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CONTENTS

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POLITICAL

ALBANIA

Yugoslav Journalist Visits Shkoder, Durres, Tirana [Belgrade NIN 24 Sep]	1
--	---

HUNGARY

Ruling Party Renounces Assets, Workers Guard [MAGYAR HIRLAP 11 Oct]	4
Criminal Code, Criminal Procedure Revised [HETI VILAGGAZDASAG 7 Oct]	5
Antireform General Silenced by Audience Applause [OTLET 14 Sep]	6
General Distributes Reform Circle Announcements [OTLET 14 Sep]	6
MSZMP Reform Circle Within Army [OTLET 14 Sep]	7
Communist Termed 'Unrealistic,' Conspiracy Charges Dismissed [NEPSZAVA 2 Oct]	7
Smallholders Party Claims To Have Largest Membership	8
Press Conference [NEPSZABADSAG 12 Oct]	8
Praise From Otto von Habsburg [NEPSZABADSAG 12 Oct]	8
Stock Corporation in Soviet Munkacs [NEPSZABADSAG 5 Oct]	9
Armed Workers Guards at School Ceremony [NEPSZABADSAG 4 Oct]	10

POLAND

PRON's Political Usefulness Seen as Outdated [POLITYKA 14 Oct]	10
--	----

MILITARY

GERMAN DEMOCRATIC REPUBLIC

Medical Care for Army Personnel Highlighted [ARMEE RUNDSCHAU 10 Oct]	13
--	----

HUNGARY

Army Corruption, Abuse, Illegality Revealed	15
Colonel's Book Creates Controversy [NEPSZABADSAG 14 Oct]	15
Commentary on Abuse of Power [NEPSZAVA 16 Oct]	16
Ministry of Defense Statement [NEPSZABADSAG 14 Oct]	17

ECONOMIC

INTRABLOC AFFAIRS

EC Forum Approves Loan Guarantee, Aid for Poland, Hungary [NEPSZAVA 10 Oct]	18
10-Billion-Yen Aid Fund for Poland, Hungary [NEPSZAVA 9 Oct]	18

CZECHOSLOVAKIA

Problems of Wage System Discussed [HOSPODARSKE NOVINY 8 Sep]	18
Results of First Year of Nonagricultural Cooperative Law [HOSPODARSKE NOVINY 8 Sep]	21
Draft Currency Law To Expand Potential for Entrepreneurship [HOSPODARSKE NOVINY 22 Sep]	24
Law Change to Allow Stock Ownership Proposed [MLADA FRONTA 29 Sep]	26

HUNGARY

Canadian Firm Backs Out of Major Chemical Investment	28
Negotiations Described [FIGYELO 19 Oct]	28
Banking Executive Interviewed [FIGYELO 19 Oct]	30
1989/1990 Economic Projections [HETI VILAGGAZDASAG 14 Oct]	31
Independent Union Critical of Proposed Science Policy [NEPSZAVA 13 Oct]	33
Enterprises Lobby To Relax Waste Import Rules [HETI VILAGGAZDASAG 7 Oct]	34
Bos-Nagymaros Work Suspension Expires 31 October	36
Work Continued During Suspension [HETI VILAGGAZDASAG 7 Oct]	36
Austrian Executive on Continued Work [HETI VILAGGAZDASAG 7 Oct]	37
SZOT, Independent Unions Begin Negotiations	38
Differences Mark First Meeting [NEPSZAVA 6 Oct]	38
Joint Statement [NEPSZAVA 6 Oct]	40
Implications of Removal of Agricultural Price Controls Described [FIGYELO 5 Oct]	40

ROMANIA

Foreign Credits for Cernavoda Plant Construction [Duesseldorf HANDELSBLATT 16 Oct]	41
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ALBANIA

Yugoslav Journalist Visits Shkoder, Durres, Tirana

90EB0024A Belgrade NIN in Serbo-Croatian
24 Sep 89 pp 76-78

[Article by Toma Džadžić: "My Albania: The Opening of the Most Closed Country in Europe"; first paragraph is NIN introduction]

[Text] One of the first groups of Yugoslav tourists in Albania included a NIN journalist: here is how he saw the latest—the third—postwar opening of this country to the world.

"Please leave all newspapers, magazines, and books here in the Yugoslav customs building so that you will get them back when you return, because the Albanians won't 'let through' any of that; you would just be held up unnecessarily while they leafed through everything."

These are the words with which experienced tour guide Jovan Krga from Dubrovnik's Atlas, during one of the first tourist excursions to Albania organized by that travel agency, warned us travelers in the bus in five languages (the Yugoslavs, Germans, Spaniards, French, Norwegians, Italians...) not to make our own lives miserable.

We unwillingly surrendered up whole heaps of newspapers. One man from Hvar bravely held onto his copy of the Zagreb weekly DANAS. It paid off for him, since the Albanian customs officer kept several other "forgotten" publications, but only leafed through DANAS. He showed the title page to his colleague, and since the latter nodded in agreement, he silently returned it to the traveler.

The Albanian customs officer was not very interested in other things besides the press. He barely glanced into one of my bags, and completely ignored the other. The other travelers went through in the same way. After all, they all had only personal things. Only one man from Sarajevo had 2-3 bags stuffed with goods and a Philips color television. It was a gift intended for a sister he was going to surprise in Albania.

Neither the things nor the television could enter Albania. There was no explanation.

The man from Sarajevo did not give in easily, but the Albanian customs officers were not to be underestimated either. They finally said that the television could pass through, but only if he paid a duty of 45,000 leks, which is about 900 million dinars (90 billion old dinars), the cost of 36 such color televisions in Yugoslavia.

Understandably, the television and the other gifts were left locked up at the border until our return.

Tame Albanians

"It's a good thing that they didn't let him give his sister the television," explained one of our fellow travelers who was familiar with Albanian conditions. Allegedly, that television would have been "socialized," i.e., it would have turned into a good owned by society in general. If one can believe that "Albanologist," only used items should be taken as gifts to relatives, because that is all that can cross the border and remain in the owner's possession. That also means that a television has to be an obviously used one, exclusively black and white.

Social differences are obviously undesirable in Albania, at least for ordinary citizens, even if those differences are created by gifts from abroad. On the street, that is apparent at almost every step. Young and old are uniformly and almost identically dressed: there is little clothing in any color except gray, blue and green—the color of the uniform in which soldiers walk through the city all day long. In the entire country, for two days we did not see a single T-shirt with any message written on the back or chest, or any article of clothing that varied from the general monotony. Even blue jeans are a real rarity.

In three Albanian cities (Shkoder, Durres, and Tirana), we did not see any girls wearing makeup, of course, or a single one with dyed hair, only possibly (?KANIRANA), and so we wondered whether there was a single blonde in the entire country.

"Land of Albania ... you stern nurse of wild people!" wrote Lord Byron after traveling through Albania in the last century.

Certainly Albanians today are more than tame. Nowhere can one hear any noise, no shouting or even laughter, not to mention an uproar or jostling among young people. One cannot even hear a loud conversation. Everyone behaves just as properly as the authorities could wish. Even on the main street and in the main square, in the center of Tirana, young people only walked quietly or sat along the low fences of the park or on the edges of several fountains, the waters of which were illuminated with different colors.

"It is a country of dignified people," a colleague said, recalling one of the more frequent evaluations by foreign journalists when they write about the Albanians. And he continued:

"Let us remember that we also acquired such characteristics for a long time after the war, when every foreigner was a potential enemy for us too."

Undoubtedly, for many people in Albania we were now only the most ordinary of disguised enemies.

Even the children in that country are also "dignified." It was only when the bus stopped in some isolated place that we would be approached by children asking for ballpoint pens and chewing gum: "Pen!" "Gum!"

In response to a question, the Albanian tourist guide said that wearing beards was permitted in Albania, although we could only see one—on the monument to Lenin on Tirana's main street, directly across from the monument to Stalin. Both monuments are still functioning quite satisfactorily.

There were a multitude of questions that we would have asked the Albanian guide, but our tour leader had asked us back in Yugoslavia not to ask awkward questions, for example, about the bunkers that can be seen scattered throughout the entire country.

The Enemy Everywhere

It was not even necessary for us to put the man into an uncomfortable situation by asking questions, since it was obvious that these were just their failed investments. Obviously, new bunkers have not been built for years, and the old ones began a long time ago to be overgrown with weeds, and are not used for anything else, except perhaps shelter from the rain, or possibly lovers' meetings.

Even if the bunkers are apparently abandoned, however, it is quite evident that at least until recently there "existed danger" from enemies on all sides. In addition to the thousand bunkers throughout the country, long cannon barrels stick up into the sky from behind small hills at the approaches to the cities. All of them, without exception, are uncovered and ready for action as if they were on the front line.

The enemy is obviously expected on all sides, because rods with pointed ends—aimed at the sky—have been placed on the beaches for potential saboteur/paratroopers.

Nevertheless, since there has been no armed enemy from any direction for 45 years now, the bunkers, cannons, and pointed iron rods have been quite suitable for creating a war psychosis in order to preserve the authority of the "irreplaceable people," such as the "great leader" Enver Hoxha was and remained until his death, and even after it.

His innumerable books, busts, and monuments in every city and in every public building are a first-class attraction, but only for foreign tourists. At his own wish, he was buried on an exclusive hill in Tirana, actually next to the monument to Mother Albania, from which there is a beautiful view of the entire city. From there, one can also see the concrete multistory building shaped like a pavilion on the main street, in which a museum devoted to him is housed. The museum is equipped with the most modern devices, which allow visitors to hear Hoxha's speeches constantly, in every corner, and to conjure up his life with the aid of videotapes.

Otherwise, Albanians seem to spend life outdoors. The streets are always full. They usually travel on ancient Chinese buses, if they are available—and there are not

enough of them, so even the army often uses horse-drawn carts, while many citizens usually travel between villages on foot.

There are no private automobiles, and bicycles (produced under Chinese license) cost 6-10 thousand leks and represent an entire small fortune, because the average wage, as the guide said, is about 650 leks. One of our tourists said that it would be necessary to check on that, since according to his information, the lower-paid workers, e.g., street cleaners, only earned about 100 leks.

By Yugoslav standards, Albania is a more than unusual country, beginning with the fact that in three cities, counting the roads between them, we were unable to see more than a total of 20-30 automobiles. Something much more surprising is that there were no trucks at all, and there were a total of 4-5 agricultural machines on the road and in the fields. The land was mostly cultivated by women, by hand.

After all, it is quite understandable that the peak of Albanian television consists of stylized drawings of a pick and a gun.

Convertible Dinar

The extent of Albania's uniqueness may be shown by the fact that it is the only country in the world in which the Yugoslav dinar is not only convertible, but worth twice as much as the American dollar and the West German mark. While only 7 leks, for example, are given for an American dollar, one can officially buy those same 7 leks in Albania for only 14,000 dinars (2,000 dinars for one lek). Our people are a little bewildered by the fact that Albanians only accept 5,000-dinar bills, and so some Yugoslavs think that it is because of the picture of Josip Broz on them, since his photograph has not been published in Albania for a full four decades. On the way to Albania, however, a rumor was going around in Titograd that the Albanians would only exchange 1,000-dinar bills. We raced around the city searching for those denominations.

"You're already the fifth person in 5 minutes who's asked me for those bills—why?" asked one newspaper vendor. "Is it some sort of prize game?"

It is not a game; rather, the Albanians, according to some interpretations, are doing this in order to try to force tourists from Yugoslavia to exchange convertible currency, since few of them even think of carrying with them such small Yugoslav bills.

These are only speculations, and the initial maladies of tourism, however, although in some respects the Albanians are far ahead of us. For instance, the guide informed us that we could convert our unspent Albanian money back into the original currency again at the end of the trip if we kept our money exchange receipts. And they exchanged both 5,000- and 1,000-dinar bills.

What else can a foreigner buy in Albania, besides the traditional souvenirs?

The shops selling agricultural products have an almost uniform selection. The shelves usually contain bottles of alcoholic beverages and juices, as well as jars of winter preserves. There is rarely anything else—perhaps also just one or two kinds of candy, rice and something else packaged in paper bags. Almost all of us bought the famous Skenderbeg brandy at the price of 17 leks a bottle.

Shops selling textile products are a different story. They display quite decent-looking jackets, which cost 445 to 530 leks, but we did not see anyone show an interest in them. The crowds were mainly around the counters selling cloth by the meter, and especially those selling newly arrived white T-shirts. It was not easy to approach them. An occasional lucky woman who had managed to withdraw with a purchased item would hold it up against herself on the spot to see how it suited her, to the general interest of the women present.

Technology to the People

I peeked into almost every shop, persistently attempting to find at least one technological device in Albania—in vain. In all three cities, there was not one shop that had a single stove, a single refrigerator, water heater, drier, heater, telephone, typewriter, soldering iron ... nothing technological. There was not even a pick or shovel, saw or hammer, pot or pan...

It was only in one shop that I saw, through the shop window, a small hot-plate (18 leks), but there was a padlock on the door that was almost the same size. The largest crowd that the tourists from our group saw in Albania was in front of a shop selling irons. The Yugoslavs were glad to see that they were of Yugoslav manufacture.

Many shops were not even open on those days, because they have strange working hours, according to our standards: some are not open on Wednesdays and Fridays, others are not open on Thursdays and Saturdays, and yet others are open twice a week. There was a line in front of others and the saleswoman was inside, but neither the door nor the opening in the display window was open. Surprisingly, no one rebelled. They all waited and kept silent.

In general, lines are one of the more frequent sights in modern Albania. People wait in lines for irons, fruits, and vegetables, to have lighters filled, to have shoes repaired. While a citizen with one shoe on waits for a cobbler to repair the other one for him, the rest stand in line behind him, waiting for their 5 minutes.

Because of my professional curiosity, I privately became a little suspicious about how I was wandering outside the center of Tirana among tumbledown hovels, but still noted: a kilogram of bread for 2 leks, a kilogram of tomatoes for 2 leks, a kilogram of apples (if one can use

that word for something small and knobby, but guaranteed free of chemicals) for 2 leks, a kilogram of grapes (also nondescript) for 2.60 leks, potatoes that were not any better for 2.50 ... There is no doubt that better-quality Albanian fruits and vegetables are sold exclusively on the West European market.

"But on the other hand, with one day's earnings an Albanian can pay an entire month's rent!" Our guide thus revealed to us the secret of preserving some sort of Albanian standard of living, much of which we were familiar with from somewhere. He continued by saying that the country had a Mediterranean climate that permitted two harvests a year. The country's area is 8 times smaller than Yugoslavia, and the number of inhabitants is 3 million. The fields, which can be seen next to the road, are cultivated without exception. The natural beauty is exceptional, the streets are clean, and the country has no state debts.

What is all this worth when Albania, because of its isolation for several decades, has lost any link with world technologies? It will be difficult to compensate for this without close cooperation with the developed world, but that will only be established when Albania opens up more to foreign countries.

"Still, they have jumped over an entire century; before the war, they were literally starving!" thought a German on the bus, in contrast to the other foreigners, who were only discreetly surprised by what they saw.

"Albania wants tourism, not for the money, but to show its country to the world!" our guide stated, continuing his story.

Small Big Step

As Yugoslavs can recall, they also opened up to the world in the same way and for the same reasons, not for money—at least that was what was said at the time.

Every beginning is difficult, of course, and so is this third postwar opening of Albania to foreign countries. One must hope that this is also the final opening. People looked at us on the street with curiosity, as if we were from another galaxy, but not with hostility. In any case, no one dared to approach us. Only once two boys came up to my colleague and me from around a corner, and asked us in English where we were from; then they quickly went back. It is exactly the way that we looked at the first foreigners in Yugoslavia after the war, and we were more apprehensive about our own people than about them.

The country's opening, of course, is not occurring without the destruction of dogma, which is difficult not to observe in Albania as well. One of the most dramatic moments during the excursion in that country occurred when we were returning home. One of our fellow travelers tried in Shkoder to meet a sister whom he had not seen for decades, but with whom he corresponded regularly. Since he had not been able to inform her in time

that he was coming, in passing through Shkoder the day before, he asked the receptionists at the Rozafat Hotel to notify her that he would be arriving by bus the next day around 2 pm. She was not there. With the address in his hand, the brother went himself to look for her, but a special hotel official immediately rushed after him and stopped him:

"You can only reach your sister by taxi, but the taxi will only arrive around 5 pm."

"We will already be at the border then," the Yugoslav retorted. "I will look for her myself; she lives 30 or so meters away from here!"

"No, you cannot go there on foot!" the hotel official relentlessly replied. "You can only go by taxi."

And so, the brother was not able to see the sister, even though he was no more than 30 or so meters away from her, and he asked one Albanian woman who spoke our language to go and inform her that he was waiting in front of the hotel. The Albanian woman rushed off obligingly, but did not come back.

It was time for us to leave. Two sisters (one from Yugoslavia, and the other from Albania) said farewell to each other with tears in their eyes; they had been fortunate enough to meet, even though the Yugoslav was not allowed to spend the night in Shkoder, and the Albanian was not allowed to go with her to Tirana. Some people wanted to immortalize this, and began to click their cameras, but the sister from Albania only repeated in alarm:

"This will not be good—photographs with Yugoslavs... That is not good at all!"

By our standards, Albania has left the door to the outside world only slightly ajar. Perhaps it is a small step for the world, but it is quite certain that for Albania, it is an enormous one.

[Box, p 78]

Enver's Country

There is not a single advertisement anywhere in Albania, but on the other hand many balconies are adorned, in addition to drying laundry, with slogans glorifying Marxism-Leninism, the communist party, and the great leader Enver Hoxha.

Whereas in Yugoslav Kosovo, everything often appears white from the Albanian "kechets," the symbol of the Albanian people, not a single Albanian can be seen wearing that cap throughout all of Albania. To tell the truth, the white caps are only in museums and in shops for foreigners, but they are shaped like a fez.

Even in the very center of Tirana, the interior of shops probably dates from the last century, and so tourists are confused about whether the worn-out wooden counters and shelves are perhaps kept as a monument to the past.

About 50 meters away from the exact center of Tirana and the gilded monument to Enver Hoxha, 4-5 meters high, a mannequin stood in the display window of a clothing shop, wearing a wig made of sheepskin.

The film repertoire is also very exclusive: last week a 1962 Italian film was showing in Durrës, with Domenico Modugno, Antonello Lualdi, and Mina. Its competitors were a Romanian "art film" and, of course, an Albanian film, which "had a special reputation abroad," according to our guide.

The most attention of all in Albania is attracted by the two kinds of buildings: the plastered ones, which as a rule are next to the main street itself, and the unplastered ones, which are always behind them.

The street clocks in Tirana, which disappeared a long time ago in the rest of the world, are particularly interesting.

"And they all keep the correct time!" commented one Yugoslav. The only digital public clock is mounted on the top of a building in the central square, behind Enver's monument. "It works too, and it has the right time!" said the same Yugoslav, genuinely surprised.

The telephone booths in Tirana all had telephones as well; this particularly surprised those from Belgrade.

And all the telephones in them work!

HUNGARY

Ruling Party Renounces Assets, Workers Guard

90EG0017A Budapest MAGYAR HIRLAP
in Hungarian 11 Oct 89 p 1

[Report by MTI: "The MSZP [Hungarian Socialist Party] Congress Ended at Dawn—Real Estate Holdings Renounced, To Be Turned Over for Public Purposes—Saying Farewell to the Workers Guard—Let 23 October Be a Day of National Reconciliation"]

[Text] The work of the MSZP congress ended yesterday at dawn following discussions concerning timely political issues. According to Imre Kovacs, who had coordinated the work of the representatives from the various delegate groups assigned to assess the party's holdings, the total value of the MSZMP's [Hungarian Socialist Workers Party] assets was estimated at 10.3 billion forints. In his recommendation to the delegates, he called on the congress to turn over to the public managerial rights over all real estate which was in excess of the holdings necessary to carry on its political and rallying activities. Following a debate, the delegates voted to relinquish their rights to all property holdings that were not essential for the functioning of the new party.

It was already after dawn by the time the delegates took a stand on the status of the Workers Guard. By an overwhelming majority, the MSZP congress has voted to

express its gratitude to the Workers Guard for its activities over the past 3 decades, but has decided that in the future those activities should be overseen by the government, i.e., by the National Assembly. The final document drafted by the delegates makes it unequivocally clear: It would be unacceptable and inconsistent with the goal of peaceful transformation into a constitutional state to allow the body as a whole or any of its members to be subjected to political or other types of attacks in reprisal for their past activities. The MSZP counts on the members of Workers Guard to reaffirm their commitment to the Hungarian Socialist Party. The delegates expressed support for the government's proposal to effect a new kind of unarmed transformation in the integrated system of our national defense establishment by taking into account the needs and requirements of civil defense and catastrophe prevention. The MSZP considers it necessary for the functioning of the new party body to be governed by laws. These laws would have to make it clear, among other things, that the organization could not be used to carry out internal police functions.

Of the three draft statements submitted concerning 1956 and the issue of national reconciliation, the congress decided to adopt the proposal of the Baranya County delegation, by nearly a 70-percent margin. The position statement adopted by the congress makes it clear that the MSZP would, with all of its efforts, work toward ensuring that the changes designed to bring about democratic socialism in our country occur under peaceful conditions. According to the recommendation of the delegates: "Let us not try to bring about national reconciliation by insisting on uniformity in the way we assess the past; such efforts would be hindered by subjective judgments of tragic origins. Let us, instead, strive for a consensus in shaping the future of a new Hungary." Inspired by the hope of national reconciliation, the congress proposed that 23 October be designated a national memorial day to serve as a memento of how all dictatorships, their personality-crippling political systems, illegal acts, and inhumane methods can deform a society and its citizenry. This day should serve as a warning that resorting to force of any kind with the aim of asserting or suppressing political aspirations will only breed hatred.

