



**FOREIGN  
BROADCAST  
INFORMATION  
SERVICE**

# ***Daily Report***

## ***Supplement***

# **East Europe**

**DISTRIBUTION STATEMENT A**

Approved for public release;  
Distribution Unlimited

19980605 139

JPRS-EER-93-072-S

Friday  
23 July 1993

**DTIC QUALITY INSPECTED 8**

REPRODUCED BY  
U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL INFORMATION SERVICE  
SPRINGFIELD, VA. 22161

# East Europe SUPPLEMENT

JPRS-EER-93-072-S

## CONTENTS

23 July 1993

**NOTICE TO READERS:** An \* indicates material not disseminated in electronic form.

### CROATIA

|                                                                               |   |
|-------------------------------------------------------------------------------|---|
| Effects of Tudjman's Statement Viewed [NOVI LIST 10 Jul] .....                | 1 |
| Commentary Criticizes Tudjman's Politics [SLOBODNA DALMACIJA 11 Jul] .....    | 2 |
| Article Views Tasks of Intelligence Service [NEDJELJNA DALMACIJA 7 Jul] ..... | 4 |
| Seven Marijuana Plots on Rab Destroyed [VJESNIK 26 Jun] .....                 | 5 |

### CZECH REPUBLIC

|                                                                                                          |   |
|----------------------------------------------------------------------------------------------------------|---|
| * Concern About Possible Return of Sudeten Germans<br>[INSTITUT PRO VYZKUM VEREJNEHO MINENI 7 May] ..... | 7 |
| * EC Association Agreement To Be Signed in July [HOSPODARSKE NOVINY 3 Jun] .....                         | 7 |
| * State To Assist on Doubtful Foreign Receivables [HOSPODARSKE NOVINY 3 Jun] .....                       | 9 |

### HUNGARY

|                                                                                      |    |
|--------------------------------------------------------------------------------------|----|
| * Political Scientist Evaluates FIDESZ 'Scandal' [NEPSZAVA 12 Jun] .....             | 10 |
| * Government Relations With Insurance Boards Debated [MAGYAR HIRLAP 10 Jun] .....    | 10 |
| * Duplicate News Programs To Appear on TV Channels [MAGYAR HIRLAP 12 Jun] .....      | 11 |
| * Trade Development Efforts With Russia Assessed [FIGYELO 24 Jun] .....              | 11 |
| * Minister on Agricultural Situation, Subsidies [FIGYELO 17 Jun] .....               | 12 |
| * Besieged State Property Agency Chief Interviewed [HETI VILAGGAZDASAG 26 Jun] ..... | 14 |

### ROMANIA

|                                                                               |    |
|-------------------------------------------------------------------------------|----|
| Agreement of 6 Opposition Parties Hailed [AZI 19 Jun] .....                   | 17 |
| * MER Chief Views Party as Impetus of Renewal [BARICADA 22 Jun] .....         | 18 |
| * MER Sees EC Integration as Crucial Goal [BARICADA 22 Jun] .....             | 21 |
| * Ecology Movement Official Views Recent Party Merger [BARICADA 22 Jun] ..... | 23 |
| Severin Editorial on Varieties of Corruption [TINERETUL LIBER 15 Jun] .....   | 25 |
| Minister Sees Upturn in Tourism Industry [BARICADA 22 Jun] .....              | 25 |

### SLOVAKIA

|                                                                                 |    |
|---------------------------------------------------------------------------------|----|
| * Chances for Creating Viable Coalition Evaluated [Prague RESPEKT 20 Jun] ..... | 28 |
|---------------------------------------------------------------------------------|----|

### SLOVENIA

|                                                                         |    |
|-------------------------------------------------------------------------|----|
| Bucar Assesses Two Years of Independence [SLOVENEK 26 Jun] .....        | 29 |
| Statistics on May Economic Trends [DELO 29 Jun] .....                   | 30 |
| Finance Minister Optimistic About Economic Recovery [DELO 26 Jun] ..... | 32 |

### YUGOSLAVIA

#### Federal

|                                                                         |    |
|-------------------------------------------------------------------------|----|
| Background on FRY President Zoran Lilic [VREME 28 Jun] .....            | 39 |
| Retired General Attacks Milosevic's Party [Ljubljana DELO 28 Jun] ..... | 40 |

#### Macedonia

|                                                                       |    |
|-----------------------------------------------------------------------|----|
| * Ethnic Tension in Aracinovo Examined [NOVA MAKEDONIJA 25 May] ..... | 41 |
| * Political Aspects of Privatization Law [PULS 28 May] .....          | 43 |

### Effects of Tudjman's Statement Viewed

AU1907104093 Rijeka NOVI LIST in Serbo-Croatian  
10 Jul 93 p 2

[Commentary by Stijepo Martinovic: "The Burden of Karadjordjevo"]

[Text] Less than a week after the President's announcement—that (within the broad scope of solving the Serb-Croat ethnic demarcation) even trading parts of national territory is not out of the question—is probably not enough time to create the historical distance to fully evaluate that "verbal offense." However, even the first day of the tremors this offense caused in politics was enough to make the conclusive judgment that Franjo Tudjman had launched yet another of his never-to-be-forgotten statements. Rather on the level of the one about his wife, who is "fortunately, neither a Serb nor a Jew," and (or) the real "revalorization of the NDH [Independent State of Croatia]," which have been tagged to his political biography, but also to the destiny of the independent Croatian Republic, like an irremovable stigma.

This is like the legendary curse of Zvonimir [11th century Croatian king, according to whom the Croats will not have their own state for a thousand years], which the Parliament should soon legally abolish, confirming the game of the one that deputies say is the only one above them (!), and also approving the critics who say that the national parliament, at a time when it is expected to stand up to bloody historical challenges, behaves as if they have plenty of time to react. For, it has enough time and willingness to fool itself with a folk fabrication, without convincing documentation.... They thereby raised at least two questions: Has the main abode of young Croatian democracy, after only three years of multiparty experience, plunged into such a crisis of political intelligence and creative spirit that it does not see any other way out than running away from the apocryphal curse, or is the exorcism over the long-deceased king a sign that somebody is fantasizing so that through the legal elimination of the curse, the possibility opens up for the Croats to get "a master of their language" untouchable by the mechanisms of parliamentary democracy?!

### "The Beginning of Territorial Hemophilia"

But, let us return to "Tudjman's blow to the foundation of the CSCE." First, there is no other explanation for approving Karadzic's idea about the Croat-Serb exchange of territory save for the increasingly unbearable burden "of the secret of Karadjordjevo" on the President's shoulders. For, only some of those great burdens can coax Mr. Tudjman into the game with all the "qualities" of territorial hemophilia. Once cut into, even with a (when we are speaking about trading with the Serbs, notoriously illusory!) favorable exchange of some territories, Croatia would soon bleed to the size of the country visible from the towers of Zagreb cathedral.

Second, by trading Prevlaka itself, Tudjman neglected three essential arguments for the holy, even verbal, untouchability of that part of our country: that this is about the remains of Red Croatia [historical name for the coastal area of the south of Croatia] and about the last Croatian coast in "the Bay of Croatian Holy Men"; that Prevlaka, although "populated" only by members of the UNPROFOR [UN Protection Force], is the last part of the Croatian state visible to the remaining Croats in Boka Kotorska; that Montenegro can, in view of a historical debt, enable eastern Herzegovina to have access to the sea—between the Croatian Cape Kobilja and the river Topla, in the area of Sutorina, where the Ottoman Empire had its gateway to the Adriatic Sea until it withdrew from Bosnia-Herzegovina. Is the historian Franjo Tudjman unaware of the fact that, in 1945, when the borders of the National Republic of Bosnia-Herzegovina were drawn, Djuro Pucar-Stari [Bosnia-Herzegovina politician] left Sutorina, together with Igalo and Njivice, to Blaz Jovanovic [Montenegro politician], so that Montenegro could get the entire area of Boka Kotorska and thus more easily strike at the roots of the idea of its autonomy, on the basis of a separate national liberation committee, thereby abolishing the legal basis of preserving Croatian ethnology and its cultural tradition? (And that, also in order to weaken Croatian feeling on the very south of our historical territory, Bosnia-Herzegovina kept its northern access to the sea in Neum, so that the area of Dubrovnik became "Croatian East Pakistan"!)

### "Wrong Argumentation"

Naturally, the crown of the President's "arguments" is the fact that, by giving up Prevlaka, or a part of Konavli, between Cilipi and Debeli Brijeg, Croatia would buy safety for Dubrovnik. The safety measured by which of the following: the range of Vucurovic's artillery or by Mladic's "orkans" [multiple rocket launchers]? As if the width of the coastal territory of our country is crucial for the peace of Dubrovnik, and not the relation between Croatia and the country on the other side of the mountain! Anyway, is the expansion of the free territory in the hinterland of Zadar, Biograd, and Sibenik by "the Maslenica operation," with all its consequences, not convincing enough evidence whereby the real value of such a safety belt is guaranteed?

Last (as far as this issue is concerned) but not least, the border "south of Cilipi," which is mentioned by Karadzic, and to which, "in the right circumstances," Tudjman would agree, has been drawn in the same place twice already. For the first time in 1941, when Pavelic gave up the south of Konavli to Mussolini's occupation zone in Boka Kotorska, and then also in 1991, when the UN Security Council marked the beginning of "the yellow zone," exactly at this place, without the presence of the Croatian Army, while the tip of Prevlaka was marked blue, as the area in which the presence and movement of any official bodies of the state who owns this territory, is forbidden. Therefore, there is cause for the question does the Croatian President follow the

historical precedent, or does he accept the incomplete act, sanctioned by the UN resolution?

