though its basic capital was relatively low).

[EKONOM] Further progress will thus be such that, on the basis of stock exchange-stipulated and published criteria, those interested in quotations for their securities on the stock exchange will work out so-called prospectuses that they will submit to the stock exchange for

approval. How many of those will actually make it to the stock exchange? Will their numbers be limited by some method?

Barabas: That is a difficult question to answer. I would be happier if there were, say, only 20 of them, but they were worthwhile enterprises, rather than having 200 and each month the committee had to resolve problems involving the possible halting of trading in some securities, and so forth. If I list this number, I have in mind a situation in 1993; gradually, the number of quoted companies can grow expressly. The stock exchange must strive to achieve confidence not only among domestic investors but also, and primarily, among foreign clients. In other words, there must be a certain number of enterprises here whose market prices will not decline in some kind of free-fall but that, on the contrary, will attract foreign capital that will see here an opportunity for capital gain. Of course, that can also persuade some domestic investors.

Franc: The commercial information system of the stock exchange is conceived in such a manner as to be able to quote as many as 1,500 issues.

Triska: The designers of the stock exchange are confronting the task even in this respect, which exists in our country today and which, in my opinion, is difficult to solve. Differentiating in regard to the quality (value) of securities cannot at present be entrusted to any committee but again, and only to, the market. We must keep in mind that stock exchange markets or extrastock exchange markets are yet to develop in 1993. It can take one or two years before our securities markets are fully stabilized. In all newly developed markets—and, thus, also in our market—we must anticipate large price fluctuations. There is no reason to fall prey to panic in respect to these markets if the market price of a Kcs1,000 security were to decline to, say, Kcs100. Anyone prepared to make an investment at that moment will be accumulating capital that much faster. Of course, from his standpoint, it would be a risky transaction, but the entire transformation of our society and our economy is a risky affair.

Franc: I agree with Mr. Triska that the environment will most likely be quite obtuse. But it is precisely the stock exchange that should provide investors with sufficient information on enterprises whose securities are being quoted and, thus, create better conditions for the initiation of market operations.

Kysel: From the standpoint of a foreign investor, a Czechoslovak corporation is interesting if it is capitalized at Kcs2.5 billion (50 million pounds sterling). If this is an institutional financial investor, he will not even look at a smaller enterprise. There will probably also be investors who specialize in Central Europe and will probably be interested in smaller enterprises. The question is what will happen if a dual market exists here—a market of large corporations and a market of small

corporations. Understandably, it is possible to anticipate that the stock exchange will concentrate on the large corporations.

Kapl: Recently, I have been monitoring developments on the Budapest Stock Exchange and the Warsaw Stock Exchange more carefully; these markets are of interest to me in view of what it is possible to anticipate here. For example, on the Budapest Stock Exchange, it is turning out that, if we make a narrow selection, we are essentially operating between Scylla and Charybdis. On the one hand, we shall protect investors by selecting enterprises—and that is OK. On the other hand, however, we could lead the market into a completely blind alley. The above situation occurred in Budapest, where securities are no longer traded at all; all trading involves only state bonds, precisely because it is not possible to guarantee ahead of time, even regarding the best enterprises, that the development of their security prices will be favorable. The article entitled "Prague Stock Exchange, Where Are You Going?," written by Mr. Kysel and published in EKONOM No. 45, begins with such an optimistic vision, but I would like to say that, if things turned out to be exactly the opposite, it would not be a tragedy. The profit strength of the Czechoslovak economy cannot maintain the security prices of enterprises on average at their nominal value, and, if so, it can do so only with respect to 20-30 percent of them, according to various estimates. But foreign capital will not want to invest at the moment security prices are rising but, precisely, in the opposite situation—when they are declining. That is why I would not be afraid of that development, and I would warn of the danger that, to the extent to which we concentrate only on the market and expect growth, we could end up like Budapest, where the market would be left with only a few government bonds or, at most, the bonds of large banks, which are safe.

Barabas: I do not agree that the stock exchange would be confronting an unsolvable task in principle, nor with the argumentation that whatever the officials at the Ministry of Privatization did not manage to do could not be successfully done by anyone else. This claim absolutely underestimates the psychology of the market, which is an immensely important phenomenon. There can be demand, backed up by a willingness to buy, even for enterprises that are perhaps not valuable in the eyes of officials. On the other hand, I do not believe that any investor, including foreign investors, would invest in black boxes—that is, in enterprises about which he knows absolutely nothing and where a whole lot of problems could surface, ranging from ecological burdens through hidden debts.

Triska: As far as black boxes are concerned, it cannot be overlooked that all of Czechoslovakia is a black box (let us hope that it is not a black hole). For example, who would have said two months ago what is happening today? All of us are surprised on a daily basis by this immense dramatic development, which, in many respects, is running totally counter to what we perhaps

thought a couple of months ago. From the standpoint of a stabilized economy, it is a lunatic asylum. Anyone who will be investing here over the next two years will be investing, to say it in general terms, in the future stability of the Czech Republic and the Slovak Republic.

[EKONOM] Will foreign securities also be traded on the Prague Stock Exchange?

Barabas: I expect they will, but not in the beginning.

Where

[EKONOM] We now come to the question of where the securities of enterprises will be traded, by which we mean specifically what kind of markets will be opened on the Prague Stock Exchange on the one hand but, on the other, also a far more general distinguishment between the stock market and other extraexchange markets in securities. There can be several such facilities. Currently, one of those that has been most worked out is the so-called RM system, which is open to all buyers and sellers. That is a fully automated market in securities, proposed by the same team that designed coupon privatization. In which of these markets will the greatest volume of securities trades be concentrated?

Barabas: We have talked about the stock exchange. Mr. Triska is a representative of the RM system. But we cannot exclude the fact that the concentration of the market will occur somewhere altogether different. In markets in which the prices of securities will not be published, they will not be quoted anywhere. Naturally, this presents great opportunities for profit by way of price arbitration for some traders, who will be successful in this market. Nevertheless, from the standpoint of the development of a securities market in this country, this would be quite negative because these extraexchange markets can be lacking in transparency and could thus suppress the basic function of capital allocation.

Kapl: I absolutely agree, and I believe we should not develop a situation in which a stock exchange might exist that is well known and transparent, but where that market is merely the tip of an iceberg, followed by much darkness, where we do not know what is going on. This darkness should be managed by a system that is capable of promoting transparency. That is the case abroad, where such systems as IBIS [International Bank Information System], NASDAQ [National Association of Securities Dealers Automated Quotations], SEAQ [Stock Exchange Automated Quotation System], and others are functioning, which makes it possible for an investor to scroll through the offering of and demand for securities on the computer. That is probably how the capital market should function even in this country.

Triska: Apart from transparency, however, it is necessary to offer the owners of securities the maximum degree of user comfort. Anyone who offers such comfort has an opportunity of acquiring the largest share in the market.

[EKONOM] And how is it possible to outline the area in which trades will be accomplished directly at the Prague Stock Exchange?

Franc: At the stock exchange, trading will be accomplished in two sections with quoted securities, and trading is also being prepared in unquoted securities. The latter must fulfill certain formal requirements, which will be judged by employees of the stock exchange. But there is still one difference here: The stock exchange will not be obliged in the sense of being responsible for the value of a given security. The stock exchange will merely publicize the market price of the securities, something that will be very interesting to investors.

Barabas: I do not consider the item about which Mr. Franc speaks to be a stock market but, rather, a current market on which members of the stock exchange trade and make use of the system of accounting and settlement of trade transactions used by the stock exchange. As far as the quoted market is concerned, only time will tell which securities deserve to be in the first section and which in the second. The initial division has yet to be decided by the Stock Exchange Chamber.

Kysel: It will also be important whether the stock exchange will be capable of offering institutional investors the opportunity to accomplish so-called block trading. The extraexchange markets that were discussed a little while ago will also be important, but the advantage of the stock exchange lies exactly in the fact that it primarily makes it possible for its large investors to accomplish trades.

[EKONOM] Does the Prague Stock Exchange contemplate trading large blocks of securities?

Barabas: In my opinion, it would be useful if, in the beginning, the total volume of the security offering and demand were concentrated directly in the stock exchange. But this does not exclude the possibility that members of the stock exchange conduct trades of unlisted securities involving large blocks of shares. I believe that this type of trade will develop over time.

[EKONOM] Can it be anticipated that a security might be simultaneously traded on the stock exchange and in extraexchange markets—that is, that it will have several listed prices?

Kapl: Price arbitration will always be possible at a given moment. The better the market, the less room and time there is for arbitration.

Triska: The smoother the securities market operates, the more efficiency will be achieved. A sign of perfection and transparency of the market is that a commodity or a security has only one price.

[EKONOM] Will the stock exchange be providing investors with some kind of guarantees?

Barabas: The law on the stock exchange states that the prospectus of a securities issuer must be opened by the

bank. To a certain extent, this is quite an unhappy formulation. A member of the stock exchange will help the issuer prepare a prospectus, but, according to law, the issuer guarantees the substantive correctness of the prospectus. We are considering whether the prospectus should also be guaranteed by the member of the stock exchange, which would be a positive signal sent in the direction of investors. This guarantee, however, does not mean a guarantee in the sense of compensation for losses caused by price fluctuations because the reasons for these fluctuations can be quite numerous, and they can definitely not be contained in any kind of prospectus. This is again a question of the psychology of the market.

How

[EKONOM] In this block, let us aim at the specific procedures involved in stock exchange trading. How should the holder of a security proceed if he desires to sell it on the stock exchange. What should a person interested in purchasing securities do?

Franc: If you intend to sell your securities through the stock exchange, you must turn to an appropriate trader who has the right to trade on the stock exchange and who will record your order. He can bring it to the stock exchange in two ways: He can bring it on a diskette, or he can transfer his data into the trading system by using terminals that will be located on the floor of the stock exchange. Orders on a diskette are handed to the appropriate stock exchange employee, who will introduce them to the system. The system immediately prints out those orders it has accepted and those it has rejected. It is designed in such a way as to detect any orders that contain errors. The trader will have the opportunity to amend his order to make it more accurate. We anticipate that orders will be accepted twice weekly in the beginning, between 0800 and 1000. Later, they will be accepted in accordance with the demands of the market. Thereafter, the system will require a certain amount of time to process the orders and will announce the price, and the trader-broker will receive confirmation of which trades have been accomplished and at what price.

[EKONOM] How will it be possible to limit the sales price?

Barabas: That is a question of an agreement between the client and the trader-broker. There are several variations, but in no case should the price deviate by more than 10 percent from the price at which the securities were traded the previous day.

Kapl: Equally important as setting the price is setting the minimum quantity with which it is possible to trade on the stock exchange. This minimum volume should be set by the stock exchange.

Barabas: It is quite difficult today to stipulate any kind of number. The stock exchange will have to proceed flexibly and with pragmatism—to begin with a certain minimum volume of a traded unit (for example,

Kcs1,000 at the order end) and to then adapt that volume to the development of the market.

[EKONOM] What will be the size of fees to be paid by an investor to a brokerage firm and by brokers to the stock exchange?

Franc: The stock exchange has set itself the goal of keeping the fees for trading to a minimum. Consideration was even given to not collecting any fees at all for a certain time. In the end, the decision was made that fees would be collected, but their amounts are still being negotiated.

Kapl: With respect to brokers in the temporary secondary market, fees today amount to approximately 1 percent. Stock exchange fees for listing a security and permitting it to be traded on the stock exchange are at the pro mille level based on the volume of the trade worldwide.

Triska: For comparison purposes, the RM system anticipates that the amount of fees will be running between 0.7 percent and 1 percent, based on the volume of trades, according to preliminary calculations.

When

[EKONOM] And when will all this actually begin?

Franc: From the technical standpoint, the stock exchange will be prepared by the end of the year. It will be located at Prague 1, Na mustku 3, where two floors will be available. Following the installation of hardware, the French side will begin delivering software for the trading information system. As far as actual trading is concerned, operations will clearly begin in March 1993.

Triska: The RM system will be capable of operating on the day securities of enterprises privatized by the coupon method are acquired by the new stockholders.

[EKONOM] What do you perceive to be the greatest problem in connection with the stock exchange at this time?

Kysel: In the law on the stock exchange involving securities, the Ministry of Finance has the right to halt trading. From my viewpoint, that right should not be vested in the ministry in any case because the basis for the market economy is the ownership of property and, also, the opportunity to buy and sell it freely. If the quoting of some securities is halted, that should be the decision of the stock exchange and not made by politicians or the Ministry of Finance. That is the basic prerequisite for a well-functioning market economy. Insecurity in the face of a possible political incursion can have a negative influence on a careful foreign investor. The minister should at least state that he will not make use of this power without the recommendation of the stock exchange.

Triska: Perhaps this is also a question of a truth that does not apply without any leftovers. It is possible here to

draw a parallel with the law on prices, according to which a state official can regulate any random price in this country. However, state economic policy is important. In liberalizing prices, this threat that is contained in the law on prices helped to attenuate the price shock. The same can be true in the securities market, which continues to be a large unknown for us. That is why I understand that the government wants to have the opportunity to intervene in case of need. I believe that every participant in the securities market can find himself in a situation in which he would welcome the fact that this provision is contained in the law.

Barabas: I believe that the stock exchange will do its utmost to be a support point for the securities market and will avoid being a monopoly. The course of the formation of a securities market will show which systems of trading securities make sense and which do not. The key word of the stock exchange is "unequivocal confidence," without which there is no liquidity.

Employment Policy Problems Discussed

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pp 24-25

[Article by Jiri Rehak: "Employment Policy Through the Eyes of the Auditing Authorities"]

[Text] *In the federal budget, 11 billion korunas [Kcs] have been set aside for both the active and the passive policy of employment. In view of the fact that that is a relatively significant amount, the Federal Ministry of Control decided to work out an in-depth audit analysis, applicable to selective okres labor offices and other organizations. For purposes of the analysis, two Slovak okreses and four okreses in the Czech Republic were selected—Poprad, Trencin, Frydek-Mistek, Vsetin, Usti nad Orlici, and Chomutov. The work was scheduled for completion by 30 June 1992.*

Passive Employment Policy

The amount and the duration of material-support payments made to applicants before their employment (unemployment benefits) are generally unequivocally regulated by appropriate regulations, which have been well mastered at the okres labor-office level, including the transition to more stringent conditions, as of 1 January 1992.

The differentiated approaches adopted by individual okres offices, however, involve the measure of difficulty entailing the determination as to the extent to which an applicant is fulfilling his obligations, as imposed by law, and regarding the application of sanctions—the temporary or permanent withholding of support payments. Some labor offices apply the principle that material support is to be halted immediately if the unemployed applicant fails to visit the labor office without a serious reason at least once in the month in question. Elsewhere, support payments are withheld only following repeated violations of cooperation, which, in practical terms,

means a written summons and the danger of overpayments made at a minimum for one to two months, payments which, as a general rule, are not recoverable.

A greater degree of rationality in expending resources for material-support payments could possibly be achieved if job applicants were listed by the reasons for termination of their employment. There is certainly a difference between an applicant who terminated his employment as a result of structural or organizational changes (that is, in accordance with Section 46, Paragraph 1, Letters a through c of the Labor Code) and an applicant who terminated his employment without serious reasons. In the latter category, a subsequent termination of employment could already be considered as a repeated termination of employment, with all of the consequences in the sense of the law on employment (that is, temporarily halting material benefits and exclusion from job-applicant lists).

Active Employment Policy

An active employment policy is part and parcel of overall economic policy, the main goal of which is economic restructualization: the creation of new effective jobs as old ones disappear. Although much has already been done in this area (for example, in support of exports, small and medium-size business undertakings, and so forth), nevertheless, the realistic results at the republic and regional levels are not reassuring. The main reason lies in the inadequate interconnection of the individual provisions of the active employment policy with overall macroeconomic and regional economic policy. For example, it is difficult to criticize an okres labor office for inadequately developing retraining programs when sectorwide developmental programs do not exist at individual republic and regional levels that the appropriate employment programs could address. Therefore, the practical approach by okres labor offices to the active policy of employment is overly empirical and short-term in nature, being based, on the one hand, on their own experiences and estimates of the local labor market and, on the other, on a certain degree of cooperation with other regional offices and institutions or with businessmen. The level of this collaboration in various okreses is different.

Creation of Socially Useful Jobs

The deciding portion of state resources expended on active employment policy is spent in creating socially useful jobs. In the first half of 1992, more than Kcs1 billion were spent for these purposes—that is, approximately 74 percent of the overall sum allocated to the active employment policy. During that period, 139,466 applicants were placed in such jobs in the CSFR (94,810 in the Czech Republic and 44,656 in the Slovak Republic). The interest shown in the above form of job creation grew substantially in 1992 (in comparison with 1991), and, in the first half of the year, more socially useful jobs were filled than had been the case for all of 1991.

It is possible to spend up to 12 times the average volume of support payments for the unemployed in an okres on each such job. Differences show up particularly during the time support payments are provided. Some labor offices pay immediately upon approval of an application to establish a socially useful job; others do not make a contribution until after the job has actually been created. The former approach is more advantageous to the creator of such a job because he is not compelled to make a down payment with regard to the appropriate expenditures. However, in the event the proclaimed intention does not come about, this leads to complicated negotiations regarding the recovery of the contribution that has been made and that now takes on the form of an interest-free loan. From the standpoint of the economic expenditure of state resources, the second method appears to be more suitable.

There is also a different approach in interpreting the concept "new job." Although new legal entities and physical entities come into being during the process of privatization, they quite frequently engage in activities that are similar to the failed state or cooperative organization. In such a case, the drawing of contributions for the creation of socially useful jobs does not solve the problem of unemployment: Following the demise of a state or cooperative organization, there is only the formal recording of dismissed workers as job applicants. After privatization, the former employees take up their former jobs, for the "creation" of which the new owner draws a state contribution. This contribution should be made primarily in such cases where otherwise, without such a stimulus, a job would clearly not come into being. Some labor offices therefore subsidize only those newly created jobs that are in excess of the original number of jobs prior to privatization.

Expenditures for Comparable Retraining Courses

Profession	Lowest	Highest
Electric-arc welder	5,600	10,700
Flame welder	4,730	7,182
Brick mason	10,000	14,080
Rough carpenter	5,400	15,163
Baker	1,830	8,197
Double-entry book-keeper	900	2,442
Computer equipment worker	563	9,925
Cosmetician	2,000	9,638
Masseur	1,630	6,200
Chef-waiter	2,000	5,700

The reasons for the differences lie in the length and intensity of the courses, in the methods used, in the consumption of material and aids, and, finally, even in the content of the acquired skills: The "computer equipment" course could, on the one hand, involve the

training of a computer operator and, on the other, could include the teaching of programming.

Publicly Beneficial Work

Organizing publicly beneficial work helps applicants to actively overcome at least some of the time they are without permanent employment. From the beginning of the year to the end of the first half, some 44,600 such jobs were created in the CSFR (20,000 in the Czech Republic and 24,600 in Slovakia), but not all of these were taken, by far (17,000 in the Czech Republic, 22,500 in Slovakia). Of the listed job applicants, some 12 percent in the Czech Republic and 7.2 percent in the Slovak Republic found jobs by this method. The average expenditures per job in the okreses being followed ran from Kcs800 to Kcs2,900.

Employment in publicly beneficial jobs makes sense particularly for individuals who have been unemployed for a long time: It assists them in renewing work habits, it stimulates them in their search for more permanent employment, and it protects them against definitively becoming stuck in the social net. Employing workers in publicly beneficial jobs if they have been listed as unemployed for only one to three months does not have the same significance. However, for the time being, there is no methodological instruction for the priority placement of the long-term unemployed in publicly beneficial jobs.

From the standpoint of the usefulness of expending state resources for publicly beneficial jobs, some deficiencies have shown up, and others that are far more serious stem from the different interpretation of the term "short-term employment." An organization tends to repeatedly hire employees through the form of short-term employment for a newly created job (for example, for secretarial jobs), or tends to make use of publicly beneficial jobs to fulfill some tasks that are within its normal work scope (frequently, this is a matter of activities involved in municipal services). Here, it would more likely be appropriate to transfer resources among the individual chapters of the budget.

Retraining

For job applicants, participating in retraining has significant advantages: As a means leading to a desired end—the acquisition of a new qualification—the job applicant is entitled to a higher measure of support (70 percent), and the duration of support payments is extended to cover the entire duration of the course in question. In spite of these conditions, the number of applicants in retraining courses is relatively low: It declined from a level of 3.5 percent in the Czech Republic and 2 percent in the Slovak Republic at the end of April to 1.9 percent (1.1 percent in Slovakia) by the end of June.

Requalifications are aimed at either professions that are generally in demand or at the special needs of individual

regions. In view of the nonexistence of developmental programs, the labor offices are faced with difficult decisions in selecting individuals for retraining. On the other hand, they could themselves be doing more to help make the structure of the professions more precise: For example, they could monitor to see how graduates of courses acquit themselves in the discipline in which they have retrained.

There are significant differences in the amount of expenditures allocated to requalification courses: On average, the expenditures for a single course amounted to Kcs4,000 in the Czech Republic, and to Kcs5,800 in the Slovak Republic. The reason for the difference is the length of the courses: In the Slovak Republic, they have a longer-term character (frequently running from six to 10 months—in an extreme case, a two-year course was listed with training being administered twice a week for 60 minutes), whereas, in the Czech Republic, short-term courses are preferred.

Greater economy with respect to resources expended for retraining could be had not only by stipulating financial limits for individual courses as a matter of orientation, but also by financial participation of future employers or possibly even job applicants themselves. What is involved here is finding such a stimulating system that would limit the number of job applicants who leave retraining courses prematurely and arbitrarily or who fail to then engage in the profession in which they have retrained without serious reasons.

A separate problem is created by the existing system of financing retraining for young people, a system that gives them advantages over their contemporaries who are training for future professions through the form of regular studies. It is impossible to consider such courses that have only the character of the current dissemination of knowledge to be part of the retraining program. School authorities should become more involved in caring for young people who did not finish basic school.

Support for Workers Confronting a Shortened Workweek

This form of assistance is granted to organizations that operate for less than the stipulated weekly working time for temporary reasons, for reasons of sales difficulties or because of financial difficulties. Even with this form of assistance, the enterprises are attempting to acquire subsidies even without fulfilling the principal aim—that is, in making the transition to more promising production programs that have more certain sales. Subsidies are being requested even where production programs are not changed or where classical seasonal declines in production occur. The necessary amendments in the procedures for granting these kinds of subsidies are being prepared. From the quantitative standpoint, this form of subsidizing does not play a major role at this time, but its expansion is not excluded.

National Assembly Debate on Opposition, Media
93CH0221D Budapest UJ MAGYARORSZAG
in Hungarian 15 Dec 92 pp 1, 5

[Unattributed report: "Parliamentary Diary—The Opposition's Walkout Is Unacceptable"]

[Text] As expected, dispute over how to view the media war that flared up in recent days served as a starting point at yesterday's session of the National Assembly.

During the morning hour Representative Laszlo Salamon (MDF [Hungarian Democratic Forum]), chairman of the Constitutional Committee, reminded the National Assembly of the fact that last week's walkout by opposition representatives had paralyzed the workings of parliament. For this reason they were unable to deal with amendments to next year's budget law, and were unable to debate a National Assembly resolution on the basic principles of national defense. One cannot rule out the possibility that the budget law was not passed on time because of the opposition's walkout. The committee chairman suggested that the opposition choose different ways of protest in the future.

In contrast, Peter Hack (SZDSZ [Alliance of Free Democrats]) expressed shock over Laszlo Salamon's remarks, which, in his view, created a false semblance by claiming that the opposition walkout had caused the malfunctioning of the National Assembly. The SZDSZ representative reminded parliament that walkouts were an accepted practice in parliamentary democracies. Beyond that, he recalled a number of occasions in which committees had no quorum because of actions taken by coalition party representatives.

Istvan Balsai also asked to be recognized in this debate. The justice minister called the legislators' attention to the fact that by staging a walkout the opposition had tried to use an unacceptable method to influence proceedings regarding the independent administration of justice. Government proceedings regarding the television leadership did not constitute a show trial; instead, these measures were provoked by the opposition. The cabinet is performing its duties when it wants to ensure order and the functioning of the television. In conjunction with this Balsai made reference to the fact that disciplinary proceedings and the filing of criminal complaints took place only after the so-called feasibility study revealed a number of incriminating data produced by the television management.

Responding to these charges Peter Hack stressed that the opposition had become convinced that the investigation of the television's management was not motivated by professional considerations, but by political motivations. Statements like those made by the chairman of the Committee on Culture confirm this; according to these the proceedings amount to the head of government striking back for the appointment "fiasco" he had suffered.

Both Peter Hack and Budget Committee Chairman Karoly Attila Soos (SZDSZ) reminded the National Assembly that based on similar shortcomings in management, proceedings could be initiated against virtually every government office. The State Accounting Office has found large and small shortcomings almost everywhere.