The MSZP is opposed to any form of external interference into the internal affairs of states, and to attempts to curtail their sovereignty. The MSZMP [as published] congress has suggested that the party's contingent in the National Assembly ask Parliament to issue a declaration in the spirit of national reconciliation by declaring 23 October a national memorial day. In connection with the ongoing rehabilitation process, and in conjunction with the resulting legal and moral vindication of the unjustly condemned, the congress has called on the Council of Ministers to offer reasonable financial restitution to the persons affected without placing an unbearable burden on society. The congress considers it important to legally vindicate all those who had been unjustly condemned and vilified.

Before the congress ended, Robert Hoch announced the formation of a left-wing socialist faction within the MSZP. As he put it, his faction would welcome among its ranks all those who are willing to embrace the legacy of Marxism and consider themselves reform communists. In closing, the delegates collectively sang the "Szozat" [the "second" Hungarian national anthem] and the "International."

Criminal Code, Criminal Procedure Revised

25000495B Budapest HETI VILAGGAZDASAG
in Hungarian 7 Oct 89 p 7

[Article by Endre Babus: "Pivotal Laws: the First Round"]

[Text] Henceforth the Hungarian Criminal Code of Laws regards those who violate the country's territorial integrity and independence by inviting or making use of foreign armed forces as traitors, and threatens such persons with life imprisonment. This is one of the decisions reached by the National Assembly last week in the framework of amending the Criminal Code of Laws and the Code of Criminal Procedure. This act of the National Assembly also signals the beginning of enacting pivotal laws needed for a democratic transition, and for the dismantling of the party state. The legislature made some fundamental changes in the Criminal Code chapter which deals with crimes against the state. As a consequence it deleted provisions that protected the socialist political system. In the future, criminal law will sanction only those violations of law which aim for the forceful overthrow of the prevailing power and of the constitutional order.

By amending the Code of Criminal Procedure Parliament satisfied a commitment it made 13 years ago. The Lazar government signed the International Agreement Concerning Civil and Political Rights in 1976, nevertheless in several respects Hungarian criminal law was not adjusted to conform with the agreement. Only as a result of the present decision will Hungary have satisfied a provision of the agreement according to which persons arrested must be presented in court in the shortest possible time. According to the amended criminal procedures, to go into effect on 1 January 1990, a person may be deprived of his freedom beyond a 5-day period only if a judge so orders. (Thus far the police have had the authority to detain a person for 72 hours, thereafter the prosecutor's office could authorize detention for a year, and only after a year was it necessary for a panel of judges to examine the appropriateness of an arrest.)

The amended Criminal Code strongly curtails the authorities of Hungarian military tribunals and prosecutors. Heretofore the jurisdiction of these secretly functioning organizations has extended to all crimes, including ordinary crimes, such as theft committed by soldiers, border guards, policemen, professional workers guards, and members of criminal enforcement bodies. As a result of this situation the opposition branded the

system of military tribunals a "caste outgrowth," in which judgments were more than once influenced by the organizational interests of the armed forces. As recommended by the government, Parliament has decided that henceforth members of the armed forces will be tried in civilian courts for ordinary crimes. The legislature established the fact that hereafter the jurisdiction of military tribunals extends exclusively to military crimes committed by soldiers, border guards, and police officers.

In part, the latter decision contradicts the agreement reached at the political mediation forum on 19 September 1989. It recommended that without an exception criminal acts committed by police officers should be adjudicated in the future by ordinary courts of justice. There is yet another important issue with regard to which the National Assembly deviated from the agreement reached by the "national triangle." On a motion of the highly respected lawyer representative Jeno Horvath, the legislature voted not to permit the police to use illegally obtained evidence (e.g. through wire tapping) against a defendant. The latter amendment is already being challenged by professionals. Irrespective of how liberal this measure may seem, some opposition experts were not exuberant about it either. The opposition is concerned that this "popular" provision may have to be revoked perhaps by the future coalition government in order to improve the prosecution of crimes. Independent experts recall that the opening of mail and wire tapping are parts of the arsenal available to Western police forces. In a manner similar to Western countries, they would prefer to see in Hungary precise definitions for instances in which these extraordinary means may be used.

Incidentally, this was the first time in 40 years that opposition representatives have been seated in Parliament. The four MDF [Hungarian Democratic Forum] representatives elected last summer became actively involved in legislative work; they spoke in 10 instances during a 3-day period. They announced at the session that the four MDF representatives, together with Zoltan Kiraly, Gyorgy Banffy, and Attila Zsigmond, have formed a closed parliamentary faction of opposition democrats. To compensate its own experts, the faction expects to receive funds from the National Assembly's 658-million-forint budget, and seeks to be seated in the chamber as a group, in the same place. It was said that the opposition group does not want additional representatives to join. It fears that representatives leaving the MSZMP [Hungarian Socialist Workers Party] would try to salvage themselves in this way for the next National Assembly. This reasoning came as a surprise, because Attila Zsigmond, a member of the group, held MSZMP membership only a few months ago, and switched to the MDF recently. The decision is odd also because in the persons of Janos Sera and Janos Marton, there already exist opposition members representing the Christian Democratic People's Party and the Hungarian People's Party respectively. According to the decision, these representatives could not join the opposition faction either.

Antireform General Silenced by Audience Applause

*90EC0020C Budapest OTLET in Hungarian
14 Sep 89 p 7*

[Report on speech by Brigadier General Laszlo Borsits at an unspecified MSZMP pre-congress meeting; date and place not given]

[Text] Brigadier General Laszlo Borsits had already been elected a delegate to the congress. In the introductory part of his speech he disapproved of the fact that the 142 reform circle members who were present and had mandates also wanted to nominate a candidate. This, he said, would be unfair, since he—nominated by the party organization—enjoyed the confidence of at least 1,200 communists.

"I cannot identify with Janos Sebok's letter, not with 90 percent of it. I do not think it is a requirement for us to deny our entire past in order to build our future. The attributes that Janos Sebok used, like infamy and infamous, I cannot identify with. It was mentioned that the draft statement of the upcoming People's Army party congress is unacceptable. But we have to accept its main guidelines, and we published its text, entitled "People's Army," in the newspaper, so that everyone could contribute to its improvement. I would also debate the statement that our cadre policy is entirely wrong. Of course, there are mistaken steps and moves. All of us commit mistakes, all of us make errors, but I would question the statement that the entire cadre selection policy is wrong."

Afterwards, Laszlo Borsits entered into a lengthy discussion about his views on military force reform. He talked about the balance of forces as it was established in the beginning of the 70s, about the expenses of the Belgian Army, about how NATO had not renounced its SDI [Strategic Defense Initiative] plans, but had only postponed them.... The audience, getting bored of the speech, silenced the brigadier general by applause.

General Distributes Reform Circle Announcements

*90EC0020D Budapest OTLET in Hungarian
14 Sep 89 p 7*

[Article by Hungarian Army General Gabor Vajho: "Full Circle"]

[Text] A couple of months ago, I learned from an article that the MSZMP [Hungarian Socialist Workers Party] reform circles of the Hungarian People's Army had formed, and that they had invited those interested for a meeting. I applied.

The initiative was taken by the party organization of the foreign affairs department, joined by the Zrinyi Miklos Military Academy, the Zalka Mate Technical College, and the Rear Area Defense Command. Based on the announcement, I sent in my proposal which, among other observations, stated what we, soldiers barely

known by the public, have kept saying, not loudly enough but for a long time, that the Army should not be used to handle domestic political problems.

It would be difficult to estimate the real size of the reform forces. Since the announcement, there have been applicants from the remotest barracks through the personnel of the Central Military Hospital to the deputy head of the Vienna Disarmament Talks. One reason for which I consider the withdrawal of the party from the Army very important is that if there is a conservative wing of the MSZMP in civilian society, then it is even more so in the Army. If we say that the party is only following the events and is dragging its feet, then it is even more true here. It is much more difficult to make changes in the Army.

When the announcement appeared, I posted some in different places in the ministry. They were torn off ten or fifteen times. It continued, even after I had warned the individuals, "Don't bother, there are enough left!"

MSZMP Reform Circle Within Army

*90EC0020B Budapest OTLET in Hungarian
14 Sep 89 p 7*

[Letter by Janos Sebok, retired brigadier general, to the First National Conference of the Hungarian Army's MSZMP Reform Circles]

[Text] The MSZMP [Hungarian Socialist Workers Party] military reform circles held their first national conference in Budapest last Sunday. The event's significance lies not so much in the relatively scarce participation, as in the fact that changes have reached one of the most conservative blocks of the party. From Janos Sebok, retired brigadier general's letter to the conference: "...only the reform forces are able to regain the credibility of this discredited party in the eyes of the Hungarian people; therefore the congress will be a turning point. Since we have only two paths ahead of us—to reject the past or to reject the future—there is no doubt about which path must be chosen. And this path will be chosen by the reform forces. The fundamentalists and conservatives will leave the party without any membership revision. That's why it is necessary that the majority of the congress delegates come from the reform forces. Unfortunately, this cannot happen in the Hungarian People's Army because of the small number of reform circles. Luckily, however, the Armed Forces and organizations have so few delegates that they do not represent decisive power. In the civilian society, however, the number and power of reform circles are so significant that we can expect an uncompromising decision, such as the recent decisions of the Central Committee have been. The congress has to make two important decisions. It has to change the party's name to prove that the party absolutely distances itself from the criminal acts and the erroneous and almost and nation-destroying policy of the leadership, the MDP [Hungarian Workers Party] and the MSZMP. It has to distance itself from all those

individuals who are responsible for the present moral, political, social, and economic crisis by expelling them from its ranks. By taking this stance, it symbolically asks for the forgiveness of the people for the mass murders, deportations, forced resettlement, and all the suffering it caused the Hungarian people. This will give party members the right to walk tall and not to feel like accomplices [...]

It also must be accepted that no individual, group, or party in this country has the right to rule the people and against the people, as some power-hungry maniacs profess. It is the people's exclusive right to decide which party it votes confidence to and what social system and form of state it wants. No individuals or parties, and especially no external forces have the right to overrule or forcefully change this decision..."

Communist Termed 'Unrealistic,' Conspiracy Charges Dismissed

*25000488B Budapest NEPSZAVA in Hungarian
2 Oct 89 p 4*

[MTI report: "Sandor Petres Is Only 'Unrealistic,' Not a Conspirator"]

[Text] The prosecutor's office has refused to investigate a complaint concerning Sandor Petres.

It will be recalled that Mihaly Rozsa and two of his associates, acting on behalf of the Hungarian Radical Party, and Pal Adam, acting on behalf of the Bacs-Kiskun County organization of the Independent Small-holders Party, filed a complaint with the prosecutor's office against Sandor Petres on grounds of conspiracy.

In an interview published in the 25 August issue of MAI NAP, Petres made a statement in the context of establishing a Workers' Marxist-Leninist Party. He said that his party would not permit that only members of the intelligentsia participate in the future National Assembly, excluding workers. He would even resort to weapons to prevent this from happening, and he stated that his party was capable of accomplishing a military takeover.

In the course of its investigations the prosecutor's office established the following facts: According to Sandor Petres' presentation—not confirmed by other sources—he began organizing a party under the name of the Workers' Marxist-Leninist Party.

Based on the statements which provided grounds for the complaint, and based on the legal assessment of Petres' organizing activities, the prosecutor's office was unable to confirm the commission of criminal conspiracy, nor could any other criminal activity be found. In the interview that appeared in MAI NAP, Petres expressed a personal opinion about a hypothetical future situation which lacked any realistic basis. Judging and qualifying Petres' view is not within the realm of criminal law. For

these reasons of principle the prosecutor's office rejected the complaint and refused to investigate.

Smallholders Party Claims To Have Largest Membership

Press Conference

25000495D Budapest NEPSZABADSAG in Hungarian
12 Oct 89 p 4

[Article by "R. K.": "Smallholders in the Course of Preparations; They Are Assessing the Present Condition of their Former Property"]

[Text] Smallholders Party basic organizations are established or are evolving in one-quarter of Hungary's settlements. This could be heard at yesterday's Independent Smallholders, Agricultural Workers and Bourgeois Party [FKGP] press conference. Executive Secretary Istvan Prepeliczay also stated that for the time being the FKGP had no accurate data, but that they had about 25,000 members. Thus, from the standpoint of membership, the FKGP is "the largest party in Hungary today."

Responding to a question, Prepeliczay said that the FKGP is not a nostalgic party—only about 30 percent of its membership is composed of elderly persons, mostly party members from earlier days—but the average age of the party membership corresponds with the national average. They receive strong support from entrepreneurs which constituted the core of the party earlier. The peasantry is represented to a lesser extent for the time being. The reason for this is that in smaller settlements people are afraid from the "socialist holy trinity" composed of the party secretary, council chairman, and producer cooperative chairman, all of whom are members of the Hungarian Socialist Workers Party [MSZMP], according to Prepeliczay.

It is the party's firm desire that a significant part of its earlier institutions and property be returned, according to Party Director Sandor Beczy. He detailed the main features that surround this issue. At present they are continuing to assess the condition of their earlier property. This is made difficult by the fact that real estate records are incomplete, and that former buildings are occupied by institutions whose eviction would cause other problems. For example, the House of Soviet Culture and Science operates out of the party's former headquarters building.

The executive secretary regarded internal disputes following the reestablishment of the party as natural phenomena. Divisive efforts have been overcome, and only a negligible minority is trying to proceed on separate paths, according to the executive secretary. He defined the cause of their earlier problems by stating that during the past 40 years two generations have grown up without learning how to be involved in politics.

Responding to questions related to the establishment of the Hungarian Socialist Party [MSZP] and changing

chances in the elections, the executive secretary said that he did not want to make predictions. He was able to follow the events of congress as an invited guest. In his view there is a great danger that the MSZMP could salvage itself by escaping into the MSZP, and that therefore there is little chance that the ruling party could follow through to the end the cleansing process it has initiated.

Journalists were told that the party would run candidates in every district. Regarding Otto von Habsburg's nomination as president of the republic, they reiterated that the FKGP political committee would decide on Friday [13 Oct] whether it will run a candidate for president, and if so, whom it will run.

They announced that under the leadership of Jeno Freisinger the party opened a press relations office to prepare for the elections, in addition to performing its other duties. Jozsef Torgyan, the person responsible for the election campaign said that their campaign propaganda would be based on the media. He repeatedly emphasized that in order to exert campaign propaganda they need mostly money.

Praise From Otto von Habsburg

25000495D Budapest NEPSZABADSAG in Hungarian
12 Oct 89 p 3

[Text] Otto von Habsburg regards Hungarian political events as sober processes. A representative at the European Parliament whom the Independent Smallholders Party intends to nominate as its candidate for the office of the president of the republic, Otto von Habsburg, said in a news program on French Antenne-2 television that "so far the Hungarians have manifested a high degree of wisdom. They did not want to go too far, instead they are progressing step by step to change the situation. The situation could be more critical if the remnants of the earlier system manifest strong resistance, but this is not the case at the moment," von Habsburg stressed.

"Following the path of a multiparty system is unavoidable, but the system that has evolved must not be regarded as final, because when people are freed from 4 decades of slavery, new parties emerge in an explosive fashion. This situation will stabilize in the coming months. For this reason the evaluation of the situation demands thorough consideration."

He was not willing to comment on his own, possible candidacy for the presidency, nevertheless he criticized the agreement concerning the election of a president of the republic. "I believe that this process should begin with parliamentary elections. This is because political abilities which have been suppressed for 4 decades must gain expression. Parliamentary elections would make the emergence of such talents in the various election districts of Hungary possible. This is why the process should start with parliamentary elections, continue with the development of a constitution, and a president should be elected only thereafter."

Regarding Hungary's relationship with the Warsaw Pact, Otto von Habsburg said that the relationship "itself raises questions about the very existence of such a relationship, because the organization's authority has become a very relative matter as a result of weakening Soviet influence."

Otto von Habsburg believes that the West should provide assistance for the liberalization of the countries involved.

Stock Corporation in Soviet Munkacs

25000488D Budapest NEPSZABADSAG in Hungarian
5 Oct 89 p 8

[Article by Aranka Rehak: "Made in USSR; Stock Corporation in Munkacs"]

[Excerpts] [Passage omitted] The former tobacco plant was transformed into an instrument manufacturing plant in 1961. Workplaces were needed and only 800 workers were employed at the tobacco plant. Today four times that number are coming here to work from the Munkacs housing projects, family homes, and surrounding villages. Between 20 and 25 percent of the workers participate in the stock corporation.

"At present this is the guiding principle throughout the Soviet Union: Workers should be involved more in production," according to Tamar Sidun, deputy director for production. She picked up the idea at a conference in Lemberg. "Stock corporations have an advantage in that a person who has invested his money will not leave the enterprise. The sense of responsibility will increase. All members take part in the distribution of money, thereby strengthening democracy. An increasing number of people are joining, because they see that investing and working here provides money to members. Upon retirement a worker receives a percentage of what he has invested. In some instances the amount of such payments equals half the pension. The highest pension payment amounts to 130 rubles. And in this way the factory need not take loans from the bank. There were years when we paid between 80,000 and 100,000 rubles in penalties because we ran out of money. In this way, however, we could even lend money and earn interest. We have already discussed this possibility with nearby producer cooperatives."

Stocks Bought From Inheritance

They are remodeling the plant in which they manufacture mixing machines, shaving mirrors, and one of their most important items: ovens. These items sell very fast, but the factory has no additional capacity; they cannot manufacture more of them. These items cannot be found in Munkacs shops.

"But we should be increasing our production," says Maria Ivanovna, technical chief, "so that people have things to spend their money on."

Ivanovna is just about to join the stock corporation. They will spend her husband's inheritance for this purpose. Needless to say, not everyone has received an inheritance.

The average monthly pay at the factory amounts to 260 rubles. The factory is considered better than average in the Soviet Union, but it is far from being a leading industrial plant. A chief engineer earns as much as 600 rubles.

"Good money," I said in recognition.

"That's the trouble. Many people earn good money, but there is nothing to support this, and so the stores are empty," according to the chief engineer.

It is the chief engineer's job to figure out how to spend the stockholders' money. They began manufacturing nitrate measuring instruments, and they purchased two die-casting machines. They spent one-third of the stock corporation's money for these purposes; the rest was invested in other factory instruments.

Turoczi explained why they needed a stock corporation.

"We had to make additional investments in order to produce more, but there was no money for such purposes. This was one reason why we rented the plant. We have been functioning in this way since 1 July, and our lease expires in the year 2000. Accordingly, laws applicable to state enterprises do not apply to us. We do not have guidelines on how much we may spend for specific purposes; all we do is pay a leasing fee to the state. In the past, if we produced more than was planned, the state took a large part of our profits. At present we retain the profits created by excess production. Already in the first half of the year we had a 1.1 million ruble surplus. We are spending that money for social welfare purposes and to support the local council.

"But of course, factory managers do not have a completely free hand even under the leasing arrangement. Fifteen percent of our production must serve public purposes. Contracts consummated earlier are still in force; one cannot change overnight either the machinery or the personnel that determine production.

"We are thinking about ways to change the production structure. In the future they will not be able to force upon us the manufacture of products we do not want to produce. But we must look around to see whether we are able to obtain materials for what we want to produce, and to see whether we could sell the merchandise. For the time being we do not know what tax conditions there will be in the coming years."

Materials supply creates the greatest problem, according to Brigade Leader Bareckij. This is why they are delayed in leasing some plants.

"We manufacture component parts only; we are largely dependent on other units, because we receive our materials from them." [passage omitted]

"Yes, there were some who did not agree with the idea of a stock corporation," according to Tamara Sidun. "They said that the one who has more money will receive more money than the one who has no money anyway. But we did not take away this money from anyone. In the end, our founding capital produced more than we distributed, thus even those who did not make a financial contribution benefit as a result of developing the factory."

"We are rooting for Gorbachev," Plant Deputy Party Secretary Galina Chernachuk says. There are no major tensions in this factory, even though we have 23 nationalities working together. Conflicts became less pronounced and there was less abuse. This was perhaps because there were not that many opportunities for embezzlement here. You know, what hurts us so much is that so much time has passed and there are not enough changes. Even though we have improved our work, and are making a greater effort, there is no progress."

Armed Workers Guards at School Ceremony

25000488C Budapest NEPSZABADSAG in Hungarian
4 Oct 89 p 4

[Text] The Budapest 17th District chapter of the Alliance of Free Democrats [SZDSZ] firmly objects to the events that took place on 29 September 1989 at the dedication ceremonies of the 17th District Miklos Zrinyi Elementary School. Representatives of Workers Guard units in the district appeared with submachine guns. The SZDSZ demands that they cease to educate and influence their children in a militaristic spirit.

POLAND

PRON's Political Usefulness Seen as Outdated

90EP0086A Warsaw POLITYKA in Polish
No 41, 14 Oct 89 p 7

[Article by Jagienka Wilczak: "The PRON Is Packing Its Bags: We Are Doing a Great Favor to Others"]

[Text] The future of the PRON [Patriotic Movement for National Rebirth] has become questionable in connection with the roundtable discussions, when that movement's activists realized that they had been put aside. Yet, they had considered themselves the authors of the moment when Walesa sat down opposite Kiszczak, and Kuron and Michnik came as guests to cross the threshold of the Office of the Council of Ministers.

Nevertheless, the PRON as a movement or an institution of public life was not represented at the roundtable. Some people even then said, "The Moor has done his work; the Moor may go." But what role would the PRON have played in these talks, and whose interests would it have been protecting? Essentially, the PRON was an annex of the PZPR and its coalition partners; its assumed purpose was to rally the forces interested in perpetuating and advancing the socialist system of society and to reflect the opinions of those cooperating

with the authorities, although many of its theoreticians and activists had at first somewhat different intentions. The movement wanted to act as not only an organizer of dialogue but a mediator between the rulers and the society or discrete groupings of citizens, and to take part in determining programs for socioeconomic development, organize social control and discussion, and participate in developing representative bodies. It was to broaden the social base of governance and democratize public life.