In any case, that incident was not particularly salutary for Mr. Tudjman in the week in which the participants of the founding meeting of the SHK [World Croatian Congress] were making a "study tour" of the country. In this case, the founding fathers of the SHK—although, according to the statements of the opposition sources, they were recruited from among the members of the "emigrants of the HDZ [Croatian Democratic Community]"—join in accumulating energy for the gray core and money from Croatian emigres, quite confused by the crumbling situation in the country. Insufficiently informed anyway, for, according to most of them, Croatian information services have given up the race with the antagonistic Western media, those honorable people are confused by the vagueness of Croatian official politics, by the "alternativeness" of its strategic goals, and (most of all) by the controversies of its Herceg-Bosna adventure.

#### "Jumbo Jet for Zemunik"

Independent of the "mandate" of Ante Belje, wandering member of the HDZ personnel, who, since he became the head of the Croatian Emigration Institute, was the mediator of the founding meeting of the SHK, its participants could not help noticing the consternation of the Liberals over "Tudjman's making a pact, in Bosnia, with those who hold one-third of Croatia under occupation." Moreover, the Croats from all over the world, mostly those who have a healthy experience in parliamentary democracy in their personal political identity card, remember well what incurred disfavor for Ivo Banac, undoubtedly one of the most prominent intellectuals of the Croatian diaspora, (and thereby also the standard qualification as amateur!) from the Croatian President: precisely the prophetic text about the fatal traps of the "mission" in Bosnia-Herzegovina for the Croatian interest in that country, but also for Croatia itself!

And in the end, let us say a few words about another event which will leave a deep mark in the Croatian political arena, about what, on the formal level, only seems to be the belated action of the law-ordered state in the case of the usurping of Starcevic's Home in Zagreb by the HSP [Croatian Party of Rights]. Not going into detail of the way in which the prosecutor, courts, and the police realized the eviction of the HSP, nor searching for the motives of evicting Paraga's party in the light of his "improprieties" in Washington, nor about the "timing" with the (alleged) reversal at the trial of the four men from the Party of Rights, Paraga, Djapic, Dedakovic, Prkacin, we must wonder about at least two things: Why did the authorities wait for so long if it was clear from the start that the HSP forcefully "entered the property" of the city of Zagreb, and why did they miss countless opportunities to critically compare the methods of the HSP with the law (even with the statute and the program of the party), most probably at the expense of the party?

Things being as they are, regardless of the frailty of Paraga's "arguments" and the one-sidedness of the defense of the HSP leadership from the "HDZ terror," we are left with much room for speculation about the authorities' real motive for the inconsistent measures and practice in the execution of the HSP, and particularly for the speculation regarding the reprisal in Zagreb to settle accounts that were made somewhere else (far away). It seems that neither the Croatian state leadership, nor the opposition party arena and national political public, are aware of everything that may result from a belated and superficial diagnosis of the controversial phenomenon in young Croatian democracy. Especially in the inevitable comparative framework of the agony of the Draskovices captured by Milosevic's police in Belgrade!

And something cheerful in conclusion. In Zagreb cafes, a list of passengers for the flight from Pleso [Zagreb airport] to Zadar's Zemunik airport, scheduled for 18 July is being made. This is closely connected with the fresh personnel changes in the authorities, following the outcome of the interparty elections in the HDZ, including the alleged replacement of some "irreplaceable ones." We will mention no names, but the cafe personnel officers have already concluded that "Croatia Airlines" will have to hire a jumbo jet for this solemn occasion!

#### Commentary Criticizes Tudjman's Politics

*AU1907092193 Split SLOBODNA DALMACIJA in Serbo-Croatian 11 Jul 93 p 13*

[Commentary by Vjekoslav Krsnik: "Sour Fruit"]

[Text] Since secret negotiations between Croatia and Serbia on the exchange of territory, or rather, on changing borders, have been going on for a while, which is evident from the fact that President Tudjman himself confirmed that, at the regular news conference, the question arose of why the president revealed that fact to the public at this very moment. Is it because some kind of solution to the crisis on the territory of the former Yugoslavia is discernible, and the Croatian president wants to participate in it with a much greater role than the Constitution of the Republic of Croatia assigned him?

In the last couple of months, on many occasions, he created an impression that the problem of Croatian safety, territorial integrity, and sovereignty must be solved in a wider Yugoslav context. It was like that during the informal meeting with U.S. President Clinton, for example when President Tudjman suggested holding a new Camp David in order to solve the post-Yugoslav crisis, and it was like that in the most recent statement saying that we are "prepared to view any question in the framework of the global solution to the crisis on the territory of the former Yugoslavia and the safety of the Croatian state."

It is necessary to pose a question of whether President Tudjman has the mandate of the Croatian people and all

citizens of the Republic of Croatia and, moreover, whether he also has the mandate of the members of the Croatian Democratic Community, to keep pushing Croatia, as a sovereign and internationally recognized country, in "the framework of the global solution of the crisis on the territory of the former Yugoslavia." Since Croatia as an international subject is not an unessential factor in the Balkans, viewed from the perspective of protection of national and state interests, the order should be different: first, the safety of the Croatian state, and then the global solution to the crisis on the territory of the former Yugoslavia. Commencing secret negotiations with Slobodan Milosevic, while not ruling the situation in the way the Belgrade Hitler does from his viewpoint, President Tudjman got into the trap of a Yugoslav-Balkan solution and not a European-Croatian solution for Croatian safety.

#### "Outlaws"

The sour fruit of such presidential politics started multiplying in the past couple of weeks, and the full swing of event threatens a new outcome, i.e. with a new entanglement of that "global solution." First of all, Resolution 847 does not take into consideration Croatian requests regarding the UNPROFOR [UN Protection Force], whose mandate is practically extended until the end of September. The delegation of the rebel Serbs from the so-called Krajina, sharpened its position at the negotiations in Geneva, so that only the very naive can expect an opening of communications through the occupied areas in the way the mentioned resolution recommended. It is even more difficult to believe that, on 18 July, the Chetnik forces, only a couple of kilometers away, will peacefully watch the opening of the pontoon bridge at the gulf of Novska and the airport in Zemunik.

However, the most serious warning comes from Tokyo. The G-7 confirmed, in their declaration, "the decisive orientation toward the territorial integrity of Bosnia-Herzegovina only" and added: "We cannot accept the solution imposed by the Serbs and the Croats at the expense of the Bosnian Muslims. We will accept no territorial solution if it is not accepted by an agreement of all three sides. If the Serbs and the Croats persist in dismembering Bosnia-Herzegovina, changing borders by force, or on ethnic cleansing, they will only further isolate themselves from the international community, and they cannot expect any economic and trade aid, especially not in rebuilding."

#### "The Group of Seven"

Although the group of the most developed countries of the West is actually an informal gathering, burdened by various interests on the brink of creating a new world order, evaluations of the G-7 will undoubtedly have much influence on official international institutions. In that document, the Croats, therefore not Croatia (or Serbia), were, for the first time, put on the same level

with the Serbs because of the politics toward the Muslims in Bosnia-Herzegovina. After this statement, President Tudjman owes the Croatian public an explanation whether that also fits with his statements that Croatia has a very good reputation in the world, and how it could happen that the Croats are equated with their aggressors. Does that conform to the strengthening the "safety of the Croatian state" or is Croatia thereby put into the Bosnian melting pot of the "global solution to the crisis on the territory of the former Yugoslavia?"

Specifically, the absurdity of the president's statement about the readiness to negotiate on giving up the southern part of Croatia with Prevlaka for a part of eastern Herzegovina, lies in the decisiveness of the Group of Seven from Tokyo that they will "not accept any territorial solution, if it is not approved by the agreement of all three sides." Moreover, if the Croats and the Serbs persist in changing by force, they will be isolated from the international community, they will not get any international aid, "especially not in rebuilding the country." The latter refers exclusively to Croatia, for Serbia was not damaged by war, since there is no war on its territory.

No matter how much he tries to prove the opposite, President Tudjman must admit that, from the perspective of the international position of Croatia, his politics toward Bosnia-Herzegovina have suffered defeat. Moreover, any further move, like the one regarding the readiness to exchange the territory of the state that Croatia was among the first countries in the world to recognise, for its own territory, giving it up to the country that is the aggressor against Croatia, puts the president of the Republic of Croatia into even more trouble, not only together with Croatia in the international community, but himself on the Croatian political scene.

When the statement of President Tudjman is compared to the viewpoints of the Chamber of Counties and the Chamber of Representatives, then it is obvious that the president ignores the highest representative body of the Republic. The Chamber of Counties "emphasizes the need for consistency of the Croatian politics insisting on of the invariability of the borders and on keeping Bosnia-Herzegovina as an internationally recognized country," and the "Croatian state can support political agreements regarding Bosnia-Herzegovina, only if those solutions also guarantee the territorial integrity of the Republic of Croatia." The Chamber of Representatives supports "the integrity of the independent and sovereign, internationally recognized state of Bosnia-Herzegovina."

Not getting into other expressions of dissatisfaction by the Croatian public with the wrong politics that have put Croatia on the same level with the aggressor against it, President Tudjman must finally accept the will of the deputies in the Parliament, because only the Parliament can discuss and possibly control the state territory, and not the president of the Republic.

### Article Views Tasks of Intelligence Service

*AU1907075193 Split NEDJELJNA DALMACIJA in Serbo-Croatian 7 Jul 93 pp 9-10*

[Article by Fran Visnar: "Mighty Trumps of Croatian Commandos"]

[Text] A sudden, well prepared Croatian attack by commandos is most feared in Knin. The Serbian military information services in Knin think that the professional Croatian Army and police units could carry out two plans, primarily in Obrovac, Benkovac, Drnis and Knin. The first would be a classical commando attack, known under the name of "Search and Destroy," consisting of three stages: An attack from Croatian bases supported by helicopters, very fast actions against protected Serbian strongholds and retreat to the bases. The main characteristic of the second plan ("Clear and Hold") is the wish that the special purpose Croatian units hold as much territory as possible. The attack would consist of the following stages: An attack against those regions in which Serbian forces are weak and have little equipment, the consequent demilitarization of the whole area and the consolidation of the state in the occupied area.