Tamas Deutsch (FIDESZ [Federation of Young Democrats]) also regarded the proceedings against the president of the television as fully lacking legal foundations.

Bela Csepe (KDNP [Christian Democratic People's Party]) recommended that a sharp distinction be made between the ongoing investigation against the president of the television and the movement that demands the relief of the media chiefs. Irrespective of the disciplinary proceedings, the KDNP continues to demand top-level personnel changes at both the radio and the television.

Cultural Committee Chairman Ferenc Kulin (MDF) sought to be recognized on personal grounds. He regarded views, according to which proceedings against the television leadership were countermeasures provoked by the opposition, as a misunderstanding of the issues. The suspicion of management abuses has already arisen in earlier committee hearings; accordingly, proceedings had to be initiated based on these suspicions. The "interference" was caused by the intertwining of personal issues with problems in management, and this did not necessarily have to occur. The opposition is responsible for failing to resolve the personnel issues, according to Kulin.

Thereafter the National Assembly rendered decisions in regard to placing legislative proposals on the agenda. The House is going to debate on an urgent basis a proposal by the president of the Republic to amend the law providing for the order of appointing leaders to the public service media. Arpad Goncz, present at the session, did not want to supplement the submission by making a verbal statement. Urgent handling of a government proposal to amend a decree with the force of law concerning animal health and concerning the National Gambling Fund was also approved. The National Assembly placed on the agenda a proposed amendment to the decree with the force of law on fishing, by Representative Gabor Roszik (MDF).

Similarly, independently submitted bills by Gyorgy Janosi and Laszlo Korosfoi (MSZP [Hungarian Socialist Party]) concerning measures related to the preservation of the functioning of sports clubs were placed on the agenda.

Gyorgy Szabad, presiding over the session, announced that the League to Protect Citizen Rights has submitted a petition with 50,481 signatures protesting the 1990 increase of interest payable on housing loan credits. The president of the House forwarded the petition to the National Election Committee to verify the authenticity of the signatures.

Thereafter the House rendered decisions concerning the inclusion of various proposals on the agenda. Proposals by Geza Zsiros (the 36), Gyula Csefalvay (KDNP), and Antal Gaal (MDF) concerning amendments to the Law on Cooperatives, Law No. 1 of 1992, and to Law No. 2 of 1992 providing for the effective date of Law No. 1 and for transitional rules, as well as a legislative proposal sponsored by Zoltan Bogardi and Gabor Kanya (MDF) concerning the supervision of the legality of action in agricultural cooperatives and in certain business organizations, were placed on the agenda.

Thereafter the National Assembly began debating the details of amending Law No. 25 of 1991 on providing partial compensation for unjust damages caused in the property of citizens, as well the legislative proposal on the financial foundations of social security and the related budget for 1993.

Gyorgy Szabad announced that he had convened the first meeting of the special winter session of the National Assembly for 17 December.

Regulations, Procedures for MDF Congress

93CH0274A Budapest UJ MAGYARORSZAG
in Hungarian 22 Dec 92 p 4

[Statement issued by the Hungarian Democratic Forum]

[Text] At its 23 September 1992 meeting the National Presidium of the Hungarian Democratic Forum [MDF] decided to convene the party's 6th National Congress. The National Board took notice of this decision at its 3 October 1992 meeting. Based on the above, the MDF's 6th Congress will be held on 22-24 January 1993 in Budapest.

The MDF Bylaws require that delegates be elected to the National Congress. According to a decision by the National Board, MDF organizations *may delegate* to the National Congress *one person after every 50 dues-paying member*. Accordingly, the number of delegates per organization to be appointed is as follows: one person after 50 or fewer members; two persons after 51-100 members; three persons after 101-150 members, four persons after 151-200 members; etc. Our bylaws provide that organizations not having at least 10 dues-paying members shall not be regarded as independent organizations, and therefore shall not send delegates to the National Congress. Persons exempted from having to pay membership dues based on the written resolution of an organization shall also be regarded as dues-paying members.

General meetings to elect delegates shall be held between 10 October and 15 November 1992. The chairmen of local organizations shall forward the certified minutes of the general meetings to elect delegates to their respective county offices. Rosters of persons present at the general meetings to elect delegates and the nominating lists described below shall be appended to the minutes. The certified minutes shall indicate the names and addresses

of each delegate, whether the delegates request arrangements for food and lodging, and the names of sections in whose workings each delegate wishes to participate.

We request the members of the county boards to have at least one county board member present at meetings to elect delegates, and that these county board members countersign the certified minutes.

The order of nominating and electing persons to positions to be filled by the 6th National Congress, pursuant to the National Board's resolution:

*** The order of preparing nominating lists:**

Local organizations may recommend persons to hold national offices by preparing nominating lists at general meetings to elect delegates. Any MDF member present at the general meeting may recommend names of persons to be placed on the nominating list. *A person's name shall be included in the nominating list if a majority of the participants (50 percent + 1 person) at the general meeting to elect delegates supports a proposed nominee.*

The nominating list thus adopted by an organization shall be appended to the minutes of the general meeting to elect delegates, and shall be forwarded without delay—through the appropriate county office—to the MDF organizations division at the Bem Square headquarters (hereinafter: Office). Data identifying the persons recommended shall be shown on the list: name, residential address, MDF membership certificate number. (When nominating nationally known politicians, showing their names will suffice.)

If an organization nominates a person who is not a member of that organization, the Office shall so inform the local organization in which the person nominated holds MDF membership. The chairman of the organization in which the nominee is a member shall convene a general meeting within two weeks upon receipt of such information to decide whether to support the person nominated by the other organization. The chairman shall record the results of the meeting in the form of minutes, and shall forward the minutes within the shortest possible time to the MDF Budapest headquarters. A candidate not supported by his local organization shall not be included in the nominating list.

The Office shall inform the persons whose names appear on the nominating lists received and reconciled as described above, of the fact of their nomination, and shall ask these persons to provide written statements accepting their nominations.

After all this, the Office shall publish the final list of nominees in HIR-LAP.

Consistent with the Bylaws presently in force (Chapter 8 Section 29 Subsection 2) a person nominated to a given

office by 5 percent of the elected delegates to the National Congress present shall be a nominee. Accordingly:

** The order of nomination:*

Every elected delegate shall receive a copy of the official list of nominees upon his accreditation. Each delegate shall indicate the persons he supports by crossing out the printed square appearing next to the names on the list. A delegate may support any number of nominees appearing on the nominating list.

The delegates shall deposit the thus completed list of nominees into a ballot box designated for this purpose.

Based on the summary results of the lists thus deposited, the nominating committee shall determine the names of persons who received the required 5 percent support, and shall have ballot forms prepared.

Delegates may pick up their ballot forms at the accreditation table at a certain point in time determined by the agenda, and shall deposit the completed ballot forms in the ballot boxes consistent with the short slate election system applicable in local government elections.

** Schedule for preparing the list of nominees:*

1. General meetings to elect delegates and to nominate persons shall be held between 10 October and 15 November.
2. Deadline for submitting the minutes of general meetings: 20 November.
3. If necessary, supplemental nominating meetings shall be held between 23 November and 6 December.
4. Deadline for statements to be received by nominees: 12 December.
5. Publication of list of nominees: 21 December.

** The following offices shall be filled by way of elections at the 6th National Congress:*

- The MDF chairman
- The 20 members of the National Presidium
- The 9 members of the audit committee

We request the membership to make recommendations for the above offices at meeting to elect delegates and to nominate candidates.

We request the chairmen of local organizations to notify their respective county offices of the dates of meetings to elect delegates and to nominate candidates.

Lajos Fur, managing chairman
Zoltan Pajna, chairman of the nominating committee

Antall Foreign Policy Adviser on 'New Neighbors'
*93CH0309C Budapest TOZSDE KURIR in Hungarian
23 Dec 92 pp 1-2*

[Interview with Gyula Kodolanyi, chief foreign policy adviser to Prime Minister Jozsef Antall, by Ervin Reti; place and date not given: "Our Old and New Neighbors"]

[Text] *Austria: Exemplary mutuality. Croatia: A harbor on the Adriatic? Slovenia: Mutual security for minorities under law. Serbia: The Vojvodina is the touchstone. Romania: Without nationalism. Ukraine: An important economic partner. Slovakia: We intend to reach an agreement.*

Three years ago Hungary had five neighbors; today its borders face seven states. Aside from Austria and Romania, five of these are new or old-new. How do we view this changed neighborhood, we asked Gyula Kodolanyi, the prime minister's chief foreign policy adviser.

[Kodolanyi] The inhabitants of this region have become used to dramatic changes in this century. If my arithmetics are correct, the citizenship of a Hungarian born, say, in 1914 in Ungvar [Uzhgorod, Ukraine] has changed five times even if he has not moved out of the town. This region has a multinational character; except for certain areas, its inhabitants are of mixed origin. For this reason, the region is able to show good, historical examples of harmonized coexistence, but unfortunately, due to the many languages, it also has been a source of conflicts particularly since the evolution of nation states in the previous century.

It should be obvious that our foreign policy strategy and our system of relationships is entirely different from what we had two or three years ago, and that as a result of new developments, we are still witnessing ongoing changes.

This part of Europe continues to be tumultuous, many things remain amorphous. The only thing that has not changed during these three years is the perception, the future concept of the Hungarian democratic parties about tomorrow's Europe. In 1989 we hoped that with small or large differences between the phases of evolution, this region would move ahead jointly, that our mutual borders could be transcended, and that the old animosities could be reshaped into friendships. As the events show, all this does not happen simply and quickly. But the foundation of our foreign and domestic policies remains unchanged in terms of endeavoring to follow this spirit. We believe that this spirit will be able to prevail in the long term.

[Reti] From among our neighbors, our relations with Austria are least burdened by problems. Do you agree?

[Kodolanyi] The relationship between Austria and Hungary was special in Europe even in the final years of the Kadar regime. In the context of relationships between so-called socialist countries and capitalist countries, this

was the sole example in which continuous communications and free travel by citizens existed, and in which restoration of the historic mutuality between the two states began. This is regarded as entirely self-evident by people in both Austria and Hungary by now. Cooperation between the two countries spans every facet of life. I would also remind the readers that in its days the Hungarian opposition, too, established its initial relations with Austria. Aside from all this, however, we do have certain difficulties insofar as exports to Austria are concerned, since Austrian producers want to protect their markets from Hungarian fruits, vegetables and quality foods.

[Reti] At this point our borders touch three South-Slavic states....

[Kodolanyi] Slovenia and Croatia are greatly inclined to cooperate with Hungary. Croatia wants Hungary to help restore the war damages it suffered. The way we see things: We will be able to develop mutually highly advantageous forms of economic cooperation. The idea of granting Hungary duty free use rights of the Fiume-Rijeka harbor has been raised. Our most productive effort involving Slovenia is the securing of mutual rights for national minorities; we were able to reach agreements to protect minorities with both Slovenia and the Ukraine, which, in our view, could serve as models. Relations with Serbia require great flexibility and patience on our part. Unfortunately, there have been, and there continue to be extremist Serb groups that wish to create an enemy image of Hungary, based on domestic policy considerations. Hungary succeeded in demonstrating both to Serbia and to the West that it was not willing to play this role. We did not respond to repeated air space violations and military provocations, while we received refugees, and provided telecommunications paths and transportation routes for Serbia until the embargo took effect. We observe the embargo, of course, although few countries were struck harder by the embargo than Hungary. We do not believe that the embargo can be maintained indefinitely. Protracted closure, not to mention the "loopholes" in the embargo, could only harm the populace. I wish to emphasize that we are seeking forces willing to cooperate in the framework of the Belgrade relationship. On the other hand, Hungary has established a precondition for any and all cooperation: no forceful deportations from the Vojvodina. We regard this as the touchstone of Hungarian-Serb cooperation. The Hungarian populace has, already, been threatened there, but we believe that responsible Serb circles are aware of the heavy damage escalation could cause.

[Reti] The Hungarian-Romanian relationship is also wrought with problems....

[Kodolanyi] Hungarians watched the December 1989 turnaround with an exuberant, spontaneous joy as if it had been their own revolution. People stood in line to give blood, they gathered food and clothing, and volunteers transported all this in convoys to the scenes where

the events took place. We provided significant political support to the government after the revolt, we tried to strengthen confidence abroad after the changes. Unfortunately, no deep-seated change took place in the relationship between Hungary and Romania, as we hoped that would happen. These gestures did not result in the acceptance of Hungarians in Romania as equal political partners, or in regarding Hungarians as a bridge, as intermediaries who could promote friendship between the two countries. Although our aid was not meant to be conditioned by such developments, one could have reasonable expected these changes to flow from the aid provided.

[Reti] And the future?

[Kodolanyi] Even recently, President Iliescu has expressed an intent to meet and to negotiate with Hungarian leaders, and certain promising steps have been taken. For example, Romania was the first country with which we reached an "open skies" agreement. At the same time, regrettably, certain elements appear in the rhetoric of not only extremist Romanian nationalist parties, but also, on occasion, of the government, which make reference to "Hungarian revanchism." One should abandon this language of extortion, because these, and similar statements have no real foundations. President Iliescu once again misinterpreted Mr. Antall's statement according to which, in an idealistic sense, he felt that he was the prime minister of all Hungarians, even though neither a German, nor an Israeli, nor an Irishman, and probably not even a Russian politician would find anything objectionable in that statement. By signing the Helsinki final accord Hungary agreed to the inviolability of European borders, and as the well known data made public in Vienna reveal, Hungary has the smallest Army as a proportion of its population in Europe; it has no offensive capacities, and, of course, we do not have such intentions either. We believe in a Europe of integration and coexistence. Our goal is to persuade the CSCE [European Conference on Security and Cooperation] to adopt a continental declaration on minorities. The Hungarian position has gained strength in this regard because we no longer are the country with the largest number of minority groups beyond our borders; Russia has taken the first place in this regard.

[Reti] The Ukraine is another new neighbor of ours....

[Kodolanyi] We have extremely good relations with the Ukraine at the governmental level; we were among the first countries to recognize the Ukraine's independent statehood, and we also called the attention of the West to the seriousness of Ukrainian efforts to achieve independence. The Ukraine is an important business partner from our standpoint. In principle, Kiev is prepared to guarantee the rights of Hungarians living in the Ukraine, but some practical problems remain to be resolved. From the standpoint of neighboring countries, the Achilles' heel in providing for minorities is the expression "autonomy." Some people make this to appear as territorial autonomy, while we emphasize that autonomy

could extend through the cultural rights of individuals up to the point of territorial autonomy. In other words, we must think in terms of a hierarchy of various levels of autonomy, the specific form of which can evolve everywhere in the course of negotiations commensurate with the situation.

[Reti] Finally, would you please discuss the relationship between Hungary and Slovakia.

[Kodolanyi] As soon as it became certain that the two nations in Czech-Slovakia would become separate, we immediately invited the two heads of government—back in the summer. I, personally, took a trip to see Czech Prime Minister Klaus, and State Secretary Tamas Katona handed an invitation to Prime Minister Meciar. We were pleased that Mr. Meciar's first official trip abroad brought him to Hungary. But while both parties stressed their intent to cooperate, our differences with Slovakia are on the increase, for now. For example, the diversion of the Danube is an unprecedented unilateral measure. We will go to the extremes in using diplomatic means to resolve this issue in an acceptable manner.

The other problem we have with Slovakia is that the new Slovak Constitution does not refer to Hungarians as a constituent minority of the state. This is not only unacceptable to us, but it also conflicts with the standards of the Council of Europe. Reaching an acceptable settlement regarding these two issues serves as the test for all future Hungarian-Slovak relations, and it could also influence European views regarding the nature of Slovak diplomacy. In this regard, too, we are endeavoring to reach an agreement, but certain concession cannot be made. The two countries are interdependent to a significant extent, take, for example, their economies. We trust that these realities will encourage the adoption of a pragmatic approach.

[Reti] Having said all this, are you an optimist or a pessimist?

[Kodolanyi] I am an optimist by nature. I believe that a beneficial era has dawned in 1989, even if some heavy clouds have gathered during the past year and a half. I am nevertheless confident that international cooperative frameworks will provide a strong enough political and moral force to permit the advocates of democracy, openness, and cooperation to prevail. The year 1992 was difficult, it was a year of elections and changes in government in many places. I trust that by the time we reach the middle of 1993 the Western world is once again going to manifest a kind of strategic talent and commitment as it did in the mid-1980's.

Law on Prosecuting Communist Crimes Debated

93CH0221B Budapest NEPSZABADSAG in Hungarian
9 Dec 92 p 4

[Unattributed article: "Debate Over Doing Justice Has Begun"]

[Text] The National Assembly began Tuesday's general debate over two legislative proposals that call for doing justice: one advanced by the government regarding procedures related to crimes committed in 1956, and another introduced by Zsolt Zetenyi. The MDF [Hungarian Democrat Forum] representative's proposal would amend criminal procedures to the effect that the expiration of the statute of limitations could only be determined by courts.

In an introductory speech to the legislative proposal on procedural rules for the adjudication of crimes committed in the course of the 1956 revolt and fight for freedom, Minister of Justice Istvan Balsai said that nowhere have criminals been held to account under criminal law since the collapse of communism as they had been in the Nurnberg trial. The minister declared that the legislative proposal presents no problems from the standpoint of constitutional law, and that the government is not late in making this initiative. As a basic principle he mentioned that war crimes and crimes against humanity must be judged on the basis of legal provisions in force at the time these crimes were committed and which are also integral parts of Hungarian criminal law today. "The issue of doing justice could be closed if the government's proposal were adopted," the minister said in conclusion.

MDF lead speaker Ibolya David stressed that the legislature must not bring this issue to a conclusion by declaring the historic significance of the 1956 revolt and fight for freedom, and Peter Hack (SZDSZ [Alliance of Free Democrats]) said that all disputed issues related to doing justice must be resolved consistent with the Constitution. For this reason he recommended that parliament request the Constitutional Court to issue a preliminary opinion regarding the consistency of the legislative proposal with constitutional standards. Like his fellow representative from the SZDSZ, Pal Vastagh (MSZP [Hungarian Socialist Party]) also asked that the Constitutional Court assess the proposal, and questioned whether it was the legislature's function to summarize law presently in force.

Gabor Fodor (FIDESZ [Federation of Young Democrats]) viewed the intent of the government proposal as honorable, but regarded it as unsuited to achieve its intended purpose. Representative Fodor summarized his party's position concerning the issue of doing justice in three points, as follows: compensation to the victims, the revelation of the past and the drawing of conclusions, and the initiation of criminal proceedings based on legal provisions in force.

After postponing general debate over the government proposal, Zsolt Zetenyi (MDF) spoke of his independent bill seeking justice, in the presence of 48 (!) representatives. He stressed that his legislative proposal by all means enabled the unveiling of crimes and the identification of criminals.

In the afternoon, representatives unanimously adopted a National Assembly declaration expressing high regard for Boris Yeltsin's position condemning the 1956 Soviet intervention in Hungary.

Thereafter parliament approved amendments to the public roads law, to enable local governments to establish standards for issuing taxi licenses after the effective date of the amendments. At the same time, licenses issued earlier cannot be withdrawn based on the limited number of licenses to be issued.

In the evening hours the National Assembly rejected requests to suspend the immunity of Gyorgy Gado (SZDSZ) and Istvan Csurka (MDF). Complaints were filed against both representatives for slanderous remarks.

Zsolt Zetenyi (MDF) submitted a draft position statement concerning the interpretation of the lapse of punishability. In opening general debate, Zetenyi felt that when elements outside the legal framework (party resolutions, secret directives) circumvent orders for the persecution of a specific crime, or avoid holding a person accountable under criminal law without a legitimate reason, no legal effect causing the expiration of the statute of limitations could come about. Following Zetenyi's remarks the president of the House postponed the general debate.

Representatives concluded their work with general debate over amending the law providing for partial compensation to citizens.

Balsai's Speech on Prosecuting Communist Crimes

93CH0221A Budapest MAGYAR FORUM
in Hungarian 10 Dec 92 p 4

[Text of Justice Minister Istvan Balsai's speech to the National Assembly; date not given: "Humanity Itself Is the Offended Party"—Minister Istvan Balsai's Statement Concerning the Government's Legislative Proposal No. 7302 on Doing Justice"]

[Text] Respected Mr. President! Respected House!

The most tragic periods of the 20th century were linked to two extreme ideals. In the order of their occurrence, the *extreme left-wing* dictatorship was first to take power in Russia during the fall of 1917, and later, in 1933, the *extreme right-wing* dictatorship of Germany was second. Both dictatorships started out by immediately designating groups to be discriminated against.

At the conclusion of the world war, civilized nations immediately reacted to national socialist crimes: as a result of establishing the *International Military Court* and of applying the Nuremberg principles, they pronounced verdicts and sentenced the offenders. In those days, the creation of Law No. 7 of 1945 provided a legal basis in Hungary for holding war criminals to account.

As of now, since the collapse of communism, a similar reckoning with persons guilty of routinely terrorizing people *has not taken place*. This can be explained in part by the fact that while the wartime collapse found Nazism at the peak of its crimes, communism "expired" only after a certain "softening" of the system; and in part by the fact that the consequences of national socialist crimes had an immediate, direct impact on Westerners, while the millions killed by the followers of the other extreme became known to the West only on the basis of reading experience.

Communism: An Establishment of Terror

Regularly practiced terror is linked to the latter power in Hungary. Among the millions of victims we also find Hungarians who were dispatched to their deaths in order to redeem the world; these killings took place particularly in the course of the October 1956 revolt and fight for freedom, and during reprisals after the fall of the revolt. *To this day, no one was held to account for these crimes, as would be required by laws of civilized nations.*

The government's legislative proposal has as its purpose to hold guilty persons to account in the framework of proceedings consistent with *the constitutional state*, by strictly observing procedural safeguards to protect everyone's rights, and based on Hungarian law in force when the crimes were committed. For this reason the legislative proposal points out directions, and provides guidance to criminal enforcement authorities and to the judiciary regarding applicable Hungarian law, and in Paragraph 3 it also provides new procedural rules by establishing exclusive jurisdiction for conducting investigations and court proceedings.

Paragraph 1 of the legislative proposal refers to the elements of war crimes included in Paragraph 13 Section (7) of Law No. 7 of 1945. These acts became crimes beginning on the effective date of that law and remain crimes to this day. The legislative intent supportive of that law states that the purpose of the law is *to secure peace among people, and to prevent the creation of international conflicts*. At the same time, based on Paragraph 33 Section (2) of the Criminal Code of Laws, the legislative proposal also states that the statute of limitations does not apply, and based on Paragraph 2 of the Criminal Code of Laws, it mandates the imposition of penalties.

Contrary to some stated views that cannot be supported, these legal provisions have been continuously in force *to this date*. The BHO [Official Compilation of Substantive Criminal Law in Force] contained the text of these provisions, Decree With the Force of Law No. 10 of 1962 expressly continued these provisions in force within its scope, and Law No. 4 of 1978 concerning the Criminal Code of Laws also refers to these provisions by name.

Paragraph 2 of the proposal makes reference to the Geneva conventions of August 1949 relative to the

protection of war victims; these were made part of Hungarian law by virtue of Decree With the Force of Law No. 32 of 1954.

I would like to emphatically point out that as part of numerous international agreements, Hungary *has committed itself* to persecute crimes which endanger the survival of humanity and the coexistence of nations, and has taken steps to ensure that the Hungarian administration of justice satisfies requirements established in the framework of international agreements. The recognition of Hungary as a civilized nation by other civilized nations was conditioned by these commitments, and by performance on obligations flowing from these commitments, of course. These commitments and performance on these obligations enabled Hungary to become a member of the UN; conversely, after 1956, the violation of these commitments resulted in the temporary exclusion of Hungary from that world organization.

Unfortunately, however, certain contradictions surfaced from the standpoint of applying this law. These raise questions about the validity of the above legal basis, and must be resolved through legislative action. Characteristically, one stated view holds that the applicable legal provision is not "a source internal to law," that it was not even proclaimed, and that it is not part of criminal provisions because it cannot be found in the Criminal Code of Laws.

Under such circumstances, constructive intervention by the legislature is necessary, and I should note here that *such intervention would not at all be a uniquely Hungarian phenomenon*. We find similar legislation today in Germany. Legislation has been introduced there to interpret the expiration of the statute of limitations regarding crimes committed under the East German system; the proposal enumerates the crimes that must be continuously persecuted in the future, in a manner similar to the persecution of Nazi crimes. According to guidance provided by the German Federal Constitutional Court and the Federal Courts, this enables the use of the same yardstick to measure the crimes of both totalitarian systems.

Hungary and International Law

Having digressed briefly, I now return to the legal situation in Hungary. By virtue of Decree With the Force of Law No. 8 of 1976, Hungary has subscribed to the UN *International Convention on Civil and Political Rights* of 1966. In September 1992, the Hungarian National Assembly resolved to confirm the *European Convention on the Protection of Human and Fundamental Civil Rights*. In both conventions, the people's right to life takes first place, and this requires the state to persecute attacks on human life.

