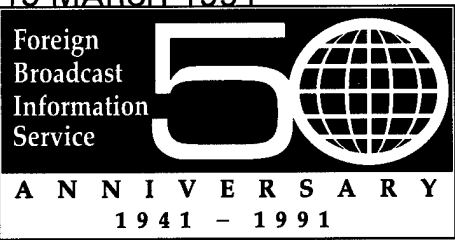


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CONTENTS

15 March 1991

POLITICAL

CZECHOSLOVAKIA

Havel on Federation's Future, Its Perils [RESPEKT 3 Mar]	1
Support for Moravian Autonomy Voiced [LIDOVE NOVINY 30 Jan]	4
Problems of Integration Into Europe Reviewed [TVORBA No 4, 1991]	4

HUNGARY

Minister Without Portfolio Galszecszy Interviewed [TALLOZO 11 Jan]	6
New Interior Minister Discusses Views, Goals [BESZELO 5 Jan]	8
SZDSZ Urged To Adopt Radical Course [BESZELO 19 Jan]	11
SZDSZ Protests Vegvari's Conviction [BESZELO 19 Jan]	14
Press Attacked for Antigovernment Bias, Pessimism [KAPU Jan]	14

ROMANIA

Monarchy, Representative Republic Compared [DREPTATEA 12 Feb]	16
Territories Claimed by Serbs in Croatia [POLITIKA 17 Feb]	18
Justice Minister Victor Babiuc Interviewed [ROMANIA LIBERA 13 Feb]	20
CADA Agenda, Accomplishments Reviewed [DREPTATEA 12 Feb]	22
Program Chief of Romanian TV Interviewed [ROMANIAI MAGYAR SZO 16-17 Feb]	23

YUGOSLAVIA

Croatian List of Serbian 'Extremists' Discussed [VJESNIK 16 Feb]	25
Credibility of JNA Spegelj Film Questioned [MLADINA 29 Jan]	27

ECONOMIC

BULGARIA

Computer Deals for Soviet MVD Reported [168 CHASA 15 Jan]	31
---	----

CZECHOSLOVAKIA

Changes in Method of Financial Management Viewed [HOSPODARSKE NOVINY 24 Jan]	33
Preliminary Cost of Living Index Published [HOSPODARSKE NOVINY 30 Jan]	39

HUNGARY

Ikarus Enterprise Falters Despite State Efforts [NEPSZABADSAG 8 Feb]	40
Banks Burdened by Past Loans to State [NEPSZABADSAG 13 Feb]	41

POLAND

Future of Soviet Ship Contracts Uncertain [POLITYKA-EKSPORT-IMPORT Jan]	42
---	----

ROMANIA

Savings and Deposits Bank President Interviewed [ADEVARUL 31 Jan]	43
---	----

CZECHOSLOVAKIA

Havel on Federation's Future, Its Perils

91CH0427A Prague RESPEKT in Czech 3 Mar 91
pp 4-5

[Interview with President Vaclav Havel by Petr Janyska, Ivan Lamper, and Martin Weiss; place and date not given: "I Will Not Be Another Benes"]

[Text] [RESPEKT] The last time we talked together was in April last year. At that time you said that you have an optimistic view of the situation. That we are in a crisis, to be sure, but that sooner or later we shall emerge from it victorious. How do you see the situation today? And after a year of exercising real power, how did your ideas, with which you entered politics, change?

[Havel] The situation is much worse today than it was a year ago. But we have not lost our faith that everything will turn out all right. We are just a year older, we gained a year's worth of experiences, and we are—as a country—merely descending to the very bottom of the crisis. When we reach it, it is my firm belief that the situation will slowly begin to improve. I am not a clairvoyant, I do not see into the future, but my instinct tells me that it will be so.

As far as the second question is concerned, I discovered that everything is vastly more complicated than I imagined. But that does not mean that I changed my views, ideals, or concepts. I would even go so far as to say that many of my impressions and plans have been verified. It seems to me that later developments demonstrated the correctness of some of my suggestions which were originally rejected. For example, in my opinion today's crisis in the Civic Forum did not have to come about if the electoral law had been different, which I consistently urged; but in the end I was quite alone in that view.

[RESPEKT] The social as well as the political life of Czechoslovakia has been totally paralyzed for some time already by the nationalist strife. It sometimes seems, therefore, that the only logical outcome of our crisis will be the breakup of the state. Is that a real possibility, or does it only seem that way?

[Havel] That possibility exists, of course, but I do not think that the state will break up. We are living through a very difficult period, when two nations united—despite their different history and different conditions of development—in one state are searching for a basis and form of coexistence. Theoretically it is, of course, possible that they will not succeed, but I do not consider it to be a likely threat. I think that the crucial moment when the problem of the relationship between the Czechs and the Slovaks will manifest itself, will be the negotiations about the new constitutions. The making of the new federal constitution should therefore take place as quickly as possible. I have been quite involved in this matter, I have a very clear and specific concept of the

future constitution, and I want to acquaint the public with that concept very soon now.

[RESPEKT] Some time ago the same thing was said about the law on jurisdictions. That it will be an important step which will contribute to stability and to the overcoming of some instances of crisis. Now that law has been adopted and it appears that it was a very dubious success. In the form in which it was approved it does not do very much for us.

[Havel] Personally, I never had any illusion that the law on jurisdictions will resolve this issue forever. But in fact not just I myself. Even some politicians considered it from the beginning as provisional, temporary. Some did so because it seemed to them that a permanent distribution of jurisdictions according to that model basically liquidates the federation. Others disagreed with it for opposite reasons: They considered it to be only some kind of a minimum which must be exceeded and that we must go much further in the distribution of jurisdictions to the republics. But all these problems with the law on jurisdictions is only one more reason why we should finish the work on the constitution. If the crisis is to manifest itself in its full extent, then let it be as soon as possible.

[RESPEKT] The draft of the federal constitution is said to be ready. If that is true, then it should be publicly discussed. Or is that not possible for some reason?

[Havel] As we know, the federal constitution will be adopted by the Federal Assembly. In order to be able to adopt it, it must first be drawn up. To that end there is a political commission for drawing up the constitution. It met for the first time a week ago, on 18 February. The meeting lasted only two hours, the representatives of various political groups expressed their views on the principles of the constitution, and then went home. The principles of the constitution were drafted for this political commission by a team of experts, nevertheless, the political parties came with other principles. The legal creator of the constitution is the parliament, which has its own procedures. I only enter into it so to speak from the outside, and I cannot infringe on the parliament's working plan too much. I can only try to give impetus to this process, speed it up, I can give suggestions, inspiration, maybe even in the form of the paragraph composition of the constitution, and I want to do all that. But I cannot and do not want to expropriate the legitimate right of the Federal Assembly, which is to give this nation a constitution.

[RESPEKT] More about the parliament. Recently it discussed the question of your authority, and it seems that the deputies did not view it with any great enthusiasm. Do you think that we are still in a situation when greater authority is apposite and needed?

[Havel] For the time being, I have not presented to the Federal Assembly the proposal for a law on strengthening certain powers of the president. It is not only the matter of the risk that the parliament would not approve

it; even if it did, it would be in effect only a few months. But in the new constitution greater authority for the president should be considered. I consider it to be most important that the president should not be responsible to the parliament, which means that the parliament cannot recall him. Linked to that is also the authority of the president to name a caretaker government, which is an essential insurance for maintaining the continuity of the executive power up to the time of the new elections. We do not have such an insurance today. If the current government should fall, there will be anarchy in this country.

[RESPEKT] Premier Meciar recently called for elections ahead of time. He said that the splintering of the Civic Forum led to a splintering of our political scene as well, and he is no longer clear about whom in fact the Czech and the federal representatives are drawing their mandate from. How do you view a problem thus stated?

[Havel] Apart from the fact that it would cost half-a-billion, the election would produce no special effect. People are so fed up with the current political situation that maybe about 40 percent of voters would vote. The Civic Forum would probably lose quite a number of votes, the parliament would be a little different, it would probably be very difficult to form a government, and according to my mind it would obviously be much worse than the current one. The election fight would unnecessarily cost us several months, it would delay work on the constitutions, the economic reform, everything.

[RESPEKT] Why then was such a demand made? After all, the Slovak Premier must know all these arguments as well as you do.

[Havel] Many politicians would like to have new elections, because according to their estimate they would do better in them, they would be better positioned. They, or their clubs, parties, etc. Some may be driven by this entirely low-level consideration, with others it may be an honestly meant expression of a certain disappointment with the political situation, not a desire for power. The reasons therefore are varied. What specifically are Mr. Meciar's reasons, you will have to ask him directly. Even though on one point I would be so bold as to say something after all.

Mr. Meciar is an energetic, resolute politician who wants to have a resolute, energetic partner. The Civic Forum in its present form, when on one side there is the liberal club and on the other side Vaclav Klaus, appears to him as a partner with many faces, a little ambiguous. He would like to have a Czech Meciar and then he would have the feeling that he can negotiate with him more quickly than when he has several partners and different points of view among them. That is, I think, quite logical and understandable.

[RESPEKT] By the way, since we are talking again about Czech-Slovak relations: In January you gave a key address in the Federal Assembly on our constitutional future. In the Czech lands your address had a relatively

good response, whereas in Slovakia the reaction to it was very negative. Did you give some thought to the reasons for such a difference in responses?

[Havel] The unfavorable reaction stemmed from one basic idea: That my speech was unbalanced, because in contrast to my previous speeches I did not criticize Czechs and Slovaks equally, but criticized Slovaks more. A little remark on that point. I did not criticize anybody, I merely stated the fact that in Slovakia voices had emerged calling for the supremacy of Slovak laws over federal laws. And I described in a factual way the consequences that it would have for the citizens of the entire state. If such voices appear in the Czech lands, I will say that they appeared in the Czech lands. I do not have two different yardsticks. But it seemed as if that singular, over-sensitive Slovak reaction wanted to suggest to me that Slovaks must be handled much more carefully. To my mind, that is the basic mistake that many Slovak journalists and some political representatives make: They want two sets of standards. They demand special sensitivity for the Slovak sensitivity, they demand that the Slovak nation be dealt with differently—with more sensitivity and delicacy, more carefully—than other nations. However, with this idea the Slovak nation will never become a legitimate part of a democratic Europe. That is a road leading somewhere into a dark past. I refuse to deal with the Slovak society as with an adolescent girl. I perceive the Slovak nation as full-fledged and mature and I behave toward it accordingly.

[RESPEKT] The current uncertainty and contentions on the domestic front would not look as serious by far if we did not have to experiment with the road to democracy in the neighborhood of the Soviet Union. The developments beyond our eastern frontier took on a rather threatening direction during the last few months. How do you see our security situation in this context?

[Havel] The fact that Czechoslovakia finds itself in something of a dangerous vacuum is serious, and I naturally think about this danger and try to do something about it. For that reason, I submitted a proposal for a law to apply when under threat, for that reason we supported the process of coordination with the Hungarians and the Poles which found its expression in the meeting in Visegrad. In March I shall visit the NATO headquarters, where I am to give the keynote address and have important negotiations.

In my opinion, the threat from the Soviet Union is not as great as some think. I do not believe that they could occupy us again. The danger lies rather in a continuing emanation of instability and chaos, which in many ways affects not only the immediate neighbors, but Europe and in fact the entire world as well. One can imagine the most varied specific forms of the impact of this emanation of instability, for example, waves of refugees, possibly armed, crossings by various liberating armies, etc. In a state of civil war or semiwar no peace rules apply, in such a situation there is already shooting. That is one

example. And there is also economic danger; it can really happen that the flow of oil will stop. Not because somebody would want it to happen, but because the economic disintegration will be so great that nobody will pump the oil and nobody will send it here. In that case automobiles will not run, planes will not fly, it will not be possible to distribute food, the army will be immobilized, in the end even ambulances will not have gasoline.... Even such a scenario exists.

[RESPEKT] Just yesterday I talked with one Western politician who told me: "You are still so terribly dependent on the Soviet Union, particularly as far as oil is concerned. Is it not a little dangerous to irritate them, to tell them that they have to leave as soon as possible, to strive for the dissolution of the military structures of the Warsaw Pact, when you are so small; is it wise?" What do you think about it—is it wise?

[Havel] We all remember how we were constantly told: Look at the map, we are a small, powerless state, we cannot do what we would want to do, because we cannot afford it. In my opinion, we can no longer repeat this policy in Czechoslovakia. We cannot retreat from basic principles. Of course, we can modify the method by which we project these principles into practice, we can spread it out over time into certain thought-out steps, we can search for some kind of tolerable limit. But I do not think that Czechoslovakia can, for example, fail to express its unequivocal position on the matter of the Baltic states, or put a sudden stop to the liquidation process of the Warsaw Pact, that would be simply absurd. We would go against our own vital interests and in the end we would pay for it most dearly ourselves.

[RESPEKT] We are disengaging ourselves from the Warsaw Pact and we find ourselves, same as our Central European neighbors, in something of a vacuum. What would be a good way to provide some security?

[Havel] We talked about that in Visegrad. We want to get new international treaties ready quickly. We are working on a treaty with Germany, we are speeding up the drafting of a treaty with Poland and Hungary. In these treaties the security aspect will be addressed as well in various ways. In case of threat or attack, these countries will be contacted immediately and the possibility of assistance will not be ruled out. Apart from that, there are also possibilities of more broader linkages, one of which is, for example, a closer cooperation with the Atlantic Alliance. We cannot become members of NATO just like that, as some people perhaps are thinking. To begin with, NATO would have to want us, and further, we would have to have billions for a total rearmament and restructuring of the communication and command systems to make them compatible with the systems of the Alliance. In the meantime, in question are other forms of cooperation, maybe a declared possibility of assistance. That does not have to have the character of a treaty, that can be stated as a matter of policy. Simply, there are

certain alternatives under consideration that are being studied, and on Sunday I am going to the General Staff concerning this matter.

[RESPEKT] Even if joining NATO is not immediately possible, are we considering it in the future?

[Havel] In this rapidly changing situation it is difficult to make long-term projections. Czechoslovakia, similarly as many other countries, holds to the concept of a new pan-European security alliance, which could, according to our suggestions, grow out of the Helsinki process. Its core would probably be today's NATO. It is an idea which we are not giving up and which is generally accepted. It will, of course, take some time before it can be implemented; at this time there is nothing else that can be done except search for various forms of closer cooperation through the Atlantic Pact. And that is what I intend to do.

[RESPEKT] You said, that in the first place NATO would have to want us. It is hard to imagine that NATO would want a nationalistically festering and economically collapsing state, whose triadic political representation has been unable for almost a year to agree on even the elementary principles of coexistence.

[Havel] What you are saying does not apply only to NATO, but to the European Community, International Monetary Fund, World Bank, and in fact to all international structures. It even applies to the Council of Europe, an organization which is most accessible to us. Even there, the majority of questions during the discussions centered on precisely these problems. They are of interest, after all, to every entrepreneur. Nobody will invest here if they do not feel there is political stability. In this respect internal policies are interlinked with international policies, and local politicians often realize this only very inadequately.

[RESPEKT] We can feel in the air the need for clear talk and forceful political activity which could begin to compete with the controversies in the cabinet and murky politicking by local big shots. Many people expect it from you, but more and more they are becoming afraid that your mild approach may slide down toward "Benes" compromises. Compromises, that oscillate between two threatening possibilities until the end, thanks to that, something even much worse comes to pass.

[Havel] I have been in such a situation already several times, and I always said to myself: You will not be a Benes. If I find myself in such a situation again, I can promise the readers of RESPEKT that again I will not act in a Benes-like manner. If you permit, I shall give a concrete example. If the parliament gives a vote of no confidence to some minister, and I will be convinced that there is only political antipathy and political ambition behind it, and if I am convinced that the minister does his work well, if I am convinced that the minister defends the viewpoint of the government for which he

cannot be held responsible as an individual, if I know all that, then rather than accept his resignation, I will prefer to resign myself.

[RESPEKT] Are you willing to take the same step if under the onslaught of nationalistic pressures a de facto breakup of the unitary state takes place, even if it is disguised under a veil of some "authentic" federation?

[Havel] I feel bound by my presidential oath. I promised to defend the constitution, the constitutional legal system, and the general welfare of our nations, and I am determined to do so as long as it is possible. If I find that I cannot fulfill this promise, then naturally I shall resign. And there is another possibility which we must not forget. Not that I shall submit my resignation, but that I shall be driven from my office. Today, it may not seem likely, but six months from now it could be a reality.

[RESPEKT] Would you stay in politics even after that, as the head of some party, for example?

[Havel] Of course, I do not know what will happen in a given situation, what exactly the situation will be, and therefore I cannot foresee all the alternatives. Nevertheless, knowing myself, I am condemned to be involved in civic matters, I am condemned not to be indifferent to the life of this country, and even though I have told myself many times in my life: Retire into the background, devote time to yourself, write plays—again and again I have broken those resolutions, because I simply cannot help myself. And therefore I am afraid that should I be recalled from my function, I will not feel that I am recalled from civic and political life.

[RESPEKT] Thank you for the interview.

Support for Moravian Autonomy Voiced

91CH0335A Prague LIDOVE NOVINY in Czech
30 Jan 91 p 1

[Commentary by Jaroslav Veis: "What Sort of Moravia?"]

[Text] That Moravian weekend for most families was probably the same as any other. Yet, big crowds congregated in the squares of Brno, Ostrava, and Olomouc, despite icy weather, to proclaim 'no and shame' to Prague, call for the resignation of the Czech Premier and the chairwoman of the Czech National Council, to complain of exploitation of Moravians by Czechs in the republic's budget, to denounce their own Minister Sabata, to protest centrism by Prague and demand independence for Moravia and Silesia. Quite a bit for one weekend, especially in such bad weather.

The demonstrations followed in the wake of Friday's deliberations of the Moravian branches of Civic Forum, held in Blansko. Even these did not convey any kind words to the Czech Government and Prague. It would appear that Moravia and Silesia have their own ideas on their role within the state, currently called the Czech and

Slovak Federal Republic. To use the already classic words of my favorite poet, Jan Skacel, Moravia and Silesia presently find that if the Moravian national anthem is the short pause between the Czech and Slovak ones, they necessarily feel like the famous hyphen in the name of the country over which the parliament battled so mightily so long.

In contrast to the parliament, the protesting crowds are battling not for the hyphen but for Moravia, not quite independent but self-administered. Some of this I understand, some I do not.

I understand defense of their interests in the region in which they live, and their feeling of being shortchanged in the national budget. I understand their emotions of undeserved uncertainty in an area which for four decades of forced indoctrination made them feel that without their black gold and steel, this republic—and with it half of the universe—would collapse. Truth will tell, as we used to argue at soccer games over the legitimacy of a goal. But this is not a matter of soccer goals.

What I fail to understand is their yearning to discover a Moravian nationality. I have at least two reasons for this. First, I find as little justification to differentiate between Czechs and Moravians as I would for differences between the Zizkov and Vinohrady sections of Prague. Secondly and much more seriously, since it is not merely my own opinion, I am deeply convinced that at the end of the 20th century individual consciousness of statehood rests in civic, rather than nationalistic sentiments. I see here a reflection of uncertainty leading not to statehood but rather herdhood.

Nevertheless, I see some good in this controversy, in the pressures for full federal arrangement of the state. As time goes by, I see the bipolar federation as the least suitable anyone can imagine. The concept of a unitary state is dead and no effort to revive it will succeed. Three or more partners can do far better than two who keep bickering ad infinitum.

Somehow I managed to get from the Czech-Moravian problem to a Czech-Moravian-Slovak one. Rather, I really returned to the latter. The feuding over nationalities represents a return to past centuries. The only road to the future is to understand the problem as a civic debate, which can perhaps still be justified.

Problems of Integration Into Europe Reviewed

91CH0342A Prague TVORBA in Czech No 4, 1991 p 3

[Article by J.Z. Mach: "Will We Enter Into Europe in 1991?"]

[Text] Many people (it is not at all an exaggeration even to say the vast majority) had very distorted ideas about what would happen after November 1989. There was a very widespread view that we would substantially change everything immediately. At home we are repudiating the

construction of a centrally directed bureaucratic system for which the term socialism was used (which resulted, by the way, in the word socialism becoming a synonym for something rotten, nonfunctional, and thus also highly undesirable). Suddenly we are creating a pluralistic democratic society which will be firmly rooted in a solid market economy. In foreign political affairs and the economic and trade spheres we are withdrawing immediately from CEMA and the Warsaw Pact and returning to where we have in all aspects actually belonged for hundreds of years, that is, back to a mature Europe. Nor was there any lack of proclamations such as "We will immediately become a member of the European Community."

It is no wonder that great disappointment occurred when relatively fast people recognized that the realization of all these ideas is much, much more complicated than it originally appeared. First of all, it proved that we all had primarily an enormous amount of hard work ahead of us and that this would take place in a period of many years and moreover without any kind of guarantee. We were not eager to admit that we simply had not imagined it this way. Moreover, instead of triumphal fanfares welcoming us into Europe, there came the realization that things must be done properly in Europe, that here each person must know how to behave appropriately, that here there is discipline and order, etc.

Our entry into Europe thus requires many measures of the most various kinds and anyone who thinks that we can get by with just cosmetic modifications is deeply mistaken. In addition, we know very well from the past what cosmetic modifications were good for: camouflage, putting off basic solutions, and as a final consequence the catastrophic obsolescence behind a mature Europe and a mature world. The entire society (simply everything) must be radically done over. Just repainting it will not help. And this understandably takes a certain amount of time or, more accurately stated, a lot of time. And moreover a successful result will be achieved only if this time is actually used effectively in organized and, particularly, meaningful work. We thus have to apply truly radical reform, which is what several sets of previous rulers tried to avoid at any cost. However, neither reform nor restructuring gives a true picture of what actually awaits us. We really will not be reforming or restructuring, but rather building a fully new model in the political and economic fields. In the political field we are undoubtedly substantially further along than in the economic field. But let us not deceive ourselves. Even here not everything is completely won. We all lived here for the last 40 years and we are all somehow marked, or rather, deformed. We must first of all learn to run politics also in the proper way and not get it mixed up with politicizing, which is markedly different.

Radical transformation of the economy will be very complex. It is made all the more complex by the thousands of ties connecting us with the past. Old plants are not reconstructed overnight and moreover it also costs something, and no small amount. This is not just a

matter of ugly and run-down buildings, but also of acquiring very expensive modern technologies and modern equipment which may also be very hard to get for various reasons. In building new plants, just as in modernizing the old ones, it is essential to think also about the market at the same time. The markets are in principle distributed and nobody anywhere will wait twice on a new competitor.