Such had been the starting assumptions. The originators and founders of that movement apparently believed that it would become a kind of controlled opposition that channels criticism. The existing opposition had never, however, become allied with the PRON. It meshed poorly with the opposition and remained a creature of the martial-law era, dominated by the party and its allies.

Although the PRON rallied many individuals who were critically disposed toward the reality and expressed their own opinions on economic, social, and institutional issues, the PZPR did not abandon even for a moment stressing its leading role vis a vis that movement, too.

In articles published in that era well-known ideologists admitted that the PZPR as the party of the working class and its echelons and members felt a special moral and political responsibility for the successful growth of that movement, for its importance to the nation's sociopolitical life. The PRON was supposed to broaden the plane of interparty cooperation [between the PZPR and the then subservient United Peasant (ZSL) and Democratic [SD] parties], and to display an explicit class-oriented visage. Nowadays such statements sound ludicrous and naive. But then, not so long ago at that, the PZPR had not conceived of the changes to come, of the onset of the moment when the provision of the leading and guiding role of the party would not only cease to bind but also be deleted from the Constitution; that simply had not been conceivable at the time. At the time, in 1982-83, anyone voicing such an idea qualified for an internment camp on the grounds of attempting to liquidate the socialist state, to overthrow the system of society. As for the society, it did not accept the PRON, which it viewed as an unwanted child. Any other response was difficult to expect owing to the extreme frustration felt by Poles. Speaking about national reconciliation or accord sounded grotesque at a time when the memory of tanks on the streets was still fresh and the curfew was in force. The people asked, accord between whom? To be sure, General Wojciech Jaruzelski personally explained that the point was not "between whom" but "about what," and that the accord meant "reaching a certain state of social awareness, mutual correspondence between thoughts and views having a common denominator." But at the time the General was regarded as the person fitted the least to expatiate on a national reconciliation.

On 20 July 1982, a session of the PZPR-ZSL-SD Cooperation Commission attended by representatives of Christian and lay Catholic organizations adopted the

Declaration on the Patriotic Movement for National Rebirth which supported the idea of a movement serving as a "two-way relay station" for both supporting the authorities and articulating social interests and needs. In the opinion of TRYBUNA LUDU, "The declaration on the PRON confirmed that this movement has room for everyone who acknowledges the inviolability of foundations of the system of society." At the time many had still believed that they could decree "ex officio" inviolability of alignments and immutability of situations. The declaration became the official beginning of the movement, which was joined by the PZPR's allies, signatories of the declaration, along with those who could not conceive that things could be otherwise. Everywhere national reconciliation was trumpeted, while at the same time people were still being detained in internment camps. As part of the declared respect for the position of the partner, persuasion was applied to prompt the internees to emigrate. True, the PRON had even officially requested the suspension (in 1982) and subsequently the abolition (in 1983) of martial law. But I would not overestimate that initiative. Martial law could not last forever. The grateful role of the initiator of a return to normalcy was entrusted to the PRON.

It would be unjust to claim that from the outset there had been no genuine activists within the PRON, especially among the grassroots. These activists were individuals whose constitution prompted them to act somehow, anyhow, but as for ideology that was a secondary matter to them. Besides, the Front of National Unity, while it still existed, was moribund, and a new platform had to be explored. Moreover, the people supporting the PRON sought to use it as a way of resolving personal or local matters. Others had believed that the ideals of Solidarity sank into irredeemable oblivion and it was time to close that chapter. Others still were genuine believers in the need for a national reconciliation among Poles.

The First PRON Congress, held in May 1983, entrusted the post of chairman to Jan Dobraczynski. Attentive observers perceived already in the speeches at that congress an intent to guide that movement in the direction of bureaucratization, institutionalization, and unnatural unanimity. But as for the authorities, they abounded in optimism, thinking that now that they had a properly organized body, a controlled movement, national reconciliation would be possible.

The course of fate was such that the PRON became, perhaps even against its volition, an inheritor of the traditions and functions of the Front of National Unity, and in places it even took over its offices and employed the same personnel. This hardly added to the movement's credibility, although it is true that PRON documents were the first to refer officially if diffidently to pluralism and diversity of views and to include a word that later became a buzzword, namely, consensus ["There should be a consensus."].

The question arises whether the PRON had a chance. Certainly not. It ultimately forfeited it when the Sejm

amended the Constitution to include mention of that movement on 20 July 1983. The amended Article 3 of the Constitution declared, "Actions in unison with the social organizations and associations supporting the systemic principles of the Polish People's Republic are the foundation of the Patriotic Movement for National Rebirth." And further, "The PRON is the platform for rallying the society to promote the welfare of the Polish People's Republic, as well as for cooperation among political parties, social organizations and associations, and citizens, irrespective of their views, concerning the functioning and strengthening of the socialist state and the broad development of the country." Nowadays even the Presidium of the Executive Committee of the [PRON's] National Council acknowledges the validity of the demands for deleting the entire Article 3, which defines the constitutional role of the PRON, from the Constitution. What then was the big deal?

The question of the PRON's future again became topical, and by then it was posed much more nervously, during the elections [to the Sejm and Senate, in June 1989]. For while during the roundtable discussions PRON activists had still cherished the hope that things would revert to being normal, that various declarations would continue to be made and positions taken, that candidates could still be nominated and balloting prepared, now the situation looked more serious. No documents concerning the elections and no electoral rules made even the slightest mention of the PRON. Apparently, both the authorities and the society were aware of the lack of credibility of that product of the martial-law era. Besides, the elections were supposed to be credible from the beginning to the end. Some people attempted to draw corresponding conclusions and already last May a commission directed by Professor A. Przeclawska was formed with the object of assessing the future of the PRON. The elections on 4 and 18 June proved that they could succeed in the absence of an institutionalized coordinator. The funeral bell began to toll for the PRON.

The roundtable and the elections represented an evident watershed. But stagnation and complete disorientation had set in within the PRON even earlier. Let me recall a characteristic moment. The PRON was publishing its own weekly, ODRÓDZENIE (I am using the past tense, because the masthead in its last three issues no longer mentions its sponsor). The weekly has had its vicissitudes, but it must be admitted that it welcomed and published authors who had troubles owing to their beliefs as well as journalists who used to work for periodicals that were shut down by the martial law. ODRÓDZENIE lived a life of its own, which besides was not always to the liking of its owner. Last October Jerzy Grzybaczak, its editor in chief, died suddenly. During the first few days afterward we were too much in a shock owing to the demise of our boss to consider the future. But after a month had passed, we of the editorial team were astonished and outraged by the total indifference shown toward this weekly's fate by the leadership of the PRON. That indifference lasted for many months—

months important to a genuine national accord. It was a signal that the PRON was folding its tents.

Soon after Tadeusz Mazowiecki became premier, the editors of ODRÓDZENIE asked the signatories of the PRON's Declaration about the movement's future. What did these answer? Z. Cierpka, vice chairman of the OPZZ [communist-sponsored National Trade-Union Alliance] and member of the Presidium of the Executive Committee of the PRON National Council, answered, "The time has come to speak honestly of the PRON's accomplishments and depart in a face-saving manner. The time has come to put an end to this stage in a worthy manner, which the PRON undoubtedly deserves. At a certain stage it played a role of its own. Earlier it had been thought that the PRON might be needed by the [old ruling PZPR-ZSL-SD] coalition. But that coalition collapsed and the only solution is to disband the PRON and thank its activists. The founding premise of the PRON was that it acted in behalf of the entire nation, but we cannot claim that nowadays." K. Fortuna, a member of the PRON National Council, thought otherwise: "The PRON should not be disbanded. Rather, it should be transformed. Attempts... should be made to develop a viable concept of the PRON as a social or sociopolitical movement." In other words, PRON is needed in Poland as a social forum. Professor J. Janowski, the leader of the Sejm Caucus of Democratic Party Deputies, declared on the other hand, at a press conference: "The PRON is dead once the Constitution is amended. I don't believe that any existing political force would attempt to replace it with some other organization or movement." And A. Lewinski, also of the Democratic Party, a member of the PRON National Council, was quoted in ODRÓDZENIE as saying that he thought a movement of this type is needed. The PRON should find its place on the sociopolitical plane, the plane of political initiatives, the possibility of free speech, and as a movement for the protection of citizens.

In his turn, T. Myslik, PZKS [Polish Catholic-Social Union], a member of the Presidium of the PRON National Council (a cofounder of ODRÓDZENIE and its longtime deputy editor in chief) answered this question as follows: "Formally the PRON still exists, but the fact that its two major cofounders, the Peasant and Democratic parties, have switched to a totally new coalition [with Solidarity] necessitates a sophisticated parting of the ways." This also is thought by many salaried and social activists, although they admit their disenchantment at having tied their fortunes to a failure

for the second time. And so far as the idea of the PRON is concerned, Myslik thinks that it can and even should be continued, perhaps in the form of a popular front to be formed by the PZPR with those of its allies who still stick to it.

In the meantime, A. Przeclawska's commission has ended its work. Commenting on its results, K. Kloda, director of the Office of the PRON National Council, declared that the times of the PRON are over, as it has fulfilled its historical role. "Now that the new parliamentary coalition has arisen, the PRON ceased to be a plane for dialogue and accord among political parties, social organizations, and citizens. The demands for amending the Constitution and deleting Article 3 from it that are being recently made by practically all the parliamentary forces complement, as it were, the position taken by Przeclawska's commission," said Kloda. (ZYCIE WARSZAWY, 20 September). Similarly, at its session on 14 September the Presidium of the Executive Committee of the PRON National Council proved capable of realism in stating that the formation of the government of T. Mazowiecki became a turning point in national reconciliation, making that reconciliation much broader than that achieved by the PRON.

It is said that in October the PRON National Council will decide how to wind up the activities of the PRON. Its decision is not binding to lower-level PRON chapters, but it can hardly be expected that they will defend their own existence zealously. It appears that we are not being menaced by the possibility of the emergence of corresponding citizens' committees, particularly considering that the grassroots are clamoring for euthanasia of the PRON. The PRON has sufficient funds for its operation and salaries until year end, and it is to be expected that in October its salaried personnel will receive notices of dismissal. The PRON has been financed from the state budget, which now cannot afford unnecessary outlays, especially considering that, as K. Kloda claims, the PRON resembles more a prosthesis than a modern and functional element of the political system.

The grassroots think likewise. In three voivodships, following public debates, PRON voivodship councils stopped operating. Several days ago, following Slupsk and Bielsko Biala, Katowice did the same thing. A majority of the aktiv favored a rapid, honorable, and dignified cessation of activities, because it was acknowledged that the PRON formula no longer fits the reality. "We disbanded ourselves, because we believe that the PRON's time is over. We are thus doing a big favor to everyone," they declared.

GERMAN DEMOCRATIC REPUBLIC

Medical Care for Army Personnel Highlighted

90EG0027A East Berlin ARMEE RUNDSCHAU
in German No 10, Oct 89 (signed to press
22 Aug 89) pp 84-87

[Article edited by Horst Spickereit: "Health Care Update"]

[Text] Free medical care is one of the basic rights of every member of our Armed Forces. And yet, health is not merely a given. Something must be done to maintain it. Keeping oneself mentally and physically fit, eating properly, practicing good personal hygiene, using substances such as alcohol or tobacco in such a way as to enjoy them without abusing them, and finally, obeying safety rules and occupational health rules, all play their part. No one should focus attention on health only when it no longer exists.

Hygiene

Where could the demand for hygiene be more urgent than where large groups of people share common quarters and are subjected to many specific conditions together? This is the situation that prevails among soldiers. Their beds are four, six, eight, or even 10 to a room. Constant defensive vigilance involves drills, sudden alerts, combat training that includes serving in the field, and camping in tents without the opportunity to take boots off for days at a time. For this reason, there is an iron-clad Must: the soldier is to follow the rules of personal and collective hygiene, and to harden his entire being at all times! This includes, among other things, washing every morning and every evening (finishing off with cold water). Many have to be reminded to brush their teeth regularly—every morning and every evening, better still, after each meal. Shaving at proper intervals also plays a part, as does having a haircut, and properly cared-for finger- and toenails. Regular showering, regularly changing underwear, socks and bed linen, keeping shoes and bedding clean must not be forgotten, either. While it may not be exactly moral turpitude to do so, wearing athletic clothing instead of underwear is definitely not proper.

Collective hygiene is understood to mean keeping rooms clean, keeping personal closets clean, and keeping toilets clean; barracks rooms are to be aired out on a regular basis. And a soldier with any self-respect at all will keep his mess kit and eating utensils clean at all times, and he will not leave remnants of food or garbage lying around in a careless fashion.

Exercise

As modern people, we allow ourselves to be driven around more today than we used to. On the job, we sit or stand in one place for many hours at a time, and even in their leisure time, many people seek out physical inactivity. Most demand less and less of their bodies and

neglect their need for exercise more and more. The result: heart, lungs, and muscles receive less exercise than they used to, obesity and metabolic disorders increase, as do high blood pressure, a lack of emotional balance, and cigarette smoking.

Then, one day, duty calls. For many, this time is associated with unaccustomed physical demands. For this reason, sports should play a part in everyone's personal preparation for military service. Even the 2 hours of military physical preparedness training per week that are "prescribed" for each soldier are not enough to offset the lack of exercise. Good for the soldier who tries to do more for fitness, whether he does so on his own, or whether he takes to the gymnastic apparatus within context of the Army Sports Club. Incidentally, physical activity should not be viewed in so limited a context; it should be given wider consideration: casual walks, hiking, bicycle riding, and swimming all contribute to general well-being. Only when the vital organs, such as the heart, the circulatory system, or the lungs are put to work in a regular and sensible way can they show their full capacity. What is at issue is bringing our altered lifestyle more into tune with our biological requirements. We should always keep in mind: Life is movement!

Smoking

Even Goethe condemned this vice as a terrible form of antisocial behavior. Smoking is a phenomenon which, if it had initially occurred 200 years later, would have been forbidden, due to its toxic effects. To be sure, many a smoker claims to be a strong man, but just 5-10 minutes after inhaling, muscular strength declines by 15 percent of its initial amount. Others think that smoking is an absolutely certain way of keeping slim. In point of fact, nicotine does make one slim—and ill. It drives away stomach grumbles, but it leads to gastritis, gastric catarrhs, and gastric ulcers. A third group maintains that smoking calms the nerves. That is true—it even paralyzes them and leads to thrombosis of the blood vessels.

So, there is nothing that speaks out in favor of smoking, but everything speaks against it. The World Health Organization determined that smoking was the most significant avoidable cause of disease. A mountain of cigarette butts should not be part of any young person's image. Giving up smoking is not dangerous. The uncomfortable side-effects that appear are usually slight, and they disappear within 3-4 weeks. Even better though: never start.

Alcohol

Make a drop of the creature an everyday feature. That is what the proverb says. Two or three drops are not objectionable, either—off-duty, of course, and never in the barracks. There's a proper time and place for everything, and the goal that is sought is sensible consumption, the proper amount. As Paracelsus said: "All things are poison and there is nothing without poison. The dose alone assures that a thing is not poisonous."

Careless use of alcohol, long-term, uncontrolled drinking, can quickly lead to abuse, with all its social and personal consequences. A journey of a thousand miles begins with one step. That is something everyone should keep in mind. A young person's body is particularly susceptible to the toxin alcohol. That's reason enough to be careful and not to be led astray by the abuses of others. Demon rum plays a ruinous role in 60 out of 100 divorce cases in our country. One-third of all crimes committed and approximately one traffic accident in 10 occurs under the influence of alcohol. Of course, even intoxicated persons who are injured are given medical treatment, but they must bear the costs of such treatment themselves, and many a person who has received such a bill is said to have been greatly sobered by it....

Medical Facilities

At issue here are the facilities of the National Peoples' Army and the Border Patrol of the GDR.

Medical Point (med. point). In common parlance, sometimes referred to as "territory," this is probably the most well-known type of medical facility in our Armed Forces. Basic medical care is provided here. Out-patient care is provided here, but the med. points in the larger bases also have beds.

Polyclinics. These are maintained at larger bases, and they serve the needs of all personnel of the National Peoples' Army and Border Patrol personnel of the GDR stationed at that base. Various specialists work here, and in most cases, it is possible to provide x-ray services and physiotherapy treatment. Polyclinics do not provide in-patient beds.

Lazarets. Both out-patient and in-patient specialized medical services are available at these facilities. Our Armed Forces maintain lazarets in Ueckermuende, Neustadt-Glewe, Potsdam, Leipzig, Gotha, Cottbus, and Stralsund; these facilities cover larger military districts.

The Academy of Military Medicine. This is the supreme military medical facility, and it is located in Bad Saarow, in the District of Fuerstenwalde. Here, highly specialized medical treatment is available for all personnel of the National Peoples' Army and the Border Patrol of the GDR. In addition, present and future specialists in military medicine are trained here or undergo additional training here, as the case may be. Finally, the MMA is a center of research in military medicine.

Special Facilities. These are located in Koenigsbrueck, Kamenz District, and in Stralsund, and they provide services in the areas of marine and aeronautical medicine.

Treatment Pathways

In the morning, after reveille, anyone who has become ill and requires treatment reports to the non-commissioned officer on duty. He enters that person's name in the company's sick-bay report list. This is taken, unopened,

to the med. point by the appropriate person. The results of treatment are entered in both the health book of the soldier in question as well as the sick-bay report list, so that an appropriate record is filed with the company at all times. Later, that is, in the course of the day, those comrades who fall ill or injure themselves are examined and treated without delay at the med. point.

Those found to be unfit for duty are, in principle, admitted as in-patients. Upon the recommendation of a military physician, the commandant of a military unit may, in individual cases, authorize the treatment of career soldiers at home.

Anyone referred to a lazaret undertakes the journey to that facility in the appropriate uniform as soon as his health permits. He must take his personal effects with him, as well as such things as his health book, military identity papers, and a comparative report for purposes of determining his diet.

Choice of Physician

National Peoples' Army personnel and GDR Border Patrol personnel are cared for by the Medical Service of our Armed Forces. It is obvious that it would endanger our preparedness and the fulfillment of our training mission if everyone wanted to go to his family physician in his place of residence, or if he wanted to have himself examined and treated someplace else at his own discretion. The right to free choice of physician is limited for the duration of military service in the interest of assuring proper national defense. One presents oneself to a military physician where one is stationed as a first step. This is the place where all personnel records, including medical records, are kept. Here, if need be, consultations with superiors can be undertaken immediately, and decisions can be taken that are appropriate to the given military situation. If the treating military physician considers it necessary, he can transfer the patient for special examinations or in-patient care to a military medical facility, or to a public health facility.

Treatment While On Leave

No one is free of the treachery of illness, not even on leave, or during a service-related trip. In such cases, the physician at the nearest facility of the National Peoples' Army or Border Patrol of the GDR must be consulted. If that is impossible, the nearest facility must be notified by telephone to request a house call, or to have someone else commissioned to do so. Only when this is not possible is it permissible to consult another physician. Of course, this condition does not apply in life-threatening situations. In such a case, action must be taken immediately, and the nearest medical facility must be notified.

Duty And Lack Of Fitness For Duty

In conjunction with his diagnosis, the military physician examines the extent to which the individual patient's health permits him to perform his duties. The following classifications are used in this regard:

Fit for duty. This classification affects those who are healthy and those who are subject to disorders that affect their health or limit their capabilities, but these limitations are such that they do not affect the performance of one's duty in any concrete way. These comrades continue to perform the full complement of their duties.

Partially fit for duty. This category applies to those comrades who, as a result of health-related disorders or limited capabilities, or those who, following periods of unfitness for duty, are temporarily unable to assume their full duties. They are excused from certain training exercises and types of duty, but are required, in accordance with the physician's determination, to participate in all others.

Unfit for duty. Anyone who, as a result of illness or injury is temporarily unable to assume military duties, is classified as unfit. Such personnel are, as a rule, treated as in-patients.

Inoculations

Even if this soldier or that one has an aversion to injections, he will not escape his inoculations. They are mandatory for everyone. In barracks, where many people are concentrated, inoculations cannot be overlooked, and the decision whether to have them cannot be left to each individual if the spread of a possible infection is to be avoided and a unit's combat readiness is not to be adversely affected. To be sure, inoculations are in the best interest of the individual, as well as the fighting unit as a whole. Given our successes in combatting infectious diseases, adults require only a few inoculations. Every member of our Armed Forces is inoculated against viral influenza once each year, and against tetanus (lockjaw) once every 10 years. Other inoculations can be given on an individual basis as well, if required.

The Health Book

The so-called h-book is one of the first documents established for every citizen called upon to perform military service. All medical treatments, examinations, and evaluations that took or take place during the period of military service are documented. The result is a complete picture of the state of the soldier's health. All documents are kept under lock and key at the med. point, so that they cannot be examined by any unauthorized personnel. Upon discharge, the h-book is turned over to the individual. He is required to keep it at home and to bring it with him if he is summoned by the District Military Command, or if he is called up for service in the Reserves.

Convalescent Leave

Convalescent leave is part of the medical follow-up care that immediately follows in-patient treatment. If several days of rest and recuperation following an illness can speed the restoration of health and full capacities, the physician will recommend a convalescent leave. The decision regarding this recommendation resides with the

individual commandant, however, that is, with the soldier's superior officer. It is possible to spend a convalescent leave either at one's place of domicile, or, in exceptional cases, in a National Peoples' Army convalescent home. This decision, too, rests with the commandant. Since convalescent leave counts as medical care, the individual soldier is considered unfit for duty during these periods. Nevertheless, it is not permitted to postpone convalescent leave, nor is it permitted to grant such a leave after the fact; nor is it considered part of normal leave.