### Leaks in Kninja Formations

In the opinion of Krajina military and political leaders, the efficacy and frequency of such raids can, in the long run, have extremely negative effects on the morale and physical strength of the Serbian population because they create confusion. A small-scale war imposed by Croatia, in which the tempo is dictated by the maneuvers of small units, would exhaust the Serbs in Krajina near Knin more than a large-scale attack, which the Serbs expect, with a general mobilization and high morale.

Operations performed by commandos make use of all advantages of the ground in the respective area because small groups of brave and well trained Croats can "skip over" the alert Kninja [colloquial term for Serb "special unit" fighters from Knin area] formations at the first front lines without having been noticed, reach a mountain gorge, eliminate the relaxed Serbian guard there and then defend this passage, which is as narrow as the entrance to a dog's kennel, from a counterattack until military and political conditions have reached a culmination and Zagreb has decided to set its rocket, armored, special and other units in motion according to the motto "now or never."

The most valuable skill of the Croatian commando units is their ability to spread their forces. The arrangement of their forces remains unrecognized and masked until special operations begin. The Croatian ultralight airforce and the special purposes infantry are large enough to act as self-reliant forces. They are a combination of technology and the possibility to cunning surprise, in other words a combination of risk and luck. In "the small-scale war," as in tennis, what counts is speed and routine. By

planned actions, special Croatian units can force the Serbs in southern Croatia to make mistakes and fall into traps—sooner or later.

Naturally, exploitation of mistakes is possible only if there is a good intelligence service. Croatia has had enough time to study leaks in the Serbian Kninja-defense. All bottlenecks and critical points have been analyzed; positions and communications between the Serbian strongholds has been discussed; the population density in the respective area has been defined, etc. In order to be able to use new data, the Military Intelligence Command of the Croatian Army has formed mobile groups that can be transferred quickly from command points to the combat zones, all this with the aim of collecting and processing the intelligence data on the front and passing them to the command. There are such mobile groups in all intelligence service centers and they cover their respective areas in the same way. The communication between the enemy forces is observed from the sea, too. There are special Croatian Navy vessels that perform reconnaissance tasks with electronic, radar and radio appliances.

The Croatian Military Intelligence Service attaches special importance to opening files on all army and police members among the rebel Serbs. The electronic system for data processing is able to give information on any military or political leader from "Krajina," as well as on any ordinary soldier, local activist, Serbian supporter or accomplice in Croatia. The files contain data such as the name, the nickname, a description, photographs, duties the person performed before the rebellion started, school education, present status, physical and personal characteristics, health, and marital status. All Croatian military intelligence institutions and various reconnaissance groups are engaged in collecting these data.

### Who Is Who in "Krajina"

Arrested Serbs (soldiers and civilians) are interrogated in order to confirm unchecked information in the files or to add new data to a file. Captain Dragan, for example, the main organizer of the "Kninja" special units, is not a simple street urchin, a good-for-nothing, but an international criminal. In the above mentioned manner, it was disclosed that he served for two years as a volunteer in special units of the Australian Army that train soldiers to survive in the Australian bush under extremely unfavorable and dangerous conditions. British, U.S., South African and Israeli experiences are applied in their training programs. His deputy, the second instructor of the "Kninja units," is known as Marko Pirocanac. He is a British citizen (English), a former professional in the elite Royal Air Force Parachute Regiment (he is also an experienced mechanic and a light-aircraft pilot).

Apart from Captain Dragan, several other experienced members of the Serbian Intelligence Service are active in the Center for the Training of Special Units (there used only to be such a center in Golubic, but now there is also one in Bruske near Benkovac). Parachute and sabotage

instructors from Nis and Pancevo [Serbia] are also working here (all of them came "privately" from Serbia; in Belgrade they are kept as "personnel on unlimited unpaid leave" because of "urgent tasks"). In order to hide the Serbian involvement in the war in Croatia, their weapons are not of Serbian origin. They have imported weapons and equipment—Israeli "uzi" machine guns, self-loading guns from Lebanon (the well-known cargo from the scandal in Bar), and South African guns, of the types R-4 and R-5, seized from Kikas's "Boeing 707" at Zagreb Airport (today the whole cargo consisting of 1500 guns and machine guns belongs to the regular Serbian Airforce and parachute units in Nis and Batajnica that form two elite reserve brigades of the Serbian "Supreme Command").

When a Croatian commando starts a secret mission on the occupied territory he knows exactly who is in front of him, who he should kill, who he should arrest or leave out.

Reconnaissance and intelligence activities are especially important for the Croatian side for tactical purposes. This service is engaged in studying the organization of the paramilitary and special units in "Krajina." The following factors are being studied in the occupied areas: Power structure, group formation, strongholds, camp sites, bases, supply sources and directions, combat activities, recruiting techniques, arrival of foreign mercenaries into the Serbian Army, etc. The Croatian reconnaissance groups (10 to 16 people) are equipped with light infantry weapons, signal and communication appliances, sabotage weapons, various propaganda materials, and food.

#### Questioning Prisoners

The Croatian Military Intelligence Service pays special attention to questioning of prisoners and deserters. The Serbs arrested in clashes are questioned immediately by the intelligence officers on the front, in order to obtain information important for the ensuing combat activities. Later, the prisoners are given over to the expert groups, who question them within their brigades. Important prisoners, who are considered to be acquainted with data of strategic importance are channeled to the Intelligence Command so that a systematic and patient questioning can be carried out.

Seized Serbian documents are the most valuable and credible information source. These are usually situation reports, orders given from higher Serbian commands and personal notes taken at various military and political meetings.

Many people note apparently irrelevant things: sketches for new orders, various instructions, commentaries on the organization of a unit, they draw schemes for personnel changes or a new organization of a military division. In order to make use of this material, it has to be processed and interpreted by the personnel of the Intelligence Center for Documents of the Croatian Army.

Seized Serbian equipment, as a source of information, has the same value as the seized documents. The data obtained by the analysis of the seized weapons, ammunition, various combat and noncombat means fill out the data obtained by processing documents because they are usually seized in the same area. When processing written material, Croatian intelligence officers work very cautiously because many of these documents are false—people leave false documents on the front or plant them on soldiers or civilians who can be arrested by Croats (soldiers who have lost their way, reporters). Vuk Obradovic, a former leading propaganda officer in the Yugoslav People's Army, is in charge of this procedure in Knin. Today, he is the head of the Department for Psychological and Propaganda Activities of the "Republic of Serbian Krajina."

#### Militiamen Will Not Get Enough Sleep

The Croatian Military Intelligence Service ranks the collected data according to the grade of their authenticity, the reliability of the source, accuracy and confidentiality. When a piece of information is confirmed by a third independent source, it can be entered into a report as a fact. Milan Babic cannot have toothache or Milan Martic eat lamb without it having been noticed by the Croatian Military Intelligence Service. This service plays the most important role in the regaining of the occupied territories. Judging by the present situation, both the permanent army and the militiamen in Krajina will not get enough sleep during the next three-month UN Protection Force mandate.

#### Seven Marijuana Plots on Rab Destroyed

93BA1212A Zagreb VJESNIK in Serbo-Croatian 26 Jun 93 p 41

[Article by Damir Herceg: "The Police 'Harvest' Marijuana"]

[Text] Rijeka—Officers of the Rab Police Station and Rijeka Police Department are continuing their successful "harvest" of Indian hemp in the area of Rab, which began a few days ago, but had been carefully planned for quite a long time. So far, seven plots have been discovered with 709 cannabis plants between 50 and 180 cm tall, which when full grown would yield 70 kg of quality marijuana, and 1 kg of marijuana on the market fetches between 2,000 and 4,000 German marks [DM]. The owners of these plants were also discovered; most of them are young people from Rab who have been tending their little plants carefully; the places where they were planted range from concealed spots in fields all over the island to a city park right in the center of Rab!

Nenad Bicanic of the Rijeka Police Department, one of the inspectors who took part in Operation Cannabis, told us about the most recent discovery: "This is one of the largest finds of cannabis discovered recently in this part of Europe, and that kind of production would satisfy a far, far larger market than that of Rab. So far we have

ascertained the identity of three persons from Rab who have been involved in this production. There is M.R. (age 31), who planted 479 cannabis plants on one plot and 78 plants on the other; S.K. (age 33) planted 11 plants in one place and had 12 at home; it is interesting that members of the household watered them without knowing what they were. S.B. (age 35) had two plants in one place, but a search of his apartment revealed 35 grams of marijuana, and there were five grams in the little cafe where he worked. The police found two other plots with 85 and 30 plants, respectively, and soon they will also know who planted them.

"We believe that with this operation we have greatly disrupted the marijuana market, but we will continue to work on this, because this climate is favorable to growing marijuana. Cannabis requires a great deal of sun and water, and because there are some 400 springs on Rab, it is easy to water those plants without being noticed. The largest number of plants was planted near the hamlet Jurine and in the vicinity of Banjol. Criminal and misdemeanor proceedings will be instituted against the persons who planted the marijuana. Some of the plants were sent away for expert evaluation, and the rest were burned."

The other day, the police in Kraljevica discovered a plot with nine marijuana plants, and the increasing interest of

drug dealers in Rijeka is demonstrated by the arrest in Opatija of a man from Zagreb who was carrying a small quantity of cocaine and a pistol and ammunition for which he did not have a permit.

"Most people think that marijuana is not a narcotic drug, but it does cause dependence and is one of the ways of entering the world of drug addiction. All those who are now dependent on heroin began with marijuana. The Rijeka area is of interest to drug dealers because on the average people here have a bit more money than in other parts of Croatia, there are many tourists, and a great many young people. As a rule, the children of rich parents are the usual target of the dealers. Cocaine peddlers are a new danger; this is thought to be the drug of the jet set, but it is only a matter of time before this drug gets on the street," says Inspector Bicanic.