Our membership in the disappearing CEMA is also closely connected with all this. Yes, there is no argument about the fact that this institution is not a modern integrated grouping. However, there is the important fact that our economy today is bound up with the economies of the CEMA member countries, especially with the Soviet economy. For the time being we are not capable of getting by without Soviet oil, natural gas, and other raw materials. On the other hand, a large number of our plants, especially in engineering, are oriented exclusively at the Soviet market. To a lesser degree this is also true for the other CEMA member countries. All this understandably conditions the development of our relationships and cooperation with a mature Europe and a mature world, especially with the European Community. Last year in May we signed an agreement with the EC on trade and commercial and economic cooperation. We are preparing to sign an agreement on association with the EC, the so-called associate's agreement. This is indisputably a success, but actually only a partial one. Membership in the EC is still a long way off. Optimists in Brussels where, by the way, we wanted to be already yesterday and no later than today say that we can become a full member in 10 years at the earliest if everything goes well, and there is no reason not to believe them. Ten years of performing hard, purposeful work! Moreover they advise us that we should not break our relations and ties with the Soviet Union or the other countries of Central and East Europe. This is where the future is. The Soviet market particularly will be worth gold in the future and we know our way around there well. In addition to other things, we can also play the important role of a highly qualified middleman. Today it will not be easy to maintain our position in the Soviet market and it is getting harder day by day. Practically all the more important and "better quality" entrepreneurs, financiers, etc., who are coming here from all over the world do not hide the fact that they see us as only a transit station serving as a stepping-stone to the east, that is to the Soviet market. We have to be fully aware of this and join fully (actively) into this dynamic process.

In any case, anyone who imagines a basic change of our foreign economic and trade orientation where we pull out of the CEMA and break all ties and cooperation with its member countries, particularly the USSR, is again badly mistaken. Yes, we will orient ourselves significantly toward a mature Europe, toward mature countries. Our strategic goal is full membership in the European Community. We need at all cost to get out of our economic (and not only economic) mediocrity and out of our often substandard situation. We cannot easily

achieve this goal without the industrialized countries. At the same time, however, we will also cultivate our relationships and cooperation with our neighbors to the south and east, particularly with the Soviet Union. However, we will at the same time try to get rid of the excessive dependency on the Soviet Union in importing oil, gas, and other raw materials, and our dependency on the Soviet market and the markets of the other CEMA countries, which is a consequence mainly of the low quality of our products or the poor services of all types.

Quite obviously we will also develop cooperation with other important organizations of the industrialized countries. This is true for the European Free Trade Association, EFTA, with which the CSFR, Hungary, and Poland signed a joint declaration of cooperation on 13 June 1990. In the near future we will become regular members of such a prestigious organization as the Council of Europe. Others include the Organization for Economic Cooperation and Development, OECD; the group of 24; the European Parliament; and the West European Union; and of course we will continue to be highly active in the Pentagonal Alliance whose members are, besides Czechoslovakia, Yugoslavia, Italy, Austria, and Hungary.

So far we have been speaking mainly about the economic dimension, but this is just the place where the shoe is pinching us the worst. We cannot omit speaking of the sphere of political security as well, however, since without a proper political security framework there cannot be any good economic cooperation either. We still cannot understand that the mature countries, regardless of the recent developments in Central and East Europe, including the USSR, so far are not at all considering breaking up NATO. On the contrary many leading representatives of those countries are speaking of its extraordinary importance and its key role. Last year in Prague we heard it from people with such well-known names as Zb. Brzezinski, Henry Kissinger, and NATO Secretary General Manfred Woerner. We repeatedly raise objections as to what purpose NATO now has and against whom its weapons are directed. But if we are to be able to understand our partners from the western part of our continent (and, of course, the United States and Canada as well), we must look at Europe through their eyes and from their viewpoint. NATO is indisputably a high quality organization which has played an extraordinary role in ensuring security in Europe. It is objectively necessary to recognize that for many years it was the main pillar supporting the European security structure. But it is now necessary to say something that we all do not want to hear. Yes, here in the countries of Central and East Europe there have been radical changes made. The situation in the USSR has also changed. Is our region definitely stabilized, however? Here we must admit that it is far from stabilized, even in this country. Can anyone actually responsibly say what the situation will be, for example, after January when the radical economic reform with all its consequences, both positive and negative, actually go into effect? Let us therefore not

be surprised that those to the west of our borders so far have no intentions to give up such a proven and high-quality instrument as NATO. Yes, we have the Helsinki accord here which has indisputably played a positive role. Undoubtedly the recent changes in Central and East Europe also helped significantly. However, one cannot entirely reject the opinion in the United States, and of some West Europeans as well, that it is indeed important, but at least for now it is really only mainly a discussion group. This does not mean at all that the recent initiatives of the CSFR in this area do not have any practical meaning. On the contrary. But it is necessary to reckon with a certain portion of conservatism in all aspects and particularly in the professional military and security circles of all the countries involved, that is, all participants in the Helsinki accord. Propagating the Czechoslovak ideas regarding the future political security structure on our old continent which would be based on the Helsinki accord will still require much effort. However, these initiatives undoubtedly have a good chance of final success. Naturally, like all new ideas they are greeted with both great sympathy and with great bewilderment.

We started this article with the question of whether Czechoslovakia will enter into Europe in 1991. Entrance into Europe will represent for us a process which will most probably actually take the 10 years mentioned above. We must remind ourselves over and over that the division of Europe was not only an iron curtain whose material form was kilometers of barbed wire fences and obstacles. The division of Europe is much deeper and of a more serious nature. The ministerial chairman of the government of the new German federal state, Sasko Klaus Biedenkopf, recently announced that the division of Germany will disappear only when the standard of living in both parts is equalized. This is true for Germany, but it is also true for Europe. The former FRG here embodies the mature Europe very suitably, and the former GDR the other Europe, backward and in many areas even badly devastated.

We have to do some catching up not only in the economic field. We definitely are lacking in political culture and in much else. It is a matter of getting back to the basis of European culture and ethics, a moral and spiritual renaissance of society.

Everyone thus would like to have us enter into Europe in 1991, but we still, unfortunately, will not fully enter into it. A small step, or possibly even several small steps, in the right direction this year will indicate whether we are truly approaching our dream.

HUNGARY

Minister Without Portfolio Galszecszy Interviewed
91CH0336A Budapest TALLOZO in Hungarian No 2, 11 Jan 91 p 63

[Interview with Minister Without Portfolio Andras Galszecszy, in charge of the National Security and Information Office, by Andras Lindner and Zoltan Horvath;

place and date not given; reprinted from HETI VILAG-GAZDASAG [HVG], 5 January 1991—first two paragraphs are HVG introduction]

[Text] The current supervisor of the National Security and Information Office, Andras Galszecszy, is 57 years old and, in his own words, is "from a well-to-do middle-class family." His father was a military officer and later a police captain, who in consideration of his assets, could be termed a medium-sized estate owner. In 1950 young Galszecszy and his parents were relocated to Hortobagy. "Even on our slave wages, they signed us up for a Peace-loan," he recalls. In 1953 they were released from the camp. He joined the army as an enlisted man—in a manual labor unit. He left in 1955 and became a laborer at a construction industry enterprise. He quickly notes, as if anticipating the question, that "I did not take part in the revolution." Working after hours, he graduated in 1959 from the Lajos Nagy High School in Pecs, and later earned a technician's certificate in economics, and finally, a doctorate in law—all in Pecs. In 1963 he was a member of Pec's Dozsa sports club for a short time. "Previously I had been a soccer player there—something that I used as a springboard—so I eventually became a clerk at the County Council." He stayed there for a year, and his next position was with the Metropolitan Council where he became a lawyer in the main department for labor affairs. Here he began a progression through the National Planning Office, the Statistical Office, the Census Records Office, the Financial Institutes Center, and finally to Semmelweis Medical University, where Andras Galszecszy was appointed deputy business manager. "I hope that I was on good terms with everybody, but fortunately I had no involvement with ministry leaders. That is, I did not have a good opinion of them," he reflects on his 10 years spent in health services. The change in the system brought about a turning point in his life. In the summer of 1990 he became chief counselor for the Council of Ministers, and by mid-December, minister without portfolio. Galszecszy has never joined a party. "An official should not be a party member," he notes. "I live with my 87-year-old mother, my wife, and my daughter in a three-room project apartment in Obuda. I own a wooden house in the Danube-Bend and a Skoda," comes his lightning-quick appraisal of his assets. The new chief in charge of counterespionage and intelligence gathering has for his whole life, as he puts it, wanted to be an archaeologist. "Unfortunately, my dream never materialized, but I have amassed a decent library on the subject, and if time had permitted, I would have tested my knowledge and gone out to help with some excavations...."

[HVG] Did you ever think you would become the chief of the Hungarian secret services?

[Galszecszy] I thought that I would go into retirement from the university and then, as was the practice, be awarded a silver Order of Labor. The person who kept

his mouth shut was left in peace. Just a month ago I would not have dreamed of my getting this assignment and becoming a minister.

[HVG] You are not alone in that. Nevertheless, how is it that you were the one chosen for the Council of Ministers?

[Galszecszy] It happened by accident. Peter Boross, the current minister of interior and my predecessor, spent the summer with one of his old university classmates who was one of the directors at the same university where I had been the chief business administrator. Boross complained that he could not find one individual besides himself who was perfectly trustworthy and politically totally spotless who had managerial experience and spoke [foreign] languages. A meeting was arranged for me with Mr. Boross. I found him likable and the job appealing.

[HVG] We know that you have never been associated with intelligence collection. We are wondering, how much time will you devote to studying it?

[Galszecszy] Look, my own task is to guarantee the proper operation of the two offices in cooperation with the police force. Therefore I have to know the job up to a certain level, but six months or a year will be enough for that. I know, of course, that I will never have the expertise of Mr. Pallagi or Mr. Horvath, although I do not require it.

[HVG] Since you mentioned these two men, do you know who represents the Interior Ministry at the medical university?

[Galszecszy] Two men in civilian clothing were regularly there and were introduced to me as representatives of the Ministry of Interior. From time to time they asked for data on certain individuals from the labor affairs department that I had managed, but this was honestly never of interest to me personally.

[HVG] You were relocated as a 17-year-old. Didn't you ever desire that amends be made for that?

[Galszecszy] Even if I knew the name of the person who relocated me, I would not do anything against him. I view the whole thing as my being trampled by history.

[HVG] With Christian forgiveness like that, what did you have to say for the MDF [Hungarian Democratic Forum] Justitia program?

[Galszecszy] Being a lawyer, I like exact wording. So I will have a definite opinion if precise legal formulas are tailored to the plan. Of course, I personally am not happy that some people are "salvaging" themselves and looting the nation's resources for personal gain. Everybody would have to be reviewed on a case-by-case basis, but I would not enjoy participating in something like that.

[HVG] In one of the daily papers you actually advertised to recruit spies: Young people with a clean past wanted at the firm who feel a calling for "this interesting career." Was there a long line?

[Galszecszy] No one showed up, although the natural reflex of society would be for many people to come. Of course, today we do not have to tail Mr. Koszeg or Mr. Demszky. The two offices have a bad image, which is something that we urgently have to change.

[HVG] Then you have to work with many old and tested professionals?

[Galszecszy] There are hardly members any of the old guard at the highest level, but there are many of them are further down. We cannot replace the entire apparatus, nor do we want to either.

[HVG] Your budget is 5 billion forints. You have stated that the technological apparatus has to be replaced. Who convinced you of that?

[Galszecszy] There was no need to convince me, I already knew that our technology was from the Stone Age. All of it was the product of one particular country, with whose technology we are all too familiar. Now we have succeeded in developing a world-class system, although piece by piece it will cost many millions, but it would be extremely important for us to replace the earlier technology across the board. We would be able to close off numerous channels of information that are currently open by doing this.

[HVG] Who is the enemy of the nation today in your eyes?

[Galszecszy] I hope we only have opponents, and not one single enemy.

[HVG] Do you already know what things our "opponents" would be most inquisitive about?

[Galszecszy] Primarily the things that we have aired. For example, what is said, let's say, at a government meeting.

[HVG] What type of future awaits your people who have been planted abroad?

[Galszecszy] This country has always been poor at maintaining a large-scale intelligence collection network abroad. Conducting intelligence gathering against socialist countries was not allowed, something that we unfortunately took seriously. There was honestly no money for the agents in the West, and that left personal contacts and barroom conversations.

[HVG] If that is true, a world is collapsing around us. But tell us, if the secret service had to assassinate someone, who would give the order for that?

[Galszecszy] Not I. But I am telling you, the Hungarian secret services have not assassinated anyone since the fifties. I have yet to hear of the slightest hint of that.

[HVG] What kind of protection is the country giving you, the one who is responsible for the security of the country?

[Galszecszy] A government guard protects me. Out there in my car sits an armed escort, and that prefabricated apartment of mine in the housing project is also constantly guarded.

New Interior Minister Discusses Views, Goals

91CH0338A Budapest *BESZELO* in Hungarian
5 Jan 91 pp 11-12

[Interview with Interior Minister Dr. Peter Boross by Ottilla Solt; place and date not given: "There Is a Way To Approach Every Problem"—first paragraph is *BESZELO* introduction]

[Text] It was right in the middle of the budget debate that we asked the new interior minister, who is still not well known by the general public, to grant us this interview. He started out in the Antall government as a minister without portfolio overseeing state security affairs, and he is now in the process of familiarizing himself with his new task. We hope that *BESZELO* will be able to continue this initial success, and will always be able to get the interior minister to comment, even when things become more haptic.

[Solt] Let us start out by asking you something that most people are curious to learn about a government that has brought political change: As director of the South Pest Catering Enterprise, how did you end up in the government?

[Boross] To tell you the truth, I had already retired in May. I never thought my life would have taken such a turn. When the prime minister called me on the phone I thought that he had some kind of an advisory position in mind for me, and that if that was the case, I would be glad to accept. I had even decided that I would not be a part of any team of more than five persons because I knew from experience that when you had eight people together there would be confusion. Then I was offered the job of overseeing our intelligence services in the capacity of state secretary. I accepted. Of course I was speechless for a while, as I had never had anything to do with such matters other than what I had learned from crime shows.

[Solt] How did the prime minister know that you were the right person for this job, or that this job was right for you?

[Boross] First of all, I had spent seven of my teenage years before the war in a military preparatory school, which gives one a basic idea about the field. Second, I completed law school and I have also worked as a lawyer. Perhaps it was also significant that in my lifetime I have directed and organized various organizations. Besides, I am not fainthearted. In other words, I know very well that there is a way to approach every problem because all organizations possess certain common characteristics.

After I recovered from the initial shock, my first thought was to immediately look around to see what kind of organization this was, and how it worked.

[Solt] Was this before or after you said yes?

[Boross] It was after I said yes. I don't like to play the kind of hesitation games when you can already see in the person's eyes that he is saying yes, and is even proud of the fact that he has been offered the job, yet he goes through the motion of requesting some time to think. If I had discussed it, let's say with my wife, I would have subjected myself to a barrage of "no's" that would have been difficult to withstand. Intelligence is a formidable, mysterious, and strange world, which must inevitably clash with intensely strong resistance from the wives. I experienced this only later, as I began to search for associates. So I did not hesitate because I knew that these historic times would not permit me to worry about family considerations or my own comfort. And, of course, I have also been touched to some extent by a spirit of adventure and enterprise.

[Solt] Did you select your successor to the national security post, or did the prime minister choose him without consulting you?

[Boross] I chose him and introduced him to the prime minister. I had not known him before. I came upon him during my search for associates among one of the groups of my circle of friends. I met with him and also collected some information about him, because after all, this is a confidential matter. He is an extremely pleasant, well-qualified colleague, whom I was able to recommend without any reservations.

[Solt] So the relationship between the Interior Ministry and the intelligence community will be a friendly one?

[Boross] The truth is that it is important for them to be on friendly terms. Usually there is an extraordinarily strong tendency among semi-independent organizations toward discord. And there does indeed appear to be such a tendency between these two organizations, which may be traced back to the beginning. Within the organization of the Interior Ministry there exists a unique hierarchy within which state security enjoys the most respect, and is the biggest and most mission conscious.

[Solt] So you feel that you will be able to maintain control over the self-initiated moves of the apparatus under you?

[Boross] I am confident that within two months, I will be able to see with the eyes of an expert how things work from up close. If there is a need for reorganization, I have never been one to hesitate in its initiation. I cannot live with dilemmas for long.

[Solt] On the basis of the experiences of the past few months, it is the police that you must have come to know the most intimately.

[Boross] Yes, but I have also worked in public administration, and I have been forced to get to know that field extremely well. I spent seven memorable years in public administration from 1951 until the end of 1956, the year that I was dismissed. That was the time they first introduced the council system. I was still working with members of the old guard who were mourning the former system of public administration. They, too, had a difficult time adjusting to the council system. During subsequent decades, while working at a local enterprise I had to be in constant contact with local administrators, as not a day went by without our having to fight for some kind of council approval. Looking in from the outside, one did develop a unique perspective. This is not the same as in-depth understanding, but it is still something.

[Solt] I would think that the police force is nevertheless a hard nut to crack at first for ministers bringing political change. What are your thoughts on this?

[Boross] I am afraid that my answer is not what many will want to hear. In this connection, I believe that as social democracy becomes firmly established, it will be able to tolerate a hierarchically organized, strong police force, with a broad latitude of action and decision-making powers. This is provided that we have effective social controls in place. I do not believe that we can have policemen whose confidence has been shaken in charge of maintaining public order for long.

[Solt] By oversight do you mean ministerial oversight?

[Boross] Definitely. In order for the interior minister to be able to assume responsibility for it, he must have the authority to control the police. According to the existing laws, ministerial controls over the police are limited to statutory provisions and legal means. I am not satisfied with this solution. It is contrary to the responsibility of the minister. Hence, I want to broaden the scope of ministerial control. Responsibility must clearly be accompanied by authority. This is also the best solution to ensure that the police do not step beyond the limits set for them by a true civil democracy.

[Solt] This will require a constitutional amendment that redefines the relationship between the interior minister and the police.

[Boross] A draft version of the new police law has just been completed as of the end of the first quarter. I hope that it will reach parliament, and since it requires a two-thirds majority to pass, I am sure that we have some tough battles ahead of us. I consider it to be my personal responsibility to list logical supporting arguments that will be acceptable in this debate.

[Solt] Do you believe that our present police personnel provide a suitable foundation upon which a civil democracy can establish its own police force?

[Boross] There must be a cadre that is prepared to fulfill that responsibility. Why not? There must be a great many people who are suited for democracy, after all that

is why it works all over the world. I have recently seen scores of young and bright-looking police officers on television giving sensible and logical responses to questions. I am almost certain that we will need for example, a new type of training. We have a police academy. I do not know yet what is being taught there, but I will certainly look into what, and especially how they teach at the academy.

[Solt] Isn't looking toward today's police academy applicants for your new generation of officers putting things off a bit too far into the future?

[Boross] I am not yet prepared to form an opinion on that, but I am confident that the large majority of our present personnel are well suited to working in accordance with the new requirements.

[Solt] I have serious doubts about that. In the past, the police force had to operate in an environment where their scope of jurisdiction and authority was far broader than what is acceptable in a constitutional state. The routine perception, even among our decent and well-qualified officers, is based on the notion that to some extent policemen are above the law. Certainly you must remember statements by officers on several occasions in the past that complained that as long as the defense attorneys were allowed to be present even at the initial questioning of the accused, they could not effectively fight crime.

[Boross] Yes, I remember.

[Solt] Moreover, from the events of the past few months I have drawn the conclusion that this police force is not skilled enough. This has become obvious with the activation of public controls. What else could be said, for example, about the most recent commando action which resulted in serious police casualties?

[Boross] That was a very unfortunate incident. These boys—thank goodness—have not been involved in any protracted live action, hence they lack a proper sense of danger. This is in contrast with, let us say, the American policeman who is constantly expecting an attack, shoots as soon as someone reaches for the glove compartment. They were kind of showing off. It was an inexcusable, command-level mistake, but in a commando team this is one of the things that can be expected, and it is reinforced by their training. A great mistake was made, but perhaps it will serve as a lesson.

Sometimes I feel that this is a question that one could ask about almost any profession, although perhaps not in such extreme terms. Generally speaking, everyone is a graduate of the system; the system guided them in a certain direction, and the question is whether they are suited to function in the new political system. The public servant used to be the trustee of political power. Everything required permission. The person granting the permission represented the state, the authority. Will he now, and this is something that is very important to me, be

qualified to serve the public? After all, public administration is a type of service. I think what we need, perhaps, is indeed some more time.

[Solt] This is true. We are all beginners, including most ministers and the majority of our parliamentary deputies, but the apparatuses already in place are not novices! Our police personnel are not beginners! Which is why I have asked you to share with us your views on the subject.

[Boross] Actually, in order to be sincere, I would have to put this question to you as someone who for the past decade has had some experiences with the police, as someone who has been put into some uncomfortable situations by the police. But I do feel that people's intentions can change very quickly. If I encounter any resistance to accepting the system of requirements that characterizes civil democracies, I will know what I have to do. This is the least of my problems.

[Solt] If you had to prioritize the two major areas of Interior Ministry responsibility, public administration and the police, which would you consider to be the more difficult to reform?

[Boross] Public administration will be more difficult. Certainly, the average citizen has less to do with the police than with public administration. Going into a public office in our country used to mean going there with the presumption that the problem could not be solved. This was something you could take for granted. In a system based on local administration, it is without a doubt up to the autonomous governments to resolve all of this. I consider one of the important tasks of the Interior Ministry to be the formulation of a collective style, in an advisory capacity, without any enforcement powers to ensure that the administration is well organized, smooth, free of stress, prompt, and predictable. In the near future, for example, there will be some verifications required in connection with certain property-related matters, which can only be obtained at the locality where the family lived at the end of the 1940's. This will require some travel, and the citizen cannot be subjected to the prospect of just missing the official he needs to talk to. Normally I do not consider myself to be an idealist, but I cannot exist without having set some goals for myself. I can think of no greater ambition than to be able to "attain the noblest goals that I am capable of attaining."

[Solt] Nor should you have to set your sights lower. Let me ask you something else. Our former ministers liked to hunt. How does the new interior minister spend his free time?

[Boross] Although I have not had much free time to speak of, I do spend some time at home. I am a grandfather of a four-year-old grandchild. We have him at our place five days a week until evening, and sometimes we even have him sleep over. I am one of those easy-going grandfathers whose grandchild can do anything he wishes with him. I do not fish, I do not hunt, and

I do not hike; I am involved in nothing that is healthy. On the contrary, I smoke and watch TV, which I often only stare at without following what is going on. I have not had a lot of time to read for the last six months. The last thing I read was General Naray's memoirs. Before that I also read Horthy's and Vladimir Farkas's memoirs. For the most part, I used to read quite a bit—usually books of this kind. I have no time to do anything more impressive or noble.

[Solt] Have you brought any of your colleagues with you from your former enterprise?

[Boross] No, I have not. When I received my first appointment as state secretary I did look around, but all of the bright-looking and talented women and men whom I would have liked to have had as colleagues were already dispersed in areas of the economy where money was being handed out in much greater amounts than what I was able to offer. A deputy state secretary was paid 52,000 forints. Government employees no longer enjoy a great advantage, and if the disparity between these incomes continue to increase this sharply and with this speed, sooner or later we can expect a deterioration in the intellectual basis of government. At my last post in the Office of the Council of Ministers I had been assigned a secretary whom I have brought along.

[Solt] Thank you for the conversation, and we hope that we can continue where we have left off in two months.