As mentioned before, Hungary is a party to the "Geneva international conventions to protect war victims dated 12 August 1949." In Hungary, the Geneva conventions went into effect on 3 February 1955. These conventions specify *minimum standards of conduct* which must be

observed not only in case of war, but also in cases of "armed conspiracies not of an international character," then go on to enumerate the so-called "grave violations of rights," most of which are part of national laws (thus, e.g., intentional homicide, torture, inhuman treatment, and so on).

Accordingly, these acts were *punishable acts* under Hungarian law at the time the Geneva agreements took force, as that is also stated in the legislative intent provided by the minister, accompanying Paragraph 139 of Law No. 5 of 1961. As a result of Decree With the Force of Law No. 32 of 1954, however, the scope of "ordinary crimes" has changed, and has been expanded. Consequently, the effect of the Geneva conventions in Hungarian law includes, among other things, the fact that while the prohibition to kill people previously protected the lives of individuals, the subject to be protected under the conventions is humanity as a whole.

This change renders the criminal acts at issue as "criminal acts against peace and humanity"—to use the current current designation of these crimes—and this qualitative change results in the fact that these crimes *do not lapse under the statute of limitations*. The "International Convention to rule out the lapse of war crimes and crimes against humanity under the statute of limitations adopted by the UN General Assembly in New York on 26 November 1968," and proclaimed in Hungary by Decree With the Force of Law No. 1 of 1971 makes this provision. This convention declares that acts regarded as "grave violations of rights" and adopted in the framework of the 1949 Geneva conventions do not lapse under the statute of limitations, irrespective of when they occurred. The decree with the force of law has the same effect in Hungarian law.

This proposal is based on the precept that the prohibitive standard *can also be discovered in Hungarian criminal law*—albeit with a different, more general scope, than the special scope established by the convention—and *that this prohibition is also accompanied by sanctions*. Therefore, *the punishment specified in Hungarian law must be imposed*. Quite naturally, the provisions of Paragraph 2 of the Criminal Code of Laws also apply in this case insofar as specific sanctions are concerned: Legal provisions created after the commission of the crime, which impose a lesser punishment regarding a given crime, must be applied.

The Goal: To Restore Legal Order

Finally, I would like to briefly discuss Paragraph 3 of the proposal, which, unlike my summary of legal provisions in force, establishes a *new procedural rule*. Relative to proceedings initiated in the cases at issue, the proposal would grant exclusive jurisdiction to the *Investigative Office of the Budapest Chief Prosecutor* and to the *Budapest Court*.

Exclusive jurisdiction is justified in part by the fact that according to research findings, a decisive majority of the acts at issue are linked to Budapest. On the other hand,

it is also appropriate to assign the task requiring specialized investigative work to a *single* investigative office, and it is equally necessary that these cases be adjudicated under uniform court proceedings. At the same time, the anticipated small number of cases is not going to represent an excessive burden on the above-mentioned authorities.

In the government's view, the legislative proposal would result in a situation in which the issue of doing justice *comes to rest*. Based on the proposal, war crimes and crimes against humanity committed during the 1956 revolt in Hungary and relative to the defeat of, and reprisals for the fight for, freedom would be judged on the basis of legal provisions which were in force at the time these crimes were committed, and which continue to be an integral part of Hungarian criminal law to this date. Thus, the proposal does not call for retroactive adjudication and does not require the judging of elements of crime as defined after the commission of the crimes. At the same time, the proposal would also satisfy the requirement of the state *doing justice* for wrongs suffered by the victims, and of the requirement *to restore* the legal order that was violated.

In this case, the legal order that was violated is hardly an abstract concept derived from philosophy, because *humanity itself* was the subject of the legal order that was violated. After the horrors of World War II, the yearned-for peace was replaced by a "fight for peace," and in the framework of local wars in Asia and Africa, new hot spots flared up, ignited by expansive ideologies. The "ideological foundations" of the genocide in Cambodia involving millions was nurtured by the same ideology that prompted the AVH [State Security Authority], and later, contingents wearing pufajkas [quilted jackets suggesting subservience to communist interests] to murder unarmed Hungarians. And as the rear-guard struggle of this ideology we are now witnessing genocidal wars which totally disregard human rights in the Caucasus and along our southern borders.

The aggression launched to crush the 1956 Hungarian revolt is one of the wars that followed World War II; in it masses of civilians fell victim. The several hundred people—including women and children—murdered by 22 volleys fired, could, possibly, represent only a cabaret topic to some at the "public service radio." *All this means somber reality to the nation, however.*

In civilized states *courts* hold to account those who committed war crimes, and examples for this exist not only regarding crimes committed during World War II. During the Vietnam war, U.S. soldiers were tried by courts in the United States for violating standards of human conduct—also mandatory in the course of war, standards incorporated in legal principles adopted by civilized states—and no great power is excepted from under the mandate to observe these.

These days, Slovenia is proceeding against war criminals: That country has recently become a victim of war

without a declaration of war, and about 10 civilians lost their lives in the course of belligerent activities.

Restoring legal order must also *convey a message* to the citizens of the future and to future dictators. The message to be conveyed to citizens is that they can count on protection under law under any circumstance, and candidates for dictators must learn that they cannot kill people with the power of tyrants without being punished, and that they cannot hope for the passing of their crimes into obsolescence, should they be able to usurp power for a long enough time.

Based on the above, on behalf of the Government, I recommend that the legislative proposal be *adopted* by the National Assembly.

Impact of Force Reduction on Military Viewed

93CH0262A Budapest MAGYAR HONVED
in Hungarian 11, 18 Dec 92

[Article in two installments by Miklos Monus: "Hungarian Army, 1992"]

[11 Dec pp 14-15]

[Text] The serious deficiencies that characterize the technical readiness of the Hungarian Army are well known: we are in dire need of virtually everything, particularly spare parts. Still there appears to be some hope that things might start improving. The reason is that—as a result of recently concluded negotiations—Germany has reviewed its earlier ban and will begin providing us with Soviet-made parts and components from the military arsenal of the former GDR. If these provisions are indeed delivered then the question becomes: Who is going to operate the equipment made available to us? The reason for the question is that for years now the Army's professional cadre of officers, noncommissioned officers [NCO's] and civilian employees, indispensable to commanding and organizing the force, operating its military equipment—and training its rank-and-file—has been declining. The deterioration has been so drastic that today the Army's intended mission and effective operation are threatened not only by its technological backwardness, but also by its lack of manpower.

A report on the government's two-year long effort speaks with praise about the fact that its program aimed at transforming the Hungarian Army into an independent national military force has been accomplished on schedule. As a result, the Army now has a new organizational, operational and command structure, and its units have been restructured in accordance with our new defense requirements. The summary report is a reflection of an almost endless list of accomplishments. To mention only the most important highlights: We have withdrawn from the Warsaw Pact, causing the Army to change from what had essentially been a coalition-based

command structure to an independent, national structure of command and control; we have shortened compulsory military service to 12 months; partly as a result of a political decision, the manpower levels of the force have also significantly declined; units and their organizations of control have undergone practically continuous repositioning and reorganization; officer training and the molding of a professional cadre have been restructured.

Those in charge of the military say that the above changes constitute only the first phase in the transformation of the Hungarian Army, which may be said to have lasted from the time of the political change until the fall of 1992. The second period, projected to last until 1995, will signal a new phase in the development of the Army. Its most important tasks will be to stabilize the force and establish the foundations for continued modernization after 1995 by implementing substantive changes. What makes the day-to-day work toward this goal more difficult is the fact that we still do not have in place a new national defense law, and no legislation has been drafted to clarify the legal status of military personnel on the basis of which vitally important internal regulations could be prepared. Also hindering these efforts is the fact that the military cannot make a single move without considering the country's burden-bearing capacity, while day after day we have new and mostly alarming problems confronting us in our region that cannot be ignored.

The above tasks have been and will be carried out by people. These people not only promote change, but also suffer its consequences. They are driven by a tremendous sense of responsibility for their country, while living under the pressure of trying to fulfill their responsibilities to their families and to themselves. While they are working with commendable enthusiasm, giving everything they can muster to defend the independence and promote the democratization of the Hungarian Republic, they cannot forget about the day-to-day existence of their loved ones, the difficult task of improving and enriching the future of their families and their own lives. These people are not detached from the rest of society; to the contrary, they are active participants in it, who as such directly experience everything society conveys in one form or another, be it an issue concerning daily politics, the economy or the military.

Presently these people may be divided into two categories: 13,500 officers, a little more than 8,000 NCO's, fewer than 24,000 public employees, and about 50,000 enlisted personnel. (Also included in these numbers are cadets enrolled in academies, persons receiving reserve training, and reenlisted rank-and-file personnel.)

The majority of the permanent cadre could be classified as middle-aged, which means that they are no longer inexperienced beginners, nor do they have one eye on retirement already. Members of this cadre are full of ambition, and are both willing and able to improve. This is further underscored by data which show that more than half of our officers have post-secondary school

degrees (in mechanical or production engineering or education), with more than one-fourth of them— included in this group—holding university diplomas. These numbers, however, still barely amount to 80 percent of what would be considered absolutely essential. Even more profound is the lack of qualified subunit commanders and first sergeants who are directly responsible for the training of enlisted personnel. The shortage in these two areas has reached an almost critical point as only two out of every three positions are now filled by permanent personnel. Staffing levels vary by branch and by combat arm, but there are companies with only one—yes, a single one!—commissioned officer assigned to them, the company commander.

What makes planning enormously difficult, is that in the short run there appears to be no hope for a positive change in the manpower levels of our permanent cadre. The reason is that since the late 1980's we have been consistently unable—except in 1992—to achieve full enrollment in our military academies, while at the same time the drop-out rate has continued to remain high (about 40 percent). Analyses show that this unfavorable situation is attributable to several factors: The Army receives no support when it comes to career counseling; for a variety of reasons professional military service is not perceived of as an appealing career choice, and professional soldiers are not made to feel that they are really important to society. Quite to the contrary, in fact: comments heard recently even from the mouths of responsible politicians have—to put it mildly—done little to enhance the prestige of the professional soldier. Also discouraging people from service are the many constraints which it still entails; the growing workload resulting from the manpower shortage; and the monetary benefits that are completely disproportionate with, or to be more precise, considerably below what carrying out the above responsibilities and living with restrictions placed on one's constitutional freedoms would warrant.

The majority of the professional cadre received the onset of democratization with a definite sense of joy. They have pledged allegiance to the new constitution out of conviction; espoused the new defense concept; and tried to adjust to the demands of living in a constitutional state. At the same time, the process of transformation has also given rise to uncertainties among them, to a great extent as a result of statements made by certain political figures. Most of them have asked themselves the question: does the new leadership really need their services? For a relatively long period of time they have not received a clear-cut answer to their question, which greatly contributed to the subsequent rise in the number of people leaving the service, although this trend has been clearly observable since the mid-1980's. In other words, the drastic decline in the size of the permanent cadre was a problem already before the political change, despite the administrative regulations that had been in place to prevent it. This trend was given further momentum by the organizational changes accompanying the system change and certain other uncertainty factors

that tend to inevitably arise. As a result of all this, the number of people leaving the military has exceeded all expectations.

Between 1 January 1990 and 31 August 1992, nearly 4,000 officers and more than 2,500 NCO's (not included above) have transferred to the reserves or gone into retirement, one out of two of whom—and this is extremely significant when we look at their length of service—are middle-aged.

According to sociological studies one-third of those who have left the regular military have joined the service

sector; one-fifth have joined industry, while nearly one-third have taken employment with various para-military organizations. According to the same studies, two-thirds of those leaving their military careers behind have cited uncertain livelihood (the underestimation of the value of their profession by society) resulting from changes within the Army as their reasons for leaving the service; one-fifth of them have given family reasons for abandoning their careers. Most of the latter decisions have had to do with transfers and reassignments. So we are seeing professional soldiers opting to quit the service rather than to put up with transfers and the agony of tearing their families away from their regular surroundings.

Table 1.
Decline in Manpower Levels in the Military¹

Military service terminated between 1 Jan 92 and 31 Aug 92 due to:

Transfer to reserve status	Officer	NCO
1. Upon resigning his commission	20	32
2. By his own request	165	128
3. For health reasons	8	2
4. As court-ordered disciplinary punishment	6	6
5. Due to reassignment to another paramilitary organization	107	48
6. Due to termination of reenlistment	8	104
Retirement	Officer	NCO
1. Before reaching the upper age limit	167	96
2. Upon reaching the upper age limit	23	14
3. After reaching the upper age limit	5	—
4. For health reasons	60	54
5. As court-ordered disciplinary punishment	—	—

¹The decline in manpower levels will continue in 1992, although at a slower rate.

Table 2.
Breakdown by Age of the Personnel
of the Hungarian Army (in %)

Age (as of 31 Dec 91)	Officers	NCO
Under 25	15.2	25.9
26-30	16.2	21.1
31-35	16.0	16.1
36-40	19.4	17.4
41-45	16.1	11.5
46-50	12.4	5.8
51-55	4.3	2.2
Over 56	0.4	—

[18 Dec pp 14-15]

[Text] So presently the permanent cadre of the Hungarian Army is made up of fewer than 13,500 officers and less than 8,500 NCO's; they are assisted in their work by about 24,000 civilian employees. Their service and professional discipline, according to their superior

organizations, has been "relatively constant, as they have developed close bonds with the Army. Their professional competence bears comparison with the officer cadre of the armies of the developed countries."

Question: How much longer, for how many more years, will this comparison hold up? For unlike the professional soldiers of the Austrian, German, Dutch, etc., in other words virtually every Western country, the permanent (and civilian) cadre of the Hungarian Army is enormously overburdened. On the average, the professional soldier works 9.5 hours a day. Service members spend an average of 23 days a year away from their families, and a very large percentage of them are gone for as many as 50 days. the professional soldier is on duty an average of almost three times a month. Particularly overburdened are the early warning units of our air defense forces. Since the outbreak of civil war in the former Yugoslavia, members of the specialized air defense rocket units have been on duty seven to eight times a month, compared with the previous number of three to four times. Our radio-engineering personnel and combat-ready flight crews are on duty an average of 12 times and seven to eight times, respectively.

Looking at these numbers it becomes immediately clear that thousands among the professional cadre of the Hungarian Army are practically never able to spend, what could be called civilian evenings and weekends with their families, for they sleep at home only when they are not required to be on post or away on official travel. Given such burdens it is little wonder that professional soldiers in the Hungarian military have little time left for self-improvement, as a result of which they are barely able to keep up with their counterparts in the Western armies when it comes to expanding their specialized and global knowledge. The professional Hungarian soldier also spends far less time than what would be absolutely necessary on staying in proper physical condition.

In light of the above it is not surprising that the team of 125 general practitioners working in the military have plenty to do among the officers and NCO's. The authorities in charge insist that the results of screening tests have been acceptable, yet one-third of those examined have required medical attention, which for a group described as acceptable is alarming to say the least.

These are all sacrifices on the part of the professional soldier, so let us see what benefits they are entitled to in return. Evidence shows that for more than 10 years now professional officers and civilian employees working in the military have been unable to maintain their earlier standard of living; so in this respect, too, their situation has been continually deteriorating. Increases in their salaries, wages and other monetary allotments have regularly failed to keep pace with the rate of inflation. The extent and effects of this problem are devastatingly but clearly illustrated by a comparison of the minimum subsistence level as computed by the State Statistical Office and the factual data pertaining to those serving in the Army. It reveals that as many as one-third of the families of all professional soldiers (officers and NCO's), and nearly one-half of the families of all public employees (civilians) serving in the Hungarian Army, which is charged with preserving the security of the Hungarian Republic, are living below the minimum subsistence level.

Since men do not neglect their duty to provide for their families just because they are in the military, moonlighting has become more and more prevalent among the ranks which, to say the least, does not reflect positively on the prestige of the Army. Not to mention the fact that holding down a second job on top of all of the service-related duties described above leaves even less room for self-improvement, sports, looking after one's family and even for something as basic as sleeping.

Making things even worse is the fact that for nearly five years now the Army has been undergoing constant reorganization, as a result of which many of the permanent personnel and their families have been forced to relocate to other garrisons. Once at their new posts, however, officer wives—with only a few exceptions—are for the most part unable to find work after having given up job at their previous posts in which, as the saying goes, they

had been well established. And today it is virtually impossible to provide a reasonable standard of living for a family of four on a single officer or NCO salary. This is why many have declined and continue to refuse to change posts, even at the cost of losing a promotion. In the case of younger personnel, material hardships have meant putting off starting a family. Presently nearly 20 percent of the officer cadre, and 32 percent of our NCO's are single. One out of every five civilian employees working for the military are unmarried.

One incentive to opt for a military career has been housing. The problem is that there is still not enough of it, and much of what is available is not where it would be needed. The occupants of more than one-half, in fact nearly two-thirds of the apartments administered by the Ministry of Defense have been offered the option to buy. These apartments are made available at a relatively low cost, however, this does not make things easier for those who are currently without an apartment, renting a room somewhere or live in bachelors' quarters. To put it in administrative terms, the housing availability index of the Hungarian Army, including owner-occupied homes, is 89 percent. You do not have to have prognostic powers to predict that this rate will only get worse in the coming years. The reason: Many of the apartments administered by the Ministry of Defense are located at installations that have recently been closed; owing to delays in the drafting of appropriate statutory regulations, no long-term housing concept has been worked out to date; and the previously available housing construction fund has been eliminated. (Considering the fact that the prospect of getting an apartment could be a strong incentive for young people to choose a military career, it would be expedient at least to try to prevent the further deterioration of the housing situation.)

The soldier and civilian Army employee are also entitled to vacation benefits, which if they become tired they also want to take advantage of. Presently they have eight central resorts and 53 company retreats at their disposal, but unfortunately fewer and fewer people are getting a chance to enjoy them. Until now permanent personnel could enjoy preferential vacations every 4-5, or during the main season every 7-8 years. Now it could easily happen that there will be more opportunities, but fewer people to take advantage of them. This is because significant increases in vacation fees and in the cost of resort services have imposed greater constraints on potentially expanding vacation rights than did administrative regulations in the past. We have already found that among individuals with large families and in the case of young professionals the number of people applying for a stay at these facilities has significantly declined.

Those who are in need of more than just temporary relaxation, who after long decades of service become terminally exhausted will want to retire. Their hopes of carefree relaxation, however, are hindered by several factors. The most worrisome among these is the annual decline in the real value of pensions, while—with a few

lucky exceptions—there are no opportunities for pensioners to supplement their incomes. According to the statistics, however, Army pensioners need not fear that their situation will eventually become unbearably deplorable with the passing of each inflationary year. For while the average Hungarian male dies at 64.9 years of age, the professional soldier only lives to be 58.9.

Table 1. Distribution of Pensions (31 Dec 91)

Amount Categories (in forints)	Number of Recipients	Percentage per Month
Under 8,000	255	1.75
8,001-10,000	1,655	11.35
10,001-12,000	2,094	14.36
12,001-14,000	2,341	16.05
14,001-16,000	2,894	19.84
16,001-18,000	2,489	17.06
18,001-20,000	1,386	9.5
20,001-22,000	657	4.5
22,001-24,000	441	3.02
24,001-26,000	251	1.72
26,001-28,000	70	0.48

Table 2. Breakdown of Permanent Personnel by Ability to Serve in 1991 (in %)

Fit to serve	93.0
Partially fit to serve	5.4
Unfit to serve	1.6

MP's Reject Privatization Minister's Response

93CH0221C Budapest NEPSZABADSAG in Hungarian
9 Dec 92 pp 1, 4

[Unattributed report: "Even the MDF Voted Against Tamas Szabo; Miskolc Privatization Case To Be Presented to Parliamentary Committee"]

[Text] By a wide margin of 150-22 votes the House rejected the response of Tamas Szabo, MDF [Hungarian Democratic Forum] minister without portfolio, to an interpellation filed by MDF representative Istvan Balas.

Balas' inquiry to the minister without portfolio in charge of privatization pertained to the loss of assets by the Miskolc Hospitality Industry Enterprise in the course of privatization. Balas objected to the fact that in the course of privatization even the State Property Agency [AVU] approved an appraisal of assets, which, according to other experts, represented only a fraction of the actual value of assets. Balas wanted to find out what the minister has done to hold responsible the persons causing the loss of assets.

In his response Tamas Szabo said that he has ordered an investigation of the case. At the same time he added that

supply and demand determines prices in the course of privatization, and that anyone may submit bids in response to open tender invitations. Laws exist to prevent similar incidents, and the AVU observes and enforces those laws.

Balas expressed shock when he said that "the person who wrote the minister's response had tried to hush up this case," even though the AVU has also informed the minister in a letter that an unquestionably low appraisal has been made in the course of privatization. Balas also mentioned an example: The Italian privatization partner purchased for 100,000 forints a cream whipping plant in which they installed a 200,000-forint machine two days earlier. After Balas' rejection of the minister's explanation, a large majority of the National Assembly also rejected the minister's response, and therefore House Vice President Vince Voros referred the case for further investigation to the National Assembly Committee on the Economy.

Jozsef Mozs (KDNP [Christian Democratic People's Party]) inquired from the supreme prosecutor concerning the bankrupt banks that whipped up a huge storm last summer, and asked that he "shed light on this case."

In response, supreme prosecutor Kalman Gyorgyi said that he did not want to comment on an ongoing investigation, for the time being. Six managers of three banks are suspects, and a loss of assets amounting to billions is involved in the case. The representative said that he would like to revert to this issue upon conclusion of the investigation.

Before the brief afternoon recess Jozsef Antall corrected a statement he had made Monday concerning the modernization of the Hungarian fighter airplane system, which would add a system that distinguishes between friends and foes. The prime minister said that his statement about procuring U.S. equipment and the mention of gift giving rather than purchase was a Freudian slip of the tongue. He stressed that the mistake could have been made because of the extremely favorable offer and other contexts.

MSZP [Hungarian Socialist Party] Chairman Gyula Horn asked to be recognized at yesterday's session of parliament before the legislators dealt with the agenda. He reacted to Prime Minister Jozsef Antall's Monday speech that was also delivered before parliament considered the items on the agenda. Horn regarded as an accomplishment the fact that the House had received detailed information concerning Russian debts. Relative to the case of the rolling dollars he noted that politics in those days had moved on a constrained path. Horn praised the prime minister's rich vocabulary, asserting that on Monday the prime minister mentioned political pornography only, and not boorish conduct or political underworld.

Minister of Justice Istvan Balsai reminded the representative that if he attributed statements to him that violated his rights as an individual, the representative had the right to raise this issue in an appropriate form. Horn stressed in response that he was not seeking satisfaction, but wanted the minister of justice to withdraw his statements.

MDF faction leader Imre Konya rejected Horn's statement comparing the case of the rolling dollars with the agreement reached between Yeltsin and Antall. "How could a person who, as a member of a terrorist organization, took part in crushing the revolution and the fight for freedom, be the chairman of the Foreign Affairs Committee?"

MSZP faction leader Zoltan Gal quoted Istvan Balsai's statement at the MDF Kecskemet women's forum, and said that the government intends to submit several legislative proposals whose purpose it is to initiate criminal proceedings against certain representatives.

According to the justice minister's response, it is the goal of the government to frame a law relative to guilty members of organizations which took part in crushing the 1956 revolt and fight for freedom. The government also intends to formulate rules to enable the introduction of limitations regarding persons belonging to certain organizations, such as the police forces, Balsai said.

Property Management Corporation Chief Interviewed
93CH0244A Budapest FIGYELO in Hungarian
17 Dec 92 pp 14-15

[Interview with State Property Management Corporation Chairman and President Pal Teleki by Gabor Karsai; place and date not given: "Organization, Capital, Operations; Is the AVRt Going To Be the Strongest Lobby?"]

[Text] [Karsai] How far have you gotten with establishing the AVRt [State Property Management Corporation]?

[Teleki] The deadline for preparing the AVRt's founding charter was 26 October, two months after the effective date of the law on long-term state ownership. Since then, we have been working hard, 10-12 hours even on weekends, to create an organization out of nothing. Our place is not final either; our full staff is not going to have enough room in the AVU [State Property Agency] headquarters building. Our present staff of 42 persons is about half the size of the staff we're planning to have.

[Karsai] Where did these people come from?

[Teleki] We were unable to announce a competitive examination for these positions, but very many people at enterprises, financial institutions, as well as people in parliament, the ministries, and at interest groups recommended to us various professionals. So far we have received about 250 resumes. Along with this, we have

made our own initiatives in a few cases, because our primary need calls for people well versed in finances and in privatization—educated professionals with experience.

[Karsai] Has the AVRt been registered as a firm?

[Teleki] Not yet. We have submitted our application, but they asked us to provide supplemental information. The main problem was that some provisions of the accounting law and the law on long-term state ownership interpreted the ownership share to remain under long-term state ownership, as specified in government Decree No. 124/1992, as a percentage of our own capital, while other provisions viewed it as a percentage of the recorded capital. This was clarified in the end.