Those who are dependent on heroin are often the producers of marijuana; for example, recently a Zagreb drug addict was caught with marijuana plants in yogurt containers and 400 seeds of that plant, all of which he intended to plant on Pag. It is usually said that the amount of drug is the amount detected by the police, and it is therefore known that the cocaine is coming from Zagreb, the heroin from Zagreb, Split, and Zadar, and sailors usually bring in the hashish.

**\* Concern About Possible Return of Sudeten Germans**

93CH0743D Prague INSTITUT PRO VYZKUM  
VEREJNEHO MINENI in Czech 7 May 93 pp 1-2

[Article by Jan Misovic: "Impact of Possible Return of Sudeten Germans to Czech Republic"]

[Text] In the Czech public consciousness, fears predominate in connection with a possible return of Sudeten Germans.

On 2 April 1993, the Institute for Public Opinion Research, as part of its April continual sampling, examined the opinions of 780 citizens age 15 or over, representative of the Czech Republic [CR] population. The public also voiced opinions on certain circumstances that might arise in the case of Sudeten Germans returning to the CR.

The Czech population already expressed its view on the subject in past years (1990-92). At that time, roughly one-half of the respondents regarded the expulsion of Sudeten Germans as just, and approximately three-quarters believed that property should not be returned to the expelled Germans.

Today's opinions regarding their possible return are shown in the table below.

**Arrival of Sudeten Germans in CR  
(in percent)**

|                                                                                                | Definitely | Probably | Probably Not | Definitely Not |
|------------------------------------------------------------------------------------------------|------------|----------|--------------|----------------|
| Would threaten property and sense of security of people in border area, the former Sudetenland | 52         | 30       | 9            | 4              |
| Would lead to doubt about borders of CR                                                        | 34         | 28       | 16           | 9              |
| Would lead to speeding economic development of borderlands                                     | 15         | 32       | 24           | 14             |
| Would lead to better mutual knowledge of Czechs and Germans                                    | 10         | 19       | 31           | 27             |

(The percentages bringing the total up to 100 percent on each line are "not sure" responses).

The prevailing view among the predominant segment of the Czech population is that a return of the Sudeten Germans would threaten the property and sense of security of people in the borderlands.

Also, nearly one-half believe that it would lead to speeding up economic development of the border territories. Barely one-third of the respondents would expect the situation to improve mutual knowledge between Czechs and Germans.

The most significant differences according to sociodemographic groups are by age. For instance, the view that a return of Sudeten Germans would threaten the property and sense of security of people in the borderlands was shared by 72 percent of respondents between the ages of 15 and 29, but already 85 percent of those 30 or older. Putting the nation's borders in doubt is associated with the return of Sudeten Germans by one-half of respondents age 29 and under. In the next age bracket, 30 to 44, it is 64 percent. It is, of course, among the young people that the most respondents have not formed an opinion. By region, citizens of North Bohemia are the most "fearful" of a return of Sudeten Germans, and inhabitants of Prague the least. The latter far more than others emphasize the contribution their return could bring (economic revival of the borderlands, knowing each other better).

Of the various sample groups, it is the inhabitants of okreses bordering on Germany who harbor the greatest

fears. Ninety percent of them believe that a return of the Sudeten Germans would threaten their property and sense of security. Also, 77 percent would expect that, after a return of the Sudeten Germans, the existing borders would come into question.

**\* EC Association Agreement To Be Signed in July**  
93CH0728D Prague HOSPODARSKE NOVINY in  
Czech 3 Jun 93 pp 1, 30

[Article by Milos Sklenka: "An Old Document in a New Cover"]

[Text] The European Agreement on the Association of the Czech Republic [CR] With the European Community could be signed as early as the first half of July. That became apparent from yesterday's HOSPODARSKE NOVINY interview with the head of the Czech delegation to the association agreement with the EC, Jaromir Privratsky.

The Czech diplomat said: "I consider the fact that the document was finalized in a mere seven weeks to be the principal success of the bilateral negotiations regarding the association agreement. Despite certain efforts by some member states of the EC to limit the commercial exemptions granted in the original association agreement involving the former CSFR, it was possible to protect all of the commercial concessions for the CR." According to Privratsky, it is not possible to overlook the

fact that the agreement has created favorable conditions for the gradual curtailment of the process of removing customs barriers of the Community with respect to the import of Czech goods by one to two years, something that will be on the agenda, among other things, at the coming Copenhagen EC summit.

Despite the fact that the association agreement has thus far not been ratified, there exists a real chance that that will occur within two weeks within the framework of document authentication. According to Privratsky, that delay was compelled by the fact that a number of technical errors showed up in the text that had been taken over from the old association agreement. After "cleaning up" the document and the packet of attachments that accompanies the text of the association agreement itself, the customary approval process will follow within the joint organs of the 12 countries of the Community. The actual signing of the association agreement could occur at the end of the first 10 days of July at the meeting of the EC Council for General Questions. However, as for our side, it has not yet been decided whether the agreement will be signed by Prime Minister Klaus or by Minister of Foreign Affairs Zieleniec.

Privratsky noted in that connection: "The basic prerequisite for the official signing of the agreement is that the EC Commission is able to produce the text of the document in all nine official languages of the EC as well as in Czech in sufficient time because the member countries of the Community insist on the simultaneous signing of all language variations." In response to our question as to when the agreement might take effect, Privratsky responded that that depends on how quickly the approval process proceeds in the European Parliament (several months—on a preliminary basis, that is expected to take until the end of October or the beginning of November), and, subsequently, on the ratification in the individual member countries of the organization.

According to Privratsky, the existence of the "hybrid" customs union between the CR and the Slovak Republic constitutes a certain potential brake on the approval process, among other items. "It is primarily the delegates to the European Parliament who have trouble understanding the statutes of our customs union. They generally quite frequently consider it to be an organ with legal subjectivity, although it is, de facto, only a zone of free trade, with certain elements of a customs union. In that connection, mutual misunderstandings frequently crop up," emphasized Privratsky. The CR is interested in seeing the association agreement take effect as early as the first half of next year.

Despite the fact that the European Agreement on the Association of the CR With the EC is based on the text of the original agreement dating back to the CSFR, it contains a number of changes. Primarily, those involve an appeal in the preamble to adhere to human rights and to respect the rights of nationality minorities. In harmony with the decision by the EC Council of May of last

year, that legal standard must be an inseparable part of all contractual documents of the EC signed with third countries. A completely new Article 6 on respecting democratic principles, human rights, and market mechanisms as the pillars of association with the EC was inserted. And Article 117 is within the framework of the so-called suspension clause, which, in fact, existed even in the original association agreement involving the federation, dated December 1991, but it has supplemental language stating that the fulfillment of the agreement can be suspended in the event of special urgent need.

According to Privratsky, the signing of the association agreement and the packet of attachments will be accompanied by the signing of two important declarations: a unilateral one by the EC, in which Brussels states that the insertion of Article 6 and the expansion of Article 117 of the agreement is not motivated by discrimination against the CR but is based on the existing legal code of the EC. In the joint declaration by the EC and the CR, moreover, there will be a clear definition of all cases of "special urgent need," in harmony with international laws on contractual law.

In view of the fact that the association agreement is based on the asymmetric principle of liberalization anchored in the old agreement, the progress chart for opening up West European markets for Czech manufacturers has not changed in any way. However, it can be expected that the June EC summit will make a number of positive changes in that direction, according to Privratsky. In the case of textile products and clothing, the Czech side is demanding that the process of liberalization be shortened so that those commodities are totally exempt from customs duty as early as 1997. With respect to agricultural products, the situation is somewhat more complicated. Generally, however, we are demanding that import quotas for meat, vegetables, and fruit be raised to the level of Hungary and Poland and that the equalization tariff be cut in half. With respect to industrial products, where the EC grants customs relief within the framework of tariff quotas and ceilings, we are proposing that the remaining customs duties be eliminated beginning next year. In the case of steel, we are demanding exports without any kind of restrictive quotas.

"Thus far, a problem remains in the form of the question of transit cargo trucks from countries of the EC through our territory, primarily involving Greek shippers," stressed Privratsky. Permitted limits of transit shipments and above-limit fees amounting to 18,500 korunas are still governed by the federal agreement for this year. For next year, it is expected that the limits will be retained but that the payments will be shared on a one-to-one basis with Slovakia. Beginning in 1995, however, the new transport agreement with the EC should be effective.

**\* State To Assist on Doubtful Foreign Receivables**  
*93CH0728E Prague HOSPODARSKE NOVINY in*  
*Czech 3 Jun 93 pp 1-2*

[Article by Marcela Doleckova: "The Enterprises Cannot Eliminate Doubtful Receivables Abroad Without State Help"]

[Text] The state has shown its circumspect willingness to assist in the solution of bankruptcies by buying out receivables for Czech bankruptees. However, the enterprise sphere, including foreign trade corporations, also hold doubtful receivables abroad.

The amount of foreign receivables is approximately 30 billion korunas [Kcs]. Without their "liquidation," Czech foreign trade will have difficulty in recovering. The weight of doubtful receivables is carried primarily on the shoulders of foreign trade corporations. Under the former monopoly in foreign trade, those corporations were ordered to make deliveries to countries ranging from Libya, through Sudan, all the way to Russia. To a lesser extent, those doubtful receivables apply to production enterprises that, enchanted by indicative balance sheets, were engaging in overly risky exports to Russia in 1991. Both cases involve corporations that are primarily in the engineering industry, such as Technoexport from the commercial sphere and CKD Praha from the production sphere.

Despite the fact that foreign-trade experts admit that it is possible that some of those receivables might be paid off in a few years, they are now blocking finances, not to mention interest payments. But it is also necessary to finance additional business transactions. So that a beginning can be made in writing off those receivables, there has to be something against which they can be written off; the debtor must have sufficient gain. If debt service is not eased, the amortization of receivables at individual enterprises based on last year's profits could take from 10 to 150 years. Of course, enterprises that have no gain could not amortize them even over all of eternity.