SZDSZ Urged To Adopt Radical Course

*91CH0356B Budapest BESZELO in Hungarian
19 Jan 91 pp 8-9*

[Commentary by Ferenc Koszeg of the Alliance of Free Democrats: "Free Ideas in a Two-Plus-One Seating About the Free Democrats and Other Parties"]

[Text]

London and Byzantium

Confidential whining recently replaced the mass meeting rhetoric of spring house cleaning at the Hungarian Democratic Forum. They claim that it is impossible to put an end to the abuses in privatization. One cannot cleanse public life because communists have been left behind in various apparatuses; communists continue to be the experts in every place. "The old comrades sit among us and watch! They watch every step we take. No system change can be accomplished as long as they sit among us...." This quote comes from the 10 January issue of MAGYAR FORUM, i.e., it is the voice of the MDF [Hungarian Democratic Forum] cabinet's extremist, rightwing internal opposition. But the same message has also been whispered by MDF officials at press conferences. If I were a Bolshevik or a member of the MDF, I would think that professionals from the old ministries have sabotaged things. I get this feeling whenever I read legislative proposals. The texts are confusing. But then, as a skeptical liberal I reassure myself by asking: Why

should legislative drafting be performed in a better way than elevator repairs? The idea that former Hungarian Socialist Workers Party government officials have been pondering how to reverse the ongoing processes may be ruled out. To the contrary, the trouble is that the present cabinet suits these former MSZMP [Hungarian Socialist Workers Party] government officials very well, increasingly well.

Fundamental power conditions have barely changed.

For the time being nothing indicates fulfillment of our expectations that there would be no need for administrative selection because the market would filter out suitable persons from among the previous leaders and would drop the unsuitable. Anyone holding a position already has multiple advantages in the marketplace. Moreover, such persons will also have an incentive to make sure that competition is not made free. The so-called independent entrepreneur depends on state firms in several ways: State firms enjoy a monopoly in the sale of basic materials, state firms lease premises, state firms may act as customers, and to top it off, the ultimate owners of many competing entrepreneurial undertakings are also state firms. Under such circumstances is it at all possible to talk about a real market, about competition which performs a selecting function? Not unlike in the party state, the result depends on the situation, and not on one's ability to compete. Although legitimate in form, the market economy is still growing like some second economy in the cracks of the economy controlled by the state, and not unlike a second economy, uses illegal means, such as continual tax fraud to offset its disadvantages in the market. However, this situation provides an incentive to maintain the existing situation, because within its limited market, successful entrepreneurs reap extra profits.

The luxuriant growth of the London market irritates the populace. For two decades official propaganda instilled in the populace the idea of standing up against "profiteers." The government also takes advantage of this sentiment by trying to place everything under its own control. The government centralizes, and the opposition defends the apparatus "experts" against the arbitrary personnel policies of the government. The two opposite endeavors yield an increased state apparatus. By now the state apparatus has become larger than it was during the Lazar government prior to "deregulation." Alongside the new MDF cadres we find the old, straitlaced fellows, the ones who were able to adapt. They are "watching." Those swept into office by the reform wave, those who possessed knowledge that could be used elsewhere had already left their places on time. On the other hand, those who had progressed by taking "considered steps," found out that it sufficed for them to periodically recite a few democratic or patriotic sentences, and that there was no need for them to think any differently than they did before. Moreover, they found out that gradually they could even turn away from the reform outlook which had been forced upon them in the late 1980's. The adaptable reformers lead the procession as far as the latter spectacle

is concerned. For the past three or four years these people have occupied offices with the intent of introducing British or Dutch examples. (With a fervor of commitment they have advocated the ideals of autonomous government, or of people owning stocks.) Today, however, they are fully convinced that life cannot go on without the old county system, the Order of Saint Stephen and the State Property Agency.

Law and order is increasingly becoming the common denominator between the "philosophies" of the old school party state bureaucrats, changing reformers, and newly hatched MDF activists. After all, no one can complain about having to abide the law. During the past 30 years, laws have been written to cover everything. Preparations for war in the Gulf had a direct benefit from the law and order offensive. Representatives supportive of the cabinet would dam the Danube with the bodies of all of the limited liability corporation chiefs who salvaged their power and property. Yet, these representatives feel offended, and they protest when the opposition suggests the retiring of aging colonels with 30 years of People's Army service and with several proudly worn Soviet decorations. The opposition suggests such retirements in order to reduce costs. These representatives would regard a reduction in the expenditures of the National Security Office as downright treason, even though they should know that if anywhere, it is there that the old communists are indeed watching.

"There No Longer Is a Spark in the People"

The MDF set the time of the system change for an increasingly later date. On the other hand, the SZDSZ [Alliance of Free Democrats] recognized the achievement of the system change too early, purely on the basis of legal changes. Questioning whether a system change has indeed occurred has become fashionable these days. But this fashion indicates that the fact that nothing has changed has been a more depressing experience to society than the bad economic conditions. The SZDSZ must not disregard this societal experience because it must not lose the ability that made the SZDSZ a great party in the popular referendum. That ability has been manifested by the fact that the SZDSZ has been able to sense the wishes of the people. But the SZDSZ must not disregard this societal experience for yet another reason: The experience has been well founded, and it actually serves as an obstacle to any change [as published].

We said in the fall that people have become bored with verbal political duels. The elections are over, and constructive debate is needed in parliament. This is true, except for the fact that people—including representatives—have become bored with staid debates even faster. In due regard to exceptions, despite their constructive character, laws have not improved either. Throughout the world, the plenary sessions of parliaments serve as political arenas. The plenary sessions of the Hungarian parliament must be a political arena even

more so because a system change is in progress, and will continue to be in progress as long as this administration governs.

For this reason, we must not go too far in being too constructive. We should not say that the budget is bad and therefore we will not vote for it, while we cross our fingers and hope that the coalition parties vote in favor of the budget. A bad budget harms the country. We must stand up and state that we do not want parliament to adopt this budget. Let the government prepare a different budget, or let the administration fall. In the course of debate on local taxes, we should have made it clear that the proposal advanced by the Hungarian Socialist Party which provided a tax benefit and was approved by the National Assembly, was of benefit to people who were better off. In contrast, an SZDSZ proposal that had been rejected by the house would have taxed property, rather than work performed to increase assets. One could go on describing such examples.

In response to an SZDSZ—Gabor Demszky's—initiative, the National Assembly last May adopted a solidarity statement relative to Lithuania. At that time the SZDSZ, as opposed to the MSZP [Hungarian Socialist Party] and the MDF, felt that it was unnecessary to express concern regarding the future of the Soviet Union in the resolution concerning the future of Lithuania, and defended to the end the draft text reflecting its own radical minority view. At this point in time the Association of Young Democrats introduced a new minority resolution. Most SZDSZ representatives, including this writer, only thought to ask when we were already in the chamber why it should be natural that we supported and even sponsored the resolution advanced jointly by the ruling parties; a resolution that contained diplomatic wording and consequently lacked content. Why were we once again so constructive as to surrender our own position, one that was obviously more harsh and more firm than the one advanced?

This kind of behavior is understood neither by our electorate, nor by our organizations. Last weekend, when despite its political apathy half the country had been waiting to hear news from Lithuania, the questions of what the SZDSZ was about to do, and where the demonstrations would take place were asked everywhere. A demonstration had been proclaimed only by the basic democratic faction of FIDESZ [Association of Young Democrats].

"A spark in the people no longer exists," the hero of the very old Csurka novel said. Yet the tense weekend suggested that indeed there was a spark in the people. However, the SZDSZ must, or should recognize two things in order to stop society from getting bored with politics and to abandon its apathy. One recognition should be that the extent of the disappointment has been so great, the mood has been so bad that in observing us, public opinion (also) demands radical answers and a joint expression of human outrage, rather than just

sympathetic explanations. The other matter to be realized is that politics is restricted to parliament and to the autonomous governing bodies. Political activities are pursued not only where decisions are made, but also at places where people feel the consequences of decisions. One of many reasons for the existence of political parties is to convey this hidden political will to decisionmakers.

Should There Be Party Life?

For In-House Use, for SZDSZ Members Only

The conflict between radicalism and elitism is not merely a difference in political view, it has deep roots in the social composition of the SZDSZ. In its primeval days, the SZDSZ consisted of leading members of the intelligentsia and of embittered ordinary people. The truly poor were among the latter, and more than a few of those were pushed to the peripheries, even within their own social stratum as a result of their own dissatisfaction. The aforementioned small entrepreneurs who struggled for their existence also belonged, and continue to belong here. In fact, they are the most radical elements—like the taxi drivers, who in November blocked the roads on their own initiative and not as a result of SZDSZ encouragement (regardless of the slanderous charges made in this regard). These strata have been disappointed, because the system change has not fulfilled their expectations, and because their situations had become more difficult. They are also disappointed with the SZDSZ, because they expect to hear a radical message which has not been forthcoming. On the other hand, the elite of the free democrats have been concerned that loud mouthing by radicals might deter the intelligentsia. Thus far, the impetus of the campaigns has offset this threat, but now the fear of a vacuum has set in. The membership list that includes more than 30,000 names amounts only to data in a computer file. There is room enough in a 100-person-capacity room to accommodate the meeting of an organization having several hundred members.

This is how every party feels. Each is seeking its own sphere of activity. FIDESZ is in the process of organizing a network of Orange clubs, and the populist faction of the MDF claims that politics reaches its height in local organizations, where it becomes the sustaining force of the nation.

In response to the slow movement of organizational life, the watchword "election party" has become fashionable. In developed democracies, political life transpires in parliament and in local legislatures. A party amounts to a roster of loyal voters to be activated before elections only, and no party life of the communist type exists. Only the last of these assumptions holds true. It is the purpose of Western parties to select from among the various intentions expressed by thousands of interest and pressure groups and by various organizations that exist in civil society, and to mold these into decision-making alternatives at various levels. Quite naturally,

these organizations also seek direct contact with representatives. Nevertheless, party organizations are among the many important arenas where political reconciliation and formulation of the political will take place. This kind of activity demands that local party organizations and local party leaders possess appropriate social prestige. But since they wield power, they also possess the needed prestige. In referring to the weight of political parties, certain political scientists define modern democracies as the states of parties (Parteienstaat), a designation which must not be confused with the party state. In criticizing the excessive power wielded by parties, Hans Herbert von Arnim, the noted constitutional law expert from Speyer, said that participation by only about 200,000 persons in nominating processes at various levels, from among the 2 million registered voters (1985) in the Federal Republic was insufficient. The lesson learned from his analysis was that states of parties may be made more democratic than they are today by making the parties more internally democratic, and through direct democracy [as published].

In Hungary, where no established civil society exists, and interest groups are able to elicit some expression of interest from only a fraction of the affected persons, one should hardly surrender the idea of pursuing organizational life within the parties along the perceived Western patterns. The crisis of legitimacy could easily become a permanent fixture. As a result, even fewer people than last fall may cast votes in the next election, irrespective of when the next election will be held.

Sober Radicalism

According to a statement by Janos Kis in April, after having opposed the system, we have now become the opposition to the government. However, the events that have occurred since have suggested that we should not be the opposition of just the government, but we also remain opposed to the system. This is because only a partial system change has taken place. We have no choice but to oppose a new system which builds upon the leftover support structures. Since we are opposed to this system, we must not regard the radicalism that we brought along from our past as a stylistic mistake, or as bad conduct. The SZDSZ must not regard the social agents of radicalism, the representatives of plebeian values, as an embarrassing burden. Loss of these people would reduce the force of the original impulse within the SZDSZ.

(In reference to the style of the "rightwing" Gaspar Miklos Tamas,) the "leftwing" Ottilia Solt labeled the SZDSZ' radicalism as "antistatism." We are the opposition to the remnants of the party state, ranging from the communist thieving bureaucrat to the Prussian bureaucrat, who turned into representatives. We are also the opposition to the new state of the second Hungarian neobaroque era.

Kadar's consolidation established in this country an economy that was 100 years behind the times. Jozsef

Antall is trying to replay Bethlen's consolidation, which, despite contemporary appearances and mistaken beliefs at home, in its own time cut Hungary off from a Europe that subsequently proved to be the only viable entity having a future. No one can claim that Kadar, Bethlen, and a self-satisfied backwardness in general are not manifestations of a Hungarian tradition. But we, the SZDSZ, intend to follow the tradition established by Hungarians who did not reconstruct the past, but hoped that at last they would be able to build something modern on the past. This intention of ours has existed ever since we adopted our statement of principle. We are opposed not only to the administration of Jozsef Antall, but also to his vision of the future.

The government has gone bankrupt, yet it is questionable whether by using parliamentary measures or the legitimate means of political discourse outside of parliament, the government can be forced to admit its own bankruptcy and to resign. Therefore, in contrast to Gaspar Miklos Tamas, I feel that it makes no sense for us to announce the time when we intend to hold new elections. We do not have the power to enforce such intentions. Conversely, we must make clear that we do not want to provide professional advice on changing the manner in which this administration governs, because Jozsef Antall will never be willing to accept such advice. Instead we must say that we want a different kind of governance. We are not only capable of governing differently, we also have the will to govern.

Not too long ago (HETI VILAGGAZDASAG, 5 January) Gaspar Miklos Tamas defined private life, the protection of private matters against the state, as the essence of his liberalism, as distinct from views held by radical democrats within the SZDSZ. Considering the way the state is heading, the old state and the new state, I am afraid that some manifestation of radical democracy by the average liberal citizen will be needed in order to protect from the state his private life, his house, and his garden, most of which he does not have anyway.

SZDSZ Protests Vegvari's Conviction

91CH0356C Budapest BESZELO in Hungarian
19 Jan 91 p 12

[Statement by the Alliance of Free Democrats (SZDSZ) Managing Body: "On the Vegvari Case"]

[Text] The conviction of Jozsef Vegvari puts the new Hungarian democracy to shame. This political police major of the party state took action which manifested personal courage, and significantly contributed to enforcing legality and to establishing conditions for free elections. He revealed to the public that the Interior Ministry of the Nemeth government had maintained unconstitutional, secret surveillance over the opposition parties. In doing so, he violated obligations stemming from his duties, nevertheless his actions had been consistent with the spirit of law. The activities pursued by his superiors, to a large extent with the knowledge and

approval of the government, could not have been stopped without circumventing the rules of duty. In its judgment, the court accused Vegvari of having done so. The activities pursued by the Interior Ministry included illegal wiretapping, the destruction of documents, and the removal of secret service files into "private property."

The Supreme Court's judgment disregards the fact that by virtue of his actions, Vegvari rendered impossible a conspiracy against legality and against the democratic constitutional state. When Vegvari decided to act, Istvan Horvath, the interior minister of the last party state government, denied in parliament that files which constituted a valuable part of national history had been removed and disappeared. The court refused to examine the merits of challenges asserting that Interior Ministry actions had stopped as a result of the steps taken by Vegvari. The court refused to examine on their merit the issues of whether the actions ended by Vegvari's step had been dangerous to society and whether the method used in perpetrating those actions had been precisely that a closed organization, hiding behind the obligation to maintain secrecy, coerced its members—as it had done for decades—into complicity. Of particular outrage is the fact that the court supported Vegvari's conviction by invoking the necessity to protect the present political establishment. Vegvari's actions may have been the most significant contributions to efforts to prevent illegalities and party state maneuvers which threatened the truly free character of the elections.

The SZDSZ [Alliance of Free Democrats] pays its respect to Jozsef Vegvari on the anniversary of this notable revelation. We are convinced that in the process of freeing itself from the spirit of autocracy, democracy will prevail.

Budapest, 9 January 1991
The SZDSZ Managing Body

Press Attacked for Antigovernment Bias, Pessimism

91CH0361A Budapest KAPU in Hungarian Jan 91
pp 43-45

[Article by Albert Beke: "Let Us Clarify the Points at Issue: A Reply to Tamas Barabas"]

[Text] First of all, criticism is one thing, but libel is something else. Criticism argues and analyzes, whereas libel makes unfounded and defamatory statements. If a proportion of the press writes, but is unable to substantiate, that the government is incompetent because it has neither a program nor first-rate experts, then this is libel and not criticism. I think that every objective observer will agree. But my thinking, and that of Tamas Barabas, are very far apart. Therefore, I will not even attempt to knock his arguments down and thus compel him to shift ground. I merely wish to point out a truth or two, for the readers' benefit.

In the November 1990 issue of KAPU, Barabas emphatically wants me to stop being pigheaded and to understand that the principal mission of the press is "critical oversight" of the government. "Because you, Albert Beke, must finally understand that that has always been the principal mission of the press, radio, and television. That is what freedom of the press is all about." Barabas pretends not to know that the present Hungarian press—or at least the overwhelming majority of the print media, with due respect for the very few exceptions—is not exercising "critical oversight" of the government, but is defaming, abusing, and slandering it. It is entirely immaterial whether Barabas admits this or not, but it is nevertheless true that, in the proven, long-standing Western democracies, the functions of the press are quite different than they are in our country.

When a change of governments occurs in the West, there is a transfer of power between experienced and accomplished politicians. Moreover, the incoming administration inherits an efficiently functioning economy and political structure. Nothing like that was possible when our present government took office. After all, not just the prime minister, but also the ministers themselves were newcomers to politics, in other words, outsiders. I have the greatest respect and admiration for their courage in accepting the enormous responsibility of governing a so economically impoverished country, and for their willingness to serve under these conditions. I am firmly convinced that anyone who has retained at least a spark of objective judgment feels the same way.

Conversely, a significant proportion of the press is mostly lying—and it is indeed lying—that those in government are concerned only with consolidating their power. This is nothing less than malicious, political propaganda to intentionally mislead the people. I would prescribe as required reading for everyone the interview Jozsef Antall gave while still in the hospital, to make them finally understand and bear in mind what an economic mess he has inherited from the Communists. Of course, this does not mean that the press, or even individual citizens for that matter, should not exercise "critical oversight" of the government. But it does mean that the press is duty-bound to demonstrate a degree of pedagogical sense in its treatment of the public. People should not continually have to read only that the government is bad and has no first rate experts. Instead, our esteemed journalists should also point out what enormous effort this government is exerting for our economic survival. In other words, the press has a fundamental obligation to raise the spirits of people. If the press just keeps ruminating over the mistakes, the people will lose what little hope they have regarding our ability to extricate ourselves from our economic crisis. And where would that lead? There is no need to answer this question. We all know the answer.

The following statement by Gyorgy V. Domokos about the press is entirely true: "It is a weak argument to say that, because we have democracy and freedom of speech, the government and the coalition can, and should be

attacked and vilified at any time. Ours is not the government of a prosperous and stable Western democracy, but of an extremely weak and unstable economy. This is the government of the majority of voters; it could be brought down, but there would be no thanks for anyone who brought it down. Well, that majority, the majority of voters, cannot reconcile itself to a minority whose fellow-traveller press is not afraid to publish, over and above the opposition's criticisms, distortions, and falsehoods, and at the same time does not hesitate to refuse to publish even a statement by a minister, for instance. No, a sense of fairness cannot tolerate such one-sidedness." (HITEL, 21 Nov 90)

I ask with indignation, whether it was responsible behavior on the part of the SZDSZ [Association of Free Democrats] and FIDESZ [Association of Democratic Youth] to demand on TV the government's resignation on the first day of the taxi drivers' highway robbery? I wonder whether Ivan Peto and Gabor Fodor fully realized what horrible political chaos the country would have plunged had their demands been met? What does this prove other than that the SZDSZ and FIDESZ wanted to immediately climb to power, rather than to help the country? In other words, they wanted to take advantage of the nation's crisis to achieve their own goals. Can suitable words be found to condemn such behavior? Can it be said of such an opposition, and of the electronic press that broadcast such a demand, that they were constructive?

Tamas Barabas would like me to believe that "even if it were in power, the SZDSZ would not want to remake the press in its own image." Of course not. After all, a significant majority of the press are already organs of the SZDSZ. This is the destructive press in whose defense Tamas Barabas is willing to draw his sword.

Second, this alleged unwavering champion of freedom of the press writes: "Since Beke regards it as intolerable that the MDF [Hungarian Democratic Forum], or rather the government, does not have a newspaper of its own, I challenge him in the name of the daily of the present British Government (or, I might have said, of the French, Italian, Swedish, or German Governments). What is it called? It is not called anything, because in these proven democracies there simply are no government newspapers. The opposition parties don't have newspapers, either."

I do not feel obliged to respond to Barabas's challenge, but for the readers' edification I will mention that the newspaper supporting the government in France, for instance, is LE MONDE; and in Germany it is DIE WELT. The BAYER KURIR is definitely the CSU's newspaper. In the same way that we are able to identify the party affiliations of certain British newspapers, THE DAILY MAIL and THE DAILY TELEGRAPH are the Conservatives' papers, while THE TIMES is the organ of the center-right. Thus, it is the parties, rather than the governments, that have newspapers. If a given party

comes to power, its newspaper becomes the government's organ. (At least for as long as the party remains in power.) Barabas is entirely wrong when he claims that "the opposition parties have no newspapers, either." It is common knowledge that L'UNITA is the Italian newspaper, and L'HUMANITE is the newspaper of the French. Hence, we are fully justified in demanding that the MDF should also have a newspaper of its own, one that would reflect the government's point of view when informing the public.

Third, Tamas Barabas brands as "absolutely anti-democratic," my objections to the way the press operates, whereas all I want is that the press try to be objective, instead of being biased against the government. In other words, it should not be ruminating continually over the mistakes and just keep writing despondently about the hopelessness of the situation. It should also offer a word or two of encouragement to its readers. I think it is the most natural thing in the world that I want the MDF, as the senior partner in the governing coalition, to have some say regarding the press.

Fourth, Barabas claims that I have no idea of what the BBC's Code of Ethics contains. Here, I merely wish to note that anyone is able to purchase this code for 129 forints. Since he and I are not personally acquainted, he has absolutely no way of knowing whether I have purchased that book or not. As far as I am concerned, his statement constitutes plain and simple libel.

Finally, I wish to note that it is fairly common practice these days to discredit an opponent by calling him a communist or fascist, and perhaps even by accusing him of anti-Semitism, which is the most serious charge. But Tamas Barabas hunts with a double barrel shotgun. He calls me a Fascist and a Communist in the same breath. Without any scruples, he writes about me: "Albert Beke provides a further argument in support of his proposal, proceeding once again in the tracks of Hitler and Stalin." Did you note that "once again"? That is what I like the best because it implies that, according to Barabas, I argue also on other occasions "proceeding in the tracks" of the aforementioned gentlemen. Naturally, he addresses me as "Comrade Beke" and "Tovarish." And, lest I forget, he also writes: "Following Tovarish Beke's logic, I almost shouted 'Heil Hitler' or 'Long Live Stalin'...."

What should I reply? All of this is so pathetic and ridiculous that it does not even merit a rebuttal.

ROMANIA

Monarchy, Representative Republic Compared

91BA0346A Bucharest DREPTATEA in Romanian
12 Feb 91 p 3

[Article by Er. Stef.: "The Way We Think..."]

[Text] The Dutch writer Multatuli has a very suggestive motto in his book *Max Haavelar* which begins like this: "I am a coffee handler and I don't know much about

literature," etc., etc., which is his way of detaching himself from the book and its contents.