[Karsai] What is the size of the AVRt's capital, in your view?

[Teleki] I am unable to give you an accurate answer. Of the 160 enterprises under the AVRt about 110 are either going to be converted, or are being converted, and we have half a year to accomplish this. Meanwhile, we had to transfer some of our assets to local governments. We estimate that our recorded capital—i.e., that part of the enterprises' capital that remains under long-term state ownership—could amount to between 350 billion and 480 billion forints, while the accumulated capital—i.e., which in theory, could be privatized—amounts to at least 1 trillion forints. These figures do not reveal much, because they do not represent commercial values, i.e., values recognized at the marketplace. Our goal is to have the market appraise these enterprises at as high a price as possible, and to be able to sell these, or to attract private capital to these enterprises under such conditions.

[Karsai] In theory, the AVRt functions as a corporation. Does this also mean profit orientation from the standpoint of the board of directors and the management?

[Teleki] It is a corporation not only in theory, but also from a practical standpoint. Profitable functioning is the goal of the AVRt, and this goal must be considered as part of every decision. People who work at our place are attracted primarily by creative work to be performed. Several people accept their positions even before knowing the exact amount of their compensation. We need another three or four months before everyone has an accurate job description. Their compensation—which we plan to base on recommendations made by an evaluation committee—will, of course, depend on work performance.

[Karsai] What kind of organizational structure will the AVRt have?

[Teleki] We have four units. The first unit manages property, a significant part of the cases relates to this unit, ranging from, e.g., the appointment of the directors of state enterprises, of the directors and executive committees of stock corporations, through functions related to conversion, all the way to "management" efficiency

analyses at the enterprises. The financial unit will also analyze the financial processes of the enterprises, and will prepare consolidated balance sheets for the 160 enterprises and for their investments in several hundred other firms. The third unit will be selling, while the fourth unit will be responsible for the internal administration of the AVRt.

[Karsai] In order to reduce the AVRt's functions, has the idea of establishing subholdings for individual groups of enterprises been raised?

[Teleki] The idea was raised, of course, but I disapproved of it. Implementing this idea would result in the duplication of various activities, and from an organizational standpoint, it would require a larger staff.

[Karsai] From the standpoint of the enterprises, to what extent are you going to represent owners that espouse an order of values that is different from the values espoused by the state administration, by an autonomous governing body at an enterprise, or by the AVU?

[Teleki] Our philosophy, as adopted at our initial board meeting, is different. As owners, we are interested in the profitability of the enterprises, in ensuring that the value of enterprises increases, and in preserving the operating capacity of the enterprises.

Enterprise autonomy largely depends on whether an enterprise has converted itself into a stock corporation, alternatively, whether it remains under state administrative supervision and is still to be converted. We do not intend to direct the daily activities of enterprises, but instead expect the enterprises to convert—the first step toward privatization; subsequently we would review their profiles, perform market analyses, and develop strategic and business plans, in close cooperation with the enterprises and reflecting well-considered ownership interests. Along with this, we do not regard as our task to simply sell these enterprises, but to sell them as upgraded enterprises at market values.

[Karsai] Are you not concerned that on grounds of upgrading, we are going to see in reality the enforcement of industrial policy goals unrelated to efficiency—such as the preservation of trades, employment considerations?

[Teleki] According to the law on long-term state property the AVRt exercises its authority as an owner "by enforcing the government's economic policy decisions." Indeed, this includes everything you just said. But the AVRt board is not going to automatically implement concepts advanced by the government, but will instead weigh the consequences of implementing such concepts. We must demonstrate to ourselves as well as to the government the economic effects of various decisions, and these must not interfere with efficient management.

[Karsai] Has the idea of appointing real "market-oriented" property managers for the management of

some of the enterprises occurred to you, in order to reduce your workload, and according to the Blue Ribbon Committee's proposal?

[Teleki] We were not the ones who selected this large number of enterprises; their number is indeed larger than what could be rationally managed. I sense though, that some of these could be quickly privatized, while others could be removed from under long-term state ownership in the course of the review to be performed two years hence. It would be possible to transfer enterprises under property management, but the foundations for doing so are still lacking. At this point I would prefer to see contractual agreements with enterprise managers, based on which the managers would agree to increase the profitability of their firms in exchange for a share of the property, or a fee based on the amount of their profits.

[Karsai] The Italian holding system is characterized by the appointment of leaders openly based on partisan political considerations. Do you regard this as an example to be followed, or as one to be rejected?

[Teleki] My person might serve as a guarantee for remaining politically neutral. The AVRt will also have to cooperate with the next government, and the government that follows the next government, and this, too, suggests for us to be cautious in terms of politics. A majority of board members of enterprises under us must be professionals with financial experience, because in those bodies people like that are most needed. I am confident that we will be able to select the professionally best suited managers.

[Karsai] You are obviously aware of the fact that the AVU is not happy about the establishment of the AVRt. They believe that the already advanced privatization processes of several enterprises transferred to you will be delayed by six months or a year.

[Teleki] Each enterprise is in a different situation. By now, the sale of MALEV [Hungarian Airlines] only depends on the signature of one of the buyers. The AVU prepared this sale, and they, as the owners, already concurred with this sale. Natural gas service provider enterprises could only be sold for a fraction of their commercial value, because of the uncertainty of legal provisions and of their operating conditions.

[Karsai] It is not clear to me what information you would use to review the actions of AVU, what enables you more than the AVU to represent the interests of the national economy?

[Teleki] We do not review the actions of AVU, and we are not necessarily wiser than the AVU. The fact is that the AVRt remains an owner of the corporations even after the privatization transactions. The AVRt is at least as much interested in the profile of activities as in privatization revenues. It is in the interest of the national economy to also use privatization revenues to repay our indebtedness. Although all of us need time to familiarize ourselves with the situation of the enterprises and with

the preparations made thus far, we endeavor to find solutions jointly with the enterprises, in any event. We want them to be well functioning, revenue producing entrepreneurial ventures. Equally, it is in the interest of the national economy to have healthy ratios of foreign and Hungarian, as well as of large and small private ownership.

[Karsai] Based on the 1993 Property Policy Guidelines the AVRt would have to contribute 14 billion forints to the budget. For what purposes are you going to expend the rest of the dividends?

[Teleki] Since the approval of the Property Policy Guidelines a new government determination has raised the amount of AVRt contribution to 34 billion forints. This size of contribution, and the uncertainty of having this much in revenues is of great concern to me and presents a challenge, because in order to upgrade the enterprises we might have to reinvest our revenues in the enterprises. In addition, changes in the amount of dividends to be contributed to the budget render uncertain not only the business policies of the AVRt, but also the privatization of enterprises by increasing their capital.

[Karsai] One can see the many strings that will tie the AVRt to the government. Could we say that your lobby will be the strongest economic lobby?

[Teleki] The AVRt plays an economic role, this is what the law says, after all.

[Box, p 14]

Uncontrollably

(Excerpt from an article by Arpad Kovacs and Geza Halasz entitled "The Property Audit Function of the Accounting Office." SZAMVITEL ES KONYVVIZSGALAT No. 10, 1992.)

As of today we do not know the effects of a provision that requires the ASZ [State Accounting Office] to exercise special, goal-oriented audits and the preparation of special reports on the findings of such audits, should the AVRt become insolvent, or should its profits (dividends) fall substantially below average profits in the national economy as a whole. This task, requiring caring in the broader context, demands not only the finding of facts, but also the revelation of the causes, under circumstances in which the definition of the average profits in the national economy as a whole can only be determined after the receipt of financial statements from entrepreneurs, consuming a significant amount of time, and only under the authority of the KSH [Central Statistical Office].

Major IBUSZ Divestment in Bank Ordered

93CH0247A Budapest FIGYELO in Hungarian
17 Dec 92 p 43

[Article by Emilia Sebok: "By Law: This Bank Is for Sale! Founder Obligated To Sell 70 Percent of IBUSZ Bank Shares"]

[Text] Almost half (1.978 billion) of IBUSZ's [Tourism, Procurement, Travel, and Shipping Company, Ltd.] investments of 4.4 billion forints is held by IBUSZ Bank, making the travel agency owner of 97.53 percent of the bank with the same name. However, the Financial Institution Law provides that an owner's direct and indirect share of ownership cannot exceed 25 percent of the capital stock of financial institutions—except when the owner is another financial institution. On the other hand, those bank owners who had a larger-than-that share of ownership at the time the law went into effect (1 December 1991) were given an extension until 31 December 1992 to sell the portion that exceeded the 25 percent. Since this did not happen in IBUSZ's case, the time left for living up to this legal obligation has become short indeed. According to the information given by Gabor Barta, vice president of investments, IBUSZ would really like to comply with the law and decrease its share to 25 percent by year's end. Their negotiations with potential buyers are almost at the agreement stage, but Barta did not disclose any details.

Thus, we can only guess, on the basis of certain assumptions, who the potential buyers may be. It is well-known, for instance, that Commercial Bank Corp. (K&H Bank) is the largest IBUSZ shareholder (47 percent) and the aforementioned article also makes it obvious that a financial institution may own another financial institution in excess of 25 percent. So, the presumption is not without foundation that Commercial Bank is a suitor for IBUSZ. They would probably benefit from an extended network of branch offices and, especially, from a staff that has expertise in foreign exchange operations for the public. However, the remaining small package of a 2.47-percent IBUSZ share is in the hands of AB-Aegon Corp. It is conceivable, then, that the insurance company, a typical large institutional investor, will take the opportunity to buy the offered stocks and increase its share. However, AB-Aegon has interests in other banks as well, and at present an insurance company may not have a share in excess of 25 percent. But AB-Aegon has not made a final decision either. It is not expensive at present for a buyer to acquire IBUSZ bank stocks (he can no doubt buy them at nominal value), despite the fact that this young financial institution has little qualified receivables and has only a developing business branch (handling foreign-exchange accounts, credit card marketing, etc.). But IBUSZ Bank is also affected by the general lack of trust in small and medium-sized banks, and also faces the problem of a lack of good and dependable debtors. As a consequence, it may not show any profit this year.

K&H Bank is not expected to pay a higher price on the basis of "it will remain in the family," for its own shareholders would object to paying too high a price for the stocks. On the other hand, it will probably not take advantage of its position of "insider" and pay too little because then the other IBUSZ shareholders would object.

Although IBUSZ Bank was founded 18 months ago with capital stock of 2 billion forints—which is twice as much as the minimum specified in the subsequent Financial Institution Law—the fact that half of that capital was real capital, is an important factor in determining the price. The new owner will also have to be able to strengthen the bank's capital position.

It is no accident that IBUSZ leaders say that it is a bad, very bad time to sell most of their bank assets and that it would be better to wait for a rising market of bank stocks. Nevertheless, they are trying to comply with the law in selling. But what happens if they cannot sell despite their efforts? Well, the Financial Institution Law sanctions that with the penalty that, in case IBUSZ continues to maintain a share that is in excess of 25 percent, it may not exercise its right to vote as a shareholder. But, in truth, this means no real disadvantage either because, according to the Association Law, the first general assembly may not pass a resolution, but another assembly that follows in an hour may. The general assembly may pass resolutions by a majority of valid votes (and not shares that give the right to vote!). The question is (and we requested an answer, see box), how the Bank Inspectorate would view such a rather strange situation.

[Box, p 43]

The State, That Is Something Else

[Interview with IBUSZ Vice President Tamas Rusznak by unidentified reporter; place and date not given.]

Although there is no owner of any other bank who is affected by the new legal obligation to sell its stocks in excess of 25 percent, the answers given by the Bank Inspectorate to questions that emerged in connection with IBUSZ and its bank can be applied to other cases as well. We questioned Vice President Tamas Rusznak.

[FIGYELO] The state was given a much longer extension than other stockholders: It has until 1 January 1997 to sell its stocks of financial institutions that are in excess of 25 percent. What is the reason for this discrimination?

[Rusznak] The state's direct and indirect assets in the banking system are so huge that enough time must be allowed for their reduction. So much the more as selling state assets is tantamount to the privatization of banks which affects the economy as a whole and, therefore, must be carefully prepared.

[FIGYELO] But, unfortunately, IBUSZ is forced to sell its bank stocks at a time when the stock market is not very good.

[Rusznak] The law has been in effect for more than a year and this limiting clause was already part of the bill as well. Thus, there would have been time and opportunity for selling earlier. And, even now, the obligation does not mean that bank stocks must be sold at all cost, but if it does not happen, the consequences must be accepted.

[FIGYELO] But it seems that this consequence does not really have any weight: the sanction does not sanction.

[Rusznak] Such reasoning is not entirely correct. In reality, the sanction is not a state administrative or legal sanction but a sanction of the market which may be manifest in lower rates of exchange of nonvoting stocks.

Foreign Executives Assess Business Environment 93CH0246A Budapest FIGYELO in Hungarian 17 Dec 92 pp 1, 12-13

[Article by Robert Becsky and Gyorgy Varga: "Multinational Firms in Hungary: They Love Us, They Love Us Not... Hungarian Citizens, That Is—Foreign Investors May Ask; 'We Are Still Better Off Staying Than Leaving...'"]

[Text] Although it has been exactly 20 years that regulations were introduced in Hungary (which were considered rather liberal at that time) to promote the inflow of foreign direct capital, it was only after 1989 that this process was accelerated. Between 1972 and 1989, foreign companies invested a total of \$570 million, but by the end of the third quarter of 1992 they invested more than \$4 billion. The number of joint ventures, which is slowly reaching 14,000, can also be cause for optimism.

On the other hand, it is thought-provoking that the founding assets of the 2,993 new joint companies that were established by the end of September 1992 decreased from a 1991 total of 52.2 million forints per company to 16.9 million. More than half of the joint companies established this year operate in the commercial and service branches, but their share of the total of founding assets does not even reach 10 percent. On the other hand, the processing industrial companies—less than 300 of a total of 2,993—own more than 60 percent of the founders' assets. However, the size of investments is determined by 63 large ventures with stock capital of 100 million forints each in which foreign share approximates 51 percent. And, presumably, a few large firms have the larger share in this, too. This is one reason why we invited the representatives of four of the "pioneer" multinational firms to the FIGYELO roundtable.

The Numbers of New Joint Companies

1972-84	30
1985-86	75
1987	130
1988	270
1989	1,370
1990	5,370
1991	10,370
1992 ¹	13,370

¹Data for first three quarters of 1992.

"It Is Still More Profitable To Stay Than To Leave"

Roundtable discussion about the general disposition of four foreign firms.

What is the general disposition of large multinational firms which were among the first to establish themselves in Hungary; do they see any change in the assessment of the importance of investments, have they become an integral part of the Hungarian economy, and if they had to decide now, would they make the same decision as they did two, three, or four years ago? These were the topics for FIGYELO's roundtable discussion.

Our first question was, what is their opinion on the qualifications of the Hungarian labor force, and what are the primary motivations of employees?

The opinions on Hungary's human resources were rather unanimous. The professional qualifications of Hungarian skilled workers, technicians, and engineers are on par with that of their U.S., Dutch, or German counterparts. Ford Hungaria's opinion was somewhat different; it must create a new plant and a new professional culture in Szekesfehervar. True, they were able to choose: They selected 180 employees from 6,000 applicants. However, the representatives of the multies [as published] did not think as highly of the affinity toward economic considerations of the technical specialists, especially in the service areas where time management is crucial.

As opposed to the solid technical training of Hungarians, multi leaders [as published] thought that they had poor training in modern management, especially in marketing and finances. Janos Rudnay, who spent more than five years in socialist commerce, said that it is very hard for him to change. Henkel's representative added that for 40 years, Hungarian merchants have only been distributing, not trading. This can be felt even today.

And what motivates employees in Hungary? Mainly two things: incomes and tasks, the sense of accomplishment in commitment. There was a little argument on this issue between the multies and the PM [Ministry of Finance] director. People live off the market. And where the average age of employees is 32—as, for instance, at Philips—there the primary concern is income, for buying homes, furniture, etc. Moreover, Hungarian taxation,

with its above-50-percent tax rates and above-40-percent income taxes, immediately "devalues" a 20-percent wage increase which is hefty under normal conditions. Although the PM representative did not contest this, he added that nothing stands in the way of firms in selecting the best labor force and paying them according to performance. Aside from earnings, he also considered the role of other motivations such as responsibility, success, and the possibility for advancement as particularly important. The other directors replied to that by saying that they do not feel that the present distribution of roles is decent; certain companies with solid business are paying taxes and social security contributions, others only vegetate, go bankrupt, and do not pay. But they keep going and, from case to case, they even receive state subsidies.

As opposed to the more positive assessment of "human resources," discussed above, the financial and banking services were judged to be atrocious. Regardless of the fact that there are about 40 banks in Hungary, half of them under joint ownership, the participants see no traces of competition in bank services. Georg Hobenstreit said that the private sector, which is already gaining a foothold in the Hungarian economy, and the banks, most of which are owned by the state, do not operate under the same criteria for success. The participants said that they often have the impression that when they bring their money here and put it in the bank, the money "is working" for the bank, not for them. Because what should one say about the alleged quasi-convertibility, for instance, when a fee must be paid to the bank for every forint-dollar exchange, Gyorgy Varga said. Considering GE-Tungsram's export-import turnover, this means several million every year. Not to mention that a transfer of money from the parent company to their account takes a month—with no interest, of course—even though this technical operation takes little more than 10 minutes. Henkel's managing director also related similar experiences; if one of their employees requests that his paycheck be transferred to Debrecen, that will take three weeks and two hours of standing in line. Transferring money to Vienna takes only three to five days. The practice, which the multies prefer, of drawing credit from their parent company or bank is untenable in the long run. Thus, the situation in Hungarian finance should be changed without delay.

The PM director did not contest the fact that the mechanism of transfer transactions is deficient—to put it mildly—but said that much catching up has to be done. On the other hand, foreign banks have also come on the scene already, and they will sooner or later bring about a change in the attitude of the other banks.

The efficiency of government bureaucracy, another element of the economic environment, was also mentioned. The grade assigned to this by the multies is a D at the most. There is no evidence of a clear and simple government strategy regarding regulations that greatly affect the economy, e.g., those of taxation, tariffs, or the pricing policy. One exception is when the state takes "over-efficient" measures when it intends to increase national budget revenues. The multi leaders criticized the rather low efficiency of state bureaucracy. Ford's director said

that two years ago, for instance, a duty certificate was needed for the duty-free import of Ford cars. It took six weeks to obtain the certificate, even though there was high-level agreement. This caused a loss in their share of the market, among other things.

Philips is expanding, and they want to buy a lot in Szekesfehervar. But no one knows who has authority in matters of real estate. The AVU [State Property Agency] refers them to the local authorities, and the latter refer them back to the AVU. The Tungsram director's impression is that they forgot to change a few old rules. He has a 20-page list of official requirements. He received a letter recently from civil defense that he put the sports arena he owns at the disposal of recruits.

A lot of time and energy is wasted in everything, even though the state should not hinder but help foreign investors coming into the country.

The PM, which represents the authorities, explains all this by claiming that this is a temporary situation. Land is owned by the state, the local government, and the cooperative at the same time. The compensation law will put all this in order. He thinks that the government is doing everything it can to address the complaints of foreigners.

Data on Hungarian Sister Companies of Foreign Firms (1991)

Item	Ford	Philips	Helkel	Tungsram
Number of employees	195	700	400	11,500
Total investment, billion forints ¹	9.6	2.5	2	4.4
Turnover, billion forints	—	2	3	26.5
Domestic share, percent	—	—	50	40
Foreign share, percent	—	—	50	60

¹Some companies put the value of their investment in dollars, which we converted at the official exchange rate for the dollar.

This was not doubted by the roundtable participants but, after all, relations between companies and the authorities are not established at the government level. They do not expect business conditions to be any better than anywhere else, for they always depend on the state of business. They are facing uncertainties, risks, and frequent changes in regulations which are not characteristic of traditional market economies.

Perhaps the most heated debate developed regarding the general opinion that these large firms are striving for monopoly while the multies complain about liberalization and increased competition.

Philips' director thinks that the Hungarian Government takes a step now to the left, now to the right. Imports

were liberalized, and then 30-percent duties were levied on color TV sets. This is how much they pay, but the domestic producers pay nothing. Where is fair competition?

Janos Rudnay says that instead of guarding the Hungarian market, the producers should be assisted. Instead of levying duties, foreign investors should be given breaks to allow them to create new jobs. Henkel has an interest both in domestic production (detergents) and imports (cosmetics). They accept the fact that imports of the latter are subject to quotas. But they would expect to be able to freely import some materials needed for the manufacture of detergents without duties, statistical fees, and other financial burdens. Ford also had similar complaints. A few years ago, they invested here in developing motorization and began manufacturing certain parts in Hungary. By the time they built the plant, car imports were liberalized. They invested \$100 million in Hungary and now competitors can enter this market without any investment. If this continues, potential new investors will think twice before investing. And, after joining the EC, the government will find it hard to backtrack from a market that will by then be liberalized. Thus, it must think carefully what it wants to support in car manufacture. Bela Torok's explanation for the present situation was that imports have been greatly liberalized and the domestic industry must sometimes be guarded by other means instead of the licensing system that was employed earlier. Such a means is, among other things, is customs duties. But, obviously, the interest of a firm that wants only to sell in Hungary is different from that of one that wants to produce here. Some sensible compromise between the two interests must be found, not forgetting the fact that, in the world market, no economic policy can support any production that is continually more expensive.

FIGYELO's next question was, to what extent do they feel an integral part of the Hungarian economy, to what extent do they depend on domestic suppliers and, altogether, do they consider themselves foreign or Hungarian companies?

We definitely consider ourselves Hungarian firms, they said. There is only one foreign employee in Philips' marketing department, and only 10 of the 630 employees in the production plant. Besides, it is very expensive to employ specialists from abroad. Mr. Rudnay said that he actually does not really understand the question because they manufacture Philips—and not Hungarian, German, or Dutch—quality. Otherwise they would not remain competitive. And it is definitely beneficial to work with Hungarian suppliers because of the large savings in transportation.

It is another matter that suppliers are selected on the basis of cost, quality, and service. This is what determines competitiveness, however, regardless of where the product is made. Gyorgy Varga added that, unfortunately, the economic environment is not always advantageous for Hungarian suppliers. Incidentally, they have

a high ratio of domestic producers of part units. However, the reason why they had to resort to imports in the past year or two was that imports became relatively less expensive because of inflation. And then he added that the question of what position Tungsram would be in today without the GE investments, is not without foundation.

Finally, our last question was, if they had to decide today whether they wanted to invest in Hungary, would their decision be the same as two to three years ago?

Their replies indicated that the Hungarian market continues to be important for these firms, and they would be willing to build their marketing organizations and service networks. But they would be a bit more careful concerning the pace and size of industrial investment projects, not so much because of the situation in Hungary and increasing inflation and costs, but because of external circumstances.

The way they put it was something like this: We are still better off staying than leaving.

Photo Captions

1. p. 12: Larry Hinkle: "Uncertainties for foreign investors definitely must be decreased."
2. p. 12: Georg Hobenstreit: "For 40 years, Hungarian merchants have only been distributing, not trading."
3. p. 12: Janos Rudnay: "The Hungarian Government takes a step now to the left, now to the right."
4. p. 13: Gyorgy Varga: "They forgot to change a few old rules."
5. p. 13: Bela Torok: "Nothing stands in the way of firms in selecting the best labor force and paying them according to performance."

[Box, p 12]

The Following Were Our Guests

Larry Hinkle, director-general of Ford Hungaria Producing and Marketing, Ltd.; Georg Hobenstreit, managing director of Henkel Hungary, Ltd.; Janos Rudnay, managing director of Philips Commercial, Ltd.; Gyorgy Varga, director-general of GE Tungsram, Ltd. and company board chairman as of 1 January 1992; and Bela Torok, head of the International and Information Institute of the Ministry of Finance.

[Box, p 12]

It was from FIGYELO that the firm Henkel learned about the announcement of the Bidding Office in which the opinion of the involved parties on the purchase of TVM Detergent Factory was solicited. And although no commentary was added to the announcement, it was emphasized in the press release issued by the firm that Tomi will remain a Hungarian product and that this will not be changed by the new ownership! Indeed, one

should rather say that Persil will be the one to remain Hungarian, for it is manufactured in Hungary by Hungarian workers, with Hungarian suppliers.

[Box, p 13]

Gyorgy Varga, director-general of GE-Tungsram, says that in 1989, when they decided to purchase the stocks of the large Hungarian enterprise, the production cost of a traditional tungsten bulb was 20 percent lower in Hungary than in the United States. And, including the costs of transportation and insurance, it was profitable to make the lamps here and ship them to the United States.