The Ministry of Industry and Commerce is proposing a solution that, although it figures on state intervention,

has a "recoverable" character. It is based on the supposition that debt service must be easier and that that requires cheaper loans—in other words, inexpensive resources. The only possible cheap resource in the current situation can be the Fund of National Property, which is willing to deposit Kcs10 billion into the bankruptcy process. Of that amount, Kcs1 billion should be loaned out for mutual debt-crediting operations, and the remaining Kcs9 billion should obviously be used to buy out the receivables of Czech bankruptees.

Today, it is evident that another opportunity is coming into play; the opportunity to utilize Kcs3-5 billion as loans for the foreign-trade sector—loans that are cheap but recoverable. The fund would deposit that amount in an interest-free account (or in a low-interest account) with the Bohemia Bank (its shareholder is FINOP, which also has property participation in almost 30 foreign-trade corporations). FINOP would also use its property to provide guarantees for the fund. The Bohemia Bank would use the loan thus acquired to provide special-purpose credits to cover those "bad" receivables. Those could then be gradually written off over a period of five years.

Foreign-trade experts remind us of several fundamental facts: The decisive carriers of Czech export volume continue to be the large trading firms (they shared in last year's foreign-trade balance as a whole by accounting for Kcs8 billion plus, whereas all of the other foreign trade entities showed a loss of Kcs33 billion, so that the balance ended up with a negative amount of "only" Kcs25 billion). The fact cannot be excluded that, under the weight of the above receivables, some of those corporations could go bankrupt. On the one hand, that will have an unfavorable impact on Czech exports, and, on the other, the weight of their debts will be felt by the principal creditor in foreign trade, the Czechoslovak Bank of Commerce. One way or another, the Czech state would obviously again rush to save the Czechoslovak Bank of Commerce. Albeit, that would no longer involve a mere recoverable (although cheap) loan but would mean the wiping up of spilled milk.

The Ministry of Commerce and Industry will submit its proposal to a conference of economic ministers.

**\* Political Scientist Evaluates FIDESZ 'Scandal'**

93CH0722A Budapest NEPSZAVA in Hungarian 12  
Jun 93 p 8

[Interview with political scientist Laszlo Keri, by Dora Demeny; place and date not given: "Laszlo Keri: The FIDESZ Has Lost its Purity; 'The Scandal Was Timed'"]

[Text] *The headquarters scandal or the luxury car rental now remind everyone of the FIDESZ. Even though it was at the very top of the popularity surveys for many months. We talked with political scientist Laszlo Keri about the headquarters affair, its circumstances, and its expected outcome, and our first question was whether the extent of damage that the FIDESZ suffered as a result of the past weeks' scandals was predictable.*

[Keri] This sort of a political scandal destroys prestige slowly. This is a big blow at FIDESZ because it was attacked on a point which until now has been its greatest virtue, namely, that of being born today, of the declaration that "we are not bound to the former regime; we are clean." For this reason, it does not matter how FIDESZ will come out of this scandal, suspicions will remain. It has probably lost the anticipated trust of many people. Possibly, the selling of the headquarters building and everything else may have been entirely legal but not proper. Of course, it is also true that everything happened too suddenly; the scandal was timed, if you like.

[Demeny] In your opinion, who had an interest in discrediting FIDESZ at this point?

[Keri] This is what I think, but it is hard to prove. The timing is the only thing from which one can conclude anything. The news appeared in MAGYAR HIRLAP and in NEPSZABADSAG on a Tuesday; the debate between Orban and Horn took place the next day and the meeting of SZDSZ delegates took place three days later. This is definitely thought provoking, at least in this setup. When there is an affair that existed on paper for months, why is it now that it turns into a scandal? Why did two papers report it simultaneously? The news was not timely other than the fact that it happened during a politically busy week. At least I find it hard to exclude the variation that those who passed the documentation to the newspapers did so by carefully choosing the timing.

[Demeny] Who dislikes FIDESZ?

[Keri] Who does not? After all, FIDESZ has outgrown itself. It is continually at the top of popularity lists, way above its accomplishments and possibilities. Obviously, everyone is annoyed by this. Incidentally, the same thing can happen to any other party as well when it "grows on" the others for a long time.

[Demeny] Can we expect a continuation?

[Keri] I would not be happy if the election campaign during the coming months would consist of everyone paying back to everyone else. This would be a cause for

concern, but it can easily happen. These parties know a great deal about each other. From now on, the role of newspapers will greatly increase by the extent to which they use data and information received from the individual parties regarding other parties. Journalists will have a great responsibility from this aspect. They are the only ones who can avert a negative campaign, which can only hurt the voters who will get tired of it and stay away from the elections.

[Demeny] Incidentally, according to your experience, is it customary in developed countries to conduct business like FIDESZ does?

[Keri] It does not serve any purpose to compare. Unfortunately, there are many problems in Hungary regarding party finances. It is a fundamental problem that the system of state subsidies has not been set up. I would be very happy to see this regulated, only I do not know who will do this and when because, of course, this depends on an agreement between the parties. I am afraid that they have no great interest now in turning soft and doubtful regulations into hard ones. The modification of the party law could be the first task of the next parliament because many things are unclear, e.g., financial sources originating from abroad or from business groups. The FIDESZ scandal has at least one benefit, namely, it called attention to the chaotic legal regulations.

[Demeny] In this scandal, everyone talks about the FIDESZ and keeps quiet about the MDF. It is true, however, that the internal crises of the Hungarian Democratic Forum overshadow its business transactions....

[Keri] When I see that persons who can be suspected of corruption are removed from key government positions, I have the feeling that the MDF is preparing for a cleanup. It wants to get rid of people, ahead of time, who may prove to be a burden during the campaign. Incidentally, I do not think that the MDF is in such a deep crisis as others think. Without Csurka, the MDF can be a presentable partner to any other party in 1994 and, thus, Csurka can also select his own circle of friends.

**\* Government Relations With Insurance Boards Debated**

93CH0722A Budapest MAGYAR HIRLAP in  
Hungarian 10 Jun 93 p 5

[Unattributed report: "Government on Social Insurance Boards?"]

[Text] At yesterday's meeting of the Constitutional Committee, the majority of representatives found the proposal, submitted jointly by the MDF [Hungarian Democratic Forum] and the FIDESZ [Alliance of Young Democrats], to modify the law on the administration of social insurance through local boards appropriate for a general debate. Endre Pokorny, Ferenc Grezsa (MDF), and Imre Frajna (FIDESZ) proposed that employers be able to delegate representatives to the future local insurance board in proportion to their contributions. Officials

of the Ministry of Public Welfare supported the proposal on behalf of the government.

SZDSZ [Alliance of Free Democrats] and MSZP [Hungarian Socialist Party] representatives did not support the proposal. Peter Hack (SZDSZ) reminded government representatives of the SZDSZ's view prior to the social insurance elections, that the government should not be represented in local social insurance boards. Hack said that to modify a 1991 law at the time it goes into effect would undermine legal stability. Grezsa refuted this by saying that it was the government's intention to include a member of the opposition among those who would present the proposal. Subsequently, Hack called attention to the letter of Istvan Szabo, present chairman of the Reconciliation Committee's employer side, to the Constitutional Committee, the main point of which is that employers oppose the intention of the government and the local governments to represent employers on the local social insurance boards. In addition, they state that "the state, together with the residential local governments, is the largest user of the social insurance budget, for more than 90 percent of the health institutions and facilities are owned by these two state institutions." Then the letter goes on to say that "such a setup would cast doubt on the very meaning of supervision by local governments and would turn the elections that cost 800 million forints into a theater of deception." They request that this controversial issue be resolved not through power but through negotiations.

The representative of the ministry said that the administration, as an employer, has no agency to represent its interests, therefore it could not delegate any representative to the local social insurance board. The representatives supported the joint proposal of the MDF and the FIDESZ by 7 ayes, 5 nays, and 1 abstention.

#### **\* Duplicate News Programs To Appear on TV Channels**

93CH0722A Budapest MAGYAR HIRLAP in Hungarian 12 Jun 93 p 3

[Unattributed report: "Istvan Palfy G.'s Program on Both Channels; Double News in the Morning on TV"]

[Text] *As of the end of June, TV News, directed by Istvan Palfy G., will be aired simultaneously on both channels of Hungarian Television before 7 o'clock in the morning. If this new morning (news) program will get a high viewer rating, then the finalized program, beginning in September, will also have a double news program, and conceivably even the evening news will be aired in the future in a "twin" form.*

As we learned from program director Mihaly Kocsis L., this innovation is considered a pilot program, modeled after the double evening news at the Austrian ORF, which stood the test well. Although TV executives have already considered introducing this double program in the evening as well, they thought that it would be too ambitious and, therefore, chose to limit it to the morning

prime time. It is conceivable in the long run, however, that TV-2 will also have a news program at 1930 hours. Since this solution is still quite unusual in Hungary, the managers will test viewers for two months to find out how they like having access to two simultaneous news programs. TV's department of mass communication research is expected to conduct the surveys.

The finalized program will start on 1 September; until then, the accumulated data will be sufficient for making a decision on the continuation [of this pilot program]. Mihaly Kocsis L. said that this double broadcasting does not mean that programming time is wasted, and the professional justification for this step was that "there is a great need for this important public-service news program, at a time when many people watch TV."

Of course, the news program will shorten of TV-2's program entitled "Napkelte" [Dawn] by 15 minutes. According to our information, the result of talks that are in progress at present at TV is that, contrary to the announced changes, the "A Reggel" [The Morning] magazine will not be discontinued after all, but will be moved to 0700 hours, following Palfy's news programs.

#### **\* Trade Development Efforts With Russia Assessed**

93CH0788B Budapest FIGYELO in Hungarian 24 Jun 93 p 13

[Article by J.D.: "Hungarian-Russian Trade; No Money, No Goods; Marketing Work by Hungarian Firms Weak"]

[Text] Everything in Russia is in the process of being transformed, and that applies appropriately to the statistical system as well.