Striving to preserve the same kind of detachment from the two forms of government, the constitutional monarchy and the representative republic, we found it necessary and our civic duty to present the differences and similarities between them, including the troubles, but also the satisfactions they can provide. This in view of the fact that for over 40 years history and law studies were, if not falsified, at the least abridged in textbooks dealing with forms of government, while democratic truths were presented as the exclusive property of the Romanian Communist Party. Consequently, the great majority of our people had no means of knowing what form of government to give to the country, nor the society in which they want to live, nor how to think about and select this form of government.

We believe that by steering clear of polemics and staying solely in the sphere of the attributes of each of these forms—not even all of these, but just the essential ones—we can help the undecided and curb the enthusiasm of those who pose as omniscient, although they know nothing of these attributes, but who dare to poison the already bitter soul of the nation with words devoid of real substance and with phrases culled from communist ideology.

If nothing else we will cast doubt on the version of the "modernists" who launched the slogan of the obsolete, aging "state form." For their sake we have to say that the Republic has over 2,000 years of existence behind it—pretty old, no?!—while the constitutional monarchy is only about 600 years old—being thus very young!

There are additional arguments, too.

So let us highlight the attributes of the two forms of state organization, keeping in mind the fact that this form will decide the shape of our future society and hence the shape of our daily life.

In the following table we summarized the features that characterize the state formulas in question for the purpose of a better understanding and comparison. For the constitutional monarchy we cited the 1876 Constitution as it was amended in 1923, which gave rise to the 1923 Constitution.

For those in the dark, the 1876 Constitution had to be amended after the country was reunited and became a kingdom.

As for the features of the representative republic, they were combined from those of several republics and from the constitution still in existence; we left out the attributes corrupted by the communist ideology and the provisions of the Soviet Constitution.

We must still explain why we say constitutional monarchy and representative republic.

We generally describe as a constitutional monarchy a state ruled by a monarch (or king) who discharges prerogatives expressly envisaged in the Constitution and requests the others (government, parliament, etc.) to stay within the perimeter of those provisions.

We generally describe as a representative republic the form of state organization in which the state leadership is entrusted to a president elected from among the political group that holds the majority in parliament, i.e., a representative of the party in question.

Both forms must be explained more thoroughly; that, however, would require a large volume of explanations, while we merely want to put at the disposal of those interested a few essential points that can help them think.

So let's see:

Attributes of a Constitutional Monarchy (Monarch, King)

- Represents the country in relations with other monarchies with which he is related (himself, through the queen, or the offspring).
- The monarch is the uncontested arbiter among all the existing political parties.
- The monarch enforces the provisions of the Constitution and calls the government to order whenever he notes any deviation from it.
- The monarch is assisted in the exercise of his attributes by the Crown Council, which is generally made up of army commanders, magistrates, and prominent figures from the realms of science, culture, and church.
- Not being affiliated with any political party, the monarch is independent in his decisions; he has no friends or relatives to support, to whom he is obligated, or whom he must consequently provide with state functions or whose interests he must defend.
- All of the monarch's actions concerning the state or state policy are initially reported to the government and through it to parliament, which sanctions them.
- The monarchy is hereditary; the advantage in that is that it ensures greater continuity to the policy of national development and unity in the development of the country.
- The expenses of the monarchy (the royal list) are decided each year by parliament and are clearly shown in the country's balance sheet and budget.

Attributes of the Representative Republic (President)

- Represents the country in relations with other monarchies only as their guest.
- Represents the political principles of the party to whom he belongs and with whose help he came to power.
- Being affiliated with the political principles of a party, he has both the tendency and obligation to accept laws and regulations that do not contradict or that are in line with those principles.
- Like the monarch, is assisted by a state council, most of whose members are selected from among prominent members of the party to which the president himself belongs.
- Like the monarch, the president submits his actions to parliament, but the parliament itself is a party emanation.
- The president is elected for a given term. This fact has an impact on the state's political line and development and, through certain more or less skillful maneuvers, can lead to the dictatorship of one party.
- The president's expenses are not published, being incorporated in the expenses of certain ministries and state organizations.

As can be easily seen, while there may not be differences of form between the two types of government, there certainly are important differences of substance.

Thus, the monarch is the sole leader of the state throughout the duration of his reign. He is assisted by a crown council whose advice and views he takes into consideration, but he is not linked to any political party, nor to relatives or friends; he can take the most daring and impartial decisions that he submits to (or sometimes requests from) the council of ministers, which in turn can endorse them and make them into laws or regulations, or oppose them, in which case the council can resign or notify the legislative houses.

The assertion that a monarch is not bound by anyone is thus made either out of ignorance of his attributes, or for ulterior motives!

In the same situation as the above, the president of a representative republic, being a citizen nominated and voted (i.e., elected) by a party, is bound by party ideology to propose only measures that reflect the doctrine of the party that nominated him; in his decisions he must consider the party leadership and he is always obligated to relatives and friends, for whom he endeavors (and certainly succeeds) to secure prominent positions in the management of the state and its bodies and with whose help he can more rapidly and efficiently impose the doctrine he serves (see France!).

The recent example is so typical that it does not require further explanation.

However, we must point out that this kind of state form can quickly lead to dictatorship if the electorate is not very alert and the opposition is as weak as the one we are familiar with, or if the methods used are those we witnessed! (See the workers, the miners, the minorities scandal, etc.).

Glossing over several other attributes, we come to the "representational expenses" that have been discussed at great length and in a false light by certain people worried about their own interests or skin.

Thus, the expenses of a royal court (frequently referred to as the "royal list") are each year approved by parliament at the proposal of the government; they are clearly recorded in the budget as an approved overall amount, and the monarch's household staff is obligated to keep a balance sheet which is published in the major newspapers so that each citizen can find out how this money is managed.

The monarch pays all his representative expenses from this list, including his shoe repair bill.

In the case of a president, as we know from our own experience, no one knows how much he spends or on what, because his representational expenses, which we know he has, are drawn from the budget and appear in the balance sheets of other state bodies; in other words, his expenses are infiltrated and secret, so we have no means of comparison.

What we can compare is the wealth of the two forms of state, i.e., the wealth of each of the two kinds of leaders, or the wealth of the monarch, which as we just saw, we can read in the state budget and the balance sheet of his court staff, and that of the president, which we do not know.

We do know something, nevertheless: We know that each one of them spends money and that each one of them has wealth, except that the monarch's wealth remains the country's wealth—to which it belonged in the first place—while the president's wealth is deposited somewhere abroad (see Ceausescu's and his family's millions).

So the president is enjoying the monarch's wealth. It did not go abroad and it was not attached or hitched to the train on which our last monarch was forced to leave, as I hear some people say.

This article did not touch upon even one tenth of what should be said, considering our Latin origins and Balkan habits.

The purpose, however, was to provide the public with some guidelines for thought when they will be called upon to decide.

It may even prompt some legal experts and historians to bring to light a broader and more exhaustive study of the two forms of government, thus dispelling the fear connected with them, especially with the monarchy.

England has always been a monarchy. The dictator Franco, after taking over the rule of Spain from the hands of a monarch, left it once again to a monarch.

Not to mention Germany and Italy, or the other European monarchies that still exist.

I pray to God he will give Romanians some common sense!

Territories Claimed by Serbs in Croatia

*91BA0341A Belgrade POLITIKA in Serbo-Croatian
17 Feb 91 p 10*

[Article by Milan Cetnik: "The Serbian People's Answer to Croatian Separatism: The Way the Serbian Autonomous Oblast of Krajina Is Set Up"]

[Text] A process of pluralization of political interests was initiated in Croatia in late 1989 and early 1990. New political parties are being established, among them the Serbian Democratic Party [SDS] on 17 February in Knin. The SDS notes in Point 16 of its programmatic goals that the regional division of Croatia is outdated and does not conform to modern principles of life together, and especially not to the historical interests of the Serbian nationality.

The SDS was soon victorious or took a considerable percentage of the vote in elections in several Serbian opstinas. However, confronted with Croatian ethnic exclusivism, which is trampling on its sovereignty, the Serbian people decided in a plebiscite to take their political destiny into their own hands.

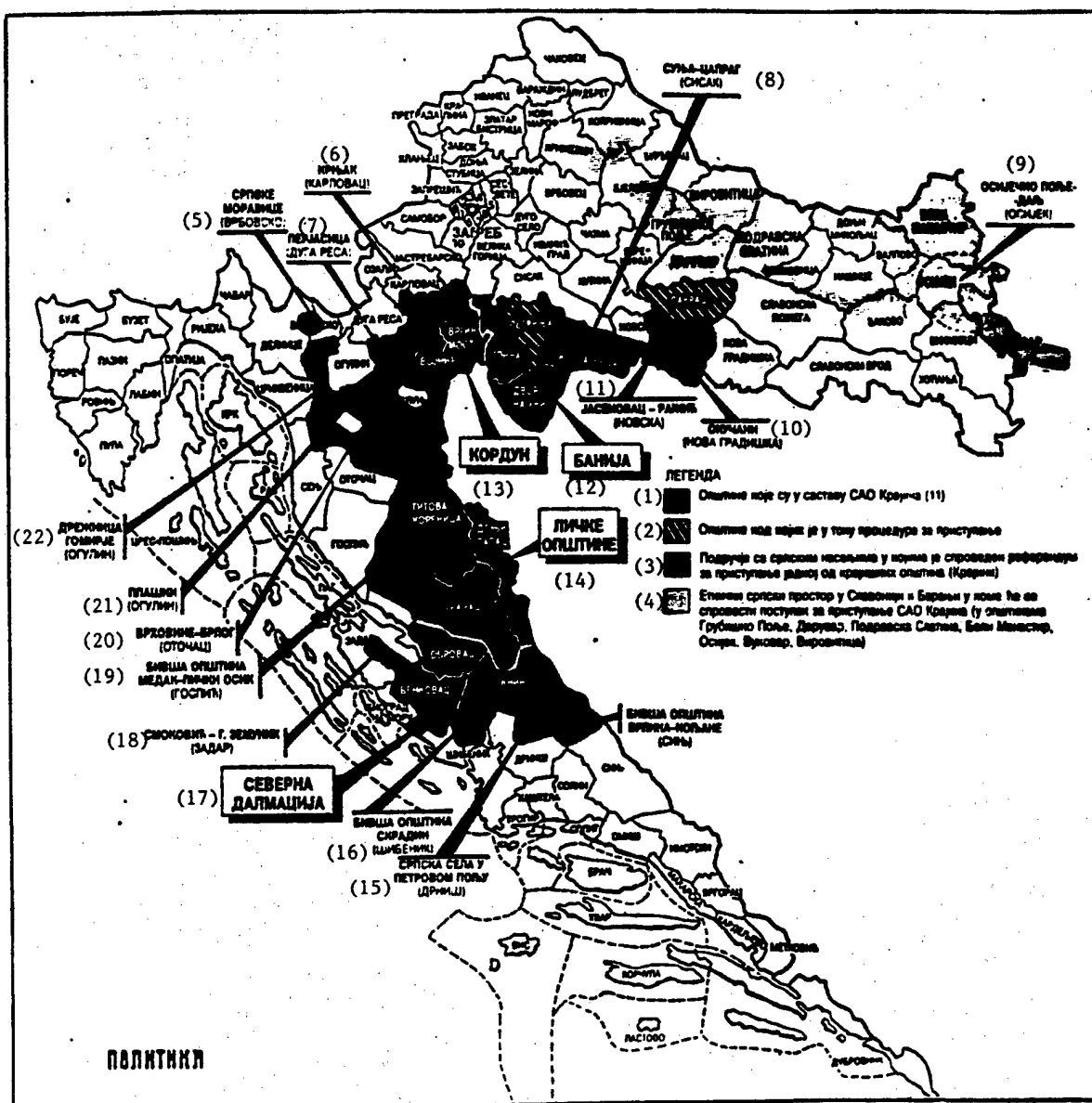
Thus, on 6 July the Assembly of the Knin Opstina decided to initiate the establishment of a community of opstinas in northern Dalmatia and Lika, which was in fact done in Dalmatian Kosovo on St. Vitus' Day.

On 25 July, in a large assembly of Serbs in the rebellious town of Srb, about 150,000 Serbs adopted the Declaration on Sovereignty and Autonomy of the Serbian People. The Serbian people proclaimed themselves a sovereign constitutional entity and made their future autonomous position within Croatia contingent upon the definition of Yugoslavia's future arrangement as a state.

The Serbian National Council, which is the supreme political entity, adopted—between sessions of the Serbian Assembly—a decision to verify in a referendum the wishes of the Serbian people living in autonomous Krajina. By repressive action, the Croatian police prevented about 150,000 Serbs from voting democratically in the plebiscite.

The results of the vote were more than convincing: Out of 567,317 citizens, 567,127 voted for autonomy.

Serbs who are citizens of the Republic of Croatia but do not live in this republic voted at the same time. Out of 189,464 voters, 189,422 voted "for."



- Key: 1. Opstinas which are part of the SAO Krajina (11)
 2. Opstinas in which proceedings are now under way to join the oblast
 3. Areas containing Serbian settlements in which a referendum has been held to join one of the Krajina opstinas (Krajina)
 4. Ethnic Serb territory in Slavonia and Baranja in which proceedings will be conducted to join the SAO Krajina (in the opstinas Grubisno Polje, Daruvar, Podravska Slatina, Beli Manastir, Osijek, Vukovar, and Virovitica)
 5. Srpske Moravice (Vrbovsko)
 6. Perjasica (Duga Resa)
 7. Krnjak (Karlovac)
 8. Sunja-Capraq (Sisak)
 9. Osijecko Polje-Dalj (Osijek)
 10. Okucani (Nova Gradiska)
 11. Jasenovac-Razic (Novska)
 12. Banija
 13. Kordun
 14. Lika opstinas
 15. Serbian villages in Petrovo Polje (Drnis)
 16. Former opstina of Skradin (Sibenik)
 17. Northern Dalmatia
 18. Smokovic-Gornji Zemunik (Zadar)
 19. Former opstina of Medak-Licki Osik (Gospic)
 20. Vrhovine-Brlog (Otocac)
 21. Plaski (Ogulin)
 22. Dreznica Gomirje (Ogulin)

When it became definitively clear that the Yugoslav political crisis was moving in the direction of disintegration of the state and that the federal units were trying to establish themselves as international entities (especially Croatia and Slovenia), the Serbian people within the administrative borders of Croatia decided to institutionalize political autonomy. The Provisional Presidency of the Northern Dalmatia and Lika Community of Opstinas approved the proposed charter of the Krajina Serbian Autonomous Oblast in a meeting held on 13 December in Titova Korenica. By 19 December that same political body, together with the Serbian National Council, adopted the final version of Krajina's charter. In the days that followed, the opstina assemblies in Knin, Benkovac, Obrovac, Titova Korenica, Gracac, and Donji Lapac adopted the proposed version of the charter, and the next day, on 21 December, Dr. Milan Babic proclaimed the establishment of the Serbian Autonomous Oblast Krajina. The flag of the SFRY and the Serbian tricolor containing no symbols were raised on the Knin fortress. Soon, the Serbian Autonomous Oblast Krajina was joined by the opstinas of Glina, Kostajnica, Dvor na Uni, Vojnic, and Vrginmost, and numerous Serbian settlements outside the borders of those opstinas decided to join Krajina by referendum. Both political organizations and institutions are being formed at the level of Krajina, among them the Secretariat for Internal Affairs of the SAO [Serbian Autonomous Region] Krajina. The supreme political entity in the SAO Krajina is at the moment the Executive Council of the SAO Krajina, whose chairman is Dr. Milan Babic.

Justice Minister Victor Babiuc Interviewed

91BA0355A Bucharest ROMANIA LIBERA
in Romanian 13 Feb 91 p 3

[Interview with Justice Minister Victor Babiuc by Florin Gabriel Marculescu; place and date not given: "Communism on Trial"]

[Text] [Marculescu] What was the genesis of your statement?

[Babiuc] The communique was motivated by the inertia of the authorities that by law are expected to investigate those who committed abuses during more than 40 years of dictatorship and who, in one form or another, contributed to the country's economic, political, and social disaster. Also, the same authorities should have pulled together the files of those who tried to drown in blood the December 1989 Revolution, only a few of which made it to court, as is known, and only for collateral aspects. If we look back to the period that preceded the communique, we will see that at a meeting held in November 1990 the prime minister requested that these two categories of persons be investigated and put on trial, and the matter was also mentioned by the president in his December speech before Parliament, but the authorities in charge of penal investigation still did not react. That is why, in the wake of a discussion with the prime minister, I thought that we should bring up the

issue again and come out with a communique in order to make public the position of the prime minister, and implicitly of the government, on the matter of the so-called terrorists and of those responsible for the country's ruin.

[Marculescu] You said that the document in question implicitly expresses the views of the government. Was it discussed at government meetings?

[Babiuc] It was not a specific topic at any government meeting. Nonetheless, there have been discussions with government members on this topic on various occasions and I don't remember any different views being expressed. In point of fact, none of the government members expressed any other view even after the publication of this communique.

[Marculescu] I suppose that in drafting the communique you consulted—even if only as colleagues—representatives of the authorities in charge of investigating the offenses in question. If so, what was their reaction?

[Babiuc] We did not consult anyone when we drafted the communique. The communique stemmed from my discussions with the prime minister. I don't think that we should have consulted the criminal investigation bodies because it was not something we had to agree on; they are legally obligated to make the necessary inquiries and to bring those guilty to trial. The prime minister only intended to sound a warning in this respect and, drawing on a legal term, to get behind those who, although legally obligated, have so far failed to do so or have done it to an insignificant extent.

[Marculescu] As far as you know, what was the reaction of the general prosecutor's office to the communique?

[Babiuc] We saw its reaction in a communique published a few days later in the press. I would rather not add any commentary.

[Marculescu] Why does the government not bring the contents of the communique before Parliament?

[Babiuc] I don't think that would be useful, because we must not forget that it is not the legal tools that we miss in order to investigate and put on trial either the so-called terrorists or those responsible for the country's disaster—if that were the case, then indeed Parliament would have to intervene—it's the fact that the bodies of criminal investigation are not doing anything, which in fact means that an existing law is not being implemented, in which situation I do not think that we need Parliament to intervene. I think that it is no less necessary to signal the fact that while the Interior Ministry bodies can be "set in motion" by the executive branch, the prosecutor's offices, in the present organizational structure, cannot be "moved" to act by the executive branch.

[Marculescu] You may be right about the prosecutor's office. How did the Interior Ministry bodies "move?"

[Babiuc] Judging by the data at my disposal—which is not all the data—I know that Interior Ministry bodies are concerned with carrying out such investigations. Moreover, they even devised means of cooperating with the prosecutor's office so that the work should be as operational as possible. Let us hope that the good intentions we know existed will, before too long, take concrete shape in files submitted to court.

[Marculescu] More specifically, in what way did the Interior Ministry bodies show such concern?

[Babiuc] You want me to answer about the activities of bodies that do not belong to the Justice Ministry, so by definition my answers will be incomplete. I know that organizational measures were taken, some in correlation with the general prosecutor's office, in order to resume work on files already opened but which were not seen through, to initiate new investigations, and to delimitate areas of investigation separate from the prosecutor's office.

[Marculescu] You referred mostly to recent offenses. What about older ones, like the genocide practiced ever since communism came to power? And what about the abuses committed under the Ceausescu dictatorship?

[Babiuc] As was pointed out in the communique, I think that those must be investigated and that the persons responsible must be put on trial. However, I would also like to point out that in my view, such investigations should concentrate mainly on events that affected the Romanian people's history in the past 40 years, beginning with the electoral fraud of 1946, through Dej's Canal, the collectivization and similar actions, and ending with the fraudulent economic reports of the last years of communist dictatorship. On the other hand, on an individual basis, the main figures responsible for such deeds must be implicated. Namely, those who belonged to the party and state leadership at central and county level. Of course, implementing this measure will raise many problems *de facto* and *de jure*. In point of fact, this is a matter of identifying individuals and their actions involving abuses or violations of the laws in effect at the time, including the complications caused by the passage of time and the disappearance or alteration of documents, and lapses in people's memory.

From a legal viewpoint, I will mention the numerous pardon and amnesty decrees issued. One problem frequently raised is the statute of limitation. Nevertheless, I think this problem can be overcome, because prior to 22 December trials could not be initiated against such persons for reasons easy to understand, but since those reasons were of an insurmountable nature, they can be viewed as *force majeure*. Consequently, according to article 128 of the Penal Code, the statute of limitation was suspended for this entire period of time and came into effect only as of 22 December 1989. This kind of solution has been used in other countries, too, and it is based both in doctrine and court practice.

[Marculescu] There seem to exist additional legal impediments. I am referring to the crime of genocide, which is not subject to commutation, and which appeared in our Penal Code in a complete formulation in accordance with international conventions only in 1968.

[Babiuc] That's true, but I don't think that this is an obstacle for punishing the persons responsible for the death of hundreds or thousands of people, because even if the crime of genocide is not on the books, there is still the crime of murder for which one can be tried.

[Marculescu] Members of the country's leadership sponsored and dictated the genocide, but they did not commit murders in the legal sense. How can people like Alexandru Draghici, or others at the same level who are still alive and equally guilty, be brought to trial?

[Babiuc] I think that the only charge that can be brought against them is the one envisaged in the penal law for cases of inciting and possibly complicity.

[Marculescu] Which means infinitely lighter sentences than those intended for genocide....

[Babiuc] More or less...

[Marculescu] That was why I asked whether it would not be appropriate to bring these cases, and of course the appropriate solutions, before Parliament.

[Babiuc] I think it is premature to take a decision along this line. I think that only after a few files are completed will we be in a position to ascertain whether a legislative intervention is necessary or not; certainly at that point either the executive arm or Parliament will act accordingly.

[Marculescu] Our discussion is interesting, but it risks dissipating into the sands of forgetfulness, just like the sensational statement that was our point of departure. If nothing is done people will be justified in accusing us of pure demagoguery.

[Babiuc] Of course. Let's hope, however, that those in charge of carrying out the law will behave like true professionals and will do what has to be done. At the same time, I think that other factors will also act to ensure that things are not forgotten.

[Marculescu] Do you think that the prime minister shares your ideas? Do you intend to present them to the government?

[Babiuc] I find it difficult to assert it with certainty, because I communicated only some of my ideas to the prime minister during our talks. I think, however, that there are no fundamental differences between what I told you and his views. Naturally, my statement contains the uncertainty inherent in lack of previous coordination with the prime minister. If necessary, of course I will present all my views on these matters to the government.

CADA Agenda, Accomplishments Reviewed

91BA0348A Bucharest DREPTATEA in Romanian
12 Feb 91 p 3

[Article by Serban Popa: "CADA's [Action Committee for the Democratization of the Army] Balance Sheet"]

[Text] On 12 February it will be one year since the Action Committee for the Democratization of the Army [CADA] published its "13-Point Appeal" to President Iliescu. Since then CADA has continued its actions.

Far from "destabilizing the Army," CADA has been and remains a phenomenon as unusual—in view of the unusual conditions in which it was formed and is active—as it is necessary. That is because a democratic civil society cannot coexist with a military system structured on the basis of totalitarian practices.

Although the statement seems to be self-evident, the option of a democratization capable of bringing the Romanian Army to a common denominator with the armies of the Western democracies was deliberately distorted by many spokesmen of groups interested in perpetuating anachronistic situations.