But what has happened since then? A 100-percent inflation, half of which was offset by increased production. Today, products made here cost 30 percent more. And this is not good business anymore. In other words, because of the higher value of the forint and inflation, it pays less and less to export. On the other hand, they can hardly make a living on the Hungarian market. He does not question the validity of the anti-inflation policy, but no company can build its long-term strategy on losing exports. With more realistic rates of exchange, they could increase their exports by 20-25 percent. Tungsram is one of the largest employers in Hungary; consequently, such an increase would also affect the workplaces as well.

World Exposition 1996 Prospects Discussed

Deputy Mayor Interviewed

93CH0281A Budapest MAGYAR NEMZET (economic supplement) in Hungarian 17 Dec 92 p 1

[Interview with Budapest Deputy Mayor Gabor Szekely by (F.M.); place and date not given: "The Success of the World Exposition Depends on Economic Performance"]

[Text] *The 1996 World Exposition will open in less than three and a half years. Budapest undoubtedly carries the largest burden because most investments are concentrated there. The pressure of time and the relative shortage of money raises certain questions to which we sought answers from Budapest Deputy Mayor Gabor Szekely.*

[F.M.] What is your view of the expo both as a private and a public person?

[Szekely] In making decisions I do not distinguish between what I think as a private person and as a public person. In terms of my statements I am just as much a private person as I am a public person, and I would organize the expo one way or the other. What kind of expo I would organize is a different question; I would, by all means, organize an expo that is economical, considering every available opportunity. This means in part that the expo should develop, not counterdevelop, the city. In other words, the city should be able to bear the burden caused by the presence of a hopefully large number of people at the World Exposition; in part it also means that the organizers must not end up with a deficit.

[F.M.] What is the practical meaning of this?

[Szekely] The combined total of the advantages should, by all means, be greater than the disadvantages. I include among the advantages the fact that in those days an awful lot of people in the world are going to say that there is a country in Central Europe called Hungary, and that its capital is Budapest, not Bucharest. I also regard the possibility of expressing performance in terms of money as an advantage. I cannot tell as of today how this is going to happen, but I can imagine a significant surplus in tax revenues because the people will eat an awful lot of hamburgers and gulyas, and will visit many museums. In other words, consumption is going to increase, even if the increase appears in the form of nurturing the spirit. This certainly produces positive results from a financial standpoint. I'll be frank, I am also very excited about making the expo as a whole a profitable business, rather than a deficit operation. The investment cannot be recovered by simply collecting the advertising revenues and the entrance fees. There is no hope for that at all, and one should not even endeavor to do so.

[F.M.] What then could shift the balance in favor of efficiency?

[Szekely] The subsequent use of the area must be of a kind that offsets the disadvantages that appeared before. From my standpoint this means that the area to be developed and the buildings to be constructed must be of a kind that can be utilized later in an unchanged form, or with very little change. I have felt this earlier, and I still feel the same way: I am not certain that this is the university, because I have difficulty in imagining that the same building that is appropriate for a world exposition is also appropriate for university-level teaching. I have no objection to making a university out of the World Exposition of course, if this can be accomplished, and if the state has money for this purpose.

[F.M.] How do we stand with finances?

[Szekely] At 1990 prices, the state budget provides about 17 billion forints to Budapest; at today's prices this amounts to about 30 billion forints, and based on agreements reached this amount may and must be expended by Budapest for infrastructural development related to the World Exposition.

[F.M.] Would this amount cover everything?

[Szekely] There is never enough money available for the development of a city. Nowhere in the world has a city refused additional funds, or said that it had enough money. The problem is that the 17 billion forints are not enough to develop the infrastructure related to the World Exposition. From the standpoint of the city of Budapest, facilitating access to the World Exposition area is the greatest problem—preparing for the added load that will be presented as a result of foreign tourism. The state budget does not cover this kind of expenditure.

[F.M.] How about construction financing in the World Exposition area?

[Szekely] The World Exposition area can be built up only on the basis of enterprising, and I can perceive this only on the basis of subsequent use. In the final analysis, the entire matter must be viewed as an investment advanced in time. In conjunction with this a higher education bond for the development of universities could be floated, and the moneys collected could be sufficient to construct university buildings. I still have questions about the kinds of resources that will cover the community provisions, the infrastructural development of the World Exposition area. But this is not my problem.

[F.M.] As perceived today, what kinds of roads will lead to the World Exposition area, and what kind of mass transportation will be available?

[Szekely] We will spend much of the 17 or 30 billion forints on road construction. This means that we will be able to reconstruct the streetcar lines along the Danube quai, we will extend the tracks on the Buda side, and if the metro is complete, we will also connect the metro line to the World Exposition somehow. These things can be resolved, in my view. One of my great concerns stems from the fact that I have difficulty perceiving the World Exposition without a bridge at Lagymenyos. I cannot understand why they decreased funding for the bridge in the 1993 budget. The budget authorized 3 billion forints instead of 4.3 billion forints, and the difference will be greatly missed in the "final act."

[F.M.] Is there going to be a bridge, in your view?

[Szekely] I am confident that there will be a bridge, because if not, the World Exposition will be miserable from the standpoint of transportation.

[F.M.] What are you going to do about the areas adjacent to the road—have you thought of beautification projects?

[Szekely] The location of the World Exposition was well chosen from this standpoint. The area has an awful lot of green, and good transportation is available along the Danube, with universities and a housing project in the background. The World Exposition could find itself amid acceptable, civilized conditions.

[F.M.] How could entrepreneurs be attracted?

[Szekely] We must, by all means, involve entrepreneurs in establishing infrastructural facilities; it would be inconceivable to organize the World Exposition without them. In a smaller or larger part of the area we must, by all means, provide an opportunity to entrepreneurs, because some of the expo-related tasks can be performed only jointly with them. Only entrepreneurs could be considered for other projects in other parts of the city, where hotels and hospitality units could be built. Let us hope that they will come forward on their own, but if they don't, we will go after them. This will occur later; these are tasks for the last two years before the expo. This

is not what threatens the situation; the real threat is that the economy is not going to pick up sufficiently, in which case the expo is not going to be attractive enough because entrepreneurs cannot recover their investments. The whole economy is not going to improve as a result of the World Exposition; instead, if the whole economy is in good condition, the World Exposition may provide further improvement. The World Exposition is not going to create an upswing in a declining economy. If we are able to reverse the economic processes, if we are able to accelerate privatization, and if, as a result, industrial production increases, we may have a good world exposition; otherwise, the whole thing is not going to have a good ending.

[F.M.] Based on what we know today, what kind of world exposition can we count on?

[Szekely] It all depends on the economy. If the economy picks up, the world exposition we organize will be a success.

Expo Program Chief's Views

93CH0281B Budapest MAGYAR NEMZET (economic supplement) in Hungarian 17 Dec 92 p III

[Article by (pato): "Zoltan Kazatsay, Director of the Program Office: The Expo Is Not the Only Thing We Manage"]

[Text] In addition to representatives of social organizations who want to do something for the success of the exposition, experts from the World Exposition Program Office have also traveled the world to find investors interested in the 1996 event. From among the people at that office we asked Director of Coordination Zoltan Kazatsay about his findings in Japan and Ireland.

"At first we should make clear why we took off on a world-wide trip," the director said. "As of now, it is not clear to everyone why we must make greater efforts to mobilize foreign investors interested in investments related to the exposition. It is necessary to do so because there is not enough investment capital in Hungary. We are inviting investors to focus on the actual, 36-hectare area of the World Exposition, and within that on the financing of facilities that remain after the closing of the exposition, i.e., permanent buildings.

"As of today, we know the following about these facilities: Development begins on the Pest side of the Danube, where the former MAV [Hungarian State Railroad] terminal is located, because this is part of the 80-hectare exposition area according to the Exposition Law. Between the Petofi and the Lagymanyos bridges they want to realize a complex investment that includes a business district, a hotel, apartment buildings, and a shopping center, but the idea of a cultural center has also been mentioned. The area south of Lagymanyos, on both sides of the Danube, will probably be developed only after the World Exposition; until then some landscaping

has to be performed that is appropriate from the standpoint of the expo. Subsequent plans call for the development of a recreational park, a recreational zone on the Buda shore consistent with the general and detailed development plans, because the features of the Kopaszi dam and the Lagymanyos bay offer this opportunity."

As Zoltan Kazatsay indicated, they want to commit investors mostly to the two developmental phases. The goal is to obtain money from the utilization and sale of 44 hectares of land outside the actual 36-hectare expo area, which nevertheless is considered part of the World-Exposition zone.

The director had this to say about the Japanese reaction:

"I made a presentation in Osaka at the world meeting of so-called 'medium size entrepreneurs and investors,' while in Tokyo I presented our concepts to representatives of 50 trading companies and administrative institutions. At that point I learned that many people in Japan were not even aware of a planned 1996 World Exposition in Europe, not to mention the fact that only a very few of them have heard anything about the Hungarian plans.

"One also has to be aware of the astronomical real estate prices in Japan, compared to which acquiring real property in Hungary costs only a stunningly small amount of money. This is one reason why I believe that they expressed great interest after the presentation; I talked to very many entrepreneurs and investment firms, and the Budapest expo plans were also received very well by the Japanese press. Nevertheless, we will have to continue building relations, and therefore our trade office in Tokyo is going to provide continuous help in providing information and finding investors.

"Several people from the island country have sent inquiries since my return, and the representative of an investment firm has also paid a personal visit to the program office. This relationship is promising, because the firm involved has recently created 3,000 workplaces in France as a result of an investment similar to ours. I must state, however, that since the Japanese are an extremely disciplined people, they follow mostly the movements of their own administrative and bureaucratic organizations, and in these organizations the decisionmaking process is rather long. This may be changed somewhat by a decision that could be regarded as a gesture, based on which Japan was first to receive our government's official invitation to the Budapest World Exposition."

The director regards the fact that in addition to the Japanese, representatives of about 100 countries were also present at the Osaka world meeting, as an accomplishment flowing from the Far Eastern trip. This is how the director found out that not only the inhabitants of the island country, but a significant number of investors convened from other parts of the world were not aware of the 1996 plans. Based on the information that came as

a surprise, however, a number of them expressed interest in the World Exposition and in investment opportunities.

Relative to the latter, Zoltan Kazatsay said that professionals representing Hungary on trips to sell the expo idea present not only the plans for the World Exposition and related investment opportunities, but also general information on real estate development and investment opportunities available throughout the country, as well as about relevant economic and legal conditions.

Speaking of his trip to Ireland the director said that at a presentation organized with the cooperation of the Irish-Hungarian trade alliance he found great interest in Hungarian investment opportunities. Ireland would like to enter the Central-East European market, and the Budapest expo provides an excellent opportunity for that. True, the Irish at first expressed an interest in entrepreneurial ventures, but they soon learned to understand that the benefits would be greater if, as a first step, they cooperated with Hungarian firms and gained markets with the help of these firms, or if they started out as investors from the outset. Irrespective of this, however, it is unlikely that we could expect investments from the Irish of a size similar to those from the Japanese.

In summarizing the results of the two trips, Zoltan Kazatsay said that the greatest feat of arms was that they were able to create an awareness of the World Exposition, and to present Hungary as a place where economic activities can be pursued. The latter gains great importance if one considers that certain views have become reinforced in Hungary, according to which, thanks to the activities of the "globe-trotter expo people," investors, or, to be exact, their moneys, will be devoured by the 80 hectares of the expo, and that no investment capital will be channeled outside of Budapest, and to other parts of the country. This fear is unfounded, according to the director. Although one has to face the fact that most investors will have a primary interest in Budapest, the pre-expo and post-expo events, and other functions supplemental to the expo will provide a broad range of favorable investment opportunities.

Budapest Deputy Mayor Szekely on City Finances
93CH0245A Budapest FIGYELO in Hungarian
17 Dec 92 p 19

[Interview with Budapest Deputy Mayor Gabor Szekely by Andras Varga; place and date not given: "Budapest Local Government: On the Brink of Indebtedness? Interview With Deputy Mayor Gabor Szekely on the Allocation of Resources, on Next Year's Prospects, and on Possible Borrowings"]

[Text] [Varga] Would you please summarize what the decrease in the share of personal income tax revenues from 50 to 30 percent means to the city of Budapest?

[Szekely] Parliament's decision will cause serious problems to all but the smallest local governments which do not receive special personal income tax supplements. The increases in standard deductions will not at all compensate for the reduced personal income tax revenues, mainly because, contrary to earlier promises, not even the 20-percent difference remained at the local governments' disposal, for several billion forints have been taken out of special and remittance subsidies and other financial resources that were set aside for other purposes. Nationally, local governments resources have decreased by 10 billion. With regard to Budapest's finances, we expect that the total of our standard deductions, personal income tax, and business tax revenues will decrease next year to 59.1 billion forints from this year's 60.4 billion. This 97-98 percent is merely a nominal value. If we add to this that the introduction of the dual-rate sales tax also means many extra expenses for the capital city and its districts, our prospects for next year become readily apparent.

[Varga] In very simple terms, during such times one must either hold back on expenses or increase revenues...

[Szekely] We cannot expect much from external factors; privatization is not working, the economy is not working, and lots do not sell. There is no sign that the economy is going to pick up so that we could expect an increase in income tax revenues for at least one or two years. What I see is that even maintaining the present level may become a problem in some places, not to mention that there will also be problems with the most important development projects.

[Varga] What about local taxes?

[Szekely] Only the districts may have such an option. For us, the only option is the business tax, which we are already collecting and, in accordance with the most recent modifications, we will raise it next year from 0.3 to 0.8 percent. We have already prepared our proposal to be submitted to the Budapest General Assembly. However, the percentage increase will not result in additional revenues. Theoretically, there is only one tax that is not levied: the entrepreneurs' communal employee tax. The original decision of the assembly was that this tax could not be levied. This is about the only decision which we can change, but an employee tax would be totally illogical under the circumstances of extremely high unemployment.

[Varga] What about privatization?

[Szekely] Our companies are exclusively public companies, the privatization of which is obviously very risky. Although we have the Amusement Park and Fimuv (a home maintenance company), they are dwarfed by the larger ones such as BKV [Budapest Transit Company], the Gas Company, the Water Company, etc. On the other hand, the privatization of the latter is not feasible at present. And there are the companies that were founded by the city, but they operate under AVU [State

Property Agency] supervision. Although we would get half of the revenues, the privatization of these is not feasible either.

[Varga] What about the use of assets?

[Szekely] I have already mentioned real estate where there is only supply and no demand. We have many files, but selling them is extremely complicated.

[Varga] Thus, what is available is what must be allocated among the city and its districts. And it must be done in accordance with the law that says that the budget of the city and its 22 districts must be approved by the end of the second month following the approval of the national budget. What preparations have been made for the allocation of resources?

[Szekely] First, I am not sure exactly on which date the two months begin. I assume that they begin not on the date of the approval but on the date of the announcement, at which time all concrete data are at our disposal. The Interior Ministry is expected to mail out the standard deductions during the week before Christmas, but what happens if some changes are introduced during the second round of the budget's approval? My other comment on this is that the few-million-forint budgets of smaller municipalities have been equated again with Budapest's budget which is prepared by a two-step process that is extremely complicated.

Incidentally, we have been meeting with the district mayors to discuss the allocation of resources, and I am very confident that we will finish these talks before Christmas. After that, we will present our recommendation to the Budapest General Assembly. If that is passed, 12 district approvals will still be needed, and all parties can then prepare their own budgets. But what happens if 12 districts fail to give their approval? Then we must start all over again. I do not know who could have thought that all this could be squeezed into two months.

The money to be allocated includes personal income tax, the standard deductions, business tax, and the 2 billion forints allocated to BKV by parliament's approval. But the full subsidy of this company, which is many times more than the sum approved by parliament, must also come out of the total amount of resources to be allocated. Incidentally, the total amounts included in the final budgets are about twice as high as the total amount of central monies that can be allocated in the distribution of resources.

[Varga] I have participated in a meeting of district representatives at which the mayor was authorized to borrow 60 million forints for a standby reserve in case something went wrong in the operational expenses. Can the city of Budapest also be compelled to take such a step?

[Szekely] Our situation is not any better either. We have already solicited bids from banks for loans. That will probably not happen this year but I am afraid that early next year, when the carried-over bills arrive, we may have to use the option of borrowing. Another reason why we may be compelled to borrow is that we have brought forward the Hungaria Boulevard project's 1993 schedule.

[Varga] Will this borrowing be temporary?

[Szekely] If we will not have the money for development, then Budapest's indebtedness will not be temporary. The developments connected with the World Expo will in essence have to be financed by credit. Thus, we must borrow, putting up our assets as collateral, which is not too good because as long as the economy remains unstable, our assets are merely nominal assets which will be extremely difficult to liquidate at value, if at all.

[Box, p 19]

Apartment Subsidy in Budapest

The Budapest Local Government's Welfare and Home Committee worked out a new system to compensate for next year's termination of rent subsidies. Families whose expenses connected with the maintenance of their apartments (rent, utility fees) are in excess of a certain proportion of family income would be qualified to receive guaranteed and regular subsidies. The city of Budapest and its districts would contribute a total of 1.5 billion forints for this purpose. The amount of assistance would range between 100 forints and as high as more than 1,000 forints. This assistance could be given to people who rent their apartment as well as people who own their apartment. For instance, a household of four persons whose total income is 20,000 forints a month and whose actual expenses for maintaining the apartment is 3,200 forints, could receive a 600-forint monthly subsidy. The proposal will be submitted to the Budapest General Assembly, and is expected to become effective March 1992.

Status of Tank Contract With Pakistan Reviewed
93EP0148B Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 29 Dec 92 p 1

[Article by B.C. and D.W.: "Tanks for Pakistan—There Is No Contract, There Are Opportunities"]

[Text] No one at the Mechanical Equipment Enterprise Bumar Labedy in Gliwice knows anything about a contract to deliver 320 tanks to Pakistan. Ryszard Sebzda, adviser to the general director, who talked to RZECZPOSPOLITA, expressed his outrage with the inclination of journalists to look for sensations. He suggested seeking more detailed information from AGENCE FRANCE PRESSE, which reported this piece of news—in his opinion, unconfirmed—quoting the Pakistani press.

Ryszard Sebzda stated: "We are serious people. I state with the full weight of responsibility that we have not signed any contract with Pakistan, nor are we aware of anything similar. Even if something like that happened, it would be good for you gentlemen (that is, journalists—note by RZECZPOSPOLITA) not to hamper it because it would only be good for the country."

For his part, Director Jan Straus of the Ministry of Foreign Economic Cooperation, announced in a statement made to PAP [Polish Press Agency] that Poland is vitally interested in signing a contract for the delivery of tanks to Pakistan. However, according to him, the contract terms reported in the Pakistani press are not satisfactory; they may amount to only initial proposals for price negotiations.

As is known, the AFP reported, quoting PAKISTAN TIMES, Pakistan is prepared to purchase 320 tanks for \$450 million. Of this, \$45 million would be paid in cash and the rest in goods. Jan Straus said that Poland is interested in a higher percentage of cash in this transaction. Grazyna Lewandowska, press spokesman of the Ministry of Industry, also said that the \$450 million in question represents the initial price proposed by the Pakistani side.

In the middle of next month, an economic mission will travel to Islamabad and will negotiate, among other things, deliveries of military materiel. Therefore, no other information is available from either the Ministry of Industry or the Ministry of Foreign Economic Cooperation. It would be premature to discuss any details of the transaction.

Jan Straus added only that assistance in the sale of the products of the Polish armament industry is one of the points of a plan that is intended to rescue such production. Besides, we are not a country that matters among the suppliers of armaments. Our share of the world market for the arms trade comes to 2.1 percent.

In turn, one of the exporters of a foreign trade organization, which in the past exported also weaponry, told us

that the amount mentioned by our press appears "reasonable." However, in this case it is not the amount of the contract per se that is the most important, but the eventual reductions and terms of payment to which the exporter agrees. We were told that, in contracts of this nature, it is not the materiel itself that is the most important, but spare parts, which are delivered at a later date.

Therefore, for now there is no contract, but there is a chance that it will be agreed to, perhaps in a form considerably different from that reported by the AFP on Christmas Day. Also, there is nothing sensational about it because weapons are traded throughout the world, to be sure, with restrictions that do not apply to other industrial manufactures.

These restrictions are imposed by, among others, the United Nations Organization, which has its own negative list. Individual countries add still more restrictions of their own to this list, based on their political preferences. The negative list is not public because who trades or does not trade in weapons, and with whom, is a matter of the foreign policy of each state, and, in diplomatic affairs, some things are not talked about. Depending on foreign policy, partners for such trade also change.

Making such transactions sensational harms the arms trade the most. However, that is most often done by the press of another country interested in securing similar contracts. That was the case with our helicopters, which had an opportunity to go to Burma. However, the signing of the contract was made impossible at the last moment. Instead of Sokols, Bell helicopters fly in the jungle, and the Swidnik plant has financial problems.

However, in the case of the Pakistani contract, there is a sensation—the size of the contract, which points to a chance for big money. To be sure, the value of the possible Polish contract is small compared to the French-Taiwanese agreement for the delivery of Mirage planes, which comes to \$3.8 billion. The fact that we are competitive in the world arms market after all, despite the Polish presence being negligible, also presents an opportunity for us.

A T-72 costs several times less than an Abrams, but is better than what the Russians offer at the same price.

Supervision of Arms Sales, Laws Discussed

93EP0148A Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 31 Dec 92-1 Jan 93 p 1

[Article by P.W.R. and D.W.: "Polish Arms Export—Contracts and Provocations"]

[Text] Andrzej Arendarski, minister of foreign economic cooperation, believes that the swindle put together by German journalists from MONITOR is a provocation.

Jan Straus, director of the Central Office of Engineering (CZINZ), is inclined to believe that the management of the Northern Shipyard acted in good faith, if it indeed got involved in negotiations with fake businessmen, because it wanted to sell the output of its enterprise. However, it could not have accomplished anything without the participation of the PHZ [Foreign Trade Enterprise] Cenzin. However, the participation of one of the managers of the last of the institutions mentioned, Eugeniusz Dawidziuk, in a videotape shot by an amateur camcorder and depicting him during "negotiations," is unclear. Minister Arendarski demanded that he provide a written explanation. At any rate, the view prevails in the Ministry of Foreign Economic Cooperation that the transaction would not have come about had the final user been mentioned. If the weapons were indeed to be sold to Yugoslavia and Iraq, it would not have been possible for them to leave Poland.

The right to conduct organized arms trade in Poland is sought by the agencies of the Ministry of Foreign Economic Cooperation and private and state enterprises that had, and in some cases still have, a great many ties to domestic and foreign businesses. Brokerage in the arms trade is exceptionally lucrative. Customary commissions reach a dozen or so percentage points. Contracts are worth millions and hundreds of millions of dollars.

Therefore, in the opinion of Jan Straus, it is no accident that at this particular time a scandal breaks out every so often involving consummated or would-be contracts in arms trade. This is happening at a time when sporadic shipments and isolated deliveries are changing into real contracts overseen by the state. At times, a shipment becomes the reason for a tragedy—as is the case now with the so-called Radom affair.

As we have already reported, a negative list prepared by the United Nations applies in the case of contracts to trade in weapons. Each country adds its own negative entries to the list. As the Ministry of Foreign Economic Cooperation maintains, the list of the Polish Ministry of Foreign Affairs is exceptionally long. The former ministry sought many times to reduce the list to that of the UN—that is, not to sell weapons to Yugoslavia, Iraq, and Libya. Of course, there are also countries with which trade is ruled out for the simple reason that they do not pay; for example, the Syrians owe \$200 million for the earlier deliveries of Polish weapons.

Government supervision of contracts is a prerequisite for the professional oversight of deliveries. The delivery of tanks to Pakistan is such a contract, which has been under negotiation for a year and a half. From the very beginning, Wojciech Okonski, the under secretary of state in the Ministry of Foreign Economic Cooperation (in the J.K. Bielecki government and at present), has supervised the contract. When Minister Okonski was not a member of the government (Jan Olszewski's government) he held the position of consultant at Bumar

Labedy. He is now following the contract together with Minister of Industry Wacław Niewiarowski.

Jan Straus believes there will be more such contracts. The scandalous atmosphere created around each of them is indicative of fears that if we, as Minister Glapinski used to say, civilize our arms trade, we will become a genuine competitor in the world market, given the existing production potential and the low cost of production. Therefore, our enterprises producing weaponry have an opportunity if the competition does not hamper them. In an interview recently given to *DZIENNIK BALTYCKI*, the already quoted Adam Glapinski suggested that it cannot be ruled out that Polish-Polish competition has been the reason for our recent mishaps in the world market, as has been the case in many other areas of the economy. However, the uproar is always greater when weapons are involved.

Unearthing cases from the past, such as the delivery of Polish weapons to Nicaraguan contras in the first half of the 1980's, also facilitates the creation of an unhealthy atmosphere. However, at the time, everything proceeded in keeping with regulations. Polish AK [assault rifles] were sold to a middleman in Portugal, and the end-use certificate indicated a company in Honduras. Contra bases were located precisely in that country. At the time, even the Sandinistas did not suspect the Poles of being able to deliberately sell weapons to "enemies of the revolution."