HUNGARY

Army Corruption, Abuse, Illegality Revealed

Colonel's Book Creates Controversy

25000500 Budapest NEPSZABADSAG in Hungarian
14 Oct 89 p 6

[Interview with Colonel Dr Imre Bokor, head of the radio electronics department, Miklos Zrinyi Military Academy, and Lieutenant Colonel Ivan Papp, Bokor's colleague at the Academy, by Karoly Freesz: "Retroactively Relieved of Duty: Calm Before Scandal"]

[Text] "I cannot find the words to describe what they are doing to my boss!" an outraged lady says in the department head's anteroom. "All of us support him. Believe me, that book says things in a very refined way, and shows only a very few of the countless instances of abuse that have taken place in the Army during the past decades."

The "boss" is Colonel Dr Imre Bokor, head of the radio electronics chair at the Miklos Zrinyi Military Academy. We agreed on an appointment for Thursday at 11:00, but he is late. The "book" defended so passionately by the lady is the sensation of recent days. It was published in 50,000 copies and appeared in bookstores last Tuesday [10 Oct]. The publisher has already ordered the printing of another 50,000 copies. They are buying it like candy, even though the terrain colored cover does not attract the eye. The title, "Petty Monarchs in Uniform," is thought provoking, however. This much about the contents: No critique this strong of the preposterous nature of army life has ever seen the light of day in postwar Hungary. Suffice it to quote a single sentence as proof of what the book has to say about Lajos Czinege, minister for just 1 year less than a quarter century. "Lajos Czinege was virtually the initiator of squandering public property, of corruption, and of abusing the power of his office."

I had to wait less than 15 minutes for Bokor. He arrived with one of his associates, and ushered both of us to his office. Conversation began with difficulty. The department head had some reservations; he felt that it would be too early for an interview to appear. His book has been available for only 2 days; let people read it first, he said.

"I would not want anyone to feel that I am advertising myself or my book, or that I am seeking the public's help in a constrained situation.

I succeeded in convincing him, albeit with some difficulty. He was willing to respond.

[NEPSZABADSAG] If I understand the matter correctly, you just returned from Lieutenant General Simon, the academy commander. Several sources have informed me that you are being retired because of your book. Is this true?

[Bokor] The defense secretary's order was proclaimed at a staff meeting. The order said that having reached the age limit for duty on 1 November, I will be retired effective on that day, and I would be relieved of duty as of 6 October.

[NEPSZABADSAG] Six October? But it's already the twelfth. Are they relieving you retroactively?

[Bokor] That also surprised me. I don't know why.

Lieutenant Colonel Ivan Papp, the heretofore silently observing colleague, picks up the conversation.

[Papp] No reason was given. The way this was done is contrary to regulations. If I were you I would file a grievance.

[Bokor] Look, I do not want to serve any longer. True, in the past they have constantly asked me to stay on. They said that it is appropriate for a university professor to serve an additional 2 or 3 years. But last week, when the chief of staff called me to appear because of the book, he asked: Why did you work for a minister of whom you have such views?

[NEPSZABADSAG] Could you tell me something about that conversation? What problems did General Pacsek have with the book?

[Bokor] He insisted on knowing what I wanted to accomplish with the book. In his view I discredited the Army in difficult times when the Armed Forces are subject to attack anyway. I told him that I was guided by an intention to achieve improvements. It is possible that the political opposition will take advantage of what I had to say, but the truth should not be suppressed. To which Pacsek replied by saying that everyone is aware of these matters anyway; everyone knew for example that Lieutenant General Kovacs drank. I responded by saying that it is the more regrettable that he could twice become a deputy minister. Pacsek's response: Let's not delve into details. To him this matter represented a mere "detail." Incidentally he received me while seated, he did not stand up, and did not reach out his hand when I entered or when I left. Well, that's how the conversation went.

(Incidentally, Bokor's office looks like a besieged castle. One or another person enters every 5 minutes, congratulating him, asking that he dedicate the book. The telephone rings: The commander, Lieutenant General

Simon, asked who I was. "He is a NEPSZABADSAG reporter," colonel Bokor replied, and I could hear the general say, "Okay, just continue." A colonel arrived, he sat down with us, and the three of us continued the conversation.)

[NEPSZABADSAG] Apropos Lieutenant General Simon. How is he conducting himself? As commander he must be in a difficult situation.

[Bokor] I believe that he is conducting himself properly. He must implement the minister's order. He is doing so, and thus far he has not said anything adverse to me. In general, only one of my colleagues had an adverse view of the book; several hundreds of them expressed congratulations.

[Newly arrived colonel] This entire matter is senseless. Everyone knows what Imre wrote is only the tip of the iceberg, and that everyone is silent about it. The way this matter was settled outrages our colleagues. To relieve someone of his duty, and to retire a person without providing a reason only goes to prove that nothing has changed, that everything continues according to the old practice—the one Imre described so well in his book. And all of us keep quiet, we do not dare to speak up because we're scared.

[NEPSZABADSAG] Excuse me, do I have your permission to print what you just said? Would you tell me your name and your rank so that I may report this accurately?

[Newly arrived colonel] Go ahead, you may report what I just said. My name is Dr Janos Csuros, and I am a engineer colonel.

Commentary on Abuse of Power

25000500 Budapest NEPSZAVA in Hungarian
16 Oct 89 p 6

[Article by Ilona Gantner: "Corruption, Abuse, Illegality—in Sharp Shooting"]

[Excerpts] [Passage omitted] Now that I have read "Petty Monarchs in Uniform" by Imre Bokor, engineer colonel, department head, and university professor, I can join him in firmly stating that we are fortunate that no enemy has approached our borders during the past 24 years. Therefore, Defense Minister Lajos Czinege has never had an opportunity to issue an order to fire, save the shameful invasion of Czechoslovakia.... But on one occasion he almost ordered his tanks to proceed toward the Hungarian Radio ... because in that "messy shop" they announced the Chernobyl catastrophe without his knowledge....

This is because the defense war lord knows everything better, always. This means that Lajos Czinege, who has occupied the minister's chair without professional, leadership, or political abilities, believed of himself (and made the rest believe) that "he was infallible, that he did everything properly, and that no law applied to him." To quote Bokor: "Along with (and while performing) his

official duties" Czinege "became increasingly preoccupied with his own affairs, with his expensive hobbies, and with making his property appreciate." Any millionaire could have gone bankrupt in the building and construction of the Leanyfalu summer home, and the establishment of one or another "fantasy islands" (e.g. Kaszopuszta) and various presidential residences. But Czinege's personal funds were the same as the state treasury. The then still inexhaustible state treasury. [passage omitted]

Well, what's true is true: all of us almost perished in this nationwide "sharp shooting," in the spread of corruption, mistaken cadre policies and illegalities. Alternatively, we could say that these days it is a miracle that Czinege and his associates were unable to "beat" the entire Hungarian Army.... Even though they managed and regulated the spirit, and even scientific development, with brakes applied. While all along a mass of "orders of honor" proclaimed the significance and leading role of socialist military sciences ... and what have you. (Bokor's courageous, revealing volume was published by UJ IDOK [New Times], in a flimsy format, not at all appropriate for the "new times.") [passage omitted]

Ministry of Defense Statement

25000500 Budapest NEPSZABADSAG in Hungarian
14 Oct 89 p 6

[Text] With regard to Imre Bokor's book, the Ministry of Defense considers the revelation of past mistakes and abuses—irrespective of the persons involved—as extremely important, but the ministry cannot agree with the disregard of legal requirements for the protection of personal rights in the course of making such revelations.

For this reason, the ministry takes the position that it fully condemns the moral and financial abuse of power, as well as conduct that cannot be reconciled with military honor. The ministry does not identify with persons abusing power, and with acts that constitute the abuse of power. It is the ministry's firm intention to establish conditions in which similar situations cannot reoccur.

For this reason it appears odd—and this goes to prove the biased character of the book—that the authors, rather well informed with regard to army matters, pretend to believe that no effective measures had been implemented already to stop abuses, and to prevent the reoccurrence of such abuses in the future. Heretofore the ministry has not disputed the fact that such cases have existed in the Army in the past, just as they have existed in various other spheres of society. But on the basis of the information system that prevailed in those days, not even the cases in which culprits were held morally and financially responsible were revealed to the public.

Aside from unquestionable truths, Imre Bokor's book contains statements based on falsehoods, or on the false presentation of true facts. All these acts violate the authority of superior officers. Therefore, in a legal sense the acts qualify as insubordination which severely infringes upon the honor and personal rights of high ranking soldiers. At the same time, those parts of the book which are untrue may be regarded by professional Army officers as incitement against the Army. In these days the opposite is greatly needed: the strengthening of confidence between society and the Army.

As a result of the fact that by writing his book Colonel Bokor acceded to legally and ethically unacceptable means, and thus violated the unwritten rules of an officer's honor, the defense minister no longer wishes to utilize colonel Bokor's professional military services and has placed him in a retired status. In any event, Colonel Bokor has exceeded the retirement age limit by several years already. Accordingly, in this case the colonel's intent to improve the situation was not condemned. Instead it is the colonel's lack of ethics, his use of methods impermissible according to conceptions of good taste, that have forced the Army leadership to take this step.

Despite this fact, the Defense Ministry does not intend to judge Imre Bokor. For this reason we are seeking recourse in civil court in the form of a public statement in the press concerning matters that are presented as facts which we believe to be untrue, and concerning the false presentation of true facts.

INTRABLOC AFFAIRS

EC Forum Approves Loan Guarantee, Aid for Poland, Hungary*25000496D Budapest NEPSZAVA in Hungarian
10 Oct 89 p 7*

[MTI report: "West European Loan Guarantee"]

[Text] At its Monday [9 October] meeting in Luxembourg the Council of Economic and Finance Ministers of the European Community [EC] approved budgetary provisions to guarantee a European Investment Bank [EIB] loan to be granted to Hungary and Poland. The 1-billion-ECU (\$1.09 billion at the current exchange rate) loan will be transferred to the two countries in the course of 3 years.

The loan guarantee provides an assurance for the bank that in the event the bank incurs a loss on the low interest loan, the loss will be reimbursed from the EC budget. In practice, the budgetary guarantee opens the door to additional EIB loans for the two reform countries. In earlier days Yugoslavia was the only Eastern European country to receive EIB loans.

Access to EIB loans is part of a plan developed by the EC Committee to support the reform processes in Poland and Hungary. The plan was approved by the EC foreign ministers last Tuesday [3 October], also in Luxembourg. Following the foreign ministers' approval, the committee of foreign ministers authorized the 3-year fund which was approved by the finance ministers, according to unofficial reports. The committee also serves as the EIB's governing board.

Accordingly, an annual amount of approximately 330 million ECU would be paid from EIB funds to the two reform countries, to finance direct investments. In addition, 200 million ECU from the EC's next year budget, and 100 million ECU from individual member country budgets will be spent next year for the establishment of mixed nationality joint enterprises, management training, and cooperative environmental protection, over and above the food aid to be provided to Poland.

The finance ministers' Monday agenda included the approval of the 200-million-ECU budgeted fund. The European Parliament must also approve the proposed fund in order for it to be incorporated as part of next year's budget. Since the EC budget was drawn up earlier, appropriations for the 200-million-ECU budgeted fund will be incorporated in the form of a memorandum amendment. Notwithstanding these circumstances, there is no doubt that the European Parliament will approve the measure. A majority of the legislative body support the idea of providing even more aid than the budgeted amount.

10-Billion-Yen Aid Fund for Poland, Hungary*25000496C Budapest NEPSZAVA in Hungarian
9 Oct 89 p 1*

[Unattributed article: "Special Japanese Aid Fund for Poland and Hungary"]

[Text] MTI reporter Andras Trom reports:

The Japanese government has decided to help Poland and Hungary by establishing a significant, 10-billion-yen special assistance fund; this was reported by the well informed daily newspaper SANKEI SHIMBUN based on information received from government officials. The Tokyo government is already working on plans to provide for an amount equal to \$60 million, by opening a separate budgeted fund to administer this assistance measure. Use purposes for the fund will be determined by the foreign ministry and the ministry of finance.

The fund, which also includes Japanese food aid to Poland, is unprecedented in Japan. That is, various segregated aid funds contained in the budget cannot be used to provide aid for Hungary and Poland. It is for this reason that a new Eastern European assistance fund has been established as a bridging mechanism.

After the Brussels committee of 24 developed, capitalist countries decided to provide financial aid to Hungary, Japanese Foreign Minister Nakajima Taro supported the idea that Japan also take specific steps.

CZECHOSLOVAKIA

Problems of Wage System Discussed*90EC0016B Prague HOSPODARSKE NOVINY
in Czech 8 Sep 89 p 5*

[Article by Eng Zdenek Prouza, Research Institute of the Fuel Energy Complex in Prague, Ostrava branch: "What Wage System Do We Have?"]

[Text] Our wage system is the target of many criticisms. Among the objections are its excessive complexity, demanding administration, insufficient comprehensibility, poor incentive effect, and so on. Some criticisms are justified, others not. This is mainly because it is often unfairly demanded of the wage system to resolve problems it cannot handle very well—it has substituted for the shortcomings of other economic tools, especially prices; it has been a "Band Aid" for deficiencies in work organization and management. The article puts on record the author's own views and personal experience with the wage system.

In connection with preparations for restructuring the economic mechanism the Federal Ministry of Labor and Social Affairs (further on referred to as FMPSV) issued a decree on strengthening the powers and responsibilities of enterprises for applying wage norms. This decree involves a qualitative change in comparison with the

previous wage regulations applicable throughout the country. It eliminates various restrictions still in effect, it is concise, simple and comprehensible. This goes particularly for the rules on bonus awards to personnel.

Along the same lines the FMPSV decree dated 30 June 1988 on remunerating employees of state enterprises and cooperatives significantly strengthens the latter in both their powers and responsibilities in implementing wage policy. Also the new tariff code under preparation for the 1990's will result in giving more significant powers to the organizations.

Measures carried out especially in the area of wage forms during the past 2 years can certainly be given a positive evaluation. Yet we must realize that for a proper functioning of a wage system according to the well-known formula of you want-you can-you get, it is not enough to put into effect only some partial measures. Nearly all enterprises want broader powers. It is a bit worse with responsibility. Particularly when it comes to exceeding wage funds, some enterprises still put too much reliance on the help of superior organs that they will not "leave them in the lurch."

Somewhat more difficult—at least according to the experience of some organizations in the fuel and energy branch—is the question of "you can." In the newly established state enterprises we sometimes find enormous pressure by their organizational units for an instantaneous total autonomy in the area of wage forms, efforts to transit to a system in which the management of the state enterprise will have no say in anything limiting itself to a mere advisory role, and so on. Experts on the staff of labor economics units are frequently unprepared for this vocal assertion of stronger powers so that under these circumstances a system of "moving from one side of the road to the other" may cause more damage than help. All the while one must not neglect what is the main and decisive thing: for a correct management of wage funds it is the state enterprise as a whole which is responsible for all impacts and consequences which may result from exceeding the wage fund.

In some state enterprises of the fuels and energy branch—and evidently not only in this branch—strong pressures have emerged, in connection with their complete autonomy in creating organizational structures, to restrict units of labor economics, particularly those dealing with rationalization and development of work performance standards. In my opinion this is an ill-considered and aimless tendency, much too subject to an effort to "settle accounts" with these units. Many enterprises apparently are not aware that the new system of guiding wage funds and labor taxes will substantially increase the cost of labor, so that a rational management of the labor force (its better utilization, higher productivity, savings, etc.) will on the contrary need much greater attention than has been the case until now.

Complaints about the incomprehensibility of the wage system, the inability to "figure out earnings in advance"

continue to be heard still, for instance in mining enterprises. "Before, those were the times! We were able to figure out the pay by the shovel or the load. But nowadays, who can make any sense out of it?" But it is conveniently forgotten that coal is mined mostly by combines and ploughs, that it is transported from the faces by conveyors so that the shovel and the former "classic" mine wagon is now hardly familiar to many miners. In other words, what applies not only to mining enterprises is that we are employing ever more demanding technologies, that in many workplaces there exist much more difficult work conditions, increased labor intensity, that there are growing demands on work hygiene and safety. All these aspects of labor must be more or less taken into account by the wage system. And all this should be reflected by a wage system designed some decades ago?

Or to give another example: In TV reports from workplaces as well as articles in the daily press we sometimes encounter dialogue of this kind: "So how much do you earn here?" "I don't know, the pay system here is so complicated that no one can figure it out." And this is followed by wonderment by the mass media reporter about what misery our wage system conveys, how long it will still last, and so on.

I assume that every employee knows in what category according to the work he performs he is rated and thus what his hourly or monthly tariff is. He certainly knows also what is his extra pay for the afternoon or night shift, for overtime work, etc. If someone is not aware of these facts he should not talk about it loudly but rather be ashamed about it.

Somewhat more difficult is the situation of workers paid by piece rate. They really cannot know exactly during the month whether with an hourly rate of, say, 15 korunas and norm fulfillment to 100, 110 or 120 percent they will earn 15, 16.50 or 18 korunas. But the connection is perhaps clear and evident.

Employees should also know the bonus system of their workplace, that is primarily the indicators for earning bonuses, the base bonus rates, the rules for raising or lowering bonuses depending on better or poorer target fulfillment. If they do not know the bonus system or if this wage rule is explained poorly, in an unclear or incomprehensible fashion, then it is not the fault of the wage system as such but rather reflects the incompetence of the respective organization. But it must be emphasized that in the course of a month it is hardly possible to determine clearly to what extent targets will be met after completing the bonus period and what percentage of a bonus the worker or the collective will be able to claim. In other words, during the month workers especially are really not in a position to figure out to the last koruna how much they will have in their pay envelope for the past period. This may be clear and evident, and there is no need to be sometimes naively surprised about it.

Let us take up the fact that especially with the gradual introduction of brigade forms of work organization and remuneration we see primarily a widening of the collective forms of remuneration. This is in connection with one of the main principles, the all-encompassing effort to achieve a greater differentiation in work rewards according to the individual's specific merit in achieving the collective's final work result. This too obviously requires that this merit can be judged responsibly only after the respective bonus period is over. It follows from this that we must choose one or the other of the following ways:

- Either it is our priority to let everyone know in advance how much he will earn, but then let's cut out the talk especially in connection with collective forms of remuneration about a desirable differentiation, merit, or the like,
- Or we are really and primarily interested in asserting the merit principle, a greater differentiation according to the real contributions of both individuals and collectives; but then it is not possible to know the size of the paycheck in advance to the last koruna.

It is impossible to satisfy both these requirements at the same time and in full. And where the priority should lie is something that may not need a discussion.

Many years of experience lead me to believe that the complexity and incomprehensibility of our wage system is not really that bad and that a simplification is very often hampered by the very people who most criticize the complexity. On the contrary, by far the most people know very well what they are supposed to get for what and many even know about wage regulations—at least as far as they concern their own paycheck—more than do a few members of the labor economics unit.

Simplifying the wage system is certainly possible and useful, but we must very clearly and unequivocally realize that

- If we want to simplify the wage system, primarily by means of cumulating, across-the-board regulating and standardizing wages, while not allowing a single koruna of change in the workers' average monthly earnings on this account, let us abstain from useless proclamations;
- we cannot use the "administratively demanding" label to hide unwillingness to do the unpopular, to explain and emphasize it to people. From this point of view it is nothing but a rank excuse if many senior officials complain that they face "unimaginable difficulty" in getting technical-economic personnel to carry out their obligation of evaluating their subordinates once in a year for the purpose of personal evaluation;
- simplicity cannot be put above usefulness and efficacy of a wage system.

In my view it is not so much the present wage system which is complicated but rather the calculations of

average earnings, compensatory pay, and also the whole system of taxing wages. Most problems and criticisms aimed at the wage system do not address the way it is constructed but rather result from an inadequate utilization of its possibilities. This underutilization is due on the one hand to the unwillingness of senior officials to differentiate between people and on occasion face even conflict situations, and on the other to the ignorance of many senior officials who frequently do not know what they can or cannot do within the existing wage regulations. Thus the wage system often becomes a scapegoat for their own complacency, unwillingness, alibism and sometimes incompetence.

In this context I should like to touch upon another issue that often arouses criticism in regard to the present wage system. According to a frequently encountered view, it undervalues qualification, in particular educational achievement, as the decisive criterion for setting the basic wage.

When our present wage system was designed it took as the basis for setting up qualification tables the so-called countrywide analytical method of evaluating work inputs by workers and the technical-economic personnel. In this method by far the greatest weight is given to the factor of qualification. For this reason I do not believe that qualification should be weighed ever more heavily, especially if the new method now under preparation will also rate qualification according to the attained level of education and years of professional experience. I think that an evaluation method should emphasize more strongly the criteria of responsibility and workload, especially in the neuro-psychological area.

As regards qualification, we should proceed consistently from the concept of "qualified for certain work" rather than the employee's individual qualification as is the case now. What does it mean specifically? We rate an employee in the respective qualification table in a class based mainly on whether or not he has university education, has or has not completed an apprenticeship, and so on. Especially with regard to technical-economic personnel it is a matter of very benevolent judgment whether an employee slated for the function of an economist has graduated from an economic, technical or agricultural university. What are we really building on here? I believe that this "formalized" concept of qualification is overrated, with the consequences that our wage system is built much more on assuming suitability for the job rather than on the demands of the job itself and especially on how this or that employee performs in it.

Until now the methods for evaluating work and working conditions have been used only by central authorities. It follows that only a very narrow circle of people working for the Labor Ministries, some research institutes and branch ministries are familiar with them and used them in their work. The state enterprises lack experts in this area, so that the much-proclaimed and demanded

autonomy for state enterprises could turn into a Pandora's box without a thorough and timely preparation. An "amateur" approach to this question, considering that it impacts concretely and tangibly on employees' wages, could bring more harm than gain.

Adequate preparation for these tasks will require more than a few popular articles or discussions on radio or TV. For the apparatus of large state enterprises it will evidently be necessary to assign to this problem in due time some personnel from the sections of labor economics, rationalization and norm-setting, and possibly from other units as well. The situation will be more complicated in smaller enterprises. These organizations should probably make use of certain specialized units which ought to devote long-range attention to this area—possibly best in the form of advisory activity.