Consequently, because soldiers always were and are men of action, now, one year since the "birth" of CADA, a balance sheet designed to bring out the settlement of the 13 points of the appeal is, in our opinion, the best possible response to all its detractors.

Therefore:

1. In order to establish the truth about the role of the Army in the December events, the establishment of a governmental commission was requested to investigate and examine what happened in all the towns where victims were reported. Unfortunately, this did not happen except in Timisoara. However, the conclusions of the investigations were not released for publication even in that case.

2. In order to examine the activities of military cadres and to verify the correctness of the proposals in whose wake generals and officers were reactivated or promoted in rank and position in accordance with their real contribution to the victory of the Revolution, the minister of national defense issued an order to establish commissions of examination throughout the entire military hierarchy. We are compelled to regretfully note that almost none of the conclusions, proposals, and measures established have been released for publication; moreover, they have been forgotten. Contrary to promises, three of the generals reactivated in December 1989 are still in very important positions.

3. In response to CADA appeals, Defense Minister General Nicolae Militaru was discharged.

4. At the same time, the proposal to appoint a civilian to the important post of national defense minister was withdrawn.

5. Former Interior Minister General Mihai Chitac was also discharged. This decision was greatly influenced by the positions expressed by CADA members. At the same time, it is not superfluous to stress that, although the officers who participated in CADA actions were the target of numerous accusations, none of them was summoned before the Parliamentary Commission of Investigation.

6. Although the principle of cadre promotion based solely on the criterion of competence was accepted, it is yet to be applied. The main reason is the absence of an appropriate statute for military associations based on scientifically determined regulations. To our knowledge, CADA did work on and propose such a statute.

7. The legal provisions concerning passport issue and regulations are mostly observed. Less consistently observed are the provisions concerning differential payment for Saturday and Sunday work shifts. Also, ensuring appropriate housing for military men is still problematic.

8. Efforts to ensure optimal activities at army clubs are still far from satisfactory.

9. Despite requests along this line, no legal framework has been established for cases of resignation following professional contracts signed between military men and the Ministry of National Defense. The main failing is that the new statute governing the cadre corps has still not been finalized.

10. With a few notable exceptions, the Army has not been depoliticized. In the absence of explicit repudiation, the great majority of officers and noncommissioned officers in the Romanian Army are still members of the PCR [Romanian Communist Party]. Along this line, CADA requested that the presence of officers in Parliament be devoted exclusively to matters of military interest, and asked Parliament to urgently pass a bill to allocate seats in the Senate to military cadres.

11. The Parliamentary Commission for Military Issues does not have any career officers among its membership, although that would have been highly necessary. Also, the public should be informed whether there is any cooperation between this commission and the Defense Ministry's Commission in Charge of the Social Situation of the Army, and if so, what concrete results have been attained.

12. At the request of the CADA members the major political parties have taken a stand on the Army and on matters of national defense.

13. The presidential military units have been dismantled. Nevertheless, the tension has not been completely eliminated because the new statute governing air force personnel has not yet come into effect.

As can be seen, most of the requests featured in the 13 points of the appeal are still highly topical. Moreover, the aspiration to see them fulfilled continues to inspire

all the career military men—more than a few—who subscribed to them in the hope of seeing a favorable change in the Romanian Army.

In view of this situation, we think that, in the spirit of the reasonable, clear-sighted, and constructive attitude that he has mostly shown, the minister of national defense will issue an order of the day to call to report all the officers and military cadres who explicitly represented themselves as CADA spokesmen, both on active duty and on forced retirement.

We believe that, whether it is followed by a dialogue or not, such a report must be made and especially heard.

Program Chief of Romanian TV Interviewed

*91BA0337A Bucharest ROMANIAI MAGYAR SZO
in Hungarian 16-17 Feb 91 pp a, b*

[Interview with Zoltan Boros, Hungarian program chief of Romanian TV, by Jozsef Mezei at the Romanian TV headquarters in Bucharest on 9 January: "Was There, Is There, Will There Be a 'Situation'?"]

[Excerpt] [passage omitted] [Mezei] It took very little time for the Romanian Television to forfeit the unanimous recognition it enjoyed in late December 1989 and early January 1990. It is my impression that the Hungarian editorial office has avoided the pitfalls. How were you able to preserve your independence and moral integrity at the television network?

[Boros] Let me tell you! We began broadcasting at 1600 hours 8 January 1990. We knew that the contents of the broadcast would be ready at 1500 hours. I typed up a program sequence. My old instincts suggested that I obtain an approval from someone right then and there, so I went upstairs to the 11th floor—one could not go ahead without an approval, as you know. I am a music editor after all, and to top it off, not at the television network but at the radio station.... I entered the president's room. Six people were already waiting. I waited patiently, I was willing to fight for the opportunity to talk to him. I told him that the Hungarian broadcast was about to begin, and briefed him concerning its contents. He looked at me, then said: "So what? What do you have?" I told him to take a look. "What should I be looking at," he asked. I told him to take a look at the contents of the broadcast. He glanced at the paper and said "Okay, okay," then returned the paper to me. I left the office, hung around in the stairway, then walked down to the 9th floor. I realized that from now on there would be no one to hold my hand, and that not even advice would be given by anyone.

[Mezei] Nor would anyone censure you....

[Boros] Accordingly, from that point on we had to decide for ourselves what was good and what was bad. I admit that I had been looking for guide posts for quite some time thereafter—what were the things that had to be told, what was acceptable, how far we could go at a given

point in time—things that were useful at a given time. I never sought, and will never seek, irrespective of where I will be working, to present something spectacular on television. I was always trying to find the end result, the specific effect of what I was doing. This point of view gains increased importance at an institution like the television because it exerts such great influence. In other words, I am interested in the effect. I want to know whether I help or harm with what I am doing. This carries a far greater responsibility than considering only whether something is good or bad from a professional standpoint, or whether I would excel with a given program and receive some good marks and possibly become a star.... You are aware of the fact that we have to choose for ourselves a certain tone of voice. Our tone of voice is different from that of the general Hungarian press in Romania. You are also aware of the reason for this, of course. The reason is that we communicate in two languages. Our broadcasts are captioned.

Our job is to simultaneously speak to two audiences having very different levels of sensitivity. We must do so in a way so as not to offend either audience. We must keep in mind the possibility that some people might not like what we have to say, and yet, we should not evoke hatred as a result of what we have said. Our arguments would be in vain if we did not follow this rule because arguments bypass the perception of offended people.

[Mezei] The Romanian Television Network has demonstrated the many ways in which information can be manipulated, from the mutilation of the news, all the way to suppressing the news.... You have succeeded in attracting the attention of a significant part of Romanian viewers. This may be credited to the fact that you did not suppress anything, you dared to report on, and present pictures of events that were not covered by the main broadcasts for a long time, or as subsequently became clear, the main broadcasts had been manipulated in a childish manner.

[Boros] We speak to the Hungarians of Romania because we are broadcasting in the Hungarian language. Since our broadcasts are captioned, we are able to serve as the mouthpiece for Hungarians in Romania toward the majority of the nation, the Romanian people. We must serve as that mouthpiece, because this is our grave responsibility. The Romanian people understand what we have to say. The Romanian reader does not understand what the Hungarian newspapers have to say. As it turned out in February and March, they simply did not know us, they had misconceptions of us, they did not understand why we were making demands, they were unaware of what we had lost during the Ceausescu era. At the same time, the great need felt by the Hungarian intelligentsia to express itself to the Romanian people became evident. Unfortunately, the Romanian people stopped buying our short-lived Romanian language newspapers as soon as they recognized the editors. But television is different. They just turn it on. If a broadcast is captioned, they will read the captions and become informed. Captioning is customary here because movies

are also being captioned. Accordingly, we must tell our concerns not only to the Hungarians, but also to the Romanians. We not only must try to make them understand our concerns, but I would go even further. Please do not regard this as boasting, but we consciously agreed to deal with the many concerns and problems experienced in this country, and to take positions concerning a number of major issues that affect everyone. We did not narrow our scope of interest to cover only the nationality and minority problem. From time to time we tried to provide objective, undistorted information concerning matters of national significance, and this, I believe, has made a big difference.

I should mention the events and atrocities of 13 June. As it turned out, viewers were able to learn the true story of the attack on the television network from a film that we presented without commentary. We do not comment on these events, we let the pictures speak for themselves....

It is my view that here in this country, we Hungarians will be unable to accomplish anything by ourselves. We need not enlighten the Hungarian people about the things that hurt them, about our concerns, and needs. To the contrary, we must convince the Romanian people of our ability to better cooperate if we also feel at home. We will be able to have laws passed by parliament which secure rights that are also acceptable to us. We can accomplish this only with the help of the Romanian people, in cooperation with the cream of the Romanian intelligentsia, with the favorable disposition of the Romanian people....

[Mezei] Providing appropriate and objective information to Romanian public opinion concerning ourselves is of vital importance to us. This includes the information passed on by your services.

[Boros] This is even more so because some newspapers conduct a campaign of agitation against us in a vulgar tone of voice.

[Mezei] At a given point in time they also created a certain Boros Case. How did the consequences of this case affect you personally?

[Boros] I was under great pressure at the network. This is what happened: The slogan "We will fight, we will die, but we will not give away Transylvania!" was fashionable in those days. The hysteria about Transylvania culminated in this slogan—the idea that they [the Hungarians] want to take away Transylvania. Only a few people recognized the fact that this entire matter had served the sole purpose of covering up social problems and unresolved economic issues. I prepared a pamphlet which was written in script form for television. In it I drew a parallel between this slogan and the reality. I edited some scenes from a Vatra gathering. They showed a portbellied gentleman who looked like an activist, conducting the choir. Thereafter I tied these scenes to empty shops and dirty streets in Bucharest. I pointed out the fact that we were keeping ourselves busy with things like this instead of guarding our standard of living and

resolving the problems experienced with shortages of supplies. It was much easier to shout and to arrange hysterical scenes about not giving away Transylvania, and this could go all the way to the point where there would be no Hungarian schools either.

[Mezei] One thing is certain, the pamphlet served to greatly outrage some people, but I also vividly recall that some noted Romanian colleagues and one of the journalists' organizations took your side.

[Boros] The AZR [expansion unknown] was on my side at the time. They actually supported the Hungarian broadcasts. I was able to score a success because to my knowledge, this slogan has not been used in that form since. Choirs no longer chanted this slogan.... It may be replaced by something else, but we will not have to hear the same thing again.

[Mezei] You did not answer my question concerning the way you were able to maintain your strength at the television network.

[Boros] The situation is this: Whoever wanted to stand fast, and wanted to preserve his mental and moral health could have done so to this date. Whoever claims that the opposite of this is true is telling a lie. But people who did not establish this requirement for themselves had nothing to maintain. We have been pressured many times. Actually, on one occasion, they tried to coerce me to include some extra material in our program, as a matter of balance. At that time I resisted the pressure. My answer was "no," and I did not include that material in the program. On occasion they told me that this or that should not be presented in the way in which it was done. I was always able to respond to such statements, sometimes politely, sometimes sarcastically. This was true because I was always able to provide an argument. In this situation, which still prevails today, one is able to maintain his position only if he is able to present arguments. I do not know what will happen hereafter, or just how much pressure we will be exposed to. But whatever we have experienced thus far has been tolerable.

[Mezei] Accordingly, would you say that our suspicions were unfounded at the time when we felt that the Brandenburg Competitions were included more than once in the Hungarian broadcast because something had to be removed from the program and at the last minute something had to be added to use up the time?

[Boros] You are probably referring to our 26 March broadcast, the one following the March events in Marosvasarhely. Well, at that time, the issue revolved around taking a position. We had to somehow convey just what happened during that week in Marosvasarhely in March, and what it meant to us. We were able to convey the seriousness and the tragedy of that situation. At that time, we were exposed to truly great pressure. Everyone was watching the extent to which we would submit. Everyone in the studio froze when we showed two empty armchairs and the screen of the television monitor

between them. This was our way of indicating that we were being pressured, and that despite such pressure we did not retreat. On the monitor in the background, we broadcast on a smaller scale the conversation we had had with the injured during the March attack, and the report prepared at the Bucharest Military Hospital about the wounded Suto.

[Mezei] How is the atmosphere at work these days? We were recently impressed because it seemed as if the information provided by Romanian Television had improved.

[Boros] Today, on 9 January 1991 I can say this much: A legislative proposal is being drafted. Based on its provisions, the Romanian Television Network would cease to operate in its present form. A national public institution would be established to take its place. Everyone except the president would be rehired, i.e., whomever they wanted to rehire. At the same time I can also say that even though our Christmas and New Year's Eve broadcasts amounted to only small comedies and satires devoid of any "threatening" critical edge, the audience survey organization registered 25 telephone calls claiming that our broadcasts showed the Romanian people in an adverse light. For this reason, the callers suggested that the time allotted to Hungarian broadcasts be reduced, and 10 of the callers would have discontinued these broadcasts altogether. At the same time the callers requested that the Vatra be granted a permanent time slot on television. This is where we stand a year after we began broadcasting.

[Mezei] I wonder who these 25 people represent? I would not rule out the possibility that these people were recruited for this purpose.

[Boros] I have no idea. These anonymous phone calls may be put to use by someone for some purpose. In the 1950's, one could be convicted based on an anonymous complaint. The number of threatening calls and letters has also increased. Previously, incidents like these did not occur in such an organized fashion. Not that I am overly bothered by them. By mentioning these, I intended to describe the kind of atmosphere in which we work, not to mention the countless demonstrations and attacks around the television building. On occasion we persuade ourselves that everything around us has quieted down, just to find again and again that a "situation" still exists.

[Mezei] And you are here and you cannot act differently.

[Boros] We will not surrender this position, this weapon, under any circumstance, only if they strike it out of our hands.

Romanian Television Headquarters, 9 January 1991.

* * *

P.S. Meanwhile, a few weeks later we were able to ascertain that the premonitions of our television colleagues had been well founded. We have not (yet?)

reached the point where they would try to wrestle away their weapon made of words and pictures. They merely deprived both Hungarian and Romanian viewers in Romania of some highly valued broadcast time and from the opportunity to receive such broadcasts. They did so to a rather significant extent. I cannot tell how satisfied the managers at the Romanian Television are with this brave act of theirs. I have a rhetorical question to ask nevertheless. Has it occurred to them that they might have discharged a boomerang?

YUGOSLAVIA

Croatian List of Serbian 'Extremists' Discussed

91BA0334A Zagreb VJESNIK in Serbo-Croatian
16 Feb 91 p 4

[Article by Ivica Marijagic: "Who Are the 'Extremists' on the TV List?"]

[Text] One of the latest in a series of so-called special broadcasts on Croatian television made public a list of individuals of Serbian nationality who were said to encourage Serbian extremism in their political activity. We are to believe that such a list is the result of the Croatian Internal Affairs Ministry's actual possession of specific facts and evidence.

After that broadcast on Croatian television, the commentaries varied, ranging from those who said that this was nothing new—since it was already more or less known before who the "strategists" behind the destabilization of Croatia and the advocates of terrorism were—through those who asserted that the masks had finally fallen from the people whose constant concern over the "equality of Serbs in Croatia" concealed deliberate encouragement of political extremism and the creation of the prerequisites for the destruction of Croatia's democratically elected government. Finally, there were commentaries stating that by publishing those names, the Internal Affairs Ministry [MUP] had once again demonstrated its impotence, because in a situation in which it could not react through legal measures, it was trying to compensate for its impotence by publicly discrediting the individuals in question.

The reactions to the broadcast also differed from the standpoint of values. According to some people, this was an excellent move by the MUP, because it was expected that the people named could no longer go to bed every evening with a clear conscience now that they had been convinced that everything was known about them, which they perhaps had not counted on. Furthermore, according to those reactions, the public presentation of those individuals ought to create real confusion and mutual suspicion even within the SDS [Serbian Democratic Party], because it is logical to assume that someone provided the Ministry with the necessary information about individuals' activity. Furthermore, it is assumed that the public discrediting of the individuals cited will also be a burden on the members of their families, and

that from now on many Croats and Serbs will point a finger at them. The psychological effect in that form is really not negligible.

On the other hand, there are also those who think that the publication of a list of people encouraging political extremism is at the same time not a politically wise move, because it will only intensify the already hopeless schism within the population here, since the Serbs will perceive it as "one more form of state terror against Serbs," as some of them have already said. Thus, the Presidency of the Obrovac Opstina Assembly has issued an announcement stating, among other things, that the Croatian television special broadcast is "one more attempt to sow dissension and disunity among the Serbian people in Croatia," and calling upon the Serbian people "not to give in to provocations." An even harsher reaction from the Benkovac Executive Council stated that the special broadcast "was astonishing in its villainess, and upsetting in its criminal intentions, and that the publication of the names of people, including some prominent Benkovac cultural and public workers, is actually a call to suspect groups and individuals for the physical liquidation of those named."

In any case, time will probably show how things stand: whether the list was based on a thick dossier on each of those named, or whether the list is merely a matter of someone's political view. Since most of those named in the Croatian television special broadcast live, work, and are politically active in the Knin-Benkovac-Obrovac-Gracac area, here we will briefly state the most basic facts about the "best-known" ones.

Marko Atlagic is a professor at the Benkovac Secondary School Center. For many years he has been a former and a present deputy in the Assembly, and a former president of the Benkovac Opstina Assembly. At first he was a Communist, and then before the elections he attended the Socialists' meetings, stating that that party was the most Yugoslav one. Even as a Socialist, however, he participated in the attempt to resume the 14th LC [League of Communists] Congress, and for the whole time after that he has been one of the main speakers at meetings of the Serbian population organized by the SDS. By coincidence or not, he was among the first at every "spontaneous" gathering, and in his speeches he did not spare or mince words in accusing the Croatian authorities. That "fighter" for the Serbian cause in Croatia did not miss a chance earlier to talk about the inequality of Serbs, and is doing so even less now. In doing so, he has never mentioned facts from his own area in Benkovac, because they would convincingly refute him. He would usually remain helpless in response to counterquestions like: "Is anyone prohibiting you from using the Cyrillic alphabet?" or "What is the ethnic composition of those employed in the collectives?", because in that case he would have to admit that the use of the Cyrillic alphabet is simply a matter of someone's wish, and that many collectives, including the one in which he is employed, are virtually ethnically pure. Atlagic, however, has also "proven" himself at the

assembly podium, no longer as a Communist and Socialist, but rather as a diehard member of the SDS. That is how he behaved in the Benkovac Opstina Assembly, which at his proposal joined the headquarters in Knin, and demanded that the Serbs in Croatia have the same rights as the Albanians in Kosovo.

Atlagic is also experienced as a scientist. He was a graduate student at the School of Philosophy in Zadar, but the students soon began to boycott him and signed a petition to have him "removed" from instruction. The reasons were his political views in lectures, during which he called German and some other languages fascist ones. Atlagic is now a professor at the Secondary School Center in Benkovac, but by recently signing a petition along with 10 other deputies in the leftist bloc of Serbian nationality, he has "frozen" his participation in the Assembly.

Sergije Veselinovic is the president of the Obrovac Opstina Assembly, known for the very extreme positions that he states in the name of the SDS. One always hears or reads the title "Professor" in front of his name, but he has not yet finished school. According to the latest information, he has a degree in philosophy, but according to some unofficial information, he has not progressed further than the second year. He represents himself as a historian. He began to study history and Russian at the School of Philosophy in Zadar, and then enrolled at an identical school in Sarajevo. It has not been proven that he has a degree in anything, but that did not hinder him from giving lectures at one time at the Obrovac Secondary School Center. From school, he "soared high" into politics, and became known for nebulous statements like the one that at the time of the first revolt, about 20,000 Serbs moved out of Zadar because of the danger, even though there are no more than 12,000 of them in the whole Zadar opstina, and none of them moved out of Zadar at that time. At some SDS meetings, Veselinovic has been accompanied by armed individuals in JNA [Yugoslav People's Army] uniforms, and it has been proven that he was the one who ordered the distribution of weapons from the Obrovac police station and the blockade of the gasoline pump. He has also been elected president of the Executive Council of the famous "Krajina."

Zdravko Zecevic is the president of the Benkovac Opstina Assembly. The publication of his name in the Croatian television broadcast was a bit surprising to many people, because it is known that he has never been in the "front ranks," which naturally does not mean that he does not also "honor" the Croatian authorities with terminology from the Ustasa arsenal, like Veselinovic. At several meetings he has also "set fire" to those assembled by claiming that the "Krajina" is now a "real fact with which the Croatian authorities have to reconcile themselves." At the funeral of the policeman Goran Alavanja, he said, among other things, "You died for a regime that did not love you, and that you did not love." Zecevic, however, has a noticeable tendency to speak only when he has to and when it is required by the

"interests" of the party, and otherwise refrains from excessively fiery statements.

Dusan Starevic is a well-known Benkovac public worker, who is more or less assumed to be "infected" with hyper-Serbian feelings. He is the president of the Prosvjeta [Enlightenment] Serbian Cultural Society for Croatia. He appears in public very little, but it is believed here that he is actually the leading ideological "architect" of the Serbian events in Croatia, the one who exerts an influence from the background upon exposed pawns like Veselinovic and the rest. Those who know him better will say that he falls into the same category of politicians as Atlagic, Veselinovic, Zecevic, and others, i.e., a group of people with very modest knowledge and political wisdom, with mixtures of a political nonculture that perhaps can amaze the inflamed crowds at some rally, but no one else.

Radomir Kuzet is a Benkovac attorney. Although his activity within the SDS is known, the "news" of his extremism was a little surprising. As an attorney, he represented the "actor" Miroslav Mlinar, and the other Serbian "victims," Jovan Opacic, Bosko Cubrilovic, the Zadar policemen who were fired, and policemen from other stations. He usually aimed his defenses at asserting that they were political, staged trials, without paying too much attention to the facts which proved the indisputable guilt of the accused. From a political standpoint, Kuzet is claimed to think what the prominent individuals of his party say and do.

Mile Martic is the illegal secretary of the equally illegal SUP [Secretariat for Internal Affairs] in Knin. By a decision of the Disciplinary Court of the Police Administration in Sibenik, Inspector Martic was fired because it had been determined that he had committed serious violations of his operational obligations and duties. Prior to that court decision, however, he was crowned secretary because of his special services in the "beam revolution." On television, he openly refused obedience to the Ministry of Internal Affairs, and now he is "commanding" the SUP of the so-called Krajina, replacing undesirable personnel, and threatening the Ministry.

Branko Marjanovic is a recently retired Radio Zadar journalist. He is considered the ideologue of the SDS in the Benkovac and Obrovac area. He likes to divide forests and rivers into Serbian ones and Croatian ones. The story was told in Zadar that whenever Marjanovic took a day of annual leave or sick leave, there was a problem: barricades and rallies appeared. He became prominent for statements like "The Serbian people in Croatia have seen through it.... The gentlemen from Zrinjevac will not give us orders!", and so forth.

Luka Licina is a private entrepreneur from Gracar, suspected of being one of the perpetrators of the terrorist attack against a Benkovac police patrol near Obrovac in which policeman Goran Alavanja was brutally killed and another was seriously injured. It is not known whether he

is still in hiding, whether he is still being protected by bodyguards, or whether he is moving about normally. It is known that he was a participant in the "beam revolution," but it is not known how far the investigation into his role in that crime has gotten. An electrical bill with his name on it was found at the scene of the crime, and it has been established that his personal car was there.