The Foreign Trade Enterprise CENZIN Ltd. is a specialized company for importing and exporting weapons and materiel for various armed services, the border guard, and the police. CENZIN is the main supplier of imported materiel for the Polish Armed Forces and the leading exporter of weaponry produced by the Polish armament industry.

In 1951, the Department of Engineering was established within the Ministry of Foreign Trade. Its task was to handle export and import transactions. It was transformed into the Central Office of Engineering (CZINZ), a government institution that had exclusive rights to foreign trade in weapons and military materiel. On 1 August 1990, the limited liability company PHZ CENZIN was established and took over the tasks of the Central Office of Engineering. The state treasury owns a 67-percent interest in it. The rest of the stock belongs to 32 enterprises that produce and export weapons and military materiel. Two deputy ministers from the Ministry of Foreign Economic Cooperation, Wojciech Okonski and Lechosław Podkański, and Jan Straus, director of the Central Office of Engineering at the MWHZ [expansion unknown], represent the State Treasury on the council of trustees of the company.

Refutation by the Shipyard Manager

Michał Walenkiewicz, director of the Northern Shipyard in Gdansk, stated that information about an attempt by the shipyard to sell 15 torpedo boats to a country covered by the UN embargo is not true. There was no

reference to the torpedo boats being destined for Yugoslavia or any other country in the basin of the Mediterranean Sea during negotiations held by representatives of the shipyard (but not at the Marriott Hotel).

[Box, p I]

"(...) The control of a sector of economic life as sensitive to any country as trading in weapons and special equipment by the former civilian and military employees of the special services of the People's Republic of Poland and their agents poses a great danger to state security.

The CENZIN company, which was controlled completely by the career functionaries of Directorate II of the General Staff and their agents, is a typical example (...)"—an excerpt from a report former Minister of Internal Affairs Antoni Macierewicz instructed the Department of Analysis to prepare. The report was supposed to indicate the dangers to which state structures could be exposed in conjunction with the discontinuation of lustration. (The excerpt is from the report compiled from the book entitled *Informants Are Among Us* by Michal Grocki).

Hungary's Proposed Law on Minorities Praised

93BA0415A Bucharest ROMANIAI MAGYAR SZO
in Hungarian 16 Dec 92 p 1

[Interview with ROMANIAI MAGYAR SZO correspondent Bela Biro by Andras B. Kovacs; place and date not given: "Without Which the Law Is Nothing More Than Words on Paper; The Example of Hungary's Law on Minorities"]

[Text] *Our well-known colleague Bela Biro has had an opportunity in the past few days to study the draft minority law currently being drawn up in Hungary. Moreover, he has also gained an insight into the process of working out some of its details. Without a doubt the draft law to be voted on, which we have been awaiting for some time, may have an impact on our own fate even though it is not in our country where it will be put into effect. The word is that this is a pioneering undertaking.*

[Kovacs] Summarize for us briefly if you will the conceptual and legal novelties contained in the draft statute.

[Biro] First of all, I should point out that the situation of Hungarian Romanians is in many respects different from that of Romanian Hungarians. The most important difference is that while the Hungarian, and until not so long ago the German populace of our country have been communities capable of self-reproduction, in Hungary, regrettably, many minorities have stopped being such communities, turning into diasporas instead.

[Kovacs] We can find similarly tragic examples here at home; in fact we only need to go back to the recent past, or I should say semi-past.

[Biro] So the preservation of these communities requires entirely different methods and laws. It involves important quantitative, and in some respects qualitative considerations as well. First of all the fact that in the past, and to some extent still today, the Hungarian minority in Romania has been able to develop and preserve its own system of institutions. Minorities in Hungary have been unable to do this. It is for this reason that the new Hungarian minority law, in addition to recognizing Hungary's minorities as ethnic communities with specific communal rights—an enormously significant change, for with the exception of Slovenia no Eastern European country has followed suit by treating them as communities rather than as masses of minority individuals.

[Kovacs] Which is what we would also like to see!

[Biro] Precisely! Not to mention another extremely important issue of concern raised there that is particularly critical to us. Namely, the assertion that the state needs to take a much more forceful lead in providing economic and financial guarantees than is the case here to ensure that the regulations put forth in the minority statutes are truly functional. What does this mean? Minorities in Hungary are indeed incapable of establishing and maintaining school systems on their own, for

their numbers are not large enough. Under the provisions of the law, the state has the responsibility not only to establish and maintain such a school system, but also to employ what may be called a form of positive discrimination by offering teachers employed in Hungary's ethnic schools significantly, by as much as 25-30 percent higher wages than those working in the majority schools. This has also been made necessary by the fact, looking at the example of the Germans, for example, that in today's business-oriented world a German language teacher may be lured by significantly higher pay to work elsewhere, e.g., as a translator. There simply would not be anyone left to teach German. This is why it has become necessary to start paying them better. The same could be said about the Slovaks, Croats, etc.

[Kovacs] From the legal standpoint, this will be a pioneering law, which I think will be used as a standard of comparison throughout the continent.

[Biro] This law contains nothing that did not already exist in the constitution or other statutory provisions. Conceptual parallels can also be found in the constitutions of various countries, in international agreements and other sources. What these lacked, however, making the new law necessary was precisely the economic, administrative and other contexts necessary for these principles to assert themselves. The problem in Romania is also that while in principle many things are recognized—with some things, as in the area of language use continuing to remain unrecognized, even in principle—they do not constitute the kind of administrative, institutional and financial background without which principles amount to nothing more than words on paper, and without which the legal system cannot function. Hungarian Romanians are not exempt from paying the tax collected by the state to finance the cultural infrastructure. The problem is that we are not getting back our fair share. They are telling us that with the onset of privatization our papers have become private publications that must find ways to support themselves. While our theaters do receive state support and our schools are getting back some of their lost funding, there are many other areas where subsidies will not be reinstated. So here, too, we need legal and practical guarantees.

[Kovacs] When is the draft law expected to go before parliament?

[Biro] I believe that the draft has been in the making for two and a half years. The very fact that this law is "in the process" of becoming a reality is heartening to me personally as a Hungarian Romanian, for it tells me that in Hungary they are looking for real solutions to these problems. What we have here, in other words, is not simply a formal solution; this law has not been designed to be rubbed under the noses of neighboring governments as evidence that "See, we have been able to solve it and you haven't." It is in fact a genuine attempt at finding reassuring regulations for Hungary's minorities. In my opinion these minorities are indeed much more seriously endangered than are Hungarians living in the

neighboring countries. Because of our traditions, and also for other reasons, we have shown far more vitality than those minorities. Still Hungary does not want to give them up, and I feel that it is not just an insincere propaganda ploy on its part, but that it has truly recognized that a country may have a tremendous need for minorities.

This is precisely why the law has been so long in the making; every aspect of it has also had to be coordinated with the minorities. The government's legal experts could have easily thrown together a law that could be waved before the world, saying: "See, we already have one." The so-called minority roundtable has also had to be consulted separately by the governing parties and the opposition. Now it appears that the process is nearing completion, and the draft may be put before parliament within weeks.

(The interview format is not the genre of debate. It is simply a springboard for further exploration. For a community to be stranded between life and death is a dramatic experience; in fact, it is probably as dramatic an experience as anyone can face. What we find day after day is that this tragedy also leaves its mark on the fate of ethnic groups living a subordinate existence on the edge of autonomy.)

Hungarian Minority's 'Self-Government' Goals

*93BA0415B Bucharest ROMANIAI MAGYAR SZO
in Hungarian 24 Dec 92 pp 1, 4*

[Article by Gyorgy Pal Szabo: "Viewpoint on Self-Determination in Wake of the Kolozsvar Declaration"]

[Text] For nearly three-quarters of a century now, Transylvanian Hungarians have been waiting patiently for the implementation of the promises made to them in the Resolutions of the Gyulafehérvár [Alba Iulia] National Assembly. In declaring the unification of Transylvania with Romania, this—historic—National Assembly issued a declaration, pledging then and there—with the whole world bearing witness—that in the Wilsonian spirit of self-determination it would guarantee complete national freedom and self-determination to all of the peoples and nationalities living within the country's territory.

Since then, three generations have been crippled by futile anticipation: our fathers', ours, and soon our sons' generation, and as to this day, Romania has failed to live up to, keep, or fulfill any of those promises. To the contrary, it has done everything it could to assimilate or banish the peoples of Transylvania. However painful it may be—after 74 years of bitter experiences—we have no choice but to conclude that Romanian nationalism is still unable to view anybody who may be different in terms of categories other than assimilation, banishment, or annihilation. We must make our conclusion public if we want to avoid the fate of the Romanian Jews or the Saxons and Swabians of Transylvania. We have to say it now, for it is already clear that the hopes we have

attached to the changes of 1989 have not been realized. What has dawned in Romania was not an era of tolerance towards nationalities, but just the opposite: Romanian nationalism is now convinced that the time has arrived to realize its "great historical work," the establishment of a unified Romanian national state.

Now, after 70 years of—ethnicity-motivated—resettlements pursued with varying but ever-increasing intensity and, in terms of European history, at an unparalleled level of magnitude, which during the years of the dictatorship had been perfected to evolve into a planned and controlled program of ethnic cleansing, they have fundamentally changed the ethnic makeup of Transylvania. The main ethnic group, which for centuries had lived in unity as one community, has been dispersed and scattered, making the establishment of a unified Romanian national state more timely than ever. This is what the Jews and Germans were fleeing from, and this is why Israel and Germany were resorting to paying ransom to get them out. Today it is already obvious that it was not only Ceausescu and the dictatorial era bearing his name that were responsible for everything that has happened. He was merely an exponent and highly effective instrument of 70 years of intolerant and irrationally protracted period of mass-nationalism.

For three years now since the fall of the dictatorship we have been engaged in a relentless—and unfortunately completely fruitless—struggle to regain the rights they have taken, wrested or downright stolen from us. It has been a completely fruitless struggle, because Romanian nationalism will under no circumstances relinquish the gains and positions it has attained so far, irrespective of the political system in which they were acquired or the means that were used to win them. It will give up or return nothing, as it views the question not as a human rights, or Heaven forbid! civil rights issue, but as a political matter. It has no intention of returning either our public institutions or the personal and real properties that had belonged to them. It has no intention of returning our Reformed colleges, our Catholic, Unitarian, and other high schools built and maintained for centuries by the financial and physical sacrifices of generations of faithful. It has no intention of returning our universities and colleges. It has no intention of returning—what had been the ancient property and source of traditional existence of the Seklers—our communal forests. It has no intention of returning.... This is why Romanian policymakers do not even want to hear about the collective rights of nationalities.

This at a time when—in every sphere of public life—we are witnessing an unimpeded drive to return to the way things were, and to build a false "image"—according to the old formula—for outside consumption. At a time, when President Ion Iliescu—just as Ceausescu before him—is telling his hosts in Paris that the nationality question in Romania has been resolved in an exemplary manner; when the new Prime Minister, Nicolae Vacaroiu, is dismissing as "inexpedient" the suggestion to set up a Ministry for Minority Affairs; when the new

Minister of Education Liviu Maior—well known for his past association with Vatra—is calling for the elimination of public education in Hungarian altogether; when they sent Ion Ratiu to Brussels to talk about us and for us at a recent session of the North Atlantic Treaty Organization; when the mayor of Kolozsvár [Cluj] Gheorghe Funar is campaigning for the erasure even from the public consciousness of all Hungarian place and street names; when the president of parliament Adrian Nastase is even urging to remove all references to Transylvania, not to mention Erdely.... This at a time, when because of everything that is going on there is widespread disillusionment and therefore growing immigration among the Hungarian populace. When the belief has become increasingly prevalent and widely held that the current situation is intolerable, as it is clear that sooner or later it will have a catastrophic impact on the future of Transylvanian Hungarians. We have been backed into a position from which there can be no further retreat. In this situation, the RMDSZ's [Democratic Association of Hungarians in Romania] 25 October 1993 Kolozsvár Declaration on the Nationality Question could not have been more justifiable and timely. This declaration has had to be issued here and now, for we have no choice but to face up to our historical responsibilities. It has had to be clearly stated for "while continuing to insist on retaining our national identity, we wish neither to secede nor emigrate from our native land, which we consider to be our home. Nor do we wish, however, to be assimilated into the Romanian nation."

The fact of the declaration alone, of course, does not amount to autonomy or self-determination. It is not yet a practical reality, merely an objective in principle. An objective, which because it concerns "life or death" should be patiently and systematically pursued and turned into reality using democratic means and methods.

So the issue of autonomy is in the forefront of attention today. Many are debating it, but unfortunately few know what it is really all about. The interpretation of the concept itself is surrounded by considerable confusion. This despite the fact that starting from the 13th century, the economic, political, and social systems of Transylvania have been markedly influenced by various forms of autonomy and self-government. This is why for centuries Transylvania has been one of the richest regions to draw examples from in the history of functioning autonomies. During the reign of Gabor Bethlen this was a virtual Transylvanian Switzerland, described fittingly by later generations as a garden of angels. "Transylvanianism," the world-famous Transylvanian spirit, also drew inspiration from the spiritual and moral strength of autonomies. It was by no accident for parliament here to have been the first in the world to pledge understanding and tolerance towards all who were different. The autonomies of the eight-century-long Saxon Universitäts, the famous Sekler seats, and provincial village centers are well known and exemplary, but it was also here in Transylvania, where the concept of autonomy first

appeared in the consciousness of the Romanian people. This, among other reasons, was why for centuries of its history Transylvania was spared the anguish of ethnic conflicts. After World War I, the push by Transylvanian Romanians for autonomy intensified. In 1918, the draft resolution read by Vasile Goldis at the conference preceding the Gyulafehérvár National Assembly, demanded autonomy for the Romanian-inhabited regions of Hungary, and Pop Cicio also felt that self-government would be in the closest accordance with the Wilsonian principles. But the Social Democrats themselves viewed the autonomy of Transylvania as the best guarantee of a better future for the working class.

After World War II, Transylvania, especially in Sekler-inhabited areas, had another brief experience with autonomy in the form of the Hungarian Autonomous province, established in 1953. Opinions differ about its existence, meaning and practical effectiveness. The fact is that it was during this period that Romanian nationalism moved to eliminate the entire institutional system of the Transylvanian Hungarian communities left outside of the boundaries of the province, including the Bolyai University of Kolozsvár, and effected the dispersal of what had been more or less homogeneous Hungarian communities. The Sekler Hungarian population situated within the boundaries of the province, however, did retain its majority outlook even in territorial terms. Those who are pressing for the reintroduction of regional autonomy for the area roughly covering that of the former Hungarian Autonomous Province justify their efforts by insisting that only this will help to forestall the increasingly serious danger threatening what is left of the homogeneous majority of the Sekler population, and that without regional autonomy it may soon be facing the prospect of dispersal. It is clear, however, that the Hungarians who may again be kept outside of those provincial boundaries will never be in a position where they could be further scattered. Besides, for the dispersed Hungarian populace another form of autonomy, cultural autonomy would be the most appropriate to pursue. A relatively strong and well-organized form of autonomy, extending to Hungarian majority populated areas could, in addition to preserving the self-identity of those living within its scope, also offer moral, cultural and economic assistance to those compelled to remain outside.

Despite all assertions and claims to the contrary, we did, even after WWII, have a form of regional autonomy, one which—as a deformed product of communism—was both in terms of content and practice admittedly far different from the autonomies that have existed and are still functioning in the Western democracies. Although many have not even noticed, the fact is that Gypsies in Romania have continued to foster their highly effective system of spontaneous self-governments and their respective hierarchies: the king, bulipasha and voivod. And so have the Romanians: the Avas [Oas] have the Avas hierarchy; the Moc [ethnic Romanians in Transylvania] the Moc hierarchy; residents of Gorgenyvolgy

[Georghiu] have maintained the Gorgenyvolgy hierarchy, etc. Everybody has what their temperaments and centuries of traditions dictate. Why couldn't these spontaneous and tradition-preserving autonomies be legitimized so that they could become open, clear-cut and mutually prepared to foster ties with one another?

The next step in the wake of the Kolozsvar Declaration is for the RMDSZ to assemble a group of experts, who are knowledgeable about every detail and aspect of the concept of autonomy—perhaps also involving some international specialists—who could identify and work out the details of the most appropriate and ready-to-implement forms of autonomy and self-determination (personal, self-government, cultural, institutional, administrative, regional, political, etc.) that have been proven to work well in Europe and have closely reflected the traditions and group interests of our Hungarian populace. It will have to make a choice and submit a recommendation. It must do so, because our struggle for autonomy must definitely be mindful of the varied interests that exist among the different strata of Hungarians living in Romania. "Nation" is the only context in which this issue should be considered. the next step then would be for all the forms of internal self-determination recommended to be presented to broad masses of Hungarians, Romanians, and the international public opinion, using all possible forms of mass media. Perhaps the RMDSZ should, in some form, also solicit the opinion—about the different forms of autonomy recommended—of the people who are directly and vitally affected by these life or death issues. (The relatively uninformed or consciously misled Romanian public opinion must be assured that internal autonomy does not mean secession, or even a violation of national sovereignty.)

Last, but not least, it must determine and define with precision the most appropriate combination of tactical

means to be used to implement the chosen form of autonomy in practice. this collection of means—naturally—cannot differ from those of the democratic parliamentary struggle we have been waging that have already earned so much praise for Hungarian parliamentary politics in this country. There is no other way, no other feasible course. This is the only course even if it is lengthy, tiring and fails to yield instantaneous results. Beyond the fact that it is a peaceful, democratic and civilized course it also has the enormous advantage of being able to bring the arguments and counter-arguments into the open and pit them against one another before the domestic public and the international community. It would be a big and unforgivable political mistake to relinquish this open forum, for it would open up the possibility and opportunity for a whole host of diversionary political maneuvers to be launched by purposely misinterpreting real intentions. And the main strength of our policy lies precisely in its clarity.

The reason why the Hungarian minority in this country has set up an interest-protection entity such as the RMDSZ was so that after having designed the proper strategy and tactics it could effectively promote the political interests of the people it represents; and the reason why it sends representatives to the Senate and parliament is to assert those political interests. The declaration on the autonomy issue thus must be followed by professional-level, pragmatic political maneuvering, for without it declarations amount to little more than flashes in the pan and simple intentions. The era of empty political rhetorics and idly waiting for miracles is over. Only competent people disposed to taking responsible actions can produce miracles under today's political circumstances.

So we are calling on them to get to work and start producing!

Education Minister Matus Kucera Interviewed

93CH0224A Bratislava SLOBODNY PIATOK in Slovak
18 Dec 92 p 2

[Interview with Matus Kucera, minister of education and science of the Slovak Republic, by Stefan Sugar; place and date not given: "Breaking Bread"]

[Text] The "White House" on Hlboka Street, which previously housed the Central Committee of the Slovak Communist Party, now holds the Ministry of Education and Science of the Slovak Republic. When we called on the Minister of Education and Science, Dr. Matus Kucera, we could not help but ask him from which bigwig he inherited the beautifully appointed office. We learned that here used to sit the supreme ideologue and consolidator, the secretary of the Slovak Communist Party, Ludovit Pezlar. Today not even his ghost haunts here, because to this office moved a man who as a historian has resisted ideological indoctrination all his life. In spite of his extensive scientific body of work he remained in the position of docent for 20 years. Only after a complicated series of approvals did they enable him, as the first nonparty man, to defend his thesis for the title of Doctor of Science in 1984. He became professor of ancient Slovak history in 1989, when for more than 10 years there were no professors in that particular discipline in Slovakia. Today he is the minister of education and science in the government of Vladimir Meciar.

[Sugar] Mr. Minister, in the magazine NASA UNIVER-SITA I read an article written by your colleague Prof. Jan Hucko where he describes you as a moderate and tolerant man. However, some newspapers with a much larger circulation attribute to you statements which make you appear like a militant nationalist. You have experienced for yourself that here political infighting is ruled by the principle—Use any dirty trick you can. Aren't you disgusted with it yet?

[Kucera] Recently I have become the target of a group of journalists who act as if they had received a signal from somewhere that I must be discredited at every step and placed in impossible situations. I confess that I found myself in some very tough spots because editors put into my mouth words which I never spoke, and which I then had to exhaustively explain to the U.S. ambassador. Until now—in academia—I dealt only with courteous people, and although in polemics on scientific matters we often held opposite views, we never crossed the borderline of civility, of courtesy. Today I am dealing with a rather different kind of people. There are even such among the editors who, in order to defame you, will make something up and then print it in large, inch-high headlines. When later they must retract and justify it, which they already had to do, they print two tiny lines that can be easily overlooked by the reader. I do not know why I fell into such disfavor. After all, I did not insult or ridicule anybody, I made no decisions which would have had a bad impact on the department of

education. It is true, though, that I vigorously defend high standards in education, that I am uncompromising in demanding that political struggle be taken out of education, that students be not held hostage to politics. Some people maybe think that I could be using state money to pursue my personal interests, but that is inadmissible. It is up to me to see that our citizens' money is spent wisely on bringing up astute, educated, well-prepared people.

[Sugar] Why in particular did you decide to join Meciar's Movement for Democratic Slovakia [HZDS]?

[Kucera] I have never been in any political party, and I did not join any even after 1989, when representatives of literally all political parties approached me. I wanted to be independent. Even in the elections I ran as an independent candidate for HZDS, which I liked because it did not force me into anything. I am not even its member. I never believed that anybody would elect me, and what drew me into the elections was the opportunity to meet the voters, to meet them in person, shake their hands, find out how they live.... That is why I told my wife one day that I was going for three weeks of maneuvers.

[Sugar] And what did you learn?

[Kucera] It was a very interesting lesson for me. I found that this nation is very capable, but tremendously insecure, wise, but knows very little about itself. Its sense of its own history as a nation is extremely low; it is vulnerable, it can be easily influenced, disoriented. It all made me very sad.

[Sugar] As a historian, you can accomplish a lot precisely on this point. But in spite of that you elected to work in state administration?

[Kucera] One of my friends told me: "I knew you were capable of making sacrifices for this nation, but that you were capable of such a sacrifice as this, that I did not know. You already have all the academic titles, and so now you could do what you want and enjoy yourself." I really did not want for anything, and I could have begun writing the second and third volumes of my book *Slovensko po pade Velkej Moravy [Slovakia After the Fall of the Great Moravian Empire]*, the first volume of which was published in 1969. That is also why I declined to accept the position of dean of the Department of Philosophy. What finally broke me down was what I now pour over every night: The book that still remains unpublished. But when years ago I still could not publish in "Akademia," I began to write the continuation of the book which was published in two editions by MLADE LETY, where it received the "Best Book of MLADE LETY" award. This was actually the first comprehensive history of Slovakia, and it was read by children, adults, grandfathers. I turned in the second volume (16th century to the revolution of 1848) already six years ago, but no way could I get published.

[Sugar] Not even now, when you are a minister?

[Kucera] Maybe now, yes. I could have, of course, offered it to another publisher, but I had a contract with MLADE LETY and did not want to do anything improper. But why am I talking about this, anyway? Since I do not have enough discipline to write for the "desk drawer," I said to myself: Very well, you don't have to write, you can organize science life and help your nation that way.

[Sugar] You mentioned that a Slovak's consciousness of his nation's historical worth is very low. Our neighboring nations, especially the Czechs, Hungarians, and Poles had it firmly instilled already in the last century, thanks mostly to their historical literature. At that time, our historiography was still in its infancy. Can we still make up for lost time?

[Kucera] We cannot make up for the 19th century with 19th century methods. The romanticism of the 19th century is already passe. Nationalist fervor is a good thing, to be sure, but it is outdated, and if some people in Slovakia are trying to revive it, they are setting out on the wrong road.

[Sugar] And what is the right road?

[Kucera] We must follow the road of European rationalism, and we must fit ourselves into the dimensions of European rationalism, otherwise we shall be in danger of lapsing again into provincialism.

[Sugar] How do you explain the fact that the Slovaks endured and that in spite of inauspicious conditions they constituted themselves as a nation?

[Kucera] What is remarkable about Slovak history is the fact that on our territory all Asian incursions actually came to an end—the Avars, Hungarians, Tatars, Turks—so that Slovakia became a kind of an eastern line of defense of the Western Christian civilization. Just a look at the map of Slovakia makes it clear that it is a closed-in country, that between the individual lowlands, which lived in relative isolation, there were no links. As a result, these rural communities retained their ethnic uniqueness. And the Slovaks' enormous tenacity also played a part. Just look around, one-third of Slovaks live all over the world from the Pacific to Australia, and nowhere are we peripheral. No matter where you transplanted a Slovak, if he had just somewhat reasonable conditions, he always held his own.

[Sugar] With the exception of the Czech lands. Slovaks, obviously for economic and social reasons, usually become integrated into the Czech environment very quickly.