Results of First Year of Nonagricultural Cooperative Law

90EC0016A Prague HOSPODARSKE NOVINY
in Czech 8 Sep 89 pp 8, 9

[Article by Eng Jaromir Cichon, department director, Central Council of Cooperatives, and Eng Ota Karen, CSC, chairman of SBD Pokrok, Prague: "In a New Way But Not Without Problems"]

[Text] The law No 94/1988 Sb. [collection of CSSR laws] on housing, consumer and producer cooperatives has been in effect for over a year. The authors survey its effect thus far and also point to the need for eliminating certain shortcomings which have resulted from it. Even though the article is based primarily on the specific experience of housing construction cooperatives, the facts it brings up have by and large a broader applicability.

There is no doubt that the adoption of this law has significantly strengthened the status, autonomy and responsibility of nonagricultural cooperatives. The law has freed them from needless bossing by "higher management levels," which is how the associations of cooperatives or their kraj organs were perceived until its passage. Even though the operation of cooperatives, especially of the housing and producer type, was always based on the self-financing and *khosrazchet* principle, these well-proven economic tools have acquired a new content in the conditions of restructuring; they now have a substantially new depth and quality.

The law has also made it possible to adapt each cooperative's statutes to the genuine needs of its membership, to the needs of the cooperative's internal management and organization. It has also improved the cooperatives' performance; gradually, a direct relationship is being established between the earnings of the cooperative, its members or employees, and the actual performance. This has created the basic prerequisites for better services to citizens, broader product offerings, and a greater effort to satisfy consumer needs.

Significant changes have taken place also in the status of the associations of cooperatives. In regard to their activity the law emphasizes that they constitute an interest organization of the member cooperatives. Yet it must be noted that not all of the associations have reconciled themselves totally to their new status and the obligations flowing from it. Those with a management that had not reached the required level persist even now with efforts to return to the earlier conception of the association as a superior organ in the sense of the management system by administrative direction. Some associations have not yet accepted the principle that their importance for the member cooperatives as well as the national economy depends directly on their ability to create the necessary conditions for a successful operation of the cooperatives, be it in satisfying the citizens' needs or pushing for the application of new economic mechanisms.

Founding New Cooperatives

New cooperatives are being set up in relatively large numbers. The law provides for a review of each application to found a new cooperative by the association of cooperatives, and requires an opinion by a National Committee. It does not, however, make it sufficiently clear which association of cooperatives (housing, producer, or consumer) is competent to review the application of cooperatives whose intended activity does not clearly fit into the existing cooperative structure. This concerns primarily the so-called "other cooperatives" being set up for instance in the cultural area, or offering services of a nonproduction character. In some cases a cooperative which failed to obtain a positive review from one of the associations it had chosen as "the first one" has promptly turned to another, often only with a formally amended declaration of intended activity.

This brings up another question: the fact that the law does not define the criteria by which the association of cooperatives makes a judgment before rendering an opinion. For instance, within the jurisdiction of the association of housing cooperatives it should be basic to judge the essential prerequisites for the cooperative's activity in the given area, for instance opportunities for actual apartment construction (that is, prospects for acquiring land at least to some extent ready for apartment construction, the cooperative's ability to perform the basic functions of an investor, whether the program for which the cooperative is to be set up is realistic, etc.). A similar situation exists with regard to the producer cooperatives where the basic criterion for founding should be a judgment of the cooperative's real potential for carrying out the intended activity, especially from the viewpoint of obtaining the means of production, work space, qualifications of the membership base, the minimum necessary financial means to begin production, and so on. As long as the criteria by which the association decides on the foundation of a new cooperative are not set forth clearly by the law it wonders little that there is frequently some head scratching about the founding of new cooperatives. And in view of the fact that the law

does not pronounce on the consequences of a possible negative judgment by an association, actions in this sphere are not always rational—which is true also of that part of the approval process in which a National Committee renders its opinion on the founding of a cooperative.

Hence it would be desirable that in the future the law should spell out the content of the association's review of applications for new cooperatives, as well as the process for the National Committee opinion. In case of a negative opinion it should also provide for a mandatory statement of reasons, with the proviso that in such cases the decision on the setting up of the cooperative in the process of entering it in the trade registry should be up to the registry court—after possibly hearing representatives of the applying cooperative and of the association, perhaps also of the National Committee which rendered the negative judgment or opinion. This would forestall various subjective opinions not based on the genuine needs of our economy of which the newly founded cooperatives are a part, as well as the emergence of socialist organizations lacking the basic prerequisites for orderly operation. We emphasize that in our view such cases are not unique, as since the law went into effect cooperatives were set up which lack the basic financial or material prerequisites for a successful existence. This is attested to by a number of applications to all kinds of cooperative associations, National Committees or other state organs, National Front institutions, the Czechoslovak State Bank and others, for subsidy or credit "to begin operation" although the new cooperative has nothing more than an entry in the trade registry. A more precise regulation of the review of conditions for starting operation would often forestall later disappointment of members that despite all assurances of functionaries at the cooperative's founding, its purposes will not be realized in a realistic time frame. It would also forestall the formation of cooperatives which, after stating their objective (for instance apartment construction), turn out to be a mere pretext for attracting members who will not themselves work in the cooperative, or getting hold of funds by way of members' initial deposits.

Cooperatives' Membership in Associations

The law entrusted the associations of cooperatives with important powers vis-a-vis member cooperatives, ensuring control over their operations and adherence to the law, as well as observance by the cooperative's organs of its statutes vis-a-vis the membership (para 12 sect. 5, para 43 sect. 2, para 44 sect. 1, para 52 subsect. f), h), para 57). The associations again have an important role in a cooperative's liquidation. But they can exercise these powers in principle only toward member cooperatives, even though the law does not state it explicitly in all cases. This emerges even more prominently in cases where other regulations (e.g., wages or the Labor Code) set forth certain prerogatives of the association vis-a-vis the cooperatives (as for instance in some cases a more detailed adjustment of generally applicable regulations for cooperatives, as also assistance with certain actions

such as disciplinary measures by cooperative chairmen). Even though we believe that such "authorizations" are not fully in harmony with a non-ministerial concept of the associations of cooperatives in accordance with the law on nonagricultural cooperatives and should not in future be resorted to as we are restructuring our economy, for now we must respect present reality.

The question of course is who will cover these matters for cooperatives which are not members of any association. Is it so that their operations need no review? Granted, if the law is violated by a cooperative which is not included in any association legal prosecution may result. But what with cases when an organ of the cooperative violates its statutes? Can one always wait for redress until a meeting of the cooperative's highest organ which may meet only once a year?

We believe it to be wrong that cooperatives which do not become members of any associations should in the future be without an assurance of even a basic system of external (and hence doubtlessly more objective) audit of their operation. Such audits should be carried out in specified intervals by specialized and authorized organizations (for instance cooperatives or control organizations of their associations even for non-member cooperatives), for a fee covering the cost of the audit and with the obligation to review its results with the cooperative's highest organ and to report on them to the National Committee which had rendered an opinion on the cooperative's foundation, as well as the bank involved. In this connection it will be necessary to give substantive content also to para 12 sect. 1 of the law No 94/1988 Sb. and to determine which state organ is competent to decide on the dissolution of a cooperative, and set forth more precisely the conditions for such a decision.

Small Cooperatives

Some prominence is also being given to the possibility of founding so-called small cooperatives. For them the law stipulates merely the function of a membership meeting as the organ substituting for a representative body (para 23). But the range of issues involving small cooperatives is much broader and calls for an adjustment (though not necessarily in law form). Defining the term "small cooperative" in the sense of the above-cited provision of the law is in our opinion suitable only for small cooperatives of the producer type. Yet this form ought to be applied to a much broader extent, especially in the category of cooperatives providing for the housing needs of their members.

It would help particularly in alleviating certain problems of okres apartment construction cooperatives, with the administration of housing stock spread over a wide territory which is often handled through a local self-administration committee while the okres apartment construction cooperative performs merely administrative functions. This connection as a rule is so loose that only the present demanding administrative load hampers greater autonomy for the local self-administration.

It is a pity that the housing cooperative associations failed to use the opportunity for a substantial reduction in administrative work such as has recently taken place in producer cooperatives. The principles agreed on with the CSR [Czech Socialist Republic] Ministry of the Interior and Environment and the Czech Association of Producer Cooperatives with the CSR Ministry of Finance, Prices and Wages and SBSC [expansion unknown] for small producer cooperatives and small local industry organizations ought to be applied speedily and in a suitable manner also to the operation of small apartment housing cooperatives, thus creating conditions for their founding.

Such cooperatives could operate without hiring full-time personnel, making full use of functionary self-help in the administration and maintenance of the housing stock. This is also the way, especially where the housing stock is scattered, to assure direct participation of cooperative members in providing their own housing services. Arrangements for major repairs, or possibly for administrative management, could be handled between the existing housing construction cooperative and the newly established small housing construction cooperative on a contractual basis and for a fee. Such a division of labor and organization of agenda would certainly be more effective economically than the present practice of managing a given community's or local housing stock from a distant okres town.

The form of small apartment housing cooperatives can also be of service in the administration and maintenance of common areas in buildings where all apartments are individually owned. The currently proposed method of having these services provided by the previous owners of buildings in which apartments were sold to individual ownership by citizens, is in our opinion neither practical nor effective, especially insofar as it involves organizations whose performance has been under steady critical fire.

Nor do we regard it as practical to have these matters resolved by mutual agreement among apartment owners as joint owners of the common areas of the buildings, mainly because of the difficulties which arise in their dealings with the suppliers of heat, water and electricity for the common areas, with organizations responsible for garbage removal, etc., for whom it is not realistic to deal with individual owners and bill them separately. Similar problems involve repairs and maintenance of common areas in buildings with individually owned apartments. If the joint owners fail to agree on the basis of a court decision—any other process among them is not legally possible according to the civil code—sooner or later there will be a problem with neglecting building maintenance because cases of unanimous agreement among the occupants can hardly be expected as a rule without exceptions. In such cases it is therefore much more practical and effective to provide for these services by means of small cooperatives, in each case involving a single building with apartments in individual ownership

where it is possible to resolve most problems at membership meetings using proven methods of intra-cooperative democracy and majority decision.

Dissolution of Cooperative and Members' Liability

In connection with the amended economic code (law No 98/1988 Sb.) the law addresses cases in which a dissolved cooperative leaves insufficient funds to satisfy claims. It provides that after satisfying priority claims the liquidator will satisfy the remaining claims proportionately. This gives an extraordinary significance to the provision in the statutes which regulates members' liability when the cooperative suffers a loss, and in particular for a deficit at liquidation time; the law itself does not regulate members' liabilities. For organizations dealing with the cooperative as its suppliers this raises a real danger that in case of its dissolution their claims will not be covered to the full. The fact that the law fails to regulate these matters so as to assure organizations doing business with cooperatives (but also the state which may be owed taxes, or banks seeking repayment of operating credits) that their legitimate claims are covered, is something we regard as a serious defect, one which impinges directly on the legal status of socialist organizations.

In some socialist states the need has already been recognized for more specific regulation of the liquidation process involving organizations (enterprises as well as cooperatives), and also of bankruptcy proceedings ending with a settlement of the creditors' claims—and along with it also the unavoidable criminal liability of the leaders of the liquidated organization responsible for the default. We believe that our own situation has become ripe for similar measures. As it is, there is no guarantee that a liquidator appointed by an association of cooperatives (and there is still the question of who will appoint him for cooperatives which are not members of any association) will have the requisite authority and sense of responsibility for apportioning awards to all creditors whose claims cannot be settled in full.

Thus it would probably be a good idea to have the law stipulate the cooperative member's minimum liability for a liquidation deficit, as a multiple of his member share. Similarly as for instance in the FRG, the cooperatives should disclose publicly their membership share when doing business with other socialist organizations with whom they may have extensive relations, to enable the latter to request more detailed information about the cooperative, require adequate guarantees, insurance, and so on.

These are by no means mere theoretical problems. The issue of members' liability for a liquidation deficit and settlement of creditor claims was a very serious problem defying practical solution in a number of cases involving housing cooperatives (let us recall the Prague Exterior and Interior Contracting SBD [housing construction cooperative], as well as others) even before the law No 94/1988 was passed. It is even more difficult when we realize that conversion into cash of a cooperative's

capital consisting of apartment buildings (extensions) used by members of the cooperative is merely a hypothetical proposition.

Activation of Member Shares

The oft-debated issue of activating member shares is closely connected with the combination of the extent and content of cooperative ownership and a fair evaluation of the members' share of the costs of providing an apartment. The issue is that the member of an apartment construction cooperative contributes to the construction costs of an apartment building not only by his member share which he pays before an apartment is allocated to him. As part of the charges for his use of the apartment—indeed this is the largest portion of his charges—he also pays installments on the loans obtained by the cooperative, including interest. Because loans for cooperative apartment construction are repayable over 30-40 years, the cooperative member will have paid a sum exceeding his initial membership share.

With the apartment construction cooperative operating on the basis of complete *khozrazchet* and self-financing, that part of its receipts which pays for loan interest is regarded as the cooperative's operating expense which can not under any circumstances be returned to the member who pays it as part of the charges for using the apartment. It is because interest does not add to the cooperative's physical property. A different case is the paid share of the loan applicable to the apartment in the member's use. As the loan is being paid off the cooperative's physical property vested in the building and the specific apartment is increasing.

Yet according to present statutes of most apartment construction cooperatives (except for some SBD's in South Moravian kraj), when a member ceases using the apartment the cooperative returns to him the paid residual value of his member share. But he does not share in the cooperative's assets which he had helped to create by paying loan installments included in the charge for his use of the apartment. Most members of apartment construction cooperatives regard this as unfair, justly in our opinion, both vis-a-vis members who had paid for loan installments included in their charges, and those getting apartments with the investment loan fully or partially paid off. Hence many cooperative members seek to redress this "unfairness" when transferring membership or exchanging their apartment for one outside a cooperative by demanding higher compensation than the residual member share. In doing so they of course engage in conduct bordering on speculation and considered as illicit enrichment.

In order to assure equality among members of apartment construction cooperatives and avoid undesirable conduct in the transfers of cooperative apartments it would be worthwhile for the association of housing cooperatives to pay adequate attention to this problem and its speedy resolution. But a broader-scale action in this regard is presently being hampered by the views of some

central organs and the Czechoslovak State Bank who believe that a fairer compensation of members' contributions to the construction costs of cooperative apartments would lead to improper disposal of cooperative property and some sort of "advantage" for members moving out of cooperative apartments. Another obstacle to the activation of member shares by the portion of the interest paid as part of the charge for apartment use is the still unresolved issue of depreciation of the construction costs of cooperative apartment buildings.

There are of course more problems connected with the first year of implementing the law on housing, consumer and producer cooperatives. Evidently we will have to take a new look also at the operation of cooperative enterprises and interest associations to make sure that these organizational forms respect strictly the group characteristics of ownership by cooperatives and their associations. There is an evident need to provide room within the cooperative system for setting up associated enterprises as socialist legal entities, in which the founders (shareholders) would genuinely participate in decisionmaking on conceptual matters, election of the director and share in the economic results according to the size of their share, similarly as in a shareholding company or the experimental regulations for the setting up of associated enterprises by state and other organizations.

Additional experience from the application of the law will certainly come when the principles of restructuring go into full effect on 1 January 1990. It is not an accident that exactly on the same day we will see expiration of the extraordinary and temporary authority for associations of cooperatives to issue certain binding directives (para 69 sect 8 of the law). The new conditions require new approaches on the part of the cooperatives and their associations. But these must lead to a more effective economic development and better satisfaction of the needs of cooperative members as well as of the entire society.

Draft Currency Law To Expand Potential for Entrepreneurship

90EC0049C Prague *HOSPODARSKE NOVINY*
in Czech 22 Sep 89 p 4

[Article by Sona Mojziskova, doctor of laws, Federal Ministry of Finance: "The Proposed Currency Law: Greater Opportunity for Entrepreneurship"]

[Text] On 7 September 1989 the CSSR Government approved a draft foreign currency law based on principles approved in the first half of this year in National Assembly committees. Although the principles of the foreign currency law only established the directions to be taken by foreign currency transactions after 1 January 1990, the draft foreign currency law sets down in detail the rights and responsibilities of the entities engaging in foreign currency transactions. The draft law will be presented to the Federal Assembly for approval.

Supply Obligation

The supply obligations of legal entities and individuals have been completely rethought. This is due to the necessity for offering incentives mainly to legal entities to obtain foreign currency resources. Presently organizations can work only to a limited extent with the foreign currency that their operations generate, based on foreign currency incentive principles. Under the draft foreign currency law a legal entity will be assured that its supply obligations will consist only of that portion of its foreign currency that has been established as an obligatory output of the state plan. Foreign currency resources that a legal entity accumulates over and above its obligations to the center will be available to it for use in entrepreneurial activities.

Organizations that do not have fixed foreign currency output obligations to the state plan will have this obligation to central foreign currency resources specified in its implementation plan.

Concentration Obligations

After fulfilling its supply obligations a legal entity may use its remaining foreign currency as follows:

- it may deposit the foreign currency in its foreign current account in an institution that handles foreign currency (thereby fulfilling its obligation to concentrate foreign currency resources in a bank);
- it may decide to sell the foreign currency temporarily; the monetary institution that purchases the foreign currency guarantees that the selling organization will have the right to repurchase the foreign currency whenever the organization will need the foreign currency to meet obligations related to entrepreneurial activities.

An organization that has generated foreign currency resources but does not need them for its activities can, after meeting its obligations to the center, sell them to an institution that handles foreign currency without the right of repurchase. It can also, after meeting its obligations to the center, offer the foreign currency for sale through an institution that handles foreign currency, in what amounts to a limited foreign currency market, to other organizations. In other words, organizations will have significant opportunities for selecting an approach that is optimal for their specific entrepreneurial undertakings.

Individuals

The supply obligations of individuals are still more liberal. An individual who has just received a payment in foreign currency or who is holding foreign currency can decide either to deposit the funds in his or her account at an institution that handles foreign currency or to sell the foreign currency to such an institution. Supply obligations do not apply to foreign currency that an individual decides to deposit in his or her own account. A citizen

who decides to sell foreign currency or hard currency can request that they receive a freely convertible currency (or to a limited extent currency of another socialist country) in the form of purchase vouchers for goods at the Tuzex foreign trade organization.

In addition, the draft law will allow citizens to hold foreign currency valued at not more than Kcs 500 (calculated based on a single, non-commercial exchange rate). This provision applies to currencies of both socialist and nonsocialist countries. Neither a supply obligation nor the obligation to concentrate foreign currency resources in banks apply to these funds. Citizens may freely take this amount with them when travelling abroad.

Central Subsidies

Organizations that have an established state plan output in the form of a foreign currency subsidy are guaranteed by the new law that the institution that handles foreign currency is obligated to sell these foreign currency resources to them for Czechoslovak currency. The organization may use this foreign currency only for the purpose spelled out in the description of the obligatory state plan output. If, however, one of these permissible transactions results in a saving, the organization may take the remaining foreign currency and either deposit it in an account or sell it to an institution that handles foreign currency with the guaranteed right of repurchase.

Contractual Obligations

The right of native Czechoslovaks, both legal entities and individuals, with foreign currency to enter into contractual obligations with foreigners possessing foreign currency, has been completely rethought. Native Czechoslovak legal entities with foreign currency may enter into contractual obligations with foreigners possessing foreign currency provided it has foreign currency available to cover these obligations in one of the following forms:

- deposited in a foreign currency bank account,
- as repurchase rights from an institution that handles foreign currency,
- as an obligation of a foreign currency institution to sell based on a binding plan output (subsidies from central foreign currency resources),
- received as a foreign currency loan from an institution that handles foreign currency.

This legal entity requires no foreign currency permission to utilize any of the above mentioned foreign currency resources, because the center has no authority to meddle in its entrepreneurial activities.

Other Organizations

The draft foreign currency law contains resolutions that allow one organization to import goods or procure services for another organization based on a contractual relationship. The organization for which these goods or

services are being procured obligates itself in the contract to pay for the goods or services in foreign currency. If that organization breaks the contract and does not pay its obligation in foreign currency the organization that has experienced the loss of foreign currency has the right to request payment in foreign currency.

Foreign Currency Accounts

In the area of foreign currency accounts for legal entities, the draft foreign currency law develops the principles first expressed in the law on the state enterprise. Organizations have a right to open property-type foreign currency accounts. The draft foreign currency law also modifies the rights of organizations to procure foreign currency resources, which in practice are referred to as repurchase accounts. During work on the draft foreign currency law thought was given whether or not to codify this concept, which had become the rule. During discussions the argument that carried the day was that an account must be associated with a property value, and never merely with a right to repurchase that property value.

More important than the term itself is the fact that the law provides organizations with a guarantee that the same procedure outlined for operating with property type foreign currency accounts may be applied to operations based on their right to repurchase foreign currency resources that they sold previously to an institution that handles foreign currency. The repurchase right may be transferred by an organization to a Czechoslovak native holding foreign currency. At the time that an organization repurchases foreign currency resources from an institution handling foreign currency it may deposit these funds in its foreign currency account. This right is different from an actual property type foreign currency account in the sense that the organization may exercise its right up to ten years from the time it first sold the foreign currency to the foreign currency institution. If it does not do this it opens itself to the risk that the foreign currency institution will invoke the end of the statutory period and refuse to resell the foreign currency. Organizations may use the foreign currency resources in their accounts or repurchase rights for the following main purposes:

- to purchase goods and services,
- to cover expenditures associated with foreign operations,
- to acquire or utilize industrial rights,
- to cover expenditures associated with foreign business trips,
- for material participation in foreign ventures.

Using foreign currency belonging to an organization has been mentioned as an example. Every organization will choose how to allocate foreign currency resources to tasks that will best correspond to the principle of foreign currency self-finance. This is because as organizations

have won increased autonomy from the center in managing their foreign currency resources their responsibility for the outcomes of these activities has also increased.