We have only presented some of the people on the list of Serbian "extremists" in Croatia. Of course, others were also read aloud in the broadcast. It seems, however, that they nevertheless play the role of carrying out orders from their superiors. For example, the already arrested Vlado Olujic and Branko Komazec from Obrovac took part in the attack against the Obrovac police station on 2 October 1990, when they fired upon policemen, fortunately without consequences.

Credibility of JNA Spegelj Film Questioned

91BA0298A Ljubljana MLADINA in Slovene 29 Jan 91
pp 6-7

[Article by Ali H. Zerdin and Marcel Stefanovic, Jr.:
"Hidden Camera"]

[Text] One of the biggest paradoxes of the Yugoslav situation is that the secret services have become a media attraction. The circumstances are partly similar to those during the cold war, when the media celebrated discoveries of spies, and espionage networks, and projects. On the other hand, in our case the very product of espionage has become public. To be sure, in principle secret recordings could be used as a means of coercion in secret diplomatic operations, but it seems dangerous to have the most sensitive product of espionage become public. For some time, the Defense Ministry's press agency has maintained that it has evidence of illegal weapons and illegal "paramilitary units." On 15 January, it promised that it would provide the public with the "evidence," and it did so—although rather unconvincingly. Similar evidence quite certainly also exists on the other side: The public was already acquainted with the content of the regulations of the Military Security Service (KOS), and in all likelihood there is also evidence of the dissemination of disinformation, one of the key methods of operational work. The question is only whether it is enough of a media attraction.

On Friday, i.e., just before the outbreak of the civil war that then did not occur, Belgrade television showed a film featuring agents of the Military Security Service, strictly confidential documents, Croatian leaders, ministers, and local party leaders. It appears from the film that the Croatian leaders smuggled weapons, prepared lists of officers who were to be liquidated—in short, prepared themselves for a civil war. The content of the film is not so convincing, however, that we should deal with the story—the way in which these things were recorded is more interesting. It is now widely known what the Military Security Service's regulations say. That service

has the authority to make secret audio and video recordings. It is clearly evident from the broadcast film how they undertook this. They installed a hidden camera on the premises, and there were eavesdropping devices in the offices (of Croatian ministries?).

Eavesdrop on Whom

In view of the general indignation that may occur because of secret taping, we ought to point out one more detail, which is less well known. In April 1985, the Federal Presidency adopted a secret decision on the use of the means and methods of the State Security Service [SDB]. That decision, however, gave the republics the right that they, themselves, also define "certain elements" which are associated with the use of these means and methods. We know how these things were done in Slovenia. At the end of the summer of 1985, the Republic Presidency adopted a decision that the SDB could not use its methods for surveillance of the leadership of what were at that time sociopolitical communities and sociopolitical organizations. In the meantime, of course, that secret decision has been annulled. In Slovenia, only the Council for the Protection of the Constitutional Order can designate exceptions. We can truly doubt that the Croats have not also adopted a similar decision. It is also true (from the facts known to us) that the prohibition could only apply to the SDB's means and methods, even though the operational methods and means of the Military Security Service and the SDB are similar! Does that mean that the SDB should not conduct surveillance of the Republic leadership, but that such a prohibition is not in effect for the Military Security Service? Another possible interpretation would be that the secret operations of the Military Security Service were approved by a high-level body in the federation (for example, the Federal Council for the Protection of the Constitutional Order). The third and most probable alternative would be that the military security service, with permission from the military leadership, spied "on its own account." The question, of course, is how much they did on their own. Section 70 of the secret "Regulations on the Methods and Means of the Security Organs of the JNA [Yugoslav People's Army]" says that "secret surveillance and recording are conducted in surveillance centers (...). The establishment of surveillance centers is proposed by the head of the security administration, and they are approved by the Federal Secretary for National Defense." A surveillance center, of course, is not each specific microphone, but rather a headquarters in which all the radio and telephone lines are collected. It is also possible that some new center was also formed for the operation of "uncovering paramilitary units." That would mean that the initiation of the entire operation was approved by Veljko Kadijevic.

Radio Game?

Since the video recording of Croatian Defense Minister General Spegelj was technically so poor that one could virtually not even see the man moving his lips, we can

leave aside the visible side of the spy story for a moment. The audio recordings, however, were also poor. Any journalist who manages an ordinary external microphone for a tape recorder can make a clearer recording. That leads us to the conclusion that the audio recording could have been deliberately and subsequently blurred. At the same time, a competent technician can make whatever he wants out of an audio recording. There are several options. A skilled technician can simply delete individual letters from the tape in a studio. Thus, a whole year ago, one could hear on Student Radio a statement by Jozse Smole, who stated just before the arrival of the "explainers of the truth about Kosovo:" "There will be a rally!" The technician simply deleted three letters from the statement "There will not be a rally." Some skill and persistence are necessary for the operation, but the result is perfect. We achieve even more interesting results if the audio technician deletes the question originally posed and inserts a new question. If one of the participants in a conversation asks what the latest film about World War II is like, and the other participant answers, "Bloody, the Ustase cut the Serbs' throats!", we can simply replace the question and ask, "What will the HDZ [Croatian Democratic Community] members' maneuver be if there is no peace in Knin?" We can encounter several similar tricks in the film about the "Croatian terrorists." It is quite likely that the question "Does that group have to take care of quiet liquidation?" was inserted before the answer "Exactly!" The third trick is just as simple. We combine parts of two sentences and get a new one. From the sentences "I promise you that there will not be a war!" and "Because of their own madness they are convinced that we will kill them!" we can make the sentence "I promise you that we will kill them!" A top radio sound technician can assemble a one-minute tape in one hour. Assembling an audio recording with a blurred videotape takes longer, to be sure, but it is possible.

Who Swiped the Glass?

Many people watching the broadcast received the impression that it was very long. The impression was correct, of course, but in spite of everything the broadcast was short: specifically, it lasts only 36 minutes, which is only one third of a full-length film—that is little, even too little, for long-term taping extending from 4 October to 18 January, and the "abundance of material" advertised by a note in the credits. So why do we say that the impression is correct? The authors created the impression of length, of course, with a cinematic rhetorical device, which by its very definition is intended to break up and spread out the time, and is consequently a device that is intended precisely for creating an impression of length—repetition. They incessantly repeat everything—Spegelj's statement for Croatian television, Tudjman's monologue at a meeting with the presidents of the other Croatian parties, Spegelj's statements from a conversation with unnamed and unidentified agents, and to top it off, virtually all of the key statements attributed to Spegelj are read once again by the narrator

of the broadcast. That rhetorical and artificially created length of the broadcast obviously constituted a mere trick, by which they tried to conceal its actual brevity, and tried to conceal that they actually had very little "material," and even too little. Finally, if we add up the time of all the scenes in which Martin Spegelj, the main hero of the broadcast and the obvious target of the KOS's videophilism, appears in the picture and in speech, we only get a total of six minutes and seven seconds. All the rest is party heroes (Tudjman, Boljkovac), mute individuals (the HDZ secretary for Virovitica, the HDP [Croatian Statehood Movement], the HV [expansion unknown] secretary from Virovitica, and an HDZ member from Osijek), bit players (people asking questions, agents, and a Schmeisser [type of German rifle] demonstrator), fillers (photocopies of documents, telegrams, and internal dispatches), and other things to fill in the gaps (photographs of a Csazmatrans truck, and photographs of a ride in a car). This naturally calls into question and belies the "abundance of material" boasted of in the credits for the broadcast: What kind of, and how much, is the "entirety of the material," if what they used could barely be put together? What, and how extensive, is the "entirety of the material," if what we see is so little?

At the beginning of the broadcast there is an explanation that the "material" was filmed "in difficult technical conditions." Really? What is the problem—what is bothering us here? Above all, the fact that they are trying to convince us that a camera is like a person and that it is directly dependent upon a person. But a camera, of course, is not a person: you install it, focus it, camouflage it, and then everything depends solely on the camera. The broadcast itself—especially the scenes filmed by the "candid camera"—suggests a different picture and a radically different logic: In the first place, the numerous "atmospheric" noises were obviously added later—the fact that it was actually recorded from several steps away, from the immediate vicinity, gives the impression that it was recorded from a distant surveillance microphone. In the second place, the quality of the sound constantly oscillates within the same scene; the sound is lost and then appears again, as if the speaker were moving the whole time, although he is actually staying still the whole time. In the third place, the picture is very poor, considering the circumstances and above all the fact that the weather does not have any effect on it; and in the fourth place, everything filmed by the hidden camera was obviously originally in color, and later they turned the colors into black-and-white photography. They were probably driven to choose black-and-white photography by both dramaturgical (black-and-white photography more effectively, pathetically, and dramatically emphasizes a black-and-white view of the world) and ideological reasons (black-and-white photography, especially if it is a little stylized or obscured, does not have the same precision as color, and furthermore it is easier for black-and-white photography to conceal some detail—for instance, Comrade Tito in a picture, when we are in the middle of the HDZ's Croatia—that could

compromise the hidden camera and the people using the hidden camera). Why was there all that subsequent processing of the revelatory and secret "material"? Why did they put in the noises, why did they manipulate the sound quality, and why did they prefer to use black-and-white photography? It is very simple: If we said that repetition is only a rhetorical device by which they are trying to create the impression of the length of the broadcast, and consequently of the "abundance of material," then we would naturally have to say that the added noises, the oscillating sound quality, the poor picture, and the black-and-white photography are likewise functioning as rhetorical devices, by which they are trying to emphasize and establish the authenticity, documentary value, realism, and absolute truth—the deadly truth—as if to say, all this is true!

Once again, let us ask ourselves the question: What and how extensive is the "entirety of the material" in reality, if what we see is so little? A paradox is hidden here. Let us try a different way: What is even in the rest of the "abundance of material," if it really is all there, in the broadcast, in the scenes filmed with a hidden camera? What are we aiming at? Did not Martin Spegelj say everything that any spy would want to hear during those six full minutes? That is what is paradoxical: On one hand, we have Spegelj's brief appearance, and on the other, during those few minutes Spegelj says everything that he needs to say, that he can say, and that everyone wants to hear. That is why it is not surprising that after the prefatory excuse ("Some parts of the broadcast were recorded in difficult technical conditions") there is also an explanation that some parts of the broadcast were recorded "without the knowledge of the main participants." Quite the contrary—the impression that they were recorded with the knowledge of the participants is reinforced: Specifically, it seems the whole time as if Spegelj knew what he had to say. The Croatian reaction was along those lines: After Spegelj's initial assertion that it was all a forgery, the Croats immediately changed their strategy and announced that it was all true and that the KOS had merely set a trap. Really? Is it a forgery or a trap? If it is a trap, did the KOS then manufacture a forgery in spite of everything? We can reliably state only that now not even the secret services know what is fiction and what is reality.

So that we do not leave everything, and especially the last words, to history, we can state even more reliably that everything together, in spite of everything, was only a forgery. Experts on sound and pictures, on both assembling and synchronizing, and experts on special effects, trick photography, and sound dubbing have already revealed what can be done with sound and pictures, without anyone being able to point his finger at any place in a broadcast where it could be seen directly, tangibly, and empirically that there had been real deception and that it was a forgery on a quite elementary visual level. Let us take a clear and obvious example. Recall the scene in which Spegelj explains to his interlocutors how weapons were bought in Hungary. And if you recall, the dialogue reads as follows:

[Spegelj] We armed 80,000 people with Kalashnikovs. Even if 10,000 of theirs came...

[Interlocutor] But why did you send to Hungary for weapons? Couldn't you have gotten them here?

[Spegelj] Then you are not up on things. We are at war with them.

[Interlocutor] With whom?

[Spegelj] With the army.

The entire dialogue is presented in one gulp, as a unit. The key to understanding that dialogue, however, is elsewhere, not in the dialogue itself; the key is in the

glasses standing on the table. When the scene begins and when Spegelj says, "Even if 10,000 of theirs came..." there are still two glasses on the table, but when the interlocutor asks "But why did you send to Hungary for weapons?" there is only one glass on the table. The other one simply disappears. That, of course, proves not only that they combined Spegelj's sentences from different contexts, but also that they assembled situations from two different times. The KOS people devoted all their attention to synchronizing the sound and the picture, Spegelj's voice and the opening of his lips, but completely neglected the stage props—the glasses. KOS broadcasts of that kind could prosper before the appearance of video, but now everyone who owns a VCR can expose them at once.

BULGARIA

Computer Deals for Soviet MVD Reported

91BA0288A Sofia 168 CHASA in Bulgarian 15 Jan 91
p 32

[Article by Zoya Dimitrova: "Bulgarian Application for the Deal of the Century, or How the Hero of Gabon Tried To Install Electronics in the Great Soviet State at the Expense of Komeks"]

[Text] Several months ago, this newspaper described the way 22 million German marks [DM] vanished in the Gabon jungle thanks to Plamen Kavrov, former (finally!) deputy general director of Bulgargeomin and representative of the Prosperity Holding branch in Bulgaria. Kindly allowed by the then prosecutor general to bring in the money, Kavrov refused to return to the homeland, preferring instead to settle in Vienna and start a business in that city. Quite likely, this he did with money he should have taken to Bulgaria.

Currently, according to reliable sources, he is driving the latest model light brown Mercedes, purchased by Bulgargeomin for DM60,000, the location of which is being sought, and has founded his own company or else a company in association with still unidentified Bulgarians, who are naturalized Austrians. Evil tongues are claiming that Kavrov is constantly boasting of his close ties to Manya Lukanova and Nikola Popov. As we mention this familiar name, let us strongly emphasize that we do not cast any aspersions on the reputation of the former minister of foreign economic relations and former prime minister, or on the fact that he may have played a role in the rather unsuccessful deals Kavrov made on Bulgarian territory.

In addition to the 22 million, which Balkanbank will have to pay instead of him, Kavrov, along with Ivan Iliev, Bulgargeomin's general director, left behind other debts that are the consequences of what they believed to be the "deal of the century," and that, in their view, would have repaid in one fell swoop the huge debt Bulgargeomin owes the West. This applies to the so-called computer deal, which also involved Komeks, the foreign trade organization, which had no suspicions at all about the loyalty or business qualities of Mr. Kavrov and company.

On behalf of Prosperity Holding, Kavrov concluded two contracts with Dealing International, a Soviet-West German enterprise, to supply computers to the USSR. The second contract included, as an addendum, 18,000 video recorders and 5,000 video players. The total amount of the deal was expected to reach 1.2 billion rubles [R]. Prosperity Holding received R229 million as an advance payment. This advance payment was to be exchanged for convertible currency through the Solid Company in the Netherlands, the contractor for power projects in the USSR, based on the exchange rate of R8.5 to the dollar. Our country expected to obtain a profit of \$600 million from this deal. Quite attractive, is it not?

That was also the view of Mr. Todor Zhivkov, who wanted to be informed about the deal. According to Georgi Yankov, at that time deputy head of the BCP [Bulgarian Communist Party] Central Committee Accounting Department, who acted as a middleman between the traders and the first secretary, 40 percent of the profit in foreign exchange was to be deposited in a special presidential account, the initials of which were BTZh (Bulgarian—Todor Zhivkov). The account was opened with a deposit of DM500,000 drawn out of Balkanbank funds. Because the contract was not fulfilled, no other deposits were made, but an equivalent debit was entered by the bank four days later. According to the bank documents, this occurred before 10 November 1989. It would be interesting to know in what way and who would have permitted himself to withdraw funds from an account with the interesting initials BTZh. Georgi Yankov later committed suicide. According to some, he did this because of his state of mind.

In August 1989, Kavrov, on behalf of Prosperity Holding, signed a contract with the Komeks Foreign Trade Organization for delivery to the USSR of 50,100 RS-AT computers worth \$38 million. Deliveries were scheduled to begin after Komeks received an advance payment of \$20 million to make the initial purchase. Meanwhile, while Komeks was waiting for the advance payment of \$20 million, Singapore merchants, members of the Octagon Bulgarian-Singapore Society, asked the organization to market in Bulgaria some 20,000 Japanese video recorders. The deal was turned down because of the saturation of our market with video equipment and offered to Kavrov. He willingly accepted because he had a contract with Dealing International. Komeks gave Kavrov personally 10 video cassette players, the location of which can no longer be found.

At the beginning of October, before even a single cent had been received, some of the goods were loaded onto the Borisov fishing trawler, which sailed to the port of Petropavlovsk-Kamchatskiy. Because of doubts concerning the adequacy of the ship, it was returned to Singapore but, seven days later, it took off once again on the express instructions of the Soviet Shipping Administration. Its return was controlled with a telex to Komeks, to the effect that the risk was being assumed by the Soviet side. Even before its arrival in the Soviet port of Petropavlovsk-Kamchatskiy, MVD [Ministry of Internal Affairs] troops boarded the ship and confiscated the goods. It was claimed that the captain could not produce the proper documents, for which reason the full load of video equipment was detained at Soviet customs as an "attempt at large-scale smuggling." The same fate befell the remaining computers, which were flown in through Varna to Odessa and Moscow. They were detained because the deal was in violation of the laws governing Soviet foreign trade. All in all, Soviet customs are holding 17,928 Funai video recorders and 5,000 video players of the same brand, worth a total of \$6.4 million. The representative of the Bulgarian foreign trade organization in Singapore kept in his possession

the original bills of lading and submitted copies of them to Soviet customs. Despite this, the video equipment has still not been released. A claim was filed in court, but the case has not yet come to trial. Naturally, we are not suspecting that the Soviet side is trying to "acquire" goods that have an owner. However, we consider questionable the fact that for one year it has been kept by the customs authorities without any legal grounds. It is rumored that a similar method was used by other branches of Soviet customs to confiscate French shoes worth \$3 million and Italian ready-made clothing worth \$6 million.

Meanwhile, Kavrov and the general director of Bulgargeomin reneged on the contract because of the impossibility of the switch. Dealing International demands of Prosperity Holding a fine of \$56 million. It is quite possible that this claim will affect Bulgargeomin as a stockholder in Prosperity Holding.

On 13 January 1990, Bulgargeomin signed a contract with Kooperativna Stolichna Banka for the delivery of 5,000 computers to the USSR. Once again the value of the contract was dizzying: R247,750,000. Despite the sad experience of the two preceding contracts, Ivan Iliev on 23 February 1990 issued an instruction approving the execution of the contracts. This could have resulted in fines totaling R12,387,500. The official working on the deal, who, in the course of the unfortunate development of the preceding operations, had deliberately refrained from sending this letter on, was able to prevent any harmful consequences.

One day earlier, on 12 January 1990, Ivan Iliev signed another letter, the contents of which were surprising: It called for the transfer of R100 million to account No. 609340 at the Krasnaya Presna branch of the Zhilsots Bank in Moscow, which was the account held by Aleksandr Kuzin, known in both the Soviet Union and our country for his questionable commercial deals, and who is currently the subject of a detention order in Bulgaria. However, like Kavrov, he has not taken a single step east of the Austrian border. This transfer, as well, was blocked by the same official, thus saving the country R100 million. Somewhat later, said official was dismissed from Bulgargeomin for failure to execute Iliev's and Kavrov's orders.

Through Kuzin, Kavrov offered yet another deal to Komeks—the computerization of the MVD of the USSR. This was a promising deal that would have made accessible to our industry the vast Soviet market. However, the MVD is already computerized. Although it liked the computers, the ministry forgot to either pay for them or return them. Eventually, the equipment was unwillingly returned.

In time, the captain of the trawler "found" the accompanying documents for the computer equipment he had hauled. However, there was no one to whom the equipment could be delivered because the contract had been annulled, and so the computers remained in storage in

the customs shed of Petropavlovsk-Kamchatskiy. In October 1990, Komeks filed an arbitration claim for \$6.9 million in damages against Prosperity Holding. Kavrov was in Vienna, and the statement made by Wasman, the president of the company, was that he had never empowered Kavrov to make such a deal and that the deals with Dealing International and the Komeks Foreign Trade Organization he had concluded violated the law on holdings, according to which Prosperity Holding is not allowed to engage in commercial and industrial activities. Wasman sent a telex to Komeks to the effect that he had never been informed of the computer deal.

For the time being, the arbitration case has not been tried. On the insistence of the defense attorneys for Prosperity Holding, the court decided to ban journalists from the courtroom so that their presence would not influence its decision. It is quite likely, however, that, even if Komeks were to win, the compensation would have to be paid by Bulgargeomin and not by Prosperity Holding.

The question is, why are Ivan Iliev and Kavrov acting against the interests of the company they represent? Ivan Iliev has acted entirely against the interests of Bulgargeomin also when Kavrov has been absent. After it became clear that the deputy general director was not about to return home and that our predictions on the eventual bankruptcy of Balkanbank and Bulgargeomin will in all likelihood come true, we are still puzzled by the actions of Ivan Iliev. He has done everything possible to block Kavrov's dismissal, as well as to save himself. On 17 September 1990, when Kavrov's unpaid leave ended, Ivan Iliev personally flew to Vienna to present him with an extension of his assignment by another 18 days along with assignment pay. After the extension expired, Ivan Iliev continued blindly to support his deputy, to whom he obviously seems to have tied himself for life.

In the course of our meeting, Ivan Iliev tried at length to convince me that he was patriotically motivated and that he was acting entirely in the interest of Bulgargeomin.

"I am a Bulgarian. I work honestly and openly. However, there are things I was uninformed about," repeats this coarse-mannered, tall, elderly man. Why then did he not distance himself from these "matters" once he was informed about them? Actually, it is time for the prosecutor's office to determine whom Ivan Iliev served during his career! Should we let the general director of Bulgargeomin sleep with a clear conscience, after his dismissal one and a half months ago, and enjoy his retirement without telling the court whom he in fact served as he wasted, along with his accomplices, so many millions of leva?

CZECHOSLOVAKIA

Changes in Method of Financial Management Viewed

91CH0322B Prague HOSPODARSKE NOVINY
in Czech 24 Jan 91 pp 14-15

[Article by Eng. Vaclav Houdek, Federal Ministry of Finance: "Changes in the Content and Method of Financial Management of Enterprises and Organizations"]

[Text] The gradual transition of our national economy to a market economy gives new material meaning to the categories of money, price, credit, interest, negotiable papers, wages, and social benefits. As part of the consulting services for Technical and Economic Standardization [THN] we are presenting a survey of the main financial problems which enterprises will have to solve with the arrival of the market economy.

In a market economy, it is possible to acquire foreign financial resources temporarily, for example credits for meeting costs and financial needs. However, these must be paid back in the subsequent periods. It will also not be possible to rely on investments from solid foreign participants to save our economically distressed enterprises. They definitely will not accept the distorted method of the previous economic philosophy and invest in an enterprise which is overburdened with debt and one which moreover has a great amount of unusable material property and rewards employees for just showing up for work.

Paths to Freeing Enterprises From Debt

One of the basic problems of entering into a market economy for our enterprises is their high level of indebtedness which can also prevent any possible foreign participation in the business of our enterprises. Let us introduce one step which should help to remove partially the enterprises' debt.