[Kucera] You are right about that, and it is really quite possible that if we were to live together with the Czechs in a common state for a longer time, such as one century, we would become assimilated like the Moravians. Paradoxically, we can thank the Hungarians for our existence. If, you see, Hungarians had not come into the Danube basin, but, for example, the Serbs had, it is not

inconceivable that they would have assimilated the Slovaks. It is likely that precisely this dichotomy of ethnic societies, this diametric difference, strengthened the awareness of our individuality.

[Sugar] Slovaks never lived in their own state, they always were in someone's bondage. They sustained their existence through continued defiance of their neighbors. But what mark did such a fate leave on their character?

[Kucera] You are absolutely right, this nation always had to have some protector, or someone to whom to run and tell its troubles to. There is a difference between a nation that rules and a nation that is ruled. But I would not place too much importance on this point. We are no more dumb or no less talented than citizens of our neighboring countries.

[Sugar] Do you think that we are ready in all respects to build and maintain our own state?

[Kucera] In my opinion, the division was a consequence of the introduction of a certain type of economic reform. And its consequences are different in both parts of Czecho-Slovakia. But I do not see it as a tragedy, although I am also mindful of the negative side of the division. As a historian, I know of the turbulent history of the Danish-Swedish-Norwegian union. Today, after its division, you do not have more friendly neighbors than the Swedes and the Norwegians. Our nations, too, can live together like that if we maintain a sensible attitude toward each other, if the media do not keep conjuring up the spirit of hatred and revenge. Just by the fact that we have so far concluded more than 60 sound agreements, we have created conditions for a friendly coexistence.

[Sugar] But even so, the nation is not looking forward to its independent state very much. It is not proudly acknowledging its past.

[Kucera] After so much spitting and cursing at the Slovaks, and I am not talking about the last century, but about yesterday and today, I am not surprised. There is still a lot of those who fail to appreciate this nation and its viability, and I am afraid that part of our intelligentsia is now playing possum and silently watching what will happen. But our nation precisely at this time needs its intelligentsia to show civic courage literally in every respect, because it is going through a turning point in its development. Not all of us in this republic wanted the division. We realize that we do not have trained people who would be able to handle what we call state administration, diplomacy, banking, etc. In a unitary federation Slovaks did not have the opportunity to apply themselves in these professions. But since life drove us to this division, there is nothing left for us to do but roll up our sleeves and go to work.

In Central Europe we are now breaking European bread. If the world behaves democratically, there is no reason why the Slovak nation could not survive as an individual nation with its own republic and become a

valid member of the European Community. I believe this deeply and I shall do everything I can to make it happen.

[Sugar] People are worried about the future and many are concerned that education may again become the privilege of the wealthy.

[Kucera] I am a man with deep social sensibility, and no matter what the budget restrictions will be, I will never let a talented student or teacher be hurt.

[Sugar] Do you have many friends in the Czech lands?

[Kucera] Not only friends, but also my family. My wife is from Moravia, and I came to like it so much that we bought property there. I also have a little vineyard there, where I dig around from spring to fall, and prune trees for all my neighbors. The Moravian Slovaks are very close to my heart, and they in turn like Slovakia.

[Sugar] What kind of wine do you like best?

[Kucera] Some heavier wines. I like to pour myself a little burgundy, but Valtellina green is also good.

[Sugar] How do you get along with doctors?

[Kucera] I have a house full of doctors, because two of my daughters-in-law are doctors and one of my sons is a skillful neurologist, so I should be well cared for. But I do not listen to them too much.

[Sugar] Which Czech politician do you respect the most?

[Kucera] Vaclav Klaus. It is very lucky that precisely he is the one with whom we can negotiate, because he is very astute.

[Sugar] How did you arrive at your philosophy of tolerance and humanism?

[Kucera] I belong to a generation that lived through a lot. Even I have suffered in my life. They killed my father when I was still a child. My mother was left with three children, and although she attended school only four years, as she told us, she was very wise. She washed my shirts, ironed them, packed them in a suitcase, and said: "If you can earn your living, go!" All three of us have earned our living. But life did not spare me anything, and so I gained the experience that radicalism and all kinds of revolutionary activity do not lead anywhere. We shall reach our goals better with moderation, toleration, and compromise.

Economic Crime Police To Operate in Slovakia

93CH0236A Prague HOSPODARSKE NOVINY
in Slovak 7 Dec 92 p 7

[Interview with Jozef Tuchyna, Slovak minister of interior, by Iva Kerna; place and date not given: "Society Is Not Defenseless"]

[Text] You have only to walk around with your eyes open for a person to see that, in the past few years, problems in the security situation here have significantly intensified and become more varied. The greatest increase has been in crimes against property and violent crimes, but new forms of economic crimes have also appeared. We put some questions about this last area to the minister of interior of the Slovak Republic [SR], Eng. J. Tuchyna.

[Kerna] There are people among us who exploit the current social economic situation to get rich quickly. The forms and methods of criminal activities have been adjusted to the new conditions. How should society deal with this development in the security situation?

[Tuchyna] Private enterprise, the development of the private-ownership sector, and the privatization process have brought, along with the positive aspects, the illegal actions of some people.

The development of the security situation negatively affected mainly the new forms of perpetrating economic crimes, such as the fraudulent purchase of the goods of some private entrepreneurs through a payment on invoices with no cash-book transfer; tax evasion in the purchase of alcohol and cigarettes designated for export without a turnover tax; the theft of nonferrous metals, particularly from the railroads; the appearance of counterfeit currency, both ours and foreign; and criminal acts committed in privatization and similar actions.

It can be seen from this that society was not adequately prepared to effectively control this unpleasant development in the security situation, but, on the other hand, it is not defenseless. The top officials of the MV [Ministry of Interior] of the SR are paying increased attention to this problem. The SNR [Slovak National Council] law on the Police Corps established the economic interests protection service as a special service of the police corps. The role of this service is to determine the facts important for protecting the economic interests of the SR, particularly those that can seriously threaten or harm the economic interests, especially during the transition to a market economy, during the privatization stage, in the field of financial operations, and such. The police have already uncovered and documented a number of serious cases.

[Kerna] The proliferation of the types of crimes must have radically affected the activities of the criminal police....

[Tuchyna] The sharp growth in economic crimes has, naturally, a substantial effect on the operations of the criminal police. Primarily, it must react operationally to the new conditions and uncover illegal actions. The unavoidable nature of dealing with criminal activities in the entire field of the newly forming economic and ownership relationships has required us to create specialized offices within the new organizational structure of the criminal police that are aimed at documenting the covert and organized criminal activities harming and

threatening the economic interests of the SR. The results achieved by the criminal police are confirming the correctness of the changes made.

[Kerna] When will we have finance police, and on what principles will they operate?

[Tuchyna] In its resolution of 22 September 1992, the Government of the SR tasked the minister of finance and me with submitting a proposal for a law on the finance police by 31 December 1992. After it has been approved in the National Council of the SR, it will be possible to establish the finance police. Their mission will primarily be to ensure the execution of tax audits and to perform tax audits. Its employees will have strictly delimited tasks, duties, and authority in the performance of their official activities—that is, in the field of the administration and audit of taxes.

[Kerna] So far, the privatization process has not had confirmed investment of so-called dirty money. What is your view on this phenomenon?

[Tuchyna] Laundering dirty money is a process whereby the existence of illegal resources is concealed or the illegal use of earnings is directed at legitimating it. Within the current legislative system, our citizens and, thus, the people auctioning off property in the privatization process, as well, are not obliged to document the method by which the monies invested have been acquired. There are cases where previously poor people have auctioned off lucrative businesses, or they have been auctioned off by people who have in the past

committed criminal acts. Even though in many cases the criminal actions of these people have been demonstrated, because of the covert nature and difficulty in documenting it, one can assume that we do not know the full extent of such crimes. It is true that we have not confirmed specific cases of investment of so-called dirty money within the privatization process, but it is necessary to reckon with this possibility because of the extent of criminal activities, as well as the possibility of its influx from abroad.

[Kerna] You are building up special offices of criminal police for the protection of the economy. From where are you drawing experience in such matters?

[Tuchyna] It is indisputable that, under the conditions of the economic reforms taking place, there will be more illegal actions and new forms of economic crimes, as in the advanced countries with market economies. The legal system of relationships in a market economy and the criminal legal standards based on these laws must be modified to meet these circumstances, along with staffing the specialized offices of the Criminal Police in the economic protection sector. Acquiring specialized knowledge and competence is therefore the basic prerequisite for successfully preventing and clarifying criminal actions in the economic sphere. Information on the forms of crimes committed and methods of documenting these criminal actions can be drawn from generalizations from our own results of such work and by transferring the acquired professional knowledge and practical experience from police forces in countries that have established market economies.

Macedonian Assembly Debates Changing Name

93BA0390A Skopje NOVA MAKEDONIJA
in Macedonian 10 Dec 92 pp 2-3

[Article by reporting team of NOVA MAKEDONIJA:
"Parliamentary Deputies' Discussion: Harsh Criticism
of Foreign Policy"]

[Text] Although devoted exclusively to familiarization of the deputies with previous activities linked to international recognition of the Republic, after the speech by President Gligorov and a two-hour recess to study the information presented, this session of the Republic of Macedonia Assembly also caused violent reactions. These reactions were to be seen even before the discussion began, in the customary procedural questions.

Thus even when Assembly president Stojan Andov tried to limit discussion to a certain amount of time, this drew a reaction from Dosta Dimovska of the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity]. Ms. Dimovska stated among other things that there was no need for a time limit, because what is involved is a matter of very great importance to the country, and accordingly time restrictions are ridiculous as well as unnecessary. According to Blagoj Handziski of the SDSM [Social Democratic Alliance of Macedonia], the complexity and urgency of the situation in which the Republic finds itself make efficient operation essential, even more so because the public rightly wants to know what parliament's position is in advance of the EC summit in Edinburgh.

Jordan Boskov of the VMRO-DPMNE also voiced support of such positions, adding that the further course of the session would have far-ranging consequences. Vladimir Golubovski of the VMRO-DP [Internal Macedonian Revolutionary Organization-Democratic Party], after stating that a very serious matter was involved, asked "are we competent to debate this matter?" He said that the session was being held for a specific purpose, that of involving itself in the matter of changing the name of the Republic.

Turning to the United Nations

Independent Deputy Todor Petrov, after stating that the positions and principles relating to the name are well known and that there was no need to convene a session for this purpose, also stated that on the two occasions in the past when international activities were debated findings were adopted, reminding the assembly of the Gligorov-Panic meeting, but still asked that the Assembly draw its own conclusions after the speech by President Gligorov. After Andov explained for a second time that the session had been convened in accordance with the Constitution, President Gligorov having informed the Assembly, and nothing else being needed, there was no proposal or anything else that needed to be clarified, and no resolution, finding, or decision that had to be adopted, debate on the information began.

In a second statement, Vladimir Golubovski stated that there was much optimism in President Gligorov's speech regarding the situation in Macedonia and that all problems would be solved precisely by means of the change in name. His view was that Macedonian policy is faultless, and that accordingly there is no need to look for any errors in the operation of this policy. However, in order to give an overall evaluation it is not enough to comment exclusively on the name change proposal; the speech must be commented on as well. In our country, he added, we have changed the relationships of the institutions of government, and in place of a parliamentary democracy we have a presidential system, because the most important ministries in the government, those for foreign relations, internal affairs, and defense, are under the president of the country. After stressing that no one has the right to change the name of the Republic of Macedonia, and that such an initiative must not be launched, Golubovski urged that foreign policy become more greatly involved and be oriented toward UN membership.

To Stojko Stojkov of the VMRO-DPMNE, the question of change in name is not a matter for resolution either by the deputies or the president, because the foreign pressure would be a precedent in history, that one country could impose a particular name on another. The conduct of foreign policy without consultation with the political parties would lead precisely to a situation in which someone might arrogate the right to make an addition, and in the name of the country at that. Stojkov asked what was the meaning of Republic of Macedonia with (Skopje) added to it and what are the implications that might arise from this situation. After stressing that the European countries have had long years of diplomatic experience, he stated that Macedonian diplomacy is very naive. Threats of social unrest, wars, and the like admittedly do exist, added Stojkov, but they must not be linked to any pressure to accede to the demand for change in name. Consequently, we should work harder for membership in the United Nations rather than in the European Community, which is a continental organization and wants to impose itself as a sort of sponsor. Stojkov stated finally that the EC can decide if it will accept Macedonia as a member of the community, but we know who decides on international recognition of Macedonia, and how this is to be done, namely, the United Nations.

No Right To Make Mistakes

In expressing his opinion, Trajan Micevski of the VMRO-DPMNE asked, in connection with Tupurkovski, why there still is no clarification of who made the name change proposal and in what manner, and asserted that now these same people are proposing precisely that for which Tupurkovski was criticized, a change in name. He advocated nonacceptance of any change and stated that if the EC member countries grant recognition individually to Macedonia, things will be fine, and if they do not, we must wait to see what course things will take.

After making a rather extensive introductory statement concerning the situation in which the Macedonian people and the Macedonian Government find themselves nowadays, Blagoj Handiski of the SDSM stressed the responsibility of the deputies in determining the future and their influence on it. We have no right to make any mistakes, and if we are for Macedonia and the age-old ideals of its people to secure a place in the sun for themselves, sacrifices must be made. He compared Macedonia and recognition by an EC country to an application for a permit to build a house in the center of Skopje: The documentation may be put together, but the neighbors always create the biggest obstacle and mostly are the ones to spoil the project. Pointing out that Macedonia has withstood the pressures, the threats, and the obstacles that have been erected, he expressed support for rapprochement of the two sides, that is, acceptance of the geographic attribute Skopje in the name of our country. This is a major concession, stated Handiski, and we must express our willingness to do this, after they recognize us. We should not demonstrate to the world by an ill-considered move that the diplomacy of Great Britain is impotent, because they too will no longer hold out their hand to us. Handiski believes that the extended hand should be grasped, after Edinburgh and acceptance into the United Nations.

There Should Be No Name Change

Tomislav Stojanovski of the VMRO-DPMNE, in turn, believes that no one has the right to change the name of this country and that President Kiro Gligorov has the authority to represent the Republic of Macedonia, but does not have the authority to change the name. He does not agree that if the word Skopje is added it will not be necessary to amend the Constitution of the Republic of Macedonia. He also quoted several articles which according to him would be amended in the event of a name change. What sort of brave men are we, he asks, if we waver and give in to the pressures? If someone recognizes us, he should do it not out of compassion but as recognition of a fact in the situation in this region. Stojanovski also commented on the poll published in NOVA MAKEDONIJA, in which the majority of those polled reject the change in name. He also said that this was a poll of persons who want the country to go by the name of Macedonia and none other.

We are all liable for everything that happens to us, stated Mitko Anastasovski of the VMRO-DPMNE in his discussion. He expressed his great dissatisfaction with the diplomacy whose goal it has been to carry out that on which agreement has been reached in parliament, and parliament fails to carry out this diplomacy, which proves to be inadequate for accomplishing our tasks. In his opinion, Edinburgh will be followed by beginning of recognition by those who want to grant recognition. The sin will haunt us, Anastasovski said, if we change even one letter in the name, because afterward even greater concessions will be demanded from us. For example, if I change my name to Anastatijadis, tomorrow the Greeks

will demand that I change it to Anastasis and there will be no end to this process. And so I say that we must not toy with fate and we must allow no compromise.

What About the Diaspora?

Aleksandar Florovski of the VMRO-DPMNE addressed the deputies as "Macedonian-Skopjans," a new name according to him "devised by the Group of 12 and with the concurrence of Kiro Gligorov and his right-hand man Denko Maleski." Florovski asserted that "the 'one-man, one-country' principle has been demonstrated, as it is applied by the Macedonian leaders, thanks to the regime's information resources by means of which pressure is exerted on the conscience of the people." Asking what right minister Maleski has to suggest acceptance of the name Makedonija (Skopje), he ironically observed that "even if we were required to name ourselves Bushmen, he would accept even that." Criticizing President Gligorov for having "demeaned Macedonian dignity," Florovski asked what would happen to Macedonians in the future in an Aegean Macedonia, in a Pirin Macedonia, and to those in the diaspora; would these people call themselves Skopjans? He ended by saying that "I refuse to join in the president's dirty games."

Aleksandar Spirovski of the VMRO-DPMNE added to Florovski's words, saying "I have no intention of joining in the games just referred to." He informed the deputies that, as had been agreed at the parliamentary group meeting, the VMRO-DPMNE would dispatch a memorandum of its own to the EC, in which it would present conditions as they are and the real attitude of the public in Macedonia toward the name change proposal. Spirovski thinks that Gligorov has violated the Constitution and has flaunted the declaration of this parliament adopted in connection with the Lisbon Declaration; the parliamentary declaration bluntly states that there will be no compromise on the name. He spoke of the Macedonians in the diaspora and in neighboring countries who would lose their identity as a result of such a compromise.

With No Information Whatever

Djordji Kotevski, VMRO-DPMNE, first directed criticism at the government and President Gligorov, who had previously left the meeting. He reminded those present that, even at the session of parliament relating to the Lisbon Declaration, the deputies had predicted that there would be many deficiencies in the method of conducting foreign policy and that something had to be done so that there might be specific proposals. Unfortunately, nothing was done in this direction at that time. Like the previous speakers, Kotevski was firm in his determination that there must be no change in name, but rather that there should be changes in the government of the Republic.

Petre Trajkovski (VMRO-DPMNE) asked if an attempt by the West, which had decided to destroy the still existing communist system, was not behind the problem

of recognition of the Republic. As evidence of this he stated that every day the nation is frightened by information about the danger of war, and that information on rapid recognition and the like is being distributed in the country and that this information conceals the inability of the current government to devise a foreign and domestic policy.

Dosta Dimovska (VMRO-DPMNE) remarked that the deputies at this session have been placed in an unenviable situation, since they have had no written information whatever from the government, minister Maleski, or President Gligorov, and yet they are called upon to clarify something inaccessible to them. Ms. Dimovska stated that "the deputies have been placed in a subordinate position and constitute an ordinary malleable mass." Concerning the problem of the name Ms. Dimovska asked what authorizes the representatives to declare that Macedonia is ready to accept a new name. According to her, such a transaction is no guarantee of recognition of the Republic but one of its reduction to the status of a city-state. She believes that this session was expressly designed in advance of the Edinburgh meeting to create the impression that after any failure at Edinburgh it may be said "it will not take much for us to be recognized, if you agree to change the name." According to Ms. Dimovska, "the impasse at which the question of recognition has arrived is the direct fault of the leadership," and as for the information presented by the president, she declared that she was unable to accept it.

A Synonym of Skopje

Independent Deputy Dimitrie Trpenovski stated in connection with the proposed name Republika Makedonija (Skopje) his belief that in this case the Republic of Macedonia would be a synonym of Skopje, something that would be an anachronism and unacceptable. And we have no guarantee that the EC would not do what it wants regardless of what we think. The wise thing for us to do, according to Trpenovski, is to have an alternative, since it appears that with the proposal we are adhering to Europe and are not looking for new areas. The alternative in our case is the United Nations Organization.

A gigantic revolt, dissatisfaction, and protest have been generated in connection with the recognition of Macedonia, according to Boris Zmejkovski of the VMRO-DPMNE. He believes that changing the name is equivalent to definitive destruction of the nation, and this is a situation into which the sagacious policy of President Gligorov has led us. Something that a number of centuries have not succeeded in accomplishing has been accomplished by our most wise president, who has given consent to changing the name and who has placed himself above parliament and above the Constitution, according to Zmejkovski. Aiming harsh criticism at the policy which, according to him, is pursued by only two persons, Kiro Gligorov and Denko Maleski, Zmejkovski made the assessment that, as long as Macedonia is led by incompetent people and as long as the communists are in

power, there will be no progress. If the causes for the situations in which Macedonia finds itself have not been generated by big-dollar bribing of these people, one wonders why there is no other explanation for the failures of the leaders, who have the goal of annexing Macedonia to Yugoslavia.

Failure of Diplomacy

Greeting the deputies present and noting that he was returning to parliament after a year, Ljupco Georgievski of the VMRO-DPMNE began his contribution to the discussion by stating that the current session was of greater importance than even the one that approved the Constitution. Reminding the deputies of Orwell's book *1984*, Georgievski said that "Orwell is happening to us too." Until the day before yesterday, he said, it had occurred to no one to change the name, and yesterday parliament heard Maleski in the role of reporter saying that if we were lucky and changed the name we could be recognized. We were offered a change in name in a report in which there is not the slightest amount of self-criticism or apology for the failures. While he asked a larger number of questions, he devoted the greatest amount of time to that of why Macedonian diplomacy allowed the Lisbon Declaration to be issued. Surveying the activities of the diplomatic corps, Georgievski concluded that of the first year Macedonia spent eight months in rescuing Yugoslavia, fought against Slovenia and Croatia and their recognition for two months, and devoted only 10 days to fighting for the independence of the country. "Subsequently we waited every day for six months for our recognition and got the Lisbon Declaration, but what television and NOVA MAKEDONIJA did then can hardly be compared to the stalinist and fascist systems. Our diplomacy was inefficient, but the nation also remained unenthusiastic."

In connection with the question of the name, Georgievski believes that the alternatives are the usual fantastic ones, and that the two persons who conduct policy privately, individually and as a duo, are demanding that we present their defeat as our victory. It can be interpreted in no other way than as a miserable demeaning of the dignity of the Macedonian people and state, according to him.

The session of the Assembly continued for 10 hours today.

[Box, p 3]

The Name and Folklore

If we change the name or add Skopje, how will we then give names in Macedonian folklore, asks Trajan Micevski of the VMRO-DPMNE. How will we sing the song "Zemjo Makedonska" [O Macedonian Land]? Will we say "O Land of Stip" or "O Land of Skopje"? Or the one about the pearls of Ohrid—only one was of Macedonia. Was it of Skopje or of the Aegean? Or again consider the song "Makedonsko ime nema da zagine"

[The Name of Macedonia Will Not Perish]. Condemn him to a burning who talks to me about changing the name, declares Micevski.

[Box, p 3]

Mandates of Three Deputies Verified

The mandates of three new deputies were verified at the beginning of yesterday's session of the Assembly. Ljupco Georgievski (VMRO-DPMNE), Nikola Popovski (SDSM), and Skuri Rahimi (PDP [Party for Democratic Prosperity]) became members of parliament yesterday. Assembly President Stojan Andov expressed his hope that the work of the deputies would be successful and productive.

Macedonian Defense Minister on Risk of War

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in Macedonian 28 Dec 92 p 2

[Interview with Macedonian Defense Minister Vlado Popovski by Zoran Petrov; place and date not given: "The Firmness of the Citizens Is the Most Important Security Factor"]

[Text] *The risk of war in Macedonia is not entirely avoided but the hope is that assessments about regional and global danger which could trigger any eventual outbreak of a new hotbed of war would prevail. The arrival of the world forces also means a higher level of international treatment of the Republic in terms of its actual recognition.*

For quite some time Macedonia has been living in a state of so-called military psychosis. Foreign military analysts and people suitably familiar with the situation in this part of the Balkans have been particularly actively "developing" over the past five to six months the concept that a new military hotbed may break out in the Balkans, taking into consideration several possible options and scenarios leading to the opening of a southern front which would directly include the Republic. The fact that such a possibility has a real support is quite well confirmed by the latest resolution of the UN Security Council to send world forces on a preventive mission to the Republic of Macedonia. We discussed the views on the overall security situation in Macedonia with Dr. Vlado Popovski, the minister of defense.

[Popovski] Such concepts have a certain degree of reality by the very fact that war is continuing to be waged in the former Yugoslav areas and no one knows when and under what circumstances it will come to an end. There are elements indicating that it could spread to the south, particularly toward Kosovo and Sandzak. Our view is that in that case Macedonia would be faced with a direct threat of war, for it is quite likely that with a radical military confrontation in Kosovo, the Republic may become involved in a war. We believe that in such a case that would be a regional war that would involve the

Balkan countries and that Macedonia would become the center of the military objectives. Such a development of the situation would have difficult consequences not only for the Republic but for the entire area and could even threaten European peace. In our view, unrelated to the Kosovo situation, there is also the threat of the unknown type of reaction by a string of nationalistic paramilitary forces that are being organized on what was formerly Yugoslavian territory, and that have certain aspirations concerning Macedonia, referring to some kind of historical rights or grounds. Although in fact such claims are absurd, they nonetheless are a threat to our peace and security. That means that we have not entirely escaped the risk of war but the hope is that events will not develop in that sense and that assessments concerning regional and global threat will prove false. This is the so-called balance of terror.

In such a case we suppose that protection forces and mechanisms could be intensified. We look upon them above all as a reaction on the part of the international community, placing us to a certain extent under the protection of international mechanisms and, second, which is very essential, we believe that avoiding the risk of war will depend to the greatest extent on the preparedness and firmness of the citizens, the Armed Forces, and all other subjects in the Republic in defending Macedonian sovereignty, territorial integrity, and independence. The alternative of a peaceful resolution, therefore, is included in this hypothetical framework. Unfortunately, we expect that such direct aspirations concerning Macedonia may, in the future, intensify and escalate for, according to the latest elections in Serbia, nationalistic circles have become much stronger and the positions of the Serbian Radical Party, headed by Seselj have strengthened.