Foreign currency accounts that have been established under current regulations, and the right of foreign currency repurchase from foreign currency institutions, which existed prior to this new law will remain even after the law is enacted.

Comprehensive Modifications

The draft foreign currency law modifies comprehensively the legal relations of Czechoslovak natives holding foreign currency, both legal entities and individuals, as well as the rights and responsibilities of foreigners holding foreign currency, as long as they are operating on our territory or have entered in to legal relationships. The comprehensiveness of these modifications requires the issuance of a new foreign currency law of relatively wide scope, and the issuance of implementation regulations in the form of decrees from the CSSR Ministry of Finance, and the chairman of the Czechoslovak State Bank. Fundamentally, however, it is true that all obligations placed on individuals and legal entities in the foreign currency area must be contained directly in the foreign currency law. The implementation regulations can only moderate these obligations, if the law allows them to do so. In no case may the implementation regulations place new obligations on citizens or organizations.

The draft foreign currency law respects the need to improve the independence of enterprises in their foreign economic relationships. It codifies the rights and obligations of citizens much more liberally than before. It thereby creates opportunities for replacing the primarily directive based foreign currency management with administration based on economic mechanisms.

Law Change to Allow Stock Ownership Proposed

90EC0049B Prague MLADA FRONTA in Czech
29 Sep 89 p 3

[Article by Lubos Horcic: "Revival of Stocks?"]

[Text] If your sensibilities are offended by associating stock companies and a socialist economy, they shouldn't be. Stocks can become an important part of improving the financial situation in a socialist economy.

What is all this about? The stock company is the fundamental organizational form of contemporary capitalist enterprises. They obtain capital by taking deposits from their participants and issuing them securities, stocks. Stocks usually contain the name of the firm as a stock company, the monetary deposit that it reflects, a declaration by the stock company regarding rights to a percentage of profits (dividends), and other information. The stock holder is responsible for the obligations of the company up to the amount of his holdings. Abroad the

stock system is praised as being democratic because it allows everyone to participate in the management and profits of firms. In reality, however, most stock holders have no impact on management because they do not hold a majority of the shares, a controlling interest.

In our economy the stock company form has been used relatively rarely to date, mostly in foreign trade organizations (Exico, Chemapol, Centrotex...) and for another purpose. In this country stocks represent a name, and are issued and convertible only among socialist organizations.

If, however, individuals could purchase stocks (with the limitation that they would be stocks of the firm in which he or she is employed), there would be several advantages. For decades now we have been troubled by having lots of money in circulation and no goods to purchase with it. This unrealizable purchasing power disrupts monetary equilibrium in the economy. Allowing stock purchases by the general public would offer a sensible way to soak up this excess currency. Stock holders would benefit in two ways. They would have a chance to receive a dividend if their firm performs well, and their deposits of money would help their enterprise; enable it to modernize more rapidly, make more investments, improve the working environment, etc. The objection that this would be unearned profits is not supportable. The capitalist stock holder acquires profits even when he is not employed anywhere and lives solely from dividends. The socialist stock holder would be employed by the firm in which he holds stock, and would only in exceptional cases be able to acquire so much stock that he would be able to live only on the dividends.

The stock company form is actually a replacement for the already common material incentives, a variation of shares in the economic performance of the enterprise. The difference is that the form of distribution would be controlled by every employee. There is a small catch in the fact that this type of compensation does not depend on work quality, but on the size of the deposit made by the employee.

One of the greatest advantages of financial participation by employees in their own enterprise is their control over operations. Any kind of waste would be noticed immediately by the eagle eyes of the stock holders. And from here it is only a small step to active worker participation in enterprise management.

The sale of stock to citizens is not utopia within socialism. For instance, many such stock companies are successfully operating in the USSR. Two types of stock is sold there. The source of the first type are residual amounts in the fund for the flexible component of

employee wages. The source of the second type is personal deposits made by the employees themselves. The council of the employee collective sets the amount of revenue to be distributed to the stock accounts of the employees (in the enterprise credit union). The amount depends on quarterly performance and is transferred from the remaining balance in the economic incentives fund. In addition, at least five percent interest is paid annually on interest bearing employee accounts. The amount comes from the remaining resources for these accounts, so-called obligations. This interest is better than that paid on money deposited in normal savings institutions. Employees have the right to withdraw the amount credited to their basic deposit. They may withdraw the entire account when they resign from the firm or retire. They may withdraw the money for other reasons, but then are excluded from the credit system.

The first stock holders in the Russian Soviet Federated Socialist Republic [RSFSR] were employees of a sovchoz in the Stupin oblast near Moscow. Each employee could purchase stock denominated from 50 to 1,000 rubles, up to a maximum amount of 10,000 rubles. Some 280 employees took advantage of the offer, bringing 250,000 rubles to the sovchoz. The Nikolayev-Lvov panel making firm operated at a loss for a long time. Beginning in 1987 they began to manage using checkbooks. The individual centers use the checkbooks to pay all bills. When they realize savings they may divide 5 to 50 percent of the savings amongst themselves as a bonus. The new management routine and savings have been evident in improved quality of output and in overall economic performance. Profits of the panel making plant have reached 700,000 rubles, double the figure projected by the plan. There are more examples from the Soviet Union, and although they are all experiments, each is proving to be useful.

What about our country? "The first step will be to activate the 1949 law concerning stock companies", explained Eng Karel Cap, chief of the division of national economic organization and state administration rationalization of the CSSR Government Presidium Office. "We are lacking an important precondition for the functioning of stock companies—a securities market. The legislative conditions for establishing such a market are in the works. It is also possible that we will consider the possibility of individual participation in stock companies. The purpose here is not to give rise to a kind of popular capitalism, but to activate the private resources of citizens and increase their participation in enterprise management. After all, the current work collective council makes decisions about executive entrepreneurial measures, such as long term development objectives, but more than a few of its members have only short term interests. Obligations might play a role in increasing their interest in long term matters. The experiences of other socialist countries indicate that something like this might work here as well."

HUNGARY

Canadian Firm Backs Out of Major Chemical Investment**Negotiations Described**

25000508 Budapest FIGYELO in Hungarian
19 Oct 89 p 7

[Article by Erzsebet Eller: "Canadian NOVA Reneges: Here's the Capitalist, Where is the Capitalist?"]

[Text] During his visit to Hungary last August, Canadian NOVA President Robert Plair announced that he would purchase 50 percent of the stock of Tisza Chemical Combine [TVK], the Borsod Chemical Combine [BVK], and the Tisza Crude Oil Enterprise [TIFO]. He said that he would invest more than \$400 million in Hungary. The investment would have established a "systems approach" to the development of Hungarian hydrocarbon chemistry. The deal did not materialize, however. Is this only for the time being?

More than \$400 million! Even the Canadian NOVA concern thinks that this is a lot of money, an awful lot of money. Were we too hasty in saying that NOVA would invest its capital in the Hungarian hydrocarbon industry? Or was it just the usual Hungarian way to mess up a tremendous deal? In any event, let us at least draw some lessons from this affair.

According to advance information received, the BVK, TVK, TIFO, and NOVA marriage was expected to take place in late September. But instead of signing the contract the Canadians informed the Hungarians that they would wait another 6 months to a year....

But the rumors were not groundless. BVK President Dr Lajos Tolnai recalls the beginning of negotiations this way: A conference which dealt with the East-West approach was held in North Carolina, in 1985. There Tolnai met Gyorgy Soros, and several years later Soros introduced Tolnai to Andras Sarlos. Accordingly, the Hungarians learned from Sarlos that there is a multinational chemical firm, NOVA, engaged primarily in the production of petrochemical base materials and natural gas. NOVA's assets amount to \$5 billion U.S., and its sales volume is \$7 billion. Specific negotiations with NOVA began last spring in Paris, because NOVA Chairman and President Robert Plair was willing to travel no further than that. Thus, Tolnai made a presentation to the heads of the four firms about business opportunities in Hungary, and about the product structure and market situations experienced by BVK, TVK, and TIFO. It seemed that this introduction was well received by the Canadians, because soon thereafter they sent a delegation composed of leading professionals to Hungary. They paid a visit to the three firms. NOVA's increasing interest was manifested by the fact that subsequently an economic, technical analysis group arrived in Leninvaros and Kazincbarcika. Paid for by NOVA, this group prepared an impartial and positive analysis.

Following appropriate preparations, the chairman and president arrived in mid-August. Among others, he met with Rezso Nyers, Imre Pozsgay, Miklos Nemeth, and Industry Minister Ferenc Horvath and his deputy. Quite naturally, the chairman and president inspected the enterprises. As the series of negotiations came to a close, he announced that NOVA intended to purchase stock and wished to join the three enterprises. Then he returned home.

According to relatively reliable information, an unusually large-scale debate evolved at the NOVA board meeting in Canada. The chairman and several of his associates supported continuation of the relationship. It appeared that they were able to convince the engineering and technical wing of NOVA about the advantages. On the other hand, the political wing remained uncertain. Tolnai, TVK President Imre Pinter, and TIFO President Sandor Konya, independently unanimously explain NOVA's request for more time with this situation. (To find out whether NOVA's action represents postponement or a permanent retreat, see the Hungarian Credit Bank managing director's opinion below.)

One million people are on strike in Hungary, NEP-SZAVA heralds in a front page article, while we are trying to prove to NOVA's owners that actually striking does not make sense in Hungary because we would harm ourselves by striking. At a time when we are conducting negotiations concerning the development of our petrochemical industry—which is built on Soviet gas and oil deliveries—the whole world is saturated with news about a gasoline shortage in Hungary caused by the Soviets' failure to deliver. After all, we were unable to explain to the Canadians that the Soviets delayed their deliveries because we withheld meat in order to reduce our indebtedness, according to Tolnai.

What else would a Western businessman need to hear before he begins to ponder? Should we believe that indeed only the political disturbance caused some uncertainty at NOVA, and that they will return after the elections, at the latest? Could it be that the business deal itself was not as enticing as the three enterprise leaders believed it to be? It is natural that we are protecting the country against underestimating the value of state property. Could it be possible that this specific case is an example for the opposite? The enterprises were offered for sale for double the amount of their book value, and the appraisal was made by one of the world's best known auctioning firms, Price Waterhouse. (This took place at BVK at least. As we learned from Imre Pinter, no appraisal was made at TVK!) NOVA would have purchased 50 percent of the stock, and this alone would have meant \$400 million. Both the Hungarian and the Canadian parties insisted on a 50-50 share of ownership, according to Tolnai. In his view NOVA did not want to go below 50 percent—a matter denied by Pinter—but the Hungarians did not want to surrender their leadership position either.

In what manner would the influx of capital have taken place? According to the first conception, the three enterprises would have represented a joint interest, half of which would have been purchased by NOVA. BKV liked this idea. Pinter and Konya liked it less, nevertheless they unanimously stated that their feeling to the contrary, or, put differently, independent enterprise interests in no way disturbed the negotiations. After all, they only reached a stage at which suggestions were made, and the second conception was ranked equally with the first. According to that second conception, the three enterprises would sell their stock individually to NOVA. And that of course only after they had transformed themselves into stock corporations.

Jointly, or one by one....? The method was still to be worked out, according to Tolnai. Most certainly the three Hungarian firms would have argued a lot, but in the end the capital source would have tied them together. It would be conceivable, for example, that the three enterprises would issue their stock following an upward valuation, then offer its incremental value that appears on the exchange for development purposes. But there is no functioning exchange at this point, which means that the resources contributed by NOVA would have been subject to decisions based on economic and technical considerations—how much of those resources should be invested for what purpose. The new establishments would have become common "children," under any circumstance, nevertheless....

Would have? Tolnai pins his hopes most to the fact that NOVA has not permanently surrendered the idea of investing in Hungary. On the contrary! BKV is conducting negotiations about a \$15 million experimental investment, and NOVA makes decisions of this size at the department head level. Pinter and Konya will not say so openly, but they probably think that they must look for other resources if they intend to engage themselves in development. Even if they object to publicity concerning their specific plans, because as they say, one never knows how a misunderstood sentence could cancel out their plans. That is, they would have to look for another foreign partner if NOVA does not come through.

And where do they go from here? As of 1 August BKV has been operating as a stock corporation. Thus far it has attracted \$15 million U.S. in foreign capital from various firms. This represents between 12 and 13 percent of the total enterprise stock. TVK also decided the other day to become a stock corporation; any further step is conceivable only as a result of attracting foreign capital. As a member organization of the National Crude Oil and Gas Industry Trust [OKGT], TIFO is dependent on how the trust will be transformed, while on the other hand it considers it to be just as important to establish more in-depth cooperation with TVK, irrespective of NOVA.

BKV lines of business: nitrogen fertilizer, PVC, synthetics processing, intermediate polyurethane manufacturing, preparation of the active ingredients of finished products, such as car seats, adhesives, and paints.

BKV Chief Characteristics

Gross production value	14.89 billion forints
Profits	2.14 billion forints
Assets	8.68 billion forints
Number of employees	6,084
Added value	4.23 billion forints
Liquidity index	2.3
Indebtedness volume	32.6 percent
Total exports	4.93 billion forints
Capitalist exports	\$87.4 million U.S.

TVK was established through several steps. The paint factory (1961) and the fertilizer factory (1964) served as foundations for the enterprise. The olefin factory (1975) came about as a result of a Hungarian-Soviet agreement on olefin-chemicals. The polyethylene factory was placed in service in 1970. They had to wait for almost 10 years before the polypropylene factory was established. In 1986 the linear polyethylene factory was established, and the newest unit, a geotextile factory, was placed in operation in 1987.

TVK Selected Indicators

Gross production value	26.3 billion forints
Ruble exports	1.1 billion forints
Convertible currency exports	8.5 billion forints or \$167.7 million U.S.
Foreign exchange efficiency ratio	31.47 forints/dollar
Profits	4.26 billion forints
Added value	7.96 billion forints
Number of employees	6,603
Average wage	187,835 forints per person per year

TIFO was established in 1972 a few km away from TVK so that it supplies base materials for the chemical combine. At this point TIFO delivers one-fifth of its products to TVK. TIFO has two factories, one in Leninvaros, and another in Nyirbogdany. Crude oil refinement has been stopped at the latter location; they manufacture, among other items, medical vaseline and anti-corrosion materials. The crude oil processing capacity of the enterprise is 3 million tons (it is supposed to refine that amount of crude oil annually), but due to the limited supply of crude oil its yearly production is 800,000 tons.

TIFO, Most Important Economic Indicators

Value of assets	2.9 billion forints
Net sales	9.1 billion forints
Gross sales	17.7 billion forints
Number of employees	1,103
Profits	420.2 million forints
Of this amount:	
Ruble export subsidies	230 million
Regrouping within OKGT	+466 million
Average wage	133,000 forints per year per person
Indebtedness	900 million forints
Gross value of fixed assets	6.9 billion forints

Plan Prepared by Vegyterv

Hydrocarbon chemistry has become a dynamic sector of the Hungarian chemical industry during the past 10 years. Chartered by TVK, Vegyterv prepared a developmental strategy between October 1988 and June 1989. Individual enterprises—OKGT's two large enterprises, the Duna Crude Oil Enterprise and the Tisza Crude Oil Enterprise, as well as TVK and BVK—are independent legal entities. This means that they make independent decisions concerning the assumption of foreign or domestic loans, and about other methods of attracting resources. Still, in order to apply a systems approach to the development of hydrocarbon chemistry, the enterprises involved agreed to form an association (a consortium or a stock corporation) which may successfully negotiate in the interest of attracting foreign capital. In this joint enterprise the interested domestic enterprises would participate with some plants that are part of the petrochemical vertical integration, with partial plants, infrastructure, and other services. According to the Vegyterv study the basic plant of the vertical integration would be the olefin plant of TVK. Therefore the technical development of that plant constitutes a pivotal issue. The estimated costs of the development projects proposed in the study are as follows: Strategic items demand \$785 million U.S. and approximately 67 billion forints. Optional items would require an additional \$345 million (a total of \$1.13 billion!), and 29 billion forints (altogether 96 billion forints!).

Banking Executive Interviewed

25000508 Budapest FIGYELO in Hungarian
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[Interview with Gyorgy Tallian, Hungarian Credit Bank managing director: "They Found a More Advantageous Investment Opportunity;" date and place not given]

[Text] The Hungarian Credit Bank assumed a rather active role to consummate the marriage between the Canadian NOVA concern and three Hungarian chemical firms. How does Gyorgy Tallian, the bank's managing director, view NOVA's retreat?

[FIGYELO] The enterprise managers claim that the foreign partner requested a 6-month period to think over the deal, due to political uncertainties. Others believe that the interest of the three enterprises is so different that in the end their joint proposal was not sufficiently enticing....

[Tallian] Nothing more is at issue here than the fact that NOVA found a more advantageous investment opportunity, and quite naturally it chose that.

[FIGYELO] More advantageous? But then we are not talking about postponement, but reneging instead!

[Tallian] According to information I received, they invested that money elsewhere, not in a socialist country, and not even within their own profile. I could not tell of course, whether in the course of a year they will accumulate enough capital to make it worthwhile to invest abroad. But such investment would require new negotiations, by all means. It is possible that they will not bring their own money to Hungary, and that NOVA would be backed by investment firms instead. But these are theories only....

[FIGYELO] For what reason could NOVA have found the investment you mentioned to be more advantageous than the Hungarian investment opportunity?

[Tallian] Most likely because of the economical nature of the business. Quite naturally, the country's political and economic stability is indeed an important factor, but NOVA would have received the needed government guarantees. And they can also see that regardless of what kind of government assumes power in post-election Hungary, any government would be interested in attracting and providing security for capital. Incidentally, in the course of negotiations there was no substantive discussion concerning terms and management. They were satisfied with the enterprise organizations and with technological discipline....

[FIGYELO] ... and with the appraisal of assets?

[Tallian] Nothing suggested that they thought that \$400 or \$500 million would be too much for that 50 percent. Both TVK and BVK are successful enterprises; they are on top of the Hungarian list of leading enterprises. They are technically developed, and their technology is also modern. The appraisal of assets takes place at an acceptable level.

[FIGYELO] But TIFO would be a loss operation unless OKGT accomplished an internal regrouping....

[Tallian] This is indeed true, but only because they are able to utilize only one-third of TIFO's capacity. The development projects would have resolved this problem, and through improved capacity utilization the firms would have become profitable.

[FIGYELO] A series of negotiations like this one is useful even though it ended in fiasco, but only if the appropriate lessons are learned as a result.

[Tallian] Indeed, we did gain some negotiating experience. But since in this case no one made a serious mistake, and since I regard neither the financial structure nor the business proposal as flawed, you should not expect me to come up with some far reaching conclusions. There can always be an offer that is better than ours, and one must count on that.

1989/1990 Economic Projections

25000499A Budapest HETI VILAGGAZDASAG
in Hungarian 14 Oct 89 pp 68-69

[Article by Gabor Papanek and Gabor Werner, Economic Research Institute experts: "Balance and Prognosis: The Non Plus Ultra of the Economy;" first paragraph is HETI VILAGGAZDASAG introduction]

[Text] Basic economic processes changed at snail's pace, even though there is a deep-rooted change in the tenor of political declarations and analyses this year. The entrepreneurial sphere is evolving slowly, while low efficiency levels and the obsolete structure—as well as the balance of interests which preserves these—have remained virtually untouched. The authors of this article—experts from the Economic Research Institute (GKI)—go beyond evaluating the present economic situation. They also venture into presenting a sketch of conceivable, significant rearrangements that may result from the elections.

GKI's 1989 projections (HVG 6 May 1989) continued to pinpoint the contradiction between inflation and fiscal restraint, as well as the strained external economic balance, as the main tension points in economic processes. Those projections were based on the idea that the government would make concessions in all three areas in the interest of maintaining stability. It appears that now most of these expectations have been proven correct.

Hungarian exporters enjoy(ed) relatively favorable opportunities in this year's global economic boom. It is likely that this condition will prevail for the rest of the year. The fact that businessmen took advantage of these opportunities may be regarded as a positive development. Hungary's exports payable in convertible currencies expanded as a result, at an annual rate of 8 percent. Thanks to this development, and despite import liberalization, the trade balance will show a surplus of approximately \$500 million. On the other hand, production growth is moderated by two factors. The quantity of goods that can be obtained in exchange for Hungarian exports payable in rubles is rather limited on the one hand, while domestic consumption manifests a slow increase, on the other. Moreover, demand for services is on the decline. As a consequence, machine industry and light industry production specialized to satisfy CEMA market demands have declined. Mining production has also declined. This is due in part to reduced central subsidies.

At the same time, continued dynamic development in the entrepreneurial field significantly offsets the processes of depression. Considering all these factors, our projection cannot be based solely on statistical information that is continuously provided, i.e. on the achievements of enterprises employing more than 50, or 20 persons. One may reasonably expect that total economic production will increase. For example, it is reasonable to expect that the gross domestic product (GDP) will increase between 1 and 2 percentage points, even if on an international scale the increase will be more moderate.

Despite all this, however, the desired change in management efficiency did not take place. Aside from a small group of well managed enterprises which adapt to changed requirements, the base material industries rely on the state, and the majority of enterprises play tactical games without any consistent strategy. The base materials industry consists of enterprises that export for rubles, and large service providers. There continues to be weak competition despite individual cases in which import liberalization produces beneficial effects. A number of firms materialize substantial incremental profits by relying on their monopolistic situation and through price increases. This is one reason why industrial producer prices exceed earlier expectations and show an unusually rapid increase in 1989. Forint devaluation and increasing base material world market prices also play a role in these price increases, of course. Some of the traditional "state oriented" organizations sustain themselves and withstand wage competition by consuming their own assets.