Although statistics at present is unable to keep up with the rapidly changing economic processes, it is quite obvious that, among the republics of the former Soviet Union, Russia is our largest trading partner: it accounts for more than 90 percent of this trade. That is due in part to Russia's being the country with the greatest economic potential; and in part to the fact that our marketing apparatus has developed mainly there. Which means that, besides the commercial section of our embassy in Moscow, we have trade delegations also in other areas of the Russian Republic—in Rostov and Yekaterinburg, for instance. In addition, we have trade delegations in Bashkortostan and Tatarstan as well.

From the available statistics it can be seen that Hungarian-Russian trade has declined this year, in comparison with the same period last year. Through May of this year we have transacted only between 70 and 72 percent of our last year's trade with the Russian Republic. This is due primarily to the decline in agricultural export. As a result of this new situation, the structure of our trade during the first four months of this year has shifted in favor of engineering products. Last year farm products accounted for nearly 50 percent of our export (that can

be attributed in large part to the substantial export shipments of grain during the first quarter of last year, admittedly under government guarantees that will fall due specifically in these months). But this year the proportion of machinery and equipment is the greater (see table).

**Development of the Structure of  
Hungarian-Russian Trade  
(in percent)**

|                                | Export |       | Import |       |
|--------------------------------|--------|-------|--------|-------|
|                                | 1992   | 1993* | 1992   | 1993* |
| Sources of energy, electricity | 0.1    | —     | 76.6   | 72.7  |
| Materials, parts               | 23.5   | 24.2  | 15.4   | 17.8  |
| Machinery, equipment           | 17.0   | 32.8  | 4.9    | 2.3   |
| Consumer goods                 | 10.6   | 14.2  | 2.5    | 6.5   |
| Agriculture, food industry     | 48.8   | 28.8  | 0.6    | 0.7   |
|                                | 100.0  | 100.0 | 100.0  | 100.0 |

\* First four months of 1993

Source: Ministry of International Economic Relations

On the import side, however, the structure of trade remains unchanged: sources of energy account for 90 [as published] percent of the products imported from the Russian Republic. A particular form of our trade relations is the agreement under which Russia will be supplying us MIG-29 fighters and weapons parts, against the 800 million dollars the Soviet Union owed us; the Ministry of Defense received just recently authorization from the government to sign this agreement.

The "list" of players in the trade relations between the two countries expanded considerably during the past three years. Whereas earlier only a handful of large enterprises were present in the Russian market, now the number of firms that are active there has increased to several thousand. The main characteristic of these firms is that they are doing modest volumes of business, with little capital. From this it follows, according to Istvan Tamas, the deputy chief of a main department within the Ministry of International Economic Relations (NGKM), that marketing, advertising, and working the Russian market have assumed exceptional importance. Simply because the circle of sellers and that of buyers have both changed significantly. One of the greatest drawbacks of the Hungarian firms is specifically that they are not strong enough in marketing, Istvan Tamas claims. If we could make some progress in marketing, the volume of trade could be expanded somewhat even within the given narrow limits.

Last year the Hungarian government was still able to conclude an agreement with the Russian Republic, in

which the Russians undertook to buy from us goods for the same amount that we import from them. (Naturally, this was merely the agreement; things worked out quite differently in practice.) But this year we have not been able to conclude even such an agreement, because the Russians believe that they are already on the road toward a market economy. Our failure to repeat last year's agreement is due in part to the Russian government's shortage of stocks of commodities for export, or of foreign exchange, Istvan Tamas says. What little foreign exchange they do have is being spent primarily on farm products. Consequently, we could be optimistic about the development of mutual trade if there were a substantial surplus of farm products in Hungary.

According to [Istvan Tamas], trade might be maintained at last year's level if we could intensify our relations with an increasing number of republics within the Russian Federation.

To do that, of course, we need stocks of commodities for export.

#### \* Minister on Agricultural Situation, Subsidies

93CH0788A Budapest FIGYELO in Hungarian 17 Jun 93 p 26

[Interview with Minister of Agriculture Janos Szabo, by Tibor Krecz; place and date not given: "The Minister at Whom They Smiled; More Subsidies for Agriculture; Janos Szabo Expects a Turnaround in 1994"]

[Text] [Krecz] The government recently instructed the Ministry of Agriculture to prepare the legal groundwork for a new Land Law. Why is a new Land Law necessary? On assuming your duties, both you and the new political state secretary [at the Ministry of Agriculture] made a programlike promise to have one enacted.

[Szabo] Greater emphasis has been placed on this matter. According to the original plan, a comprehensive bill to amend the Land Law would have been drafted by the start of the new agricultural year [formerly 1 January for state farms, and 1 November for agricultural cooperatives]. After several problems and considerations had been raised, I introduced in cabinet a draft resolution to complete the drafting of a new land bill by 1 September. The cabinet passed this resolution.

[Krecz] Then you are already beyond the conceptual decisions regarding a farm's maximum size, and the acquisition of farmland by foreigners.

[Szabo] Since the bill has yet to be drafted, I can tell you only my personal standpoint. The size of farm that may be acquired ought to be determined not in absolute numbers, but by specifying that one owner may not own more than half the farmland in a given administrative area, for instance. There are international examples of

both solutions. Rare exceptions—inheritance or compensation—aside, foreign citizens may not acquire farmland. There is wide agreement on this in agricultural circles.

[Krecz] You are the minister responsible for the branch that is in the most difficult situation. Farm output and agricultural investment have been setting all-time lows during the past two years.

[Szabo] Undoubtedly, the changes in ownership, the loss of Eastern markets, the drought now in its third year, and hog cholera this year are creating many problems. Indeed, these developments will not cease without conflicts.

[Krecz] The rapid decline of Hungarian commodity export has been one of the unfavorable processes this year, and the fall of agricultural export has been a decisive factor in this decline.

[Szabo] You may be surprised to hear that, in our association agreement [Europe Agreement] with the European Community and in the GATT talks, we have won more than we can handle: we are unable to find sufficient stocks of commodities to fill the quotas we have been given. The reasons for this are in part quantitative, and in part qualitative.

[Krecz] Don't you think this is an indication of an acute crisis? Of the deterioration of the farm economy's production structure, of its inability to produce output of good quality?

[Szabo] Certainly that, too, is involved. But so is the fact that the ministry is under attack from all sides whenever it makes a decision in the interest of extricating ourselves from the crisis. As happened in the case of livestock ownership papers. Incidentally, the problem you raised is a complex one.

[Krecz] Could it be solved by providing more money, more subsidies?

[Szabo] The financing of farm production, and the establishment of a secure market with the aid of regulatory instruments are indeed the key to solving this problem. The conditions of the 1993 budget are what they are. But there is a favorable change in the principles of next year's budget, in the sense that agriculture will have priority. Total subsidies for agriculture will rise.

[Krecz] Will they be increased sufficiently to compensate for inflation?

[Szabo] That cannot be inferred from the material presently available. In any event, it is reassuring that the principles include priority for agriculture.

[Krecz] You mentioned the organization for regulating the market in agricultural commodities. Recently the National Assembly's Agricultural Committee expressed its dissatisfaction with the way the Agricultural Market's Regulatory Agency operates.

[Szabo] That dissatisfaction could be warranted. But allow me to ask in return: Is there a perfect regulatory agency anywhere in the world for the agricultural market? Well, there isn't. Everywhere these institutions are only able to trail the market's changes. Our regulatory agency has been functioning for only four months. That should be borne in mind when judging its effectiveness.

[Krecz] If we do not have to worry about the Agricultural Market's Regulatory Agency, should we be worrying about statistical reports that the use of organic and artificial fertilizers during the past two years has dropped far below the level of their usage in the preceding period; or about the fact that the decline of breeding stocks is posing a serious threat to livestock production?

[Szabo] Once the questions of ownership will have been clarified during the life of the present National Assembly, everyone will be able to concentrate on production. That will restore agriculture's equilibrium. Meanwhile, let us not forget about the need to increase subsidies!

[Krecz] What is your ministry's standpoint in the debate on privatization in industries that process farm products?

[Szabo] Several industries—the farm-machine industry and agricultural marketing, for instance—have been placed under the supervision of other ministries, and in most cases the AVU [State Property Agency] and the AVRt [State Property Management Corporation] exercise the rights of the state as owner. Yet, on controversial issues, the criticism is always directed at the Ministry of Agriculture.

[Krecz] Do you mention this as criticism of the system?

[Szabo] I mention it as a fact, and everyone may interpret this in accordance with his or her liking. Anyhow, the AVU is the seller in the case of food-industry enterprises, but it always seeks out our professional opinion. The Ministry of Agriculture has a standpoint on privatization. It is just being updated during these weeks, with the participation of consultants. We will make the new version public as soon as it is ready.

[Krecz] What is your assessment of the relationship between the ministry and the interest-representing organizations of the branch? In other branches we find no signs of tensions similar to what exist between the MOSZ [National Association of Farmers and Agricultural Cooperatives] and the Ministry of Agriculture.

[Szabo] I do not wish to comment on anything before my time, but there have been radical changes since I took over. We are holding regular consultations with leaders of the MOSZ, the Chamber of Agriculture and the EDOSZ [Trade Union of Food-Industry Workers]. There are meaningful exchanges of views with them, and on most problems we are able to arrive at a common denominator.

[Krecz] You already have several months of experience as minister of agriculture. Do you feel that, within the cabinet, you are a cardinal member heading a key ministry? In an interview a few weeks ago, you had said that your fellow ministers smile at you when you speak up in cabinet.

[Szabo] It would be unseemly for me to claim that I am a cardinal member of the cabinet. But agriculture is a core branch of the economy! And the government's economic policy must be adapted to agriculture. To the best of my knowledge, I am helping to shape such an economic policy.