The Commercial Bank has carried out a mutual balancing out of the claims and obligations of its clients. This limited the amount of reciprocal supplier-consumer indebtedness. This is the first step in getting rid of debt, even though it has a limited effect. It will be partially effective only until such time as there occurs a reciprocal nonfulfillment of obligations for payment between the consumers and the suppliers. It will also be limited only to clients of the Commercial Bank, but of course this does not matter. The majority of the enterprises to date have their accounts (investment or credit) with the Commercial Bank. However, the fact that it will not help the "overindebted enterprises" is worse. We use this term for those enterprises where the amount of the obligations to the suppliers is greater than the claims on the customers. These enterprises are, however, a hotbed of insolvency. Reckoning up their accounts does not change their indebtedness. To reduce the level of indebtedness (the obligations to the suppliers) it will also be possible to use the highest amounts which the enterprises

gain from settling their claims. However, it is necessary to expect that this amount will be even less. Part of their claims is also covered by bank credits and undoubtedly if there is a settling of accounts for payment of their claims the bank will utilize part of the settlement to pay off the credits which it earlier granted on the basis of these claims. This settlement also cancels out the property (the claim) for which the credit was provided. This fact is expressed in the attached graph [not published here]. An obligation (or debt) also cannot be resolved in any way other than actually paying it. The possibility of the enterprises being released from indebtedness by input from the state (or paying the obligations for the enterprises) from national assets funds or transforming part of the credits to inputs of the enterprises will not be considered here. We will, of course, deal further with the enterprises' own capabilities for getting rid of debt.

Let us now go on to the financial management of the enterprises and organizations in a market economy and try to restore the economic thinking that belongs in a market economy and, in doing so, return to the material content of the categories which are appropriate to one.

For Independent Financial Management of Enterprises

The basic prerequisite for doing away with state involvement in the operation of enterprises is the creation of equal conditions for all entities of financial management. This is mainly a matter of price and tax conditions, the approach to foreign currencies, the approach to credits, and leaving decisions on the utilization of financial resources and monetary means up to the enterprise in question.

In the field of prices, equal conditions are being created for all financial management entities by law No. 526/1990 on prices and the decree issued on it by the minister of finance. In relation to the actual financial management, of course, it is essential to think about what room for financial management of the enterprises these regulations offer.

First of all, it is a question of the quality of products, labor, and services which in a market economy finds its reflection in their prices. The law No. 574/1990 on the state budget of the federation for 1991 cancels the CSSR governmental directive No. 112/1987 on the supplemental payment for losses caused by production of unacceptable quality. This payment will be applicable for the last time in 1990. It is expected that the market will force the suppliers to improve the quality, but the quality will not just improve by itself. At the enterprises this will mean an increase in the input monitoring, audits between operations, and output controls. The controls between operations are necessary so that only work of acceptable quality be rewarded within the enterprise as well. This creates room for meaningful work in quality control. It also thus opens up the possibility of employing a number of workers (including those middle

school and high school graduates who have not been placed) who would be utilized to carry out this activity within the enterprise.

The law on prices allows for negotiation of prices limited by delivery or other conditions agreed upon by the negotiating parties. This is also where one finds the possibility of negotiating higher or lower prices in connection with the size of the delivery (in the quantity required for routine needs). This could get rid of unnecessary stockpiling of supplies which ties up monetary resources. This would simultaneously free up monetary resources which could be used to pay off the enterprise's debt, among other things.

In the same way this makes room for movement in the prices arrived at in connection with negotiation of the payment conditions. This can also be negotiated by the enterprises in an agreement. It is up to them to exploit these possibilities and to negotiate payment in reserve, promptly, or on extended terms. Here it is simply self-evident that the method of payment under the conditions of a market economy (where monetary resources are freely usable) affects the quantity of one's own and others' money utilized in financial management. Considering that other people's money is more expensive, this is also a reason for deviations in the negotiated prices. This is another field of action for meaningful work by the cost accountants, suppliers, and marketing personnel. With the gradual development of the market economy, one can predict that the consumer will play the decisive role in the market.

In the field of taxes, equal conditions for the participants in the market economy are created by the applicable tax laws. The basis for the decisive tax (or payment) obligations is the profit shown in the accounting. The accounting process is uniform for all financial management entities.

Equal access of all financial management entities to foreign currency resources (the purchase and sale of foreign currencies) is ensured by the law on foreign currency No. 528/1990.

The basis for equal access for all financial management entities to credit resources was created by separating the issuing activities of the bank from the commercial activities. The commercial banks and, along with them, the other monetary institutes involved in financing operations will enter into their credit transactions as independent business partners and will offer credits on the basis of contracts signed with the enterprises and organizations.

The form of commercial credits of course extends entirely beyond credits to constantly returning supplies, which lose the character of credits. They also do not meet the main criterion of credits, that is, their return on investment. As such they lose their justification for existence in a market economy and it will be necessary to replace them with commercial credits.

The current account credits offered mainly to trade, supply, and marketing organizations is a similar type of credit. This was forced upon them as a replacement for the entirely exhausted turnover funds. At the same time, the current account credit has its longtime tradition, but it was used in an entirely different way. One of the forms of its utilization was, for example, the bank making payments for its client up to the amount of a claim whose accounts were to be settled at the crediting bank. As is obvious, this also ensured a return on the investment of the credit. By the use of this kind of credit, certain obstacles which were created by money as a means of exchange were overcome. It will therefore be essential to concern ourselves with this type of bank credit as well in considering commercial credits.

Equal conditions in independent decisionmaking in disposing of one's own financial resources were created on 1 January 1991 for all financial management entities by the CSFR governmental directive No.577/1990 on the financial management of state enterprises. This directive cancels or substantially limits the fund management and cancels the separate financing of capital and noncapital investment needs, and thus also the role of writeoffs as a specific source of financing. Of course, this does not mean that all the expenditures might reduce the economic results as a basis for meeting the payment (tax) obligations.

Doing away with fund management at other organizations such as banks and savings institutions (founded as state monetary institutes), as well as organizations of the Czechoslovak State Railways and Insurance Agencies (as long as it does not involve stock companies or enterprises with foreign property participation), is provided for by law No.574/1990 on the state budget for the federation for 1991.

The philosophy of financial management presented further here will thus concern all financial management entities without regard to their legal forms.

Renaissance in Accounting

Before we get to that problem, it is necessary to emphasize that under the conditions of a market economy accounting takes on particular importance. It is also a source of information on the economic position of the organization and the enterprise. This is not just a matter of information on the makeup of the market and expenditures and on the creation of economic results, whether the enterprise is making or losing money and to what degree it is profitable. It is a matter mainly of data on the status of the enterprise's property and on the sources for meeting expenses. This means data on accounting balances which were entirely forgotten in the centralized planning method of managing the economy. To the extent that the earlier "captains of industry" knew at all that some kind of accounting balance existed, it was just because they signed it as one of the enterprise reports. In

the method of centralized planned management, knowledge about the status of property and resources for covering expenses for it were also not at all needed.

The accounting balance sheet for the enterprise is the fundamental document on the enterprise's economic status. In contrast to our earlier "captains of industry," all entrepreneurs in the market economy will have to know their way around the accounting balance. Just because of its economic importance, the balance sheets of large enterprises are usually verified several times a year. From the data contained there the supplier-customer relations are derived and data is obtained from it as to whether this enterprise is or is not suitable for input investments and the participation of other entrepreneurs in its operations.

What does the accounting balance sheet then tell us? The activity of the enterprise is expressed by the overall amount of property which the enterprise owns, administers, or is authorized to manage. At the same time, it expresses the structure of that property according to the individual types of assets. It is possible to divide the enterprise's property into roughly four groups of assets according to the degree of their liquidity (liquidity is understood as the property of the individual types of assets to be transformed into monetary assets): capital assets and investments, inventory, claims, and monetary assets.

Claims have the first priority for transformation to monetary assets. Monetary assets are acquired by their collection. Then there is inventory, which is transformed into monetary assets according to the nature of the inventory. For example, finished products and goods are transformed into monetary assets by their sale and the collection of receipts. Production inventory is liquidated by its processing into products, their sale, and the subsequent collection of receipts. Fixed assets are changed into monetary assets through writeoffs after collection of receipts.

The debits of the enterprise are expressed by the resources to meet the cost of the property. These are partly external resources (credits and fixed debts, that is, obligations to the state, employees, and suppliers) and partly integral resources (original capital or similar long-term resources to cover the property of other forms of operations, reserve funds, other operational funds or reserves for expenditures in upcoming periods, and undistributed profit). At the same time, these resources can have a long-term or a short-term nature and thus also express the stability of the resources covering the property. The data thus also show the degree of indebtedness of the enterprise's property.

In the broadest sense of the word, it is possible to treat the enterprise's property as capital of the enterprise after balancing out its cover by outside resources, which is substantially the same as the aggregate of all the integral resources which cover the property (including undistributed profit).

Let us present a short example for an economic understanding of financial management in a market economy. In it we show that acquiring monetary resources does not have a direct connection only in the creation of profit, but also with the transformation of individual material portions of the property or with the creation of integral resources for financing the expenditures of future periods.

Accounting Income Statement (in units)	
Sales	1,000
Consumption of material	250
Wages	200
Depreciation	150
Reserve for expenditures in the forthcoming period	100
Total expenses	700
Profit	300
Payment to the state (55 percent)	165
Disposable profit	135

Changes in the account balance (after collection of receipts, payment of wages, and fulfillment of the payment obligations):

Credits	
Reduction in the residual value of the fixed assets	- 150
Reduction in the inventory of material	- 250
Monetary assets	+ 635
Use of profit	+ 165
Total	+ 400
Debits	
Reserve for expenditure in future periods	+ 150
Profit	+ 300
Total	+ 400 [as published]

According to the above example, the enterprise acquired monetary assets:

—By transformation of part of the fixed assets	150
—By transformation of part of the material inventory	250
—By creating integral resources for financing expenditures in future periods	100
—From disposable profit	135
Total	635

It is, of course, also possible to say that the enterprise had remaining monetary assets from the collection of receipts (1,000 units) after payment of wages (200 units) and payments to the state budget (165 units) at the stated amount of 635 units.

When the enterprise fully uses the monetary assets created in this manner for financial investments, the

monetary resources are transformed into investments; if it purchases supplies, they are transformed into inventory; if it uses them to reduce the debt load, the amount of its obligations to suppliers or the bank is reduced.

With their full use for the above purposes, there would of course not be any resources left to the enterprise for it to replace some expenditures paid from profit (for example, outlays for bonuses, entertainment, and gifts) nor any monetary resources to cover the expenditures of the forthcoming periods (for example, for future payment of purchased repairs and maintenance).

It is up to the enterprise to decide how to use the monetary assets. The disposable profit can of course be used for entertainment and refreshments and gifts, but it replaces by the same amount the possibility of paying off debt obligations or investing. The above also gives rise to the possibility mentioned earlier (not to replace the supplies in the warehouse to the original extent and to use part of the monetary resources thus freed up to reduce the level of indebtedness).

Another way that the enterprise can acquire monetary resources to get rid of debt is to sell off at a loss its unneeded fixed assets or inventory. With such a sale it acquires monetary assets to the amount of those collected by their sale, plus an increase by the state's share in the reduced payment (tax) obligations from the loss taken. In such an operation there also occurs of course a reduction in property on the one hand and less disposable profit (assets in the broader sense of the word) on the other hand. Nevertheless, there is economic justification for this solution to reducing debt as well. By this the enterprise acquires monetary assets previously tied up in its material property. The simple depreciation of unneeded property which would also lead to a reduction in assets (original capital, basic capital, basic funds, or reserve funds) would not only not lead to acquiring monetary resources for reducing debt, but would be in conflict with the legal regulations where the regulations do not allow such a procedure.

What's New in Intraenterprise Planning

Let us speak briefly some more about the enterprise plan, particularly the financial plan, the independent decision-making on the utilization of monetary assets at the organizational units or internal organizational subelements of the enterprise, and the creation of independent bank accounts at the level of the internal organizational subelements.

The role of the financial plan grows all the more as the most varied "boxes" disappear. This is a matter of ensuring the financing of both routine and developmental needs. The "boxes" for financing maintenance and repairs and noninvestment expenditures for research and development also disappear. These expenditures will continue to be covered from costs with their time differentiation as appropriate. The situation at the enterprise will thus be that on the one hand they do not neglect their care of the fixed assets and the necessary

technical development and on the other hand that they ensure the economy and effectiveness of those expenditures.

The financial plan will be used to ensure that there are integral monetary assets for financing all their needs. It is clear that the annual plan is not adequate for this by itself, but that it must be broken down to the smallest possible time period. This plan must be directive in nature for the performance of all managers in the organization, supply personnel, marketing personnel, quality control personnel, investment employees, and technologists, as well as for all internal enterprise units, warehouses, production operations, service operations, workshops, independent project departments, plants, operations, and special purpose internal organizational subelements.

It would be irrational to set up independent accounts at financial institutes for the individual internal organizational subelements. This would inevitably lead to the need for using a greater amount of other people's, more expensive money at other places in the enterprise. It is also possible to consider it irrational for decisions to be made about the resultant (freed up) or acquired monetary resources at management levels lower than the enterprise directorship (the enterprise economic management) according to their own considerations. Only decisions made at a single management center of the enterprise have a chance to be rational decisions made on the use of monetary assets in the interest of the efficiency of the entire enterprise, particularly under conditions of excessive debt. If the economical managers of the enterprise are not capable of making such rational decisions, then it is necessary to replace them.

For the internal organizational subelement of the enterprise, plants, operations, independent project departments, workshops, and any other units, as well as for the management, the main role must and, also objectively stated, can, be played only by wage incentives. Of course, it is important that the wage incentives be developed from the material consumption standards, the time consumption standards, and the quality standards and from the output measured in internal enterprise prices, by calculations, or from the established budgets, that is, so that the enterprise can survive in the market in terms of its prices and quality. This is thus an open field for the application of meaningful work by other employees of the enterprise (those setting the standards, making the calculations, or putting together the budgets).

Financial Resources and Their Use

Let us proceed finally to the actual use of financial resources and monetary assets. The management of all entities is substantially the same regardless of their legal form.

The main financial resources for their financing are, depending on their nature, the original assets, the basic capital, or the basic assets or, in some cases, the statutory funds. They are longterm resources which serve to cover

the property. Changes in them occur only in certain cases set out in the appropriate legal regulations, usually by legal standards. For state enterprises and some other organizations, the applicable law is No.574/1990.

It is also set out in these regulations when this main source of covering the property increases. This is when there are further inputs to the enterprise or an increase in the property covered by the enterprise's own resources. According to the regulations mentioned above, these integral resources can also be the reserve fund or undistributed profit as well. It is similarly established when a reduction in this source of financing is carried out (when there are permanent losses not covered by the reserve fund).

Depending on the individual organizational forms, these changes are also obligatory upon modifications in the articles (for a stock company) or in the statutes (enterprises with foreign property participation) and other legal documents connected with such changes (for example, the issuing of further stock, recalling stock and making it valueless or issuing it in lesser quantity, etc.).

All these organizations have another long-term financial resource in the reserve fund, and the reserve fund also functions in the same manner for all of them. It is a source for covering fluctuations in their financial management (losses or inadequate creation of profit for its use). These fluctuations are entered in the account balance under the organization's property. The reserve fund further serves as a long-term integral financial source for covering the increase in property if it is not covered by the just-mentioned fluctuations in financial management. It performs this role in all the organizations mentioned above, even when the legal standards (the law on stock companies or the law on an enterprise with foreign property participation) do not mention it. It is created by an allotment from the profit after meeting payment (tax) obligations and is thus a fund for accumulation of profit for just these economic purposes. Obviously the organization's undistributed profit can also fulfill this role.

The reserve fund will also perform another role in the cases presented below for state enterprises with a high level of debt (but also after their transformation to another form of enterprise organization).

As we have already stated, an enterprise can use monetary resources acquired by transforming part of its material property into cash to reduce its debt. Of course, if the enterprise again invests the resources freed up or gets new supplies for it, then it must look for other monetary resources to reduce the debt. If it does not use another external source for its debt reduction (for example, monetary resources in return for an issued bond), such a source can only be the undistributed profit after meeting the obligations for payments (taxes). If this source is to have a long-term nature, then profit will be transferred through it to the reserve fund. From this it is obvious that the established minimum mandatory allotments

from profit to the reserve fund for reducing the enterprise's debt will not be enough. However, it is fully left to the enterprises for them to determine what amount over and above the mandatory allotment will be used to create this fund so that it replaces external long-term sources to cover the enterprise's property. Obviously, undistributed profit can also perform this economic task. But the enterprises should not "waste" resources from profits on, for example, entertainment, refreshments, and gifts, if we can exaggerate it somewhat.

The level of the obligatory annual creation of funds by allotment from profit and the minimal amount for a remainder in that fund is comparable for all forms of enterprise organizations. It is necessary only to emphasize that the reserve fund, similar to the original capital (the basic capital and the basic assets) is not used to cover expenditures. It is the source for covering fluctuations in financial management and property.

Profit after meeting the payment (tax) obligations is another important source of financing, especially of developmental needs (covering the growth in property) and expenditures which cannot be included in costs for reasons of payment (tax) obligations. Its economic importance as a source of financing increases despite the fact that one should not make a fetish out of it. For the enterprise, it has economic meaning up until the point when the profit is made material in cash, that is, after the actual collection of receipts. This is a substantial difference as compared with centralized direction of the national economy. Simultaneous with collection of receipts the enterprise also acquires monetary assets from the other parts of the material property which are freed up. These parts of the material property were covered monetarily in previous periods (in setting up investments, purchase of materials, the production of finished goods for the warehouses, etc.).

Despite this fact, even though the enterprise can use monetary assets to finance all its expenditures, it cannot include all these expenditures in the costs or at the expense of economic results and thus reduce the base for meeting its payment (tax) obligations. Inclusion of the following expenditures in the costs or to reduce the economic results is not allowed:

- Those connected with the transformation of monetary assets to material assets which make up its property. This involves investments purchased or set up under internal control, including modernization and rebuilding, which increases the value of property, supplies, finished goods produced and stored, increased processed products, etc. These expenditures are entered under costs or reduce the economic results of the enterprise only at the time that fixed assets are depreciated, in the consumption of materials, in reducing the inventory of finished products, etc.;
- Those which cannot be included in the costs according to one's own regulations or which are covered from funds set up according to one's own regulations (the cultural and social needs fund, the compensation fund) and then even only if the enterprises or organizations do not set up such funds.

All financial management entities will decide on the use of profit to meet their payment (tax) obligations according to their own considerations. In their decision-making, they are limited only by the obligation to perform a minimum annual allocation from profit into the reserve fund. This is of course a transitory measure only until the time the established amount of the minimum remainder in the fund is met.

Basically this means that after meeting the payment (tax) obligations amounting to 55 percent and the mandatory allocation to the reserve fund of 5 percent of the remaining 45 percent of the profit (that is, actually only 2.5 percent of the profit), the enterprises will decide according to their own considerations on 42.75 percent of the profit created. They thus have full responsibility as to how they handle the usable profit. They can use it to finance cultural and social needs of the employees, for bonuses which cannot be covered by costs according to the wage regulations, or, for example, even to finance expenditures for entertainment, refreshments, and gifts. It is thus a broad area for their decisionmaking and at the same time the allocations to the reserve fund are not carried out by transferring monetary assets to the independent account of that fund and the monetary institute. The economic room for such free decisionmaking about the available profit is, however, reduced by their responsibility to pay all obligations which have not yet been settled or loan payments, if the enterprises have not acquired the monetary assets by giving up part of their own material property. Enterprises should therefore consider well whether they can offer gifts in cases where they are heavily in debt.

Depreciation is not a specific source of financing. It is necessary to emphasize this fact particularly because there has been a great distortion in thinking in this area. In setting up investments, enterprises can use all monetary assets to cover them, both their own and outside ones (the outside ones are, of course, more expensive). Through their use the monetary assets are transformed into investment capital. By writing off the fixed assets, part of the value of the fixed assets is transformed after collection of receipts into money usable for financing all the enterprise's needs. It is obvious from this that they are actually no specific source of financing.

Besides the reserve fund, all enterprises and organizations can create other funds from the usable profit according to their own considerations (including a bonus fund, which is an optional fund). With the exception of state enterprises and some other organizations in accordance with law No.574/1990 on the federation's state budget for 1991, it is also optional for all entities to establish a fund for cultural and social needs. The reasons why the fund for cultural and social needs is still of a mandatory nature for state enterprises and some other organizations are not only legislative ones (the law on state enterprises), but it is also still a matter of preserving certain social security features. These are ensured by the guaranteed nature of the minimum allocation from profit from the budgetary resources. But

this is guaranteed in them only when the created profit is not used otherwise in accordance with their own considerations (that is, for employee compensation) and, in addition, when that minimum allocation is not covered by the creation of the residual reserve fund or other integral sources of the enterprise (for example, residuals of funds which are set up optionally).

Enterprises and organizations can deposit monetary assets in any number of accounts at a bank. It is contrary to their own economic interests if they set up multiple accounts at a bank (for special purposes or for internal organizational subelements). This makes the use of monetary assets more expensive and reduces the operational usefulness of all the available monetary assets. When ready access to monetary assets at locations far removed from the home office is needed, this can be provided by subaccounts at branches of commercial banks. We have already spoken of the irrationality of independent decisionmaking by internal organizational subelements in the utilization of available monetary assets. There is not any justification provided here by some kind of "democratization" of decisionmaking or "material incentives" for freeing up monetary assets. It is necessary to utilize accessible monetary assets rationally in the interest of ensuring the existence of the entire enterprise.

The sources of funds created from profit (with the exception of the reserve fund and the fund for cultural and social needs when it is mandatory to set one up) are mutually transferable and usable also to supplement profit for distribution or for transfer to the reserve fund. This is a consequence of, among other things, the fact that the enterprises and organizations can dispose of profits according to their own considerations after meeting their payment (tax) obligations.

No other funds created from sources other than from usable profit will be established in any organizational form. If they have been set up, they will be closed down at the end of 1990. The expenditures which until now have been covered by them will be included in the costs, and in those cases established by accounting procedures it will be possible to distinguish between them on a time basis. This concerns, for example, expenditures for maintenance and repairs and expenditures for research and development, costs for damages and indemnities in mining, or compensation for some risks according to the specific nature of the operations of given organizations.

It can be seen from this that all financial management entities are substantially obliged in their financial management only to ensure that their payment (tax) obligations are met according to the appropriate laws, to perform accounting in the specified manner, to govern their behavior in accordance with the decree on the depreciation of fixed assets, and to follow the regulations for standardizing the wage assets. No financial management entity is thus limited in handling its financial resources and monetary assets. However, full responsibility for economic decisionmaking as to how to utilize those resources and assets is transferred to them.

In the transition to a market economy, the main task for all entrepreneurs, which all enterprises and organizations are without regard to their legal form, is to get rid of any kind of distortion of the earlier economic thinking and to orient themselves in a new way to the conditions of a market economy. The primary task after that is to get rid of the idea that the central government is here to remove all at once all the obstacles from the past. It is simply necessary to switch the energy focused on demands and their justification into focusing on how a given enterprise or organization can get out of the current dismal economic situation through its own efforts. This is the main prerequisite for our society to survive under the new conditions and to come out victorious from these changes.