Inflation is an important factor in 1989. It is accelerating, though at a moderate pace. At an annual rate, consumer prices are expected to increase by between 17 and 18 percentage points, along with increased income which somewhat outpaces inflation. Social tensions are on the increase because of increasing differences in income. Medium income continues to slide, and the gap between the average income and the highest income is on the increase. The second economy continues to expand, and pressures in the direction of household self-sufficiency continue to exert their effects.

The role played by money is expanding, but financial tensions are not diminishing. The budgetary deficit is significant. By the end of the year it will come close to 20 billion forints. Although monetary restrictions slow down imports and wage outflow, this slowing down is also accompanied by a deteriorating "payment discipline." This phenomenon is not consistent with international practice. It is a result of enterprises "standing in line," a practice which has multiplied in the course of 1989. Enterprises experiencing long-term insolvency are still not liquidated. Neither the banks, nor the state have a short-term interest in liquidation. They are concerned that the immediate loss that accompanies liquidation will be greater than the risk in keeping these enterprises alive. Real interest paid on short-term commercial loans is high. High interest payments do not prompt savings in a number of spheres, however. Moreover, the saving rate

is on the decline. At the same time, the real interest paid by consumers continues to be low.

The external financial balance is deteriorating. Despite a positive trade balance, the balance of payments deficit will amount to about 1 billion dollars at the end of the year. This is caused to a high degree by the incorrect timing of governmental statements and measures which directly affect consumer behavior. As a result of these, the foreign tourism balance has deteriorated by more than \$500 million. Our convertible currency indebtedness is already high on an international scale at this point, and this places a severe burden on the country in the form of interest payments. Thus the convertible currency balance of payments deficit will further increase our indebtedness payable in convertible currencies.

On the other hand, as a result of strong efforts made by enterprises interested in exporting for rubles, and due to difficulties in the importation of goods, a 500-million-ruble trade surplus, and an even higher balance of payments surplus, may be expected.

It appears that the economy will have reached a turning point by 1990. Even though the government is determined to take firm steps, there appears to be no doubt that it will not institute "unpopular" measures prior to the elections, measures that strongly violate various interests. This is damaging, though entirely rational from the standpoint of elections.

The country may be thrust into a continual government crisis if the post-election "new" government continues the earlier practice and fails because it seeks postponements instead of immediate action, and fulfills election promises by continuing to sell out state property and by incurring additional foreign debts.

On the other hand, a different course of action that would hold out the promise of a somewhat greater sphere of action is also conceivable. The influx of foreign capital and the external financing of the economy may be enhanced if our elections are regarded favorably abroad, and if the market economy begins to evolve. Such favorable international reaction could be expected to materialize as a result of doing away with the party state while at the same time maintaining political stability.

If, in addition to the above, the government is sufficiently strong, it may gradually act on the most important long-term issues, while fielding the consequence of being in conflict with those interested in conserving present conditions. In order to avoid further waste, an increasingly larger share of state property may be gradually transferred to owners interested in the preservation and appreciation of property. Such measures would be opposed mostly by present large enterprise managers.

Substantial surplus energies may be freed by an "opening," meaning the increased liberalization of foreign trade, the initiation of true deregulation, and the invigoration of entrepreneurship. Also in this regard a broad

group harbors opposing interests: One should count on the adverse feelings of those who create clever advantages in foreign trade managed by the state and from existing restrictions, others who enjoy monopolistic situations and would lose them as a result of deregulation, and strata not benefitting from opportunities resulting from incentives to entrepreneurship. Enforcing legal provisions concerning the liquidation of badly performing industrial, agricultural, and commercial business organizations may create unemployment in many places. On the other hand, in this way the government's commitments to large investments and in the area of production (export) subsidies may be reduced.

Under such circumstances, only an uncertain numerical characterization of a potential Hungarian economic developmental course could be made. It is likely that a further expansion of world trade—although smaller than this year—would result in a between 5 to 7 percent increase in convertible currency exports. Improving the ruble trade balance will necessitate a further reduction of exports, and the appreciation of the forint vis-a-vis the ruble. On an annual basis, domestic demand is expected to expand, also because of the outflow of income prior to the elections. Proceeding on an economic course which continues to be rather contradictory, one may count on a modest increase in the GDP, similar to the one in 1989.

Beyond these factors, price increases remain a critical factor. Therefore, it would be by all means desirable to increase savings. To accomplish this, the lack of confidence manifested by the populace should be dissolved, and real interest rates should be increased. Even if all of the above conditions are fulfilled, it is unlikely that the inflation rate can be reduced, even though every effort should be made to accomplish this. As a result, those already enjoying a favorable financial situation may expect favorable changes in their standard of living.

It is certain that along with continued restrictive policies, the liquidation of some long-term insolvent business organizations would reduce monetary tensions and would moderate the inter-enterprise credits which come about as a result of constraints. As a result of fiscal and other regulations which strengthen confidence, the overheated demand for foreign exchange manifested by the populace may decline. This in turn would exert a favorable influence on the convertible currency balance of payments and on our foreign indebtedness. On the other hand, the opposite effect would result from some recent actions, as for instance the recent mandate that individuals use foreign exchange drafts, which requires the payment of heavy banking fees by those who purchase such drafts.

It is apparent that the disintegration of political stability and related disturbances in production could render the economy inviable. That is, if the confidence of Hungary's creditors is shaken, there will be simply no money available even to reverse the political and economic reform measures. Certain unexpected global economic and political events may also produce consequences

which cannot be predicted. Nevertheless, risks could be greatly reduced by the continued decline of the paternalistic management practices, by increasing the role of the marketplace, and by completing the political and economic "agreement" process which has already begun.

Leading Hungarian Economic Indicators

	1988 actual	1989 GKI projec- tion	1990 estimate
I. Income production and utilization ^{1, 2}			
Ultimate internal income utilization (percent)	96.7	101	102-102.5
Consumption by the populace	95.6	101	102
Communal consumption	97.2	92-93	95
Investment	92.7	102-103	104-105
II. Price indexes ² (percent)			
Producer	107	114-115	114-117
Consumer	115.7	117-118	116-119
III. Unemployed expressed as a percentage of all employed persons			
	0.3	0.4	0.5
IV. Financial indexes			
Individual savings as a percentage of all income	5.1	4	6
Average interest rate on short-term commercial loans (percent)	16	21	22
Budgetary deficit (billions of forints)	18	ca 20	10-30
Direct external trade balance			
Millions of dollars	495	500-600	500-700
Millions of rubles	218	200-300	0-200
Current balance of payments			
Millions of dollars	-592	-1000	-700 to -1000
Millions of rubles	310	600-700	300-500

¹ Change in volume

² Previous year = 100

Independent Union Critical of Proposed Science Policy

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13 Oct 89 p 7

[Interview with Katalin Balazs, academic board member of the Scientific Workers Democratic Trade Union, by Robert Gal: "TDDSZ on Government Science Policy," date and place not given]

[Text] If all goes as planned, a legislative proposal concerning the National Academy of Sciences [MTA] will be considered by the National Assembly this coming spring. At present the academy presidium is gathering information from as broad a segment of the scientific

community as possible, and from all organizations involved. It does so in its own interest, according to a statement made to NEPSZAVA by Executive Secretary Istvan Lang a few weeks ago. We asked Katalin Balazs, a member of the Scientific Workers Democratic Trade Union [TDDSZ] academic board, to express the union's view.

[NEPSZAVA] You work at the MTA Sociological Research Institute. What is the subject of your research?

[Balazs] The characteristic features of science policy prior to 1968 and following the introduction of the new economic mechanism. I am seeking answers to how the system of conditions for science took shape, what interest relationships evolved, and what processes these relationships catalyzed.

[NEPSZAVA] It is very difficult to formulate even a nearly comprehensive picture of scientific history during the decades we left behind. I would not even ask you to provide that picture. Nevertheless, would you tell us what attracted your attention in the course of doing this research?

[Balazs] Of greatest importance perhaps is the science policy that followed the new economic mechanism. It may be linked to the guidelines established by the Hungarian Socialist Workers Party [MSZMP]. By then a scientific institutional system which served practical purposes and the interests of the economy, in a manner similar to economic reform, had evolved. This was associated with a financing principle which either froze budgetary support or kept it at low levels. This is the most important conclusion produced by my research. At the same time this situation forced scientific institutions to secure their own income.

[NEPSZAVA] The negative process of deemphasizing basic research is well known. The academy and its research institutes tried to obtain additional income through contractual work and other business activities.

[Balazs] This is only one side of this group of phenomena. The other side is that economic, shortage economy milieu which, as we know, was not oriented toward technological development. Although the institutions appeared on the scientific "market" with their supply, the demand was inappropriate.

[NEPSZAVA] The recent past of Hungarian science may be divided into various periods. There was a period when between 4 and 5 percent of the national income was spent on science, education, and culture. When did science begin to "decline?"

[Balazs] It had already begun in the 1970's. I could add that at that time, and until today, budgetary support played an extremely significant role. Budgeted funds sustain our institutes, they pay the researchers' wages. Beginning in the early part of the present decade, budgetary support stagnated for a long time as a result of restrictive financial policies. We reached the lowest

point in 1983, but the situation was no better in 1987 and 1988. In those years the real value of budgeted funds declined by 10 percent. These cuts shook the foundations of the positions held by researchers and their workplaces, because the cuts affected the basic structure; they cast doubt on the continuation of work. In this year's budget, science occupies a relatively important place.

[NEPSZAVA] What will happen in the 1990's?

[Balazs] According to current information, budgetary support of science will not increase even nominally, according to Ministry of Finance conceptions. This financial policy is reminiscent of the years 1983 and 1984 when science was slaughtered. The academy presidium and the unions protest the added restrictions.

[NEPSZAVA] What budgetary policy does TDDSZ recommend to the government?

[Balazs] It is not the union's task to develop financial policy. As a sociologist I believe that the budget should not treat science as a leftover. Quite obviously, many will share this view. We must fully depart from this split personality perception. The situation will change if a market economy comes about, because the state's and the state budget's roles must also change. The financing of the infrastructure will be the state's function.

[NEPSZAVA] Under what circumstances do social science researchers, such as you, pursue your work here in the academy's institute on Castle Hill, a rather nice environment?

[Balazs] Our working conditions are miserable. There is not enough room, there are not enough tables. We do not have the modern equipment indispensable for our work. And, well, the wages are also miserable. They force us all to take side jobs. We are virtually unable to concentrate on basic scientific tasks. The situation of natural sciences is even more desperate.

[NEPSZAVA] How do you regard the situation of the new scientific generation supposed to replace the old?

[Balazs] That is also miserable. Young people do not want to work in the scientific field because wages are very low and working conditions are very bad. A long time ago working at a research institute meant the attractive perspectives of a more flexible lifestyle and of personal freedom. Now it is far from that. For this reason the most talented researched find employment abroad.

[NEPSZAVA] In recent weeks your organization has frequently mentioned the fact that you do not agree with the legislative proposal concerning the academy, and with many other things. Does TDDSZ have an independent science policy concept?

[Balazs] Not yet, but we are working on it. We would like to express how it would be possible to dismantle the large structure that is present in the scientific world, and to

increase individual and communal autonomy. Our strongest critique of the legislative proposal pertains to the maintenance of the academy's network of institutions and offices, the structure which preserves bureaucratic and centralized direction.

[NEPSZAVA] What aspects of the proposal do you not criticize?

[Balazs] We feel that it would be very important for the academy to continue to function as a scientific society. On the other hand, we reject the salvaging and strengthening of positions of power, and believe that we need a science policy which halts these negative trends. Fundamentally new mechanisms and a new value structure must be established.

[NEPSZAVA] Should the academy maintain scientific institutes?

[Balazs] This is not done anywhere in the world. It is not the function of a group of scientists to manage institutions. If you were to ask individual academicians whether they want to perform management, property administration functions, a majority would respond in the negative. A colorful, diverse financing system based on foundations should be developed as soon as possible. This system should be controlled by the scientists themselves, or by communities of scientists. This would be the solution for the direction and financing of individual branches of science and of institutions.

Enterprises Lobby To Relax Waste Import Rules

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in Hungarian 7 Oct 89 pp 70-71

[Article by Gabor Juhasz: "Hungarian Waste Import—Pressure Test;" first paragraph is HETI VILAGGAZDASAG introduction]

[Text] Foreign and Hungarian enterprises have increasingly urged the Ministry of Environmental Protection and Water Resource Management [KVM] to permit the importation of various kinds of waste. Ever since 1987, however, such permits have been issued only under exceptional circumstances, therefore certain Hungarian enterprises believe that the time has come to once again consider whether the import ban hurts more than it helps.

"Gentlemen, you are not in a financial situation to be able to reject my offer." A British entrepreneur recently stopped by at KVM, offering the following business: He would pay good money if Hungary would accept the West European waste he delivers. A deal was not struck, however, because ever since 1987 a government decree has prohibited the importation of waste to Hungary. At that time, primarily as a result of the Mosonmagyaróvár trash import case which evoked great reaction, the Council of Ministers has decided to generally prohibit the importation of waste. Since then, waste has been able to be imported only in exceptional cases, subject to a

KVM permit, and even then only if it can be proven that the waste can be recycled in Hungary. In other words, importing waste merely for purposes of rendering it harmless (incinerating, depositing) is prohibited.

Despite this fact, an increasing number of foreigners have been knocking on KVM doors making more or less similar business propositions. They would provide money and technology in exchange for getting rid of waste and trash generated in Western Europe. An Italian businessman promised KVM no less than constructing at his own expense a huge waste deposit facility in Hungary with a 100,000-ton annual capacity. The "only" thing he asked in exchange was that 90 percent of the capacity be allocated for materials delivered by him. (As a matter of comparison, the Aszod waste facility constructed at a cost of 500 million forints and placed into operation last summer has an annual capacity of 10,000 tons of waste.) Nevertheless the serious headaches at KVM are not caused by these fighting foreign businessmen. An increasing number of Hungarian firms try to become engaged in the importation of waste, and are making attempts to frustrate the prohibition if necessary, in order to make profits, according to KVM.

"Those who participate in the illegal international waste trade are more dangerous than the narcotics mafia," according to a government official who asked not to be named. In his view, the risk of uncontrolled and concealed waste trade is rather high: recipient states may suffer immeasurable environmental damage. Thus far states have not paid serious attention to the black market waste, according to one professional. Moreover, certain governments foster the exportation of waste. At most, as a matter of formality, they will remind their enterprises of the so-called Basel agreement. The agreement prohibits the exportation of waste to a country where it may be assumed that the waste will not be managed "on the basis of environmental considerations."

"There is an environmental craze in West Europe, they would pay quite a high price if we would accept their waste and manage it," according to a Hungarian enterprise manager who also insisted on anonymity. His firm has recently explored the possible importation of waste. (It seems that in the "waste business" it is not customary to mention names, prices, and locations.) In his view it would be appropriate for Hungary to take advantage of this "craze" and permit the importation of waste which can be rendered harmless in Hungary. "Profits are so high" on these transactions (they pay between \$60 and \$70 for the treatment of a ton of sewage sludge) that the profits would also pay for environmental protection investments. For example, if the imported sewage sludge would be burnt in the clinker furnaces at the cement factory, the factory would be able to equip its smoke stacks with the missing filters. "We are not taking advantage of opportunities, while in the meantime, short of money, we are unable to resolve anything," according to the enterprise manager. He also made reference to the fact that the fate of one-third of the annual volume of 1.9 million tons of hazardous waste generated in Hungary

and admitted by enterprises is uncertain even today, and the problem of rendering these harmless is unresolved. It can easily happen that they simply bury such waste just as they did at Apajpuszta (HVG 15 Jul 89), or let part of the 600,000 tons flow away in sewage canals. "Recognizing KVM's insistence, in the end we did not even apply for an import permit because the ministry always says 'no,'" the enterprise manager summarized. Both the enterprise manager and the foreign trade firm for which he works wish to remain anonymous.

Actually the KVM last year approved five of the eight import permit applications it received, but it prohibited the importation of disposed batteries, spent oil, and sewage sludge. Thus far in 1989 the KVM has received nine applications, and although the ministry will not reveal details concerning these applications, e.g. the name of the applicant firm, we learned that the ministry is receiving an increasing number of applications for the importation of large volumes of waste, on the order of several thousand or 10,000 tons. "Hungarian entrepreneurs are rather ingenious; they are willing to engage in complicated financial calculations to prove that that the material they want to import only appears to be waste," according to the anonymous public official.

Perhaps the KVM's suspicious nature—excessive according to entrepreneurs—is the reason why it takes months to decide on individual applications. For the past year, the Komarom County Environmental and Nature Protection Company, for instance, has made great efforts to establish a business importing 15,000 tons of cellulose waste from Austria. Initially the business would operate on an experimental basis. "The material we want to import is not really waste from our standpoint," according to Laszlo Fulop, the Company's managing director. In his view, the manner in which something is classified as waste depends on one's point of view. This is a professionally recognized fact. For example, a waste rock pile constitutes waste from the mine's standpoint, but from Haldex' standpoint it represents basic material. Haldex extracts coal from the waste. The company believes that it could use the imported cellulose waste for soil improvement purposes. They would spread a mixture of cellulose waste and liquified manure from pig farms on arable land. If the KVM grants a permit—the ministry has denied the permit as an authority of first instance—they will spread 15,000 tons of soil improvement material—let's say—on 150 hectares of land at the village of Kisber, Komarom County. Asked why the Austrians would not use this waste material for soil improvement purposes, Fulop said that the Austrians do not have large farms to utilize this material in large quantities, and besides, this waste utilization technology was invented in Hungary. Their plans call for the establishment of a mixed nationality joint enterprise with the Austrian shipper. It would purchase the waste from the Austrian parent company, to be made suitable for soil improvement purposes by using Hungarian technology. "If the experiment succeeds, the Western party would be willing to buy even

the technology," according to Fulop. He added that the Austrian partner has made a written commitment to return the waste to Austria if in the course of control tests prior to spreading the material it turns out that the waste causes environmental damage. This was regarded as an unlikely possibility by the Austrians. Incidentally, initial shipments of the waste would be shipped from an Austrian waste deposit facility to Hungary. That facility is to be liquidated.

At the KVM they do not recognize as valid the argument according to which Hungary may resolve some of its environmental problems only by importing waste. "We are not that poor that we would have to turn into Europe's garbage dump," they said. Accordingly, at KVM they do not see the need to relax the import ban. There are other ways to resolve our shortage of money and foreign exchange, according to professionals dealing with waste. They mention the example of the other regional waste incinerator at Rudabanya, to be built by a Hungarian-Austrian stock corporation. Of the 2-billion-forint investment 500 million would be paid by an Austrian firm in schillings, without any "linkage" of merchandise, i.e. without importing waste.

The transaction would count as a sale to the Western party because it would deliver part of the incinerator equipment, and besides, as a stockholder it would receive part of the profits made by the incinerator. This arrangement does not produce "substantial" profits for anyone, on the other hand it would not be necessary to import waste, the argument holds. The only unanswered question is this: Would Hungarian enterprises be willing to pay about 30,000 forints for depositing and incinerating each cubic meter of waste? In recent months it turned out that the enterprises consider the prices at Aszod and Dorog too high, and for this reason they have been saying that the Dorog incinerator to be started up in the near future will not be used at full capacity because of price disputes. Existing rules would have to be changed in this case; perhaps all waste produced throughout the country should be delivered to Dorog, and the possibility of lifting the import ban may arise. At KVM, however, they regard the latter possibility as inconceivable.

Bos-Nagymaros Work Suspension Expires 31 October

Work Continued During Suspension

25000494A Budapest HETI VILAGGAZDASAG
in Hungarian 7 Oct 89 pp 18-19

[Article by Ibolya Jakus: "Does Bos-Nagymaros Still Stand? Water Curtain"]

[Text] As a result of Hungarian political events the Bos-Nagymaros investment project—considered a prime issue before—has been placed on the back burner even though the temporary suspension of construction expires at the end of October. Meanwhile, however, the number of behind-the-scenes skirmishes has increased and the

government has been worn thin by an unrelenting Czechoslovak partner and by Hungarian organizations for and against continuing construction. Nevertheless, last week's Council of Ministers session dealt with the issue. All we could learn about this session was that they "exchanged" the original submission for another plan.

The last thing the Nemeth government needs is a fiasco in Prague, to leave behind bad memories like Karoly Grosz' visit to Arad. Perhaps fear of a fiasco warrants the silence that shrouds participants of last week's government meeting about the future of the Bos-Nagymaros construction. Some explain this anti-glasnost by saying that the Hungarian prime minister would be at a disadvantage vis-a-vis his Czechoslovak colleague if the suspicion arose that he was conveying ideas that were decided in advance. Others say the opposite, that everyone would be better off if the proposal to be presented by Miklos Nemeth to his Czechoslovak partner had gone through public review, supported by professionals and a majority of the public, even if it includes compromise.

Accordingly, little has changed thus far during the 5-month suspension in the way the "importance" of openness is viewed. This, however, is not the case with regard to the construction. Last summer, a group of professionals independent of the Ministry of Environmental Protection and Water Resource Management [KVM] and from the contractor enterprise, notified Nemeth in an open letter that ever since construction was suspended, so-called secondary investment project implementation has continued at an unchanged pace, both at the site and at foreign and domestic plants which manufacture the needed equipment. The independent group learned that ever since the memorable decision reached in May, Austrian contractors have performed work valued at several hundred million schillings, and have charged the Hungarian customer for such amounts. An expert questioned at Donaukraftwerke did not deny the substance of this statement (see interview below), but in a grandiose fashion estimated the cost of work performed as amounting to only a few percentage points of the total cost.

OVIKER president Miklos Szanto revealed more accurate figures concerning those few percentage points. Well coordinated cooperation between the Hungarian main contractor and Donaukraftwerke can also be seen from the fact that when I arrived, Szanto received me with photocopies in hand. They contained information received from the Austrian firm. With regard to the understated percentages we were able to learn that during the suspension period, as of 31 August, the Austrian firm performed work costing 69.5 million schillings, and that by 31 October this amount was expected to increase to about 100 million schillings. Szanto emphasized the fact that anything OVIKER does—including "continuing some background activities 'at reduced levels'," is based on the Council of Ministers' decision, and is consistent with that decision. We were unable to go much farther than this statement,

because according to the OVIBER president he was "unfamiliar" with the government proposal and "does not know" what kind of reception the Hungarian proposal may count on in Czechoslovakia. Szanto's views have not changed with regard to the investment project itself. He believes that both the objectives, including peak performance, and the planned technical solutions are appropriate in every respect.