[Box, p 26]

### Report From Agriculture's Tunnel

(Excerpt from a Fiscal Research Corporation report entitled "Jelentes Az Alagutbol [Report From the Tunnel]")

One of the main shortcomings in the activity of the agricultural administration is its failure to develop strategies for the branch, clear conceptual plans for the individual partial successive stages of production. Therefore it is still unclear what economic roles the individual regions should play; how much weight should be attributed in agriculture's transformation to the value judgment of the market for unprocessed farm products; whether there should be some kind of state cooperation; furthermore, what the aspects of the policies on crop production, livestock production, marketing, market development, etc. are associated with privatization.

The ministry in question underwent continual reorganization during the past two or three years. Lacking a clearly defined agricultural policy and regulatory system, and without a set of mature political objectives, the agricultural administration's actions were often hesitant, conflicting, badly timed, and intermittent.

About developing a market, the ministry has only temporary ideas that tend to change quickly. In the first half of 1992, it was still emphasizing the importance of the continued coexistence of large-scale and small-scale farms, and stressing at the same time the significance of the agricultural intellectuals' know-how. Later, when in the course of implementing the Law on Transforming Agricultural Cooperatives it became evident that the transformation was not proceeding the way it had been expected to work (after the distribution of assets, a large proportion of the membership decided to remain together, and in many instances the leaders of the cooperatives were the ones who came off well), the ministry launched an attack against the agricultural intellectuals. It accused them of pursuing their own interests one-sidedly, and of sabotaging the agricultural cooperatives' transformation. The ministry also urged the members of the cooperatives to withdraw their assets

from joint farming. Under these conditions, the intellectuals in large-scale farming are concentrating their attention not on the challenges of the market, but on parrying the government's actions.

### \* Besieged State Property Agency Chief Interviewed

93CH0787A Budapest HETI VILAGGAZDASAG in Hungarian 26 Jun 93 pp 39-40

[Interview with Lajos Csepi, managing director of the State Property Agency, by Gizella Tarnoi; place and date not given: "Here We Know Exactly What the Score Is"]

[Text] *Accusations of corruption; the pace of privatization said to be too fast or too slow; attacks, even by parties included in the ruling coalition, becoming constant; speculation about corporatizing the State Property Agency (AVU); rumors and indications of differences between the AVU and the State Property Management Corporation (AV Rt.); and increasingly more frequent rumors about the replacement and departure of Lajos Csepi, the 43-year-old managing director of the AVU. Amidst these external conditions, we asked the managing director: What is certain in all this?*

HVG: According to statements made by you people, the AVU's income has been between 23 and 24 billion forints this year to date, and the agency is required to pay between 74 and 75 billion forints in cash into the state budget.

L.Cs.: No, that total is not just for the state budget. The Budget Law and also several other laws and statutory regulations specify exactly what [other] payments we have to make. For instance, into the Employment Fund, the Regional Development Fund, and the Agricultural Development Fund. The combined total of these cash payments is 74.8 billion forints.

HVG: Add to this the noncash distributions for compensation, transfers of [business] assets, and privatization on favorable terms. These distributions are actually unrealized income, because they involve offers to sell on favorable terms assets that could have been sold for cash.

L.Cs.: If we take also these items into consideration, our total obligation to sell or transfer assets this years amounts to around 120 or 130 billion forints, and to this we have to add also the assets to be transferred to the social insurance funds. Because of these stringencies, a new version of the assets-policy directives had to be drafted. The government has already approved this version, and it will be presented to Parliament soon. In this version the government attempted to create order, but it only got as far as reducing the AVRt's 34-billion obligation to 8.0 billion forints, which is reflected also in the supplementary budget bill, but our income plan has not been amended.

HVG: And how much will be available this year for the management of assets and reorganization—i.e., for laying the foundation of future privatizations?

L.Cs.: Extremely little, merely 5.0 billion forints. Yet we all realize that it would be worthwhile to spend the most on upgrading the assets. According to our proposals, in 1994 our income would be spent solely for this purpose. But it is also true that our cash obligations include a number of items whose purpose is to strengthen the economic sphere: income from privatization has to be used to replenish the capital of the AVRt; the issued capital of the Hungarian Investment and Development Bank has to be increased; the Expo Fund has to be subsidized; and the Small Business Guarantee Fund has to be financed. In themselves, direct payments into the state budget amount to merely 5.3 billion forints. But the final total of the cash payments and asset distributions that the AVU will have to make will be absolutely market-dependent. It will depend, for instance, on how the exchange of compensation notes for equity will proceed. The final order of magnitude of the assets to be transferred to the social insurance funds is likewise still in abeyance; it will depend, among other things, on the extent to which the new local social insurance administration boards will be thinking in long terms or will want to concentrate on current tasks.

HVG: The various forms of transferring assets on favorable terms, with the help of E-loans [Existence Fund-loans], on an installment plan, through leasing, and under the Small Investors Stock Ownership Program, could likewise tie down substantial amounts that are difficult to estimate in advance. Can the main objective of privatization—i.e., creating a functional economy—be achieved also through these forms?

L.Cs.: From the viewpoint of the theoretical final objective, these forms of transferring assets on favorable terms are not necessarily harmful. To wit, it is completely obvious by now that the state enterprise in its present form is incapable of inspiring growth. Even a transfer of ownership is better than retaining the state enterprise. What we are trying to do is to synthesize the advantages of the two kinds of privatization strategy. We offer an investor in the given trade, from whom we expect a new market, the repayment of loans obtained at high interest rates, and the modernization of management information systems, a 50.1-percent stake, a barest possible majority interest, but nothing beyond that. We will use the remainder to attain other important privatization objectives. Such as a "blocking" [substantial] minority interest that is just one vote above 25 percent. In the case of food-industry associations, for instance, we will offer such a minority share to the domestic producers of the raw materials. A similar objective will be to provide assets to cover the exchange of compensation notes for equity, and for the Small Investors Stock Ownership Program. And where investors will be lacking, we will attempt to employ forms of selling assets on favorable terms, such as leasing, an installment plan, and Employee Stock Ownership Plans (ERP's).

HVG: In other words, you will be resorting to this solution where financially knowledgeable investors are already saying that it is not worth investing.

L.Cs.: Not necessarily. Unfortunately, the fact is that few of the investors who come to us have capital. In the case of the outlined "other" solutions, I admit, there could be financing problems aplenty, especially with the financing of working capital. But even that would be a step ahead in comparison with the present situation. And, hopefully, the new owners will soon find investors in their own trades, or financial investors, who will solve their liquidity problems.

HVG: The banks by now are being accused of slowing down the pace of privatization. They are saying that the heavily mortgaged enterprises, which for that very reason have been bought cheaply with the help of E-loans, are turning to them for fresh loans, even before they can start repaying their earlier loans.. After all, the operation and development of a firm also require money, but the new owners' money ran out already when they scraped together the proportion of the purchase price they had to put down in order to qualify for an E-loan.

L.Cs. We are in no doubt that this is not a truly good solution. But I will say again that wholly state-owned assets are losing their value rapidly. In 1992 that "dynamic" rate was nearly 20 percent over 1991. Consequently, the sale of assets on favorable terms is still the lesser of two evils. Incidentally, we will be proposing that the starting firms be provided working-capital loans on favorable terms.

HVG: But this way the formerly state-owned assets will continue to lose their value in the hands of the new Hungarian proprietor stratum. Incidentally, how are you able to determine how much the state-owned assets are losing of their value when, as has been said in several places, the government has no data on the exact value of the state's assets?

L.Cs.: I am speaking of the enterprises over which the AVU exercises the founder's rights. These enterprises prepare financial statements. In other words, we know exactly what the score is. I do not know precisely how the other segments of the state's assets function, but I do not think that it would be wrong by far to say that they are functioning similarly. Since the AVU's existence, incidentally, nearly 200 of the enterprises "entrusted" to it have become fully privately owned firms; there remain only between 550 and 600 firms that are fully state-owned; and the state retains an equity interest in about 500 to 550 firms. The assets that we are still holding are worth about 800 or 900 billion forints. Which means that we are halfway through with selling off the state's business assets.

HVG: While only between 120 and 130 billion forints have flowed in? Therefore you are over the halfway mark in terms of the number of firms, rather than in terms of the assets' value.

L.Cs.: Unfortunately, also in terms of the assets' value. The total value of the assets has been reduced considerably in recent years through liquidations, by the establishment of the AVRT—it took over about 35 percent of the assets—and by transfers of infrastructure assets to the ministries.

HVG: How much cash do you expect to realize from the still remaining 800 or 900 billion forints' worth of assets?

L.Cs. It is extremely difficult to give you a responsible estimate, because the firms' obligations, especially their bank loans and what is to become of them, are unclear. Work is now underway on a program for the consolidation of the loans or debt, and much will depend on how this program develops. If the management of these loans is assigned to an agency other than the AVU, one that will manage this portfolio of loans solely on the basis of market principles, independently of privatization's considerations, then the value of the "freely disposable" state assets will be much smaller, because the banks have obtained mortgages for amounts several times greater, at least 1.5 times or twice greater, than the loans they disbursed. If the holder of such debt instruments starts out from the security and regards as his primary objective the freeing of physical assets by buying the debt instruments cheaply, then it is quite certain that the assets worth 800 or 900 billion forints in principle will be worth much less in practice.

HVG: It is being rumored that foreign investors are holding onto their money, waiting for the firms undergoing liquidation to be auctioned off, so as to be able to buy the firms' assets below their actual value.