Preliminary Cost of Living Index Published

91CH0341B Prague HOSPODARSKE NOVINY
in Czech 30 Jan 91 p 9

[Article by Eng. S. Kocianova and Eng. J. Weissova,
Federal Statistical Office: "Price Developments in January"]

[Text] Preliminary, informational calculations are being conducted, in conjunction with the onset of price deregulation, concerning price increases for foods in selected (formerly regional) cities. The calculations are based on surveys of the prices of 240 foods in selected stores on the first and fifteenth days of the month. The research was conducted by employees of regional statistical agencies of the Czech Statistical Office.

Initial results of this study indicate that the overall price level for foods increased between December 1990 and 15 January 1991 by an average of 31.8 percent for the Czech Republic. The greatest increases were in the price of milk and milk products, which increased by more than half, namely by 51.5 percent over December prices. For ground grains, bakery, and dough products the price level increased by almost half (by 43.8 percent). Prices for meat and meat products, eggs and egg products, fats, sugar, pastries and pastry products, nonalcoholic and alcoholic beverages all increased by about 30 percent.

Prices differed in different cities, as well as locally, as shown by the following summary of preliminary indexes. Food prices increased the most in Brno (by 38.9 percent) and the least in Ostrava (by 25.7 percent). See the table.

**Preliminary Consumer Price Indexes for Foods in Selected Cities of the Czech Republic as of 15 January 1991
(December 1990=100)**

Food Classification	Weight (in percent)	Prague	Ceske Budejovice	Plzen	Usti nad Labem	Hradec Kralove	Brno	Ostrava	Average for Czech Republic
Meat and meat products	26.67	131.0	135.4	125.2	132.3	133.7	133.2	136.4	132.5
Milk and milk products	9.17	162.9	144.8	139.3	152.0	158.7	157.5	145.6	151.5
Eggs and egg products	1.56	133.0	133.0	133.0	133.9	134.8	123.2	114.6	129.4
Fats	5.75	124.8	110.9	121.0	140.2	136.8	142.5	126.6	129.0
Ground, bakery, and dough products	9.63	141.9	143.5	154.2	148.0	147.2	141.0	130.9	143.8
Sugar, pastries, and candies	8.41	135.2	118.2	153.9	130.6	142.7	165.5	105.6	136.0
Potatoes and potato products	1.23	138.8	133.8	150.2	142.3	138.3	141.5	133.8	139.8
Vegetables, fruits, and canned products	8.71	115.9	107.5	117.2	104.7	113.3	119.2	111.5	112.8
Nonalcoholic beverages	3.34	124.7	114.0	131.1	134.4	138.1	138.7	116.0	128.2

**Preliminary Consumer Price Indexes for Foods in Selected Cities of the Czech Republic as of 15 January 1991
(December 1990=100) (Continued)**

Food Classification	Weight (in percent)	Prague	Ceske Budejovice	Plzen	Usti nad Labem	Hradec Kralove	Brno	Ostrava	Average for Czech Republic
Alcoholic beverages	14.79	127.6	133.7	131.6	122.1	140.5	137.2	120.7	130.5
Other food products	10.74	113.5	105.9	131.3	112.6	118.1	132.4	114.6	118.3
Foods, total	100.00	131.2	127.6	133.0	130.1	136.0	138.9	125.7	131.8

Source: Czech Statistical Office

The price survey in selected cities is supplemented by weekly price surveys (always on Tuesday) for 20 selected food groups in selected stores in all districts of the Czech Republic.

The price survey for this small range of foods in week four of January 1991 showed some stabilization of prices in comparison with week three, on the average for the Czech Republic. The prices of some goods declined (beef hindquarters and forequarters, butter, milk, bread, potatoes), some prices increased a little (pork necks, flour, eggs). Only rice showed a large price increase.

The time periods for the collection of this preliminary information on price increases, gathered in the Czech Republic by the Czech Statistical Office, and in the Slovak Republic also by the Slovak Statistical Office, may be adjusted according to the situation on the domestic market.

Definitive, official indexes of consumer prices (not only for food, but for all selected kinds of goods and services—1,050 entries in all) will be available on the fifteenth day of the following month for the CSFR, the Czech Republic, and the Slovak Republic as aggregate information for the consumer sphere and the production sphere, and in more detailed form independently for consumer prices, as well as for other price groups (industry, agriculture, construction) on the 25th day of the following month.

This statistical information will be for sale from the information service division of the Federal Statistical Office.

HUNGARY

Ikarus Enterprise Falters Despite State Efforts

91CH0378C Budapest NEPSZABADSAG in Hungarian
8 Feb 91 p 4

[Article by M.L.: "Ikarus Continues To Suffocate"—first paragraph is NEPSZABADSAG introduction]

[Text] We learned yesterday, after the economic cabinet's unexpected special meeting that dealt with the situation of Ikarus Auto Body and Vehicle Factory and

Csepel Auto Works, that Ikarus will receive emergency aid of 500 million forints so that production will not halt next week. This money is insufficient because the debts of the two enterprises amount to about 3 billion forints, and at least the same amount will be needed for their profitable operation. This most recent crisis was caused by the failure of Soviet enterprises to pay for its busses.

During the course of a state bailout last year, an attempt was made to ameliorate the situation of Ikarus, which was already bankrupt, by merging it with Csepel Auto, its largest supplier, and trying to sell the two enterprises together. The results of the tender bidding were announced in late December. A Canadian-Taiwanese-Soviet consortium was the most successful bidder. (As is well known, the CEIC Holding Company, which is lead by Sandor Demjan and registered in Canada, was joined by a Soviet corporation named Atex, a conglomerate of Ikarus' seven largest buyers.)

After all of this, it is strange that, as we learned from Ikarus' Director Andras Semsey, the so-called letter of credit (the payment guarantee) did not go into effect as of 5 January as it should have, which means that Soviet buyers are not paying for the 2,000 busses which Ikarus began manufacturing in accordance with the contract signed last year. Moreover, one-fourth of the busses have already been finished. Thus, one of the partners—old buyers emerging now as new owners—have failed to pay, thereby pushing Ikarus into a crisis again, and its suppliers are becoming increasingly impatient. Semsey says that the Soviet partners have made repeated promises, therefore, he is confident that Ikarus' situation will soon be resolved.

In the meantime, ailing Ikarus is also trying to gain new markets. There is talk about an Iranian contract for selling 2,000 busses; not those made for the Soviet Union, but for the Iranian buyers who want foreign engines and high-quality transmissions installed in the busses. In addition, Ikarus signed a contract last year for 1,200 busses to be shipped to Turkey, but Ikarus has shipped only 250 of these to date. Semsey says that the reason for this is that payment problems have hindered their shipments.

Ikarus could sell 8,000 to 10,000 busses this year, but finding a solvent market seems to be difficult. In addition, a further complication is that, despite previous promises, no agreement between the consortium that won the bid and the rehabilitation organization has yet been made. Indeed, according to our information, talks have begun with other bidders. At any rate, the economic cabinet requested the State Property Agency to examine the bids that have already been submitted and next week, and to jointly prepare with the rehabilitation organization, a comprehensive proposal for the privatization of the Hungarian vehicle industry that is bleeding from many wounds, including solutions to the problems of Ikarus and Csepel Auto Works. Thus, with half capacity and by sending part of its labor force on compulsory vacation, Ikarus continues production, while still hoping to get a guarantee backed by the national budget that would make it possible to borrow more money. It has little chance for the latter, because the budget law that parliament passed last December does not have such a provision.

Banks Burdened by Past Loans to State

91CH0396B Budapest NEPSZABADSAG in Hungarian
13 Feb 91 p 8

[Article by Karoly Csabai: "Questionable Deals; Ominous Legacy"]

[Text] For years now, commercial banks have been carrying the heavy burden of a legacy. Moneys loaned to finance state and enterprise investments will never be repaid. Plans call for a decision regarding the fate of some 20 billion forints in questionable receivables by March at the latest. Until such time, larger banks will not be able to introduce their stock at the stock exchange, to change into joint banks by attracting foreign capital, and to present themselves in the international money markets. The fact that settlement of these questionable receivables could also alleviate internal payment problems—the mutual indebtedness of enterprises—is not negligible either.

With the introduction of a bilevel banking system, each branch of the economy has been allocated to one of the five large commercial banks. With the enterprises, the banks have also inherited debts, and each bank has assumed a larger or smaller amount of indebtedness. For example: The National Commercial and Credit Bank has acquired as its client the agricultural and food industry enterprises. These were considered to be some of the better paying debtors. In contrast, however, the coal mining and energy-related enterprises have been allotted to the Budapest Bank. That bank wrote off the loans it had granted earlier at the time the allotment was made.

Obviously, the banks would have had an opportunity to rid themselves of the inherited burden. The five large commercial banks closed their first year with significant profits. Accordingly, in principle there should have been

sufficient resources to accumulate reserves of which they could have written off their lending losses.

However, peculiar relationships between interests did not permit this to happen. This can be explained by the fact that a majority of the large commercial banks' stock is owned by the state. Had the financial institutions reduced their annual profits by accumulating reserves, a smaller per forint ratio of profit taxes would have been inured to state coffers, eager to take every forint. Similarly, smaller dividends would have been paid to stockholders and primarily to the state after the tapped profits.

Having assumed a short-term view of these matters, the state budget preferred to permit banks to show fictitious profits in their financial statements for years, while the banks carried forward from year to year their questionable receivables. On the other hand, others claim that had the domestic banks written off these apparently noncollectible receivables against their profits, this action would have meant bankruptcy to one or two financial institutions. Since these banks had granted loans to Hungarian enterprises, their bankruptcy could have easily resulted in burying the economy under themselves.

Conversely, central bank officials do not recognize the situation as being so dangerous. This is because records show that the amount in question totals 20 billion forints, and this amount represents only a fraction of the 500-billion-forint total outlay of the banks. After several years of inactivity, the state budget is now seeking to resolve this adverse situation. One proposal calls for the transfer of part of the questionable receivables to the state (perhaps based on the issuance of state bonds), while the other part would be written off by the banks against reserves they had accumulated in the meantime. This solution would also significantly decrease the mutual indebtedness of enterprises. An alternate proposal calls for the state to guarantee repayment of the loans.

This would be fine, except for the fact that the state budget could produce the needed funds only from state moneys, i.e., from taxes paid by individuals and other excises. The other solution is not too attractive either. This would call for the commercial banks to absorb these losses. At the same time the amounts that these banks could lend to enterprises would be reduced by the amount of losses absorbed because one cannot expend the same forint amount twice.

A customary compromise may resolve the matter if the three lead actors, the state, the banks, and the enterprises agree to absorb the loss.

POLAND

Future of Soviet Ship Contracts Uncertain

91EP0258A Warsaw *POLITYKA-EKSPORT-IMPORT*
in Polish No 1, Jan 91 p 25

[Article by Roman Czejarek: "A Strange Sort of Trade: The Russians Want To Buy Ships, but They Do Not Have the Money To Pay for Them"]

[Text] In December of last year, Szczecin dockworkers once again took to the streets. Their demonstration not only commemorated the tragic events of 20 years ago; they were also undertaken for economic-social reasons. Workers, unhappy with the fate of their plant, gathered together at the demonstration held in front of the management building. Once again they voiced their demand for a careful examination of contracts signed with the Soviet Union years ago. The rank and file of the Warski Plant still know next to nothing about the trade agreements with the USSR. One hears more rumors than substantive information regarding the losers in this deal and the amount they are losing.

Engineer Andrzej Zarnoch, who is responsible for contracts with foreign shipbuilders at the Adolf Warski Shipyard, says, "It is a fact that since the breakdown of the Soviet economy we find ourselves in a most deplorable situation. The Paris Commune Shipyard in Gdynia was to build for the Soviets only one ship and a floating dock. The former Lenin Shipyard in Gdansk contracted to construct several general cargo vessels, sailing ships, and fishing bases, which are financially extremely unfeasible. However, the famous decisions to dissolve the plant came to their aid, enabling them to abandon these unfeasible contracts. The most unfortunate thing in this situation was that it also meant abandoning our contracts to construct up to 12 ships and four deep sea research units.

Financial accounting at the Warski Plant is in such a state that a group of Western ship experts who visited Szczecin recently found it hard to believe. Everything appears to be in order. The shipyard had annual sales averaging 800 billion zlotys yielding nearly 100 billion zlotys in net profit. This 12.5 percent profit would certainly not be a poor result, were it not for the fact that almost 80 billion zlotys must be skimmed off in the form of various kinds of taxes. On the other hand, the government has provided for equalizing subsidies for Soviet-slanted production in order to compensate for the artificially lowered rate of the transferable ruble. However, these are not very large sums. Moreover, practically speaking, these sums return immediately into the State Treasury in the form of payment obligations.

Over the course of its entire existence, the shipyard constructed 440 ships, of which more than 270 went to the USSR. If we take into account the value of these ships, they constitute 50 percent of total production. The difference between the price and the number of ships emanates from the fact that the Russians ordinarily

purchased cheaper, less technologically advanced ships than the West. The largest order was for a series of upwards of 20 ships for servicing drilling platforms. Since the beginning of the 1980's, 45 of these petroleum-gas ships have been built and the fate of the next several ones depends upon current negotiations.

According to Engineer Zarnoch, "The first months of negotiations were the worst. In order to hasten the trip, we bypassed Okecie and flew directly out of Berlin. I was in Moscow four times and the shipyard director, Zenon Grabowski, was there even more times. Recently, a delegation representing the Soviet side of Sudoimport visited Szczecin. Director Viktor Denisovich Kaminskij, the two lawyers who accompanied him, and a foreign trade specialist confirmed (verbally, of course, in a room full of people) their readiness to cooperate, but once again the general message was that our partners do not have anything concrete to say."

The worst problem at the Warski Plant was the sale of those ships that are under construction. However, it very quickly became clear that the once-signed contracts represented a considerable departure from normal trade agreements. The overall terms of CEMA deliveries, for example, did not stipulate the concept of breaking a contract! No one ever thought that any of the allies of the USSR would fail to discharge its obligations to build ships. Hence, possible damages for breaking a contract would have to be won in court. The problem here is that the appropriate court for examining such grievances is located on the territory of the aggrieved. And so if the Poles did not want to build ships, for which the shipyard would have to be subsidized by the government, the litigation would take place in the Soviet Union and the ultimate result might not be very advantageous to the Poles. Were the Russians to break the contract, that would be something altogether different. Unfortunately, our Eastern partner did not say that it did not want the ships, but merely maintained stubbornly that it did not have the money to pay for them, since the Soviet authorities had not resolved the problem of distributing the foreign exchange needed for 1991. Meanwhile, the months went by and the Szczecin Shipyard had to decide what to do.

Since the fine for failing to adhere to a contract deadline is eight percent of the value of a ship, the decision was made to choose the lesser of two evils and to discontinue preparations for building the already planned ships. The worst problem is a ship standing on the shipway which takes up space and eats up money even if no work is being done on it. At the same time, specialists began to consider whether the Soviet Union could manage without the Polish shipyards.

"Unfortunately, I am afraid that it is easier for the Soviets to dispense with our deliveries rather than for us to abandon exporting to them," says Engineer Zarnoch.

There is the general conviction that less than 10-20 percent of the Soviet merchant fleet is in use. Our sailors

often relate how during their visits to foreign ports it is primarily Soviet ships which are standing idle. While other ship owners make intensive use of their fleets, the Russians leave their ships to stand idle due to even minor breakdowns. The problem here is a lack of qualified servicing and maintenance. Moreover, it is not true that the Soviet Union had to buy ships abroad because it could not build them itself. The Russians have both excellent shipyards and fine shipbuilders. However, their primary effort lies in the direction of meeting the ever increasing needs of the Soviet military fleet.

At the end of 1990 at the Warski Plant, the concern was what should be done with the nine ships and two floating research vessels. Five of the ships are of the B-92 design from the large series of specialized petroleum-gas ships. Three of them are in various phases of construction. One has already been launched, another is in the shipway and materials for the third have been amassed in warehouses. Preliminary work on another two has been halted. The two B-970 type ships are research vessels designated for prospecting exploration of iron-manganese concretions. One of them is partly built. Instead of suspending work on a hull launched in August a motor was added. The last two ships only exist on paper. Both are specialty ships ordered by the USSR Academy of Science. These ships, a B-971 and B-972, were designed precisely according to requirements set by Eastern scientists. Work on the two research vessels to be used for underwater research has not begun either.

We should not expect to be able to sell the already launched vessels to someone else in the event that the Soviet Union drops its contract. The petroleum-gas ships are not very modern and, moreover, they have a very specific construction. The Russian requirement was that the ships be able to sail through the network of canals out into the Caspian Sea. For this reason, the B-92 has atypical dimensions enabling it to pass under bridges, canal locks, and the like. Then, the existing B-970 type ship was designed specially to accommodate scientific equipment which the ship owner promised to supply. Reconstructing the ship according to Western standards would be very expensive. The smallest problem is that of ships on which construction has not begun (but there are even losses here). The worst-case scenario is that Poland will have to cover the complete cost of the already-completed documentation. This normally runs between five to 12 percent of the total cost of building a ship, and it depends upon how complex the ship is.

Engineer Zarnoch says, "At the beginning of December we finally got lucky. In addition to the many letters that had been exchanged continually, the Polish Central Planning Administration finally entered into consultation with the Soviet Gosplan. As a result of this, it became possible for us to establish a so-called indicative list of deliveries in 1991. The sides presented their desires and their export-import capabilities. The essential thing for our side was that four ships constructed in Szczecin were included in the talks."

In the new year, the Russians are to supply the Poles with 4.5 million tons of petroleum. We will pay for the 3 million tons in cash and we will pay for the other 1.5 million tons in manufactured industrial products to serve the needs of the oil industry. Three B-92 type ships were included in this group. The Polish side also asked for deliveries of petroleum to be increased by more than 4.5 million tons, also offering money and manufactured products in exchange. One of these items was a B-970 type scientific research vessel.

Engineer Zarnoch is pleased. "We think that with regard to the three petroleum-gas ships, the matter is reaching a favorable conclusion and it awaits only a formal settlement. The situation is not so positive in the case of the research vessel. We have merely made a proposal and we cannot anticipate the reaction of this partner who was, until recently, our most important trading partner." He is also worried about something else. Our delegation was shocked to note that both the Soviet and the Polish central governmental organs are using only a one-year projection in their planning. Meanwhile, it takes many years to build a ship and such an approach completely precludes the sense of making any kind of contracts. Does this signal an involuntary end to our ship trade with the USSR?

ROMANIA

Savings and Deposits Bank President Interviewed
91BA0331A Bucharest ADEVARUL in Romanian
31 Jan 91 p 5

[Interview with Emil Badiu, president of the Savings and Deposits Bank (CEC), by Petre Popa; place and date not given]

[Text]

[Popa] Mr. President, how do you explain this influx, this undescribable crush on CEC [Savings and Deposits Bank] windows?

[Badiu] Indeed, since last Friday thousands upon thousands of people in several counties, and this week in Bucharest, too, practically took our banks by storm and, as you saw, even here at the Calea Victoriei central branch, rows upon rows of people are waiting by each window. This unprecedented influx of demand was brought about by several factors, both objective and subjective. One fact is that in 1990 the people, one way or another, came into possession of larger amounts of money that created a surplus in family budgets, while the market was short on foodstuffs, agricultural produce, and industrial commodities, especially costly, durable goods such as cars, television sets, refrigerators, stoves, washing machines, etc. The fact that people are coming to our banks and branches in extremely large numbers is also due to the circulation and exaggeration of all kinds of rumors and erroneous interpretations, some of which were disseminated through various newspapers, about

banking reform, monetary reform, or cleaning up, or even exchanging the banknotes in circulation. Such rumors were also magnified by news of measures taken in some countries—the USSR for example—measures that were also mentioned on television, but without thoroughly explaining to the people the contents and real causes of those measures. The fact that the idea of issuing new banknotes, as was the case with the 10-lei coin, for example, is being aired in our country, has also added to the anxiety of the depositors.

[Popa] Judging by the data available to you on Wednesday 30 January, what are the most frequent transactions taking place?

[Badiu] First of all, there are more deposits than withdrawals, something that speaks for the reputation and credibility of our institution as a bank specialized in dealing with the public. This can only give us satisfaction. Throughout the country, overall deposits increased these days three to four times over compared to the previous normal rate, while in Bucharest deposits increased six times over. These massive deposits at CEC and at commercial banks undoubtedly constitute a positive factor, because they contribute to improving money circulation and crediting and financing for the socioeconomic actions carried out throughout the country. Secondly, people are paying off CEC loans in advance, as well as various taxes and dues. Thirdly, we are also seeing completely unjustified phenomena. Some depositors pulled out all their savings, then two to three days later brought them back, after becoming persuaded that the rumors were unfounded, because no monetary reform or devaluation can be done just like that, overnight. Also, we see people closing accounts with tens of thousands of lei and at the same time depositing the money in several smaller accounts, something that requires a lot more operations for absolutely no purpose.

[Popa] Nevertheless, what is the present impact of this great influx of public?

[Badiu] In view of the limited capacity of our facilities to handle this kind of situation, people are compelled to wait at the windows sometimes for hours on end, in spite of all the measures we took to work without interruption throughout the day. In many banks we even had to extend the work schedule until midnight. I want to take this opportunity to say that we are also having a series of

other difficulties, such as lack of special forms, i.e., account books, deposit and withdrawal forms, receipt and deposit sheets—which annually require several hundreds of tons of paper and smooth cardboard—as well as delays in printing and producing such forms. Nevertheless, we are doing our best now to meet absolutely all the demands of the depositors.

[Popa] This is the time when the CEC is closing its balance sheet for 1990. The obvious question is, what does this balance sheet look like?

[Badiu] Our main index for the development of the savings process is the growth of the credit balance, which represents the ratio between the volume of deposits and withdrawals. I am happy to say that in 1990 the credit balance increased three times as much as in 1989 and five times as much as in 1988. This increase was also brought about by the fact that in 1990 we raised interest rates and reinstated savings accounts with interest and earnings in cash designed to permit the owners of such accounts to participate in quarterly drawings to purchase primarily cars.

[Popa] At this time of transition to a market economy and in view of the price liberalization, what can you tell us about protecting the public's CEC savings?

[Badiu] The government's decision on price liberalization and measures of social protection also featured a special provision on setting new interest rates so as to ensure protection for the money deposited with CEC. Thus, on 1 January 1991 the interest rate for all forms of savings was raised by 100 percent. In practical terms, "demand" deposits now earn 7 percent interest, as compared to 3.5 percent last year, and certificates of deposit for at least one year draw 10 percent in interest rather than 5 percent, something that provided an added incentive to save. To that we can add the rights and benefits enjoyed by all CEC customers, since as is known, people's savings are guaranteed by the state and transactions are confidential. At the same time, deposits are nontransferable and can be safely kept for an unlimited period of time, or can be withdrawn any time by the persons entitled to them. As far as we are concerned, we are striving to do everything humanly possible to meet all public demand in spite of the special conditions prevailing at this time of great influx of customers.

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