Professional views voiced outside of KVM and OVIBER are quite different. And although their views developed during the suspension period appeared in professional literature produced by various committees, it appears that the independent group's contribution was unable to resolve the stalemate. Organizations opposed to the investment, and independent groups—such as the Academy, the Danube Circle, and other organizations—all of which participated in every committee concerned with this subject had this to say in the open letter to Nemeth: "Participation of our representatives in these committees was mostly incidental and remained a matter of formality. Our presence served the sole purpose of proving the supposed neutrality of the body assembled, and to create the semblance of societal control." Considering all this, the fate of the proposal prepared for last week's Council of Ministers' session assumes special significance. According to original plans, a drafting committee chaired by Foreign Affairs Institute Director Peter Hardi was established to prepare the proposal. As we learned from Hardi, the team assembled by the institute did not consist of novices in the Nagymaros issue. The Institute has an environmental conflict management group which has already prepared a study summarizing professional arguments at the time construction was suspended. The material to be submitted for presentation by the Council of Ministers was indeed unusual in the sense that it did not contain data; instead it contained "only" the evaluation of data, Hardi said in response to our question. All this, however, has no significance. Although the material was completed on time, the Council of Ministers discussed a different proposal prepared by Government Commissioner Laszlo Udvari, and the material prepared by the Hardi team was "demoted" to become an attachment to Udvari's submission. We know hardly anything about the material submitted by Udvari, just as no one knows anything about what transpired at the Council of Ministers' session. According to the single sentence statement made by Udvari and described in press reports, he recommended the elimination of operations during peak demand periods. In contrast, the Hardi submission—demoted to become an attachment—suggests that the Council of Ministers adopt an "a priori position, according to which it rejects the idea of operating the Bos-Nagymaros Water Barrage at peak performance, that as a consequence it permanently abandons the Nagymaros water barrage and continues the suspension on refilling the the Dunakiliti-Kortvelyes reservoir basin. Ecological guarantees, the development of optimum operating methods for the Bos water barrage, and the consummation of related agreements with the

Czechoslovak party should become the conditions for refilling the basin." Further, the Hardi group recommended that the Council of Ministers initiate negotiations with the Czechoslovak party based on the May 1989 National Assembly resolution concerning changes in the 1977 interstate agreement pursuant to the above described concepts. According to word leaked, we may surmise that the state secretary's submission recommends that the government agree to continue work at Bos, even though it would eliminate the abandonment of Nagymaros and the idea of peak performance. Thus far no one has been willing to confirm or deny this information.

One must recognize, however, that the government is not in an easy situation, regardless of what concept it adopted, if it has reached a decision at all. The fact that the Czechoslovak party would not change its mind at any level of negotiation was attested to by Peter Medgyessy after his August visit, and just a few days ago by a group from the Academy of Sciences which conducted negotiations in Slovakia. At the same time, various statements made in Hungary repeatedly reveal that despite government decisions to the contrary, much of the data needed to make a decision is in the hands of Bos-Nagymaros protagonists. Opponents are able to argue about so-called official calculations by finding mistakes in the calculations, or perhaps by relying on estimates. In this way, the independent experts of the government frequently receive basic information only indirectly. Their situation is similar to that of the press. It knows only one thing for sure: The temporary suspension of construction expires at the end of the month. A decision has to be reached by then. Just how much more information those in charge have than they had when the temporary halt was ordered is unknown. One thing is certain: The "opus" is only seemingly dead, and quite a few people are trying to revive it.

Austrian Executive on Continued Work

25000494A Budapest HETI VILAGGAZDASAG
in Hungarian 7 Oct 89 p 19

[Interview with Helmuth Federspiel, Donaukraftwerke executive, by Zsuzsa Foldvari in Vienna, date not given: "Slow Down Faster!"; first paragraph is HETI VILAGGAZDASAG introduction]

[Text] Helmuth Federspiel is a key executive of Donaukraftwerke, the Austrian prime contractor for the Nagymaros power plant investment project. As technical director he operates all Austrian hydroelectric power plants. We asked Federspiel what his company was doing, and what instructions it provides to Austrian subcontractors during the suspension of the power plant construction.

[HETI VILAGGAZDASAG (HVG)] In Hungary we are told that Austrian firms participating in the Nagymaros construction are continuing their activities despite a Hungarian government decision to suspend the construction. Is this true?

[Federspiel] It would be an exaggeration to say that Austrian firms are continuing their work at an unchecked pace. From among the 19 Austrian subcontractors, the material transportation firms have stopped working of course. On the other hand, subcontractors manufacturing specific equipment, turbines, bridges for public roads, generators, and similar things are continuing their work at half steam. They do so in order to minimize construction costs for Hungarian builders. OVIBER would have to pay a large cancellation fee if construction were prohibited.

[HVG] What should we understand by "half steam"?

[Federspiel] Look, the suspension on construction expires on 31 October. Continuation of the investment project is tantamount to an extension of the final project deadline. But no one knows exactly whether it will or will not continue. Our job is to minimize damages. Under given circumstances a product can be sold much more easily as a finished product—it would be impossible to sell such products in a semi-finished state.

[HVG] At the time the project was suspended Austrian enterprise charges amounted to about 2.8 billion schillings. By how much has this amount increased during the past 5 months?

[Federspiel] The amount is more or less the same as it was 5 months ago. As I said, the work has continued at half steam, and the cost of such work represents only a few percentage points of the total cost. The outstanding balance is somewhat larger, but we are not talking about some large sums.

[HVG] At what point would you permanently stop working?

[Federspiel] OVIBER is our customer. We will do what OVIBER tells us to do. If they are stopped by the government or by the ministry, and they provide us with written notice to this effect, we will act accordingly. Quite naturally, in such a case we will enforce our rights pursuant to Austrian law.

SZOT, Independent Unions Begin Negotiations

Differences Mark First Meeting

25000496A Budapest NEPSZAVA in Hungarian
6 Oct 89 pp 1, 5

[Article by "(voksan)": "Dialogue Began Between SZOT and the League"]

[Text] A lively, rapid exchange of ideas characterized last night's consultations between representatives of the National Council of Trade Unions [SZOT] on the one hand, and those of the Democratic League of Independent Trade Unions [FSZDL] on the other. The SZOT delegation was headed by Executive Secretary Sandor Nagy, and included Mrs Kosa, Magda Kovacs, Laszlo Sandor, Attila Balint, Sandor Csintalan, Attila Hajdu, Endre Nagy, and Andras Pencz. The FSZDL delegation

was chaired by Pal Forgacs, and included Gyorgy Kerekes, Mihaly Csako, Ilona Fonyodi, Laszlo Mendrey, Laszlo Szabo, and Laszlo Vitezy. The meeting lasted until after press time.

The negotiating parties were greeted by Kalman Peto, executive secretary of the Artistic and Communications Workers Union, offering a "neutral ground" at his union's headquarters for the discussions. Thereafter an agreement was reached concerning a point of order, according to which detailed discussion of the subjects brought up in SZOT's 6 September proclamation would be impossible in the course of a few hours. Therefore, in would be useful to clarify the conceptual premises for negotiations before the substantive, expert discussions begin, possibly in the near future. Due to the lively fashion in which views were expressed, we are able to undertake only the presentation of the main ideas propounded by SZOT and the FSZDL.

The FSZDL stated that the emergence of independent trade unions was accompanied by denunciations and adverse feelings, even at a time when it was apparent that the interest protection structure that has evolved during the past 30 years is no longer tenable. This is in spite the fact that the attempt to renew trade unions would have deserved attention. This attempt manifested itself in the model experiment conducted by the Democratic Union of Scientific Workers [TDDSZ] in the interest of salvaging proper values in a more flexible form.

SZOT representatives responded in factual terms and stressed that the traditional trade unions, and thus also the representatives present at a SZOT session held 6 months ago, did not deny the impact made by the white collar trade union in terms of a model, nor did they deny the weight exerted by the fact that the workings of that trade union were "different." Nevertheless, reforming the trade union movement is possible only from within the organization, based on perceptions conveyed by the membership.

FSZDL representatives elaborated in detail on their view that the independence of the trade union movement, including independence from political parties, the government, and employers, is of fundamental importance. Thus far only the opposition parties have represented political forces which may prove suitable for ensuring rights asserted by trade unions. Political parties operating at the workplace may present a particular threat because their presence endangers trade union autonomy with regard to interest protection. In addition, possible party strife at workplaces in an already disintegrated economy may further disintegrate the viability of units whose primary purpose is production. For all these reasons it would be useful to issue a joint SZOT-FSZDL proclamation to demand the parties' removal from workplaces in order to to enhance the possibility of civil rights enforcement and the resolution of economic problems. These matters are indispensable from the standpoint of interest protection.

The FSZDL questioned SZOT's position regarding the elections, because they heard that SZOT intends to run candidates for the legislature. Such trade union involvement would not enhance the purposes of interest protection, according to the FSZDL. At most, trade unions could support candidates whose parties represent employee interests, but under no circumstances should trade unions become political parties and run in the elections.

Finally, in the first round of discussions the FSZDL announced that the "mystification" and self-serving assertion of unity must not be placed above the resolution of real interest protection issues. "Stimulating pluralism" would be more appropriate. Trade union pluralism does not constitute unity. It means more ad hoc cooperation instead. In the FSZDL's view there is no way to achieve unity, because "SZOT has not unraveled its 36 years of existence as a monolith, and has been unable to reform its organization. Only the emergence of an outside model organization could accomplish that. The FSZDL representatives also stressed that pluralism does not mean equal opportunity, because the apparatus of the independent unions consists altogether of two rooms, a telephone, and two employees. This limits the opportunities available to independent unions. They regard the unavailability of the SZOT-supervised NEPSZAVA as a limitation on independent trade union activities. That newspaper could also provide appropriate and sufficient information about the activities of independent unions.

Responding to these ideas, SZOT representatives said that trade unions stress unity and cooperation as model characteristics. This concept serves as an operational model in a number of Western countries, such as Austria and the Scandinavian countries. Accordingly, unity is the opposite of multi-centered trade union movements fragmented by political parties. Not even the traditional unions accept the idea of integrating party organizations in the form of institutions at workplaces, or the extension of political party authorities to interest protection. Nevertheless, in the traditional trade unions' view, removing politics from the workplace should not be followed by conveying a political character to trade unions. This threat exists particularly because it is expected that trade unions will remain the sole political forces at workplaces. For this reason party struggles for rightful [as published] positions may begin. A negative example of this kind of situation is the workers council of Herend, which established an outright prohibition of trade union members joining the council. Accordingly, all trade unions should have an identical interest in this regard.

Regarding the sponsorship of candidates in parliamentary elections, SZOT expressed the view that social organizations may become stabilizing factors in the legislature. This is because during the transition period which is expected to overlap the initial parliamentary cycle, political parties will not function in any developed state of pluralism. In many places of the world trade

unions participate in legislative work, therefore there may also be grounds for such work in Hungary, due to the above-mentioned factors. However, this should not mean that trade unions would transform into political parties. Not even if trade unions support political values which express the interests of employers.

The fact that NEPSZAVA provided the broadest coverage concerning the FSZDL's press conference suggests the opposite of the charge that NEPSZAVA provided selective information, according to SZOT. SZOT representatives went on to say that the newspaper is open with "any degree of regularity" to organizations trying to resolve interest protection problems, thus it is also open to the new trade unions. Extreme actions appearing in the cloak of trade unions would represent exceptions, however, and so would attempts to voice party politics disguised as interest representation. Details of information conveyance and openness will be discussed by the SZOT's and the FSZDL's expert groups.

In addressing the issue of trade union conduct with regard to the economic and sociopolitical situation, SZOT representatives said that it would be useful for experts to mediate in the future with regard to a few specific problem areas. These include, for example, the price formulation of basic consumer goods, the tax package, and budgetary issues.

FSZDL representatives expressed the need for trade unions to act united vis-a-vis employers in defense of trade union pluralism that has actually evolved, and stated that only after such action could mechanisms be developed for mediation between interest representation organizations on the one hand, and employers on the other. FSZDL representatives also said that even though trade union unity cannot be accomplished from an organizational standpoint, it would be in the common interests to act in a united fashion in specific cases regarding the implementation of certain action program elements.

The trade union movement could operate in the future on the basis of organizing by trade, but grouped together according to branches, according to SZOT leaders participating in the negotiations. This would eliminate the complete division of the trade union movement, enabling cooperation only at a later stage.

The issue of trade union property was among the subject matters delegated to expert consultations. SZOT and FSZDL representatives agreed that trade union property constitutes the common property of the Hungarian trade union movement, and that it must remain that way in the future so as to form a collateral for independence.

An agreement was reached concerning the release of a statement written jointly by the two parties.

Joint Statement

25000496A Budapest NEPSZAVA in Hungarian
6 Oct 89 p 5

[Unattributed article: "Political Division of the Trade Union Movement Must Be Avoided"]

[Text] On 5 October 1989 the delegations of SZOT and of the FSZDL conducted negotiations at the headquarters of the Federation of Artistic and Communications Workers Trade Unions. They declared that both negotiating parties agree that a political division within the trade union movement should be avoided, that trade unions should be politically independent, and that politics should be removed from the workplace. The two parties agree that the trade union should not act and function as a political party because such action and functioning would run counter to the interest protection function.

Both parties confirmed that they respect the right of trade unions to organize freely as a matter of citizen right, and will take action against attempts made by those in power to limit that right. The parties agreed that at all levels of future negotiations trade union pluralism must be recognized in the framework of every function.

The FSZDL and SZOT agree that trade union property belongs to the Hungarian trade union movement, and that in the future it shall remain the collateral for trade union independence. Trade union property must ensure the operating conditions of all organizations, and must serve to support all organizations.

The parties decided to establish expert groups to negotiate the following issues:

- The development of new interest protection mechanisms;
- The development of a proposal for the management of trade union property;
- Improvements in the openness of trade unions;
- Certain timely topics related to economic and interest protection issues.

Budapest, 5 October 1989

Implications of Removal of Agricultural Price Controls Described

25000493A Budapest FIGYELO in Hungarian
5 Oct 89 p 10

[Statement by Dr Lajos Csepi, deputy chairman of the National Pricing Office: "Food Prices"; first paragraph is FIGYELO introduction]

[Text] Farms engaged in agricultural production and animal breeding are able to make between 4 and 5 percent of the prices charged in profits. At the same time they take out bank loans at an interest rate of between 23 and 25 percent. Sooner or later this situation will result in reduced production and in a lack of interest to

produce. Accordingly, augmenting agricultural profitability appears to be unavoidable. Producer cooperatives regard the full removal of agricultural price controls as the best method of achieving the augmentation of profits. But to what extent is this demand justified, and what could the consequences be? Dr Lajos Csepi, the deputy chairman of the National Pricing Office, commented on this.

In my judgment, the full removal of food price controls would create a social burden that would be hard to bear. Despite price controls, one should count on significant price increases, because profitability is rather low in agriculture, the food industry, and in the food business.

Part of the tension is caused by the "sins" of earlier central pricing policies that were motivated by social policy concerns, nevertheless much of the tension results from low efficiency organizational and management practices. Most certainly, the latter problems would be generously covered up in the beginning by a possible removal of price controls. It would postpone changes which appear to be necessary from a professional standpoint.

Price increases would also set in motion a certain kind of economic selectivity, because only those enterprises enjoying favorable situations could pay sufficient wages to purchase even the expensive food items without having second thoughts. People will leave their jobs if they cannot accomplish this. In and of itself this situation could be a favorable phenomenon. But this society also includes 2.5 million pensioners and several hundred thousand large families, all of whom are unable to count on finding more efficient workplaces.

For this reason the removal of agricultural, and thus food price controls also presumes the existence of an efficient social policy net, but this takes money. After all, minimum wages, unemployment compensation, pensions, and most likely the amount of family supplements, etc. should be increased. And a large part of these increases should come from the state budget.

Under present circumstances we should be looking for that extremely narrow path on which we, as a society, do not "overpay" agricultural production whose efficiency may be disputed in several respects, while at the same time establishing sufficient motivation to produce the needed volume of food.

From a societal standpoint it would be a smaller mistake to pay more for agricultural production than to cause food shortage as a result of discontinued production. This situation could occur if the efficiency standards are too high. This, of course, should not mean the abandonment of endeavors to force more efficient production, because the Hungarian food economy falls far short of international efficiency indexes, even if in many instances there are objective reasons for that low efficiency rate.

The Ministry of Finance has prepared an analysis of food production as compared to the other branches of the people's economy. The analysis shows that the ratio of enterprise resources controlled by the enterprises is not worse in the agricultural sphere than it is in other branches of the people's economy. The situation has deteriorated during the past 8 years, but the deterioration is essentially the same as in the rest of the economic sectors.

All this, of course, does not change the fact that the ratio of net income vis-a-vis the gross value produced is lower in the food sphere than it is in other sectors of the people's economy. And if this is true, and if one assumes that together with the law on business organizations and other legal changes it would be possible to move capital, one should be concerned that capital would abandon the agricultural economy. And if that becomes a mass phenomenon, the direct consequence will be food shortage. Under no circumstances should we wait until this takes place.

In order to avoid the evolution of a situation like this, the income position of agricultural production must be improved to a tangible degree. In turn, however, this does not mean that one could or should jump into a rather unpredictable free pricing system. This would present danger not only to society, but also to the economy, inasmuch as our agricultural sector would have to reduce production, because a drastic price increase could reduce domestic demand. The limits of trade subject to settlement in rubles are still rigid, even though they appear to be softening. On the other hand, capitalist markets respond to prevailing business cycles.

The Hungarian economy is facing the menace of an inflationary explosion. Higher producer price levels in the food industry instantly appear in the form of wage expenses in other branches of the economy. Production becomes more expensive, and the increase presents itself in export prices. This means that selling becomes more difficult.

In order to repay our foreign indebtedness, and in order to effect imports needed for economic development, the volume of exports must be increased to an extraordinary degree. Such an increase would be inconceivable without the food economy, even if the Hungarian food economy produces at a high cost—regardless of whether this high cost is due to competing subsidies in the world market, or because of our high costs. Accordingly, if exports are indispensable, sooner or later domestic prices will also have to reckon with the "escalating" effect of exports.

Social policies provide price change adjustments increasingly according to the effects exerted by such changes on specific social strata. Full compensation throughout society would be generally unfair, because it would provide excess compensation within certain groups, and would generate inflation from the standpoint of demand.

The formulation of offsetting mechanisms demands extreme care. Possible protection of the standard of

living must be accomplished by simultaneously avoiding the evolution of a "wage-price spiral" or a "social subsidy-price spiral" which may produce a self-generating acceleration of the inflation rate.

In my judgment the most realistic chance for breaking out of this vicious circle presents itself in proprietary reform and market building, implemented in an efficient manner and at a firm pace.

ROMANIA

Foreign Credits for Cernavoda Plant Construction

90EB0085A Duesseldorf *HANDELSBLATT* in German
16 Oct 89 p 12

[Article by kg: "Bucharest Obtains Foreign Loan for Construction of the Cernavoda Nuclear Power Plant"]

[Text] Despite assurances by Romanian "Conducator" Nicolae Ceausescu that his country would not take out more loans, he has obtained a loan in the amount of \$1 billion through the Canadian export promotion agency and an international banking consortium. This is to finance delivery of Canadian goods for the Cernavoda nuclear power plant now under construction.

As the Viennese Institute for International Economic Comparisons (WIIW) notes in its latest analysis, "Romania's Investment Policy and its Importance for Western Plant Exports," this latest assumption of debt—although it may be the exception to the rule—corresponds to the priorities and the structure of Romanian investment policy set by the regime.

The major goal of Bucharest's investment policy and overall economic policy at present and in coming years is the reconstruction and modernization of industrial capacities, primarily of the energy industry. The mining and chemical industries are also to be given priority in modernization.

For agriculture, Ceausescu has issued the slogan that mechanization is finally to be attained through increased use of agricultural machinery and equipment. Giant projects—such as the renovation of Bucharest, a subway extension in the capital, further canal projects like the Bucharest-Danube Canal—will probably continue to play an important role, at least as long as Ceausescu stays in power.

The same probably holds true for the largest super-project, namely the "program for systematizing villages," better known in the West as the "program for destroying villages." It is to be implemented without any cuts. Over half of the 13,000 Romanian villages are to be dismantled and in their place, through concentration of settlements, a total of 558 "agroindustrial centers" are to be established.

Western plants and equipment for the aforementioned goals are in great demand because they provide superior

technology. With them it would be possible to achieve higher productivity—with less energy consumption and less pollutant emissions.

Departure From the Policy of Rigorous Debt Reduction

By the end of the first quarter of the year, the Romanians had largely liquidated their foreign debts through a stubborn policy of debt repayment "at any price." But this policy demanded immense sacrifices—particularly with regard to the population's standard of living. Despite the latest credit grant one must assume that in future imports, and that also is true for plant imports, will be authorized only to the amount of foreign currency earned. Which is quite possible in view of the balance of

trade surpluses with the West—since 1984 the surpluses amounted to an annual average of \$2-3 billion. Funds for additional imports could be released in that amount.

According to the WIIW, in future Romanian economic policy could be the following: In 1989 and possibly 1990 pressure will be maintained on stepped-up exports in order to replenish the greatly diminished foreign currency reserves. Then a policy of equalizing the balance of trade might be adopted by bringing imports to the level of exports. In the short term there is hardly any hope for improving the standard of living and supplies for the populace. They have low priority in the "Conducator's" policy.

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