L.Cs.: The increased supply of state-owned assets, as a result of the intention to accelerate privatization, also favors the buyers. But we are ahead of the game even so: the decline in value over the time lost would probably be greater than the decline in proceeds due to the sudden acceleration of the pace of privatization. The possibility of waiting for liquidation, I must admit, is rational investor behavior. After all, the liquidating agency has much less to worry about the work force, the level of the state's equity stake, and the interests of industrial policy. It simply holds an auction, and at the drop of the hammer each highest bidder acquires whatever he bid for. Specifically in this context it is possible to truly appreciate our intention to consolidate debt. If the AVU were able to free the otherwise marketable firms of their debt, our results could be much better, and the investors' expectations that you mentioned would be vain hope. But all this is a topic for professional debate, and it will be held first by government forums. In my opinion, one thing in the AVU's favor is that, despite all the criticism, it is a functioning apparatus, with industrial committees on which the responsible ministries are represented, and it has a well trained staff that is gaining ever wider experience. There is much more at stake in the debate than just the consolidation of loans. If that system slips out of the AVU's control, opportunity to assert economic and social requirements will be even far more limited than at present.

### Agreement of 6 Opposition Parties Hailed

93BA1160A Bucharest AZI in Romanian 19 Jun 93 p 4

[Article by Octavian Stireanu: "The Agreement of the Six"]

[Text] The announcement of the recent agreement between the PD [Democratic Party] (NSF) [National Salvation Front], the PNTCD [National Peasant Christian Democratic Party], the PSDR [Romanian Social Democratic Party], the PAC [Civic Alliance Party], the PL [Liberal Party], and the UDMR [Democratic Union of Hungarians in Romania] represents a major political event with national repercussions.

The significance of this protocol signed on 17 June 1993, can be found in the broader context that generated the agreement and made it possible.

The current Parliament opposition is the direct result of the 1992 parliamentary elections. At that time, some of the organizational structures of the former (and current) opposition already existed, the largest of which was the Democratic Convention. Given the dynamic nature of political life, the manner in which events have been shaped by the forces in power, the touches of extremism and quasi-general stagnation in the activities of state institutions, the structures that preexisted in the opposition's organization are no longer either sufficient or fully effective in the democratic political struggle. These forms of organization must be updated and complemented with new means of political initiative and dialogue, which explains why periodic discussions between the current opposition forces in Parliament have been held at the Dacia club at the initiative and in the precincts of the PD (NSF). These discussions have led to joint initiatives from these forces, such as the Declaration on the Yugoslav Crisis, a letter to the Congress of the United States for granting the most-favored-nation clause, the agreement regarding recourse to censure motions as a necessary and appropriate political gesture in this time period, and so on. From this collaboration, weathered by time and generated by current activities in both chambers of Parliament and by specific political initiatives such as the ones mentioned above, were born the encouraging premises of the present protocol. This agreement did not just drop from a clear blue sky and does not exist in a vacuum, but on the contrary, is the politically substantial corollary of preceding facts and events.

In the second place, the Agreement of the Six comes at the exact time at which attacks of different forms against the opposition's unity were reaching their height. The campaign of disparaging rumors against the opposition parties, as well as the diversionary information about the participation of one or another of them in an FDSN [Democratic National Salvation Front] government, were conceived to divide the opposition's camp, to create internal strife, so much so that the result could be none other than a consolidation of power for the present government coalition. But the recently signed protocol

definitely closes the issue; in the words of Adrian Severin, spokesman of this political agreement, "the protocol excludes the possibility of extracting just a few parties from among the opposition, which would replace the extremist parties within the present government coalition, parties which FDSN would like to get rid of in its attempt to change the country's image." In other words, the Agreement of the Six also represents a failure of all the obvious attempts made to break the opposition's unity.

In the third place, the nuances in the Protocol's wording confirm the "detail" that we are not dealing with a pact for government, but only with an agreement among those parties to collaborate closely in order to create such a pact and an alternative to the government; the signatory parties do not propose to "participate in governing," but "to govern," and they are determined to collaborate toward that end!

This explicit and public agreement has one more effect: It overshadows the tergiversations of FDSN, which, on one hand, denies that it is part of a coalition with PRM, PSM [Socialist Labor Party], and PUNR [Romanian National Unity Party], while, on the other hand, recognizes that it would find it impossible to govern without them. Compared to this position, which FDSN adopts based on the circumstances, the six parties signing the protocol are clear and unequivocal: They are all in the same boat and are determined to collaborate up to the time when they can create a government coalition among themselves. The protocol is an expression of the already visible trend to restructure the parliamentary majority and to alter its political structure. (In fact, if our arithmetic is correct, the signatory parties need about 4 percent in order to reach this new political majority in Parliament).

Lastly, the Agreement of the Six gives a most convincing and affirmative answer to the question whether the present parliamentary opposition is constructive. An important detail in this respect is a little-noticed provision in the recent operating regulations of the Democratic Convention. Compared to its previous form, the new regulation contains a key article regarding the possibility of parties and organizations in the Democratic Convention to participate in the political alliances, agreements, and pacts that they consider timely depending on the Convention's general political aims. Using this provision, democratic in itself, for the internal organization of the Democratic Convention, some of its component parties were indeed able to sign the politically particularly important protocol.

The subsequent evolution of our political and parliamentary life remains to be followed in light of the Agreement of the Six. But it is certain that this agreement represents a political action that engenders hope for the country's president: to be rid of the extremist ballast; for the Romanian economy, to resume the pace of the reform; and for us, to reach the normalcy we sought after the December 1989.

P.S. The protocol has led us to interrupt the several articles published under the title "Parade Rerouting," in which we attempted to analyze the backstage political games being played to disband the opposition and ultimately to consolidate the power of the present government coalition. We will return to this topic, this time with our attention focused on the inevitable influence the Agreement of the Six will have on the president's intentions, sincere or not, to achieve a governmental reorientation.

**\* MER Chief Views Party as Impetus of Renewal**

93BA1187A Bucharest *BARICADA* in Romanian 22 Jun 93 pp 16-17

[Interview with Eduard-Victor Gugui, president of the Ecology Movement of Romania, by Doina Antonie; place and date not given: "The Rebirth of the Ecology Movement, the Rebirth of Romania"]

[Text] [Antonie] Mr. Eduard-Victor Gugui, you are the youngest executive president of an important political group. Even given that, people know you better in the capacity of press magnate or, perhaps, more from the curses of others. What in fact are the reasons that made you decide to enter political life?

[Gugui] The motives are quite concrete. In the summer of 1992, a great many friends and a great many people who knew my real attributes, not those pointed out by "well-wishers" or by journalists of a certain sort who abound in the Romanian press, asked me to stop displaying the cowardice that had me staying on the sidelines of political life. They were considering the approach of the fall elections and the imminent danger that the new Parliament might pick up a number of undesirable characters. Therefore, they asked me to show some courage and to involve myself in political life in order to give a boost to the establishment of a real democracy and of an economic recovery. Under this influence, because I was urged by my acquaintances and friends, I participated, as you know, in the elections, running for the office of senator on the MER [Ecology Movement of Romania] ticket in the district of Constanta.

You probably remember the scandal then, too, which came about because initially I had been approached by the PNTCD [National Peasant Christian Democratic Party]. But unfortunately that party's leadership did not understand when it should have that it needed new people, young people, people with a clean record, people who had truly suffered politically, and that at the same time it needed people who were financially powerful. Thus, I accepted the MER's invitation to run on its ticket, even though I knew my chances were minimal. As you know, the campaign in Constanta district was concluded successfully, but, unfortunately, we could not surpass the 3-percent mark. However, if you make allowance for the fact that I started from zero because I made up my mind very late, in August, I went from a very

small popularity level to getting 2.7 percent of the vote. To me it seemed a very good thing. After the fall elections, I did not withdraw from the MER, but neither did I get involved any more in the workings of that party. In November, many of the party's foremost people, especially from the municipality of Bucharest, suggested that I participate in the relaunching of the MER's activity as a member, appointed by the Bucharest chapter, of the National Council.

Following also the words spoken on the occasion of the resignation of Mr. Marcian Bleahu from the office of vice president, after his suspension had been lifted, it was proposed that I be coopted into the position of MER vice president, in his place, until the first congress. I must acknowledge that Mr. Marcian Bleahu's moment of lucidity in which, in a dignified manner, he gave up his claim to the office of vice president from which he had been suspended, was a healthy gesture, because due to and following that moment, looking back at it now, one can see that it presaged a new elite for the leadership of the MER.

I admit that my speech in Sibiu shocked a great many people, because I tackled some of the problems of the Ecology Movement head-on and tried to express the truth as graphically as possible; and, I must say that, at certain points, perhaps, I exaggerated or used inappropriate expressions. In connection with that moment, people made a series of remarks and speculative interpretations which damaged my relations with some MER members. Subsequently, through the meetings which I held with different representatives of district MER chapters, the misunderstandings and misinterpretations diminished until they disappeared.

After that, under the auspices of the MER Executive Bureau, I was appointed coordinating vice president, and I endorsed the party leadership up to the extraordinary congress which took place on 12-13 June 1993. At that congress I was elected president by a comfortable majority of votes. Of course, this made me very glad. I realize that almost all MER members back me and wish to support me. On my part, I wish to tell you that one cannot lead any party without the help of the majority. For that reason, the more the leadership of a political group takes the grievances of those in the localities into greater account, the more that group will be stronger and harder to break up.

[Antonie] It is known that Romanian political life is in crisis. The government is just as far as the opposition from presenting viable solutions for the future of the country. I would like to ask you what the strategy of the party you lead is, and how you see this strategy's being applied in Romania.

[Gugui] You said it very well: We pinned great hopes on the opposition, especially on the historical parties, hopes born of the sorrows suffered and told to us by our parents. I am a child of people who were influential at one time. I suffered greatly under the communist regime;

my parents and I together were penalized by the old regime; but even with all those things, I did not declare myself a dissident. I wanted to do something for this country, at a moment when, in fact, quite a few people wanted to destroy it and bring it into a situation of territorial division.

I am not saying anything great here, and neither am I saying anything gratuitous, because things are obvious from the way the Romanian economy is being managed. All the measures being taken are leading nowhere except to the effective ruin of the industrial concerns. And these measures are bound to incite the people and inoculate them with the false conviction that economic stability can be ensured only by the centralized form