[Petrov] Since you mentioned international mechanisms, do you believe in the need to assign "blue helmets" to Macedonia?

[Popovski] Personally, I believe that this is useful for, as has been defined, the contingent of world forces is charged with a preventive mission, particularly in terms of the defense of peace in Macedonia. This is an initial effort on the part of the United Nations to act preventively in this direction. Their mission is advantageous above all because the UN forces will greatly contribute to the strengthening of factors related to security and the threat of war in the area. Second, I believe that, to a certain extent, they will contribute to lowering the tension along the borders by the very fact that they will let all parties know that the international community is interested in peace and is intervening with its forces. Third, this also indicates that the Republic of Macedonia is part of countries and projects which are placed under UN protection. We cannot be harmed in any way by the international world forces, for their function is aimed at reducing tension particularly along the borders. In my view, their greatest use is the fact that the international community will be receiving true information from its own sources.

Otherwise, the arrival of the "blue helmets" in our country could and should be considered an element of the de facto recognition of Macedonia, for their arrival also indicates a certain increased international behavior toward the Republic in terms of its factual recognition.

[Petrov] What is your view of the fact that citizens of Albanian ethnic origin are not joining the ARM [Army of the Republic of Macedonia] and, in general, of the influence of the so-called "Albanian" factor in terms of the peace and security of the Republic?

[Popovski] It is accurate that the first groups of recruits for the ARM had a very small number of youngsters of Albanian origin. I believe, however, that this does not mean and should not be considered as any kind of boycott of our Army. This may be due to a number of reasons. First, I believe that it is a question more of administrative problems in opstinas in the western part of Macedonia from which few recruits have come. Second, the public should know that since the time of the mandatory drafting into the Yugoslav National Army, a large number of young people emigrated and we are now in the stage of reactivation of the draft, the best proof of which is the latest group of recruits among whom the number of Albanians has increased. Actually, the public should also know that we also have real problems with recruits of Macedonian origin, for only 64 percent of the draftees show up in the barracks. I believe that this is a specific problem for the Republic which, in my view, will be surmounted quite quickly. On the other hand, the Ministry of Defense held discussions with representatives of several parties, including the PDP [Democratic Prosperity Party] and I am certain that this problem will be most quickly resolved. Actually, it is in the interest of all citizens of the Republic of Macedonia, regardless of their ethnic affiliation, to have peace and security in their country, for one of the most important prerequisites is that of the firmness and readiness jointly to participate in the defense of one's fatherland.

[Petrov] Has the dispute with the MVR [Ministry of Internal Affairs] been resolved, and if so to what extent, concerning the military camps that were abandoned and then taken over by the police?

[Popovski] Actually, there is no dispute between the Ministry of Defense and the Ministry of Internal Affairs. As we know, some 90 of the 454 military camps which were emptied following the withdrawal of the Yugoslav Army from the Republic of Macedonia, were taken over by MVR personnel. It is the government that will determine their legal status and, in general, the question of ownership or the right to their use. The government has the right to formulate the legal system governing their utilization. To the best of my knowledge, the government will be dealing with this problem this coming week. This will exclude any kind of disagreement between the two ministries.

[Petrov] Increasingly, there is public talk of differences and even confrontations in relations between the General Staff and the Ministry of Defense. Is there any truth to this?

[Popovski] There are and there should be some differences in views on various defense issues. In my view, this is entirely normal and, if you wish, even positive to have differences in views and concepts on certain issues. Generally speaking, there are no misunderstandings or confrontations of an essential nature. On the contrary, I can assert to you that all the structures of the ministry and the General Staff have reached a high level of agreement and similarity of views. As you know, we are developing a civil concept of defense that is diametrically different from that of the Yugoslav Army, which in the former Yugoslavia was a state within the state in the true meaning of the term. Bearing in mind that ARM officers have come to us from the former Yugoslav Army, I can freely say that they are adapting exceptionally well and understanding the new concept of defense of the Republic of Macedonia, so that there simply are no problems or real misunderstandings in relations between the ministry and the General Staff. The priority objective is to achieve what is most necessary, which means a high degree of preparedness and flexibility of all Macedonian defense structures.

[Box, p 2]

Where Will the "Blue Helmets" Be Deployed?

They will be deployed, above all, along the northern border and at one point along the western border. They will be located in several centers and, in terms of their functions, the "blue helmets" will cover the entire northern border with constant patrols and surveillance. On the western border their presence is made significant by the fact that of late there has been a large number of illegal crossings, for which reason civilian police forces will be deployed and be in charge of observing that specific area. This will be a reaction to such illegal crossings and, at the same time, determine quite well the extent to which that border is being kept under surveillance by the other side. According to our intelligence, the western Macedonian border is not being watched along its entire length on the Albanian side.

Although we asked for a greater number of peacekeepers, the United Nations has agreed to send about 700 "blue helmets" and 64 members of civilian police forces and administrative officials. I believe that they will be quite sufficient in performing their mission. In addition to infantry weapons, they will also have armored personnel carriers and four helicopters, thereby increasing the efficiency of their surveillance. They will be billeted in four centers, three along the northern and one along the western border. They will be Skopje, Kumanovo, Tetovo, and Debar, using Army facilities, and their headquarters will be in Skopje. We also know that in Macedonia the "blue helmets" will be commanded by a

Dane and that the forces will be provided by the northern countries—Finland, Norway, Sweden, and Denmark.

New Members of Macedonian Assembly Interviewed

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in Macedonian 12 Dec 92 p 11

[Interview with Ljupco Georgievski, VMRO-DPMNE; Nikola Popovski, SDSM; and Sukri Rahimi, PDP, by Aleksandar Damovski; place and date not given: "Obvious (Party) Differences"]

[Text] *At its latest meeting the Macedonian Assembly verified the mandates of three new representatives: Ljupco Georgievski, from the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity]; Nikola Popovski, from the SDSM [Social Democratic Alliance of Macedonia], and Sukri Rahimi, from the PDP [Democratic Prosperity Party]. We asked identical questions of the three representatives of the three biggest parties in the Republic according to the number of their representatives. The answers of the three new representatives clearly indicate that the work of the new Assembly will be similar to the preceding one. The first question asked was to assess interethnic relations in the Republic.*

Ljupco Georgievski, VMRO-DPMNE: Abuse of Goodwill

"The common ground between the communists and the Albanians is their joint mortal enemy, the VMRO-DPMNE."

[Georgievski] There is no point in concealing that there is a certain tension in relations between Macedonians and ethnic Albanians that may reach extreme levels, as best seen with the incident at Bit Pazar. When we speak of human rights, and not only those of the Albanian minority in the Republic, I believe that Macedonia has met its commitments on the basis of all European documents relative to the protection of minority rights. In that sense, both we and the Macedonian public must be prepared to discuss all areas of life in which human rights could assume a new quality. However, we should not ignore the fact that the goodwill of the Macedonian people, particularly in the last two years, has been abused by the Albanian minority. This has been assisted also by the Republic's state policy, a policy of granting concessions to the Albanians in all areas, a policy of continuous concessions....

[Damovski] Do you agree with the view that the growth of Albanian nationalism has been assisted by Macedonian nationalism?

[Georgievski] It is our party that is mentioned most frequently by the information media in matters of Macedonian nationalism. There is no Macedonian nationalism in Macedonia. At this point we can speak of

Macedonian patriotism and the persecution and torture of the entire public by the official authorities aimed at anything that refers to Macedonian patriotism and the strengthening of Macedonian statehood.

[Damovski] What is your view on the Bit Pazar events?

[Georgievski] I am not deceived by the official statement of the minister of internal affairs according to which these events are no more than an ordinary fight between the police and the black marketeers. It is obvious that this is a question of a clash based on ethnic grounds, concealed anger, and a policy of hatred shown by the Albanian mass of the police and ordinary Macedonian citizens. It is equally inconceivable that the Macedonian Government has still not issued its official view on these events, and equally inconceivable are the statements by the PDP leader and the deputy chairmen of the PDP and the NDP [National Democratic Party] of opposing the international recognition of Macedonia, while the ministers of that same party remain members of the government. It is obvious that this is some kind of a game and a scenario being played out among the ruling coalition partners.

[Damovski] Did that same scenario operate at the 41st Republic Assembly?

[Georgievski] That was obvious. The game that has been taking place in Macedonia for the past two years reached its peak recently. The main obstruction to that meeting was triggered by the following two factors: the communists and the Albanians. The common ground of these interests is something difficult to define. We have lived to see an unprincipled coalition that is now laying its real foundations. It is in the interests of both sides to prevent the final structuring of Macedonian statehood. The Albanian parties have already clearly stated this, while the communists within the government are doing the same thing through their behavior. That is perhaps the common ground which brings those two partners together or, in other words, our party is considered their joint mortal enemy.

[Damovski] Several days ago the option of adding the word "Skopje" in parenthesis to the current name of the country was suggested as a condition for the possible international recognition of Macedonia. What is your view on this matter?

[Georgievski] The effort to accomplish an incredibly fast change in the atmosphere in the Republic by the totalitarian regime by changing the name is totally unacceptable. If we allow such a precedent to happen, similar events will follow.

[Damovski] What is your view on the approval by some parties of nationalizing the Republic?

[Georgievski] The support shown by the PDP and the NDP for the nationalizing of Macedonia and creating the state of "Ylirida" is totally unacceptable. The PDP

and NDP have as their sole objective that of nationalizing Macedonia and turning that territory into the state of "Ylirida" and, subsequently, legitimately creating a Greater Albania. Anyone who may have other illusions concerning the views of the PDP and NDP is kidding himself and the entire Macedonian public by opening the way to the establishment of that "Ylirida."

Nikola Popovski, SDSM: We Need a Parliament on a Civil Basis

"The PDP and VMRO-DPMNE are pursuing a two-faced policy."

[Popovski] It is obvious that one of the most relevant and significant problems in the Republic, a problem that could escalate to the level of the worst option for Macedonia, is that of interethnic relations. In practical terms, that is what all problems are reduced to. Inasmuch as there is some kind of priority in resolving problems in Macedonia, it is obvious that that is the first problem, which must be resolved as rapidly as possible, thus creating prerequisites for the resolution of all other issues. Without this we cannot create a stable state able to resolve the problems of its international, political, and economic existence.

[Damovski] Is the threat of the so-called "southern front" concealed precisely in such interethnic relations?

[Popovski] There are indications that a certain share of the latest interethnic tension that developed in the Republic was directly inspired by those who would like to have such a front. Nonetheless, I am convinced that if those who are creating such incidents were to think more profoundly, they could conclude that, to begin with, this would be the slowest and, furthermore, the most difficult way of resolving such problems, for the problems that would follow would be only worse. Those who are promoting such events should not imagine that they would be limited exclusively to the Balkans.

[Damovski] How do you assess the views supported by the PDP and the VMRO-DPMNE?

[Popovski] What is strange is that for quite some time these two parties have been pursuing a two-faced policy reduced to a hot-and-cold reaction to some issues raised in parliament. The impression is that neither political party has a clear final political objective. Hence contradictory statements, particularly the frequency with which they are being made by PDP leaders. In the parliament we must ensure a majority that would function on a civil basis. As long as the parliament has a majority of ethnic parties, regardless of their origin, difficulties in the functioning of its work will remain. Regardless of their proclaimed civil approach, essentially, in crucial aspects, they behave like ethnic parties.

[Damovski] Do you agree with the assessment that such an attitude, also occurring at crucial moments, can be found in your party as well?

[Popovski] Repeatedly the supporters of the parties which claim to be civil, and which behave as such, display entirely different views. So far, our party has been successful in supporting and will continue to support the civic concept and will not allow, under the pressure of daily political events, its rating and influence among the public to rest on making daily concessions relative to the ethnic or civil nature of the state. This has already been proved by the SDSM.

[Damovski] What is your attitude toward the so-called "Ylirida" as an attempt at nationalizing the Republic?

[Popovski] Our concept of Macedonia is one of a unitarian state. We consider anything else as conflicting with the basic governmental objectives of Macedonia. Hence, we believe that "Ylirida" is only part of the marketing objectives of certain Macedonian political forces.

[Damovski] The international recognition of Macedonia is becoming one of the key issues relative to its future. What is your view on this matter?

[Popovski] Although there are those who reduce the question of international recognition to a problem to which excessive attention is being paid, I nonetheless believe that this is indeed a key problem. The international recognition of Macedonia is one of the necessary prerequisites for the development of economic relations with other countries and concluding bilateral accords on economic, financial, and other types of cooperation. Access to all economic and financial international institutions is not something to be neglected. This would make the financial and economic support we so greatly need much more realistic and we could undertake much more seriously the settling of our internal relations. This includes, above all, privatization without any major social disturbances.... Hence I believe that the addition "(Skopje)" does not change the name of the Republic of Macedonia.

Sukri Rahimi, PDP: "Ylirida" Is an Extremist Demand

"One can communicate with the SDSM, but no such understanding is possible with the VMRO-DPMNE."

[Rahimi] Interethnic relations in the Republic began to cool off as early as 1981. Unquestionably, recent events have greatly contributed to such cooling off. I believe that we have sufficient strength to settle such issues and to correct shortcomings, which would result in appeasement. This will necessitate the commitment of all progressive forces at our disposal and, thank God, such forces do exist in Macedonia.

[Damovski] What is the reason for such cooling off?

[Rahimi] The reasons are numerous. New processes were inaugurated with the start of democratic changes in our country. This, however, did not mean that the issues were resolved. This is a process that is developing and in

the course of which issues will be resolved. At this point some minor short circuits develop that lead to minor misunderstandings.

[Damovski] To what extent are Albanian and Macedonian nationalistic forces to be blamed for what you call minor misunderstandings?

[Rahimi] Such forces exist in all environments. Here, however, these forces cannot prevail above all because of the existence of the constructive forces that are struggling for a normal resolution of problems. What matters is the fact that, particularly of late, there have been proper views expressed on the right way to eliminate such shortcomings.

[Damovski] Do such trends prevail today anywhere?

[Rahimi] They exist but they cannot prevail. My impression is that it is reason that prevails.

[Damovski] What is your view concerning a referendum on the so-called territorial and political autonomy of Albanians in Macedonia?

[Rahimi] It is an insistence to create a political subject and its affirmation. I believe that this is not a demand for secession whatsoever but an effort at ensuring a proper resolution of issues in the area of interethnic relations.

[Damovski] Is "Ylirida" the only way of resolving issues?

[Rahimi] No, not "Ylirida." Ylirida is an extremist idea. It is neither the view of the party nor of the progressive people. Autonomy, however, is something entirely different. It means a resolution of problems in the area of interethnic relations.

[Damovski] Then what are the problems of Albanian ethnicity in the Republic?

[Rahimi] There are some violations that do not date from today but are a vestige of the 1980's and must be corrected now. Naturally, this cannot be accomplished overnight. Changes in proportionality are viewed as a process and part of the efforts to resolve such issues.

[Damovski] To what extent were the Bit Pazar events the result of such misunderstandings?

[Rahimi] These were excesses—unplanned events that caused the creation of a major from a minor happening. Had an effort been made for a deeper assessment of the situation, the incident would not have happened at all. It is unquestionable that some of the fault is that of the police as well.

[Damovski] How would you rate the views of the SDSM and the VMRO-DPMNE?

[Rahimi] That is their problem. With the former, however, we can find a way to talk; no such understanding is

possible with the latter. This requires political practice, something that VMRO-DPMNE supporters lack a great deal.

[Damovski] Recently there was a great deal of talk about possible changes in the name of the Republic as one of the prerequisites for its international recognition. Do you consider acceptable any such eventual changes?

[Rahimi] The PDP has always favored and still does the international recognition of Macedonia. Prolonging the condition of nonrecognition can only worsen the Republic's economic, social, and political situation. This affects all people equally. The variant that was suggested concerning the name is entirely acceptable to me. We lose nothing with this.

[Damovski] Yes, but according to members of the highest leadership of your party such a recognition would also depend on other conditions.

[Rahimi] The recognition of the Republic depends on other, foreign factors.

Demands of Ethnic Students Increase in Macedonia

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in Macedonian 9 Dec 92 p 9

[Report by Biljana Martinoska: "Improvisations for Maimed Generations"]

[Text] *Under the pressure of ethnic political parties, parents are urging their children to boycott instruction in Macedonian and to demand school training in the Albanian or the Turkish language. Because of no schooling or of inadequate schools, the young generations remain deprived of a great deal of new knowledge. They are manipulated and permanently damaged. Firm programs must be quickly developed for parents and children, and we must not allow the politicizing of education.*

In recent years incredible things have happened in the education of children of Albanian and Turkish ethnic origins: Individual activists from the ethnic political parties urge their children to boycott schools and education in the Macedonian language. As we know, they demand instruction in Albanian or, respectively, the Turkish language, and not only in primary but also in secondary schools and in the universities. They do not shy away from any ways or means in their efforts to achieve this. We have witnessed innumerable protest gatherings and even meetings expressing the dissatisfaction of many parents concerning the second-rate classes that have been organized, instilling who knows what type of knowledge (including some based on programs originated in Kosovo, without textbooks, using unqualified teachers and working in substandard conditions...). Some such classes have been organized after a single meeting and are still functioning. These are improvised schools, the only result of which could be the "training" of damaged generations.

Boycotts and Meetings

The problems are especially grave concerning the Albanians. Their demands have drawn the attention of the parliament and the government. Let us recall that last year a large number of Albanian ethnic students refused to accept their certificates of completion of the school year. This prevented their participation in the regular competition for enrollment in secondary-education schools, for which reason (last August) the law on bilingual education and documentation was passed, with an additional resolution by the government that extended the enrollment deadline (to fill in available seats in the secondary schools in Tetovo, Gostivar, and Debar) and additional classes were opened at the Zef Ljus Marku in Skopje, the medical school in Tetovo, and the Pance Arsovski MMUC [Macedonian Medical University Center] in Skopje). However, vacancies remained for lack of interested candidates. This was followed by a new reaction on the part of the PDP-NDP [Party for Democratic Prosperity-National Democratic Party] to the government's decision, according to which the agreement to open classes with instruction in the Albanian language was not being implemented, as well as an additional request for secondary school and classes in the medical, economic, and commercial schools which, according to the rules of the competition, had already been filled.... Thus, last October, the Macedonian Government discussed the current situation in the educational field and, in accordance with the constitutional and legal regulations, and bearing in mind the democratic processes and the situation which had developed in the area of inter-ethnic relations in Macedonia, determined that in the secondary schools in cities which had the necessary material, personnel, and premises, without making new appointments, efforts would be made to open classes providing instruction in the Albanian language. Whenever the necessary personnel were lacking, instruction was to take place in the Macedonian language.

As a result of this resolution, the opening of new (nine) classes was allowed in the secondary schools in Kumanovo Kicevo and Struga and in specialized machine training in Gostivar and in the construction, machine, and metallurgical vocational training branches in Skopje. However, students of Albanian ethnic origin did not enroll, for they demanded full instruction in the Albanian language (except in one of the schools). This was followed by the demand to open unsanctioned classrooms in the village of Radolista, Struga area; the village of Vlapkin, in Dol-Kicevsko area, in Kumanovo, and in Skopje.... This was followed by an inspection, a number of visits, and decisions to prohibit the further work of such classes due to the many irregularities that were discovered. Instruction in such provisional schools was actually not even instruction. The teaching was frequently only oral, without textbooks, by untrained teachers, like wild Indians, simply for the sake of saying that these children were attending school that was teaching them exclusively in the Albanian language. Furthermore, it was only some of the decisions of the inspectors that were accepted, and many of them have

been ignored to this day. The situation has changed insignificantly, which proves that the legitimate institutions are failing in their jobs in that area.

Instruction in an Unfamiliar Language

Starting with that school year, again as urged by some activists of the Democratic Alliance of Turks, demands increased for a more extensive use of instruction in the Turkish language. Instruction in a larger number of schools (in Centar Zupa, Debar area, in Plasnica and Greglovo villages in the Makedonski Brod area, the Lisicani and Kicevo, Urvic and Jelovjane villages in the Tetovo area, Dolno Kolicani Village in the Skopje area, and the Lazni and Pistacevo villages in the Prilep area) began with difficulty and interruptions, and boycotts by parents. This time the situation was even more tragic, for some of the parents and virtually all the children are unfamiliar with or do not speak the Turkish language. They speak only Macedonian, yet they are asking for schools in the Turkish language.

The reasons given were ethnic origins and the constitutional right to education in the native tongue. In the course of numerous meetings with the parents, the Ministry of Education and Culture pointed out the groundlessness, the lack of viability, and the unrealistic nature of such demands, and that these same demands were an unparalleled experiment with children practiced nowhere else in the world. However, all the correspondence, contacts, discussions, and persuasions yielded no results (particularly in Centar-Zupa, Plasnica, Preglovo, Urvic, and Jelovjane), where the school boycott is continuing. Eventually, the atmosphere intensified, the feelings escalated, but then cooled down, and conditions subsequently returned back to normal....

Considering the difficulty of the problems, the intensity of which is growing, and the possible consequences, in the forthcoming period the government will systematically try to improve the social status and living conditions of the Macedonian population of the Muslim faith and involve the respective ministries (education and culture and internal affairs) to organize a permanent control of the situation and to establish contact with the parents with a view to protecting the children from bad influences and ignorance. Naturally, such measures and activities must also be applied in areas with an Albanian population, so that politics may not become part of education, to the detriment of the young generations.

Concern Over Macedonian Lamb Exports to EC

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in Macedonian 9 Dec 92 p 4

[Article by B. Dicevska: "A Test of the New Efficiency"]

[Text] *Next year's volume of exports, when actually the highest production of lamb in the Republic is expected, will greatly depend on the timely and overall realization of the approved amount of export of 666 metric tons of*

lamb to the EC. The export price on the Italian market is 7,500 lira per kilogram; it is \$5,000 per metric ton for Greece.

Exports of lamb from the Republic should begin on the 15th of this month. According to the EC-approved amount, 666 tons of lamb must be exported from the autumn crop. More specifically, according to the quota set by the respective EC commission for exporting countries, about 200 tons should be exported to Greece, about 50 tons to France, and the balance should go to the Italian market. The export price on the Italian market for the time being is 7,500 lira per kilogram, compared to \$5,000 per ton on the Greek market.

Bearing in mind that we are dealing with a strictly established quantity which includes the unsold export amounts allocated to the former Yugoslavia, this time we must establish a better organization. Above all, this applies to the prompt and overall purchasing of the lamb in the Republic and the fast and high-quality slaughtering, which is a most important factor in the prompt marketing of the approved volume of exports, the more so since this will greatly determine the approved lamb-export quota approved by the European Community for the next year for which, actually, we are expecting the highest-ever production of lamb in the Republic.

In the context of such aspirations, the Livestock and Livestock Production Fund, which operates as part of the Macedonian Chamber of Commerce, has once again started issuing certificates, so that the allocation of the total approved export quotas has already been filled, based on the interest shown by the exporting enterprises. In addition to the already known traditional exporters of lamb in the Republic, certificates were issued to a larger number of private enterprises interested in such activities. Export certificates have been issued for 10 percent of the overall amount of approved export quantities, assigned to the Livestock and Livestock Production Fund. It is precisely this quota assigned to it out of the already approved amount for export of lamb from the

Republic that has triggered a great variety of reactions. They are caused by the views on the further involvement of other entities in their deals, and the fact that this will influence the overall foreign currency earnings of the exporting enterprises. Obviously, this is either a case of insufficient lack of information or of a certain degree of misunderstanding.

As pointed out by Tome Atanasovski, agriculture adviser at the Macedonian Chamber of Commerce, this step was taken for the sake of eliminating any eventual manipulation with certificates and preventing their resale or else failure to market the already approved export quotas. More specifically, this is a kind of guarantee that the approved export volume, based on the issued certificate, will be sold in its entirety. This is the only explanation for the withholding of 10 percent, which could be then restored to the enterprises. The fund even anticipates that this amount may be returned also to enterprises which will export some of their available amount and commit themselves to export the balance by the end of next March. Nothing will be returned to the exporting enterprises which will be unable to export even a single kilogram of the approved amount, so that the funds thereby earned will be used for the development of the Livestock and Livestock Production Fund. This clearly indicates that we are not practicing some kind of injustice toward the exporters but are encouraging the prompt and overall export of the full quota approved for us by the European Community.

Actually, these and a number of other steps that will be taken to realize the exports are considered inevitable. This is due, above all, to the fact that the export quota approved by the European Community should in no case be unsuccessful, for this is a test of our possibilities for establishing and determining our export possibilities for exporting lamb meat in the year to come. This is also unequivocally confirmed by the significant increase compared with the amount of the 400 tons of lamb which the Republic was requesting to export from last autumn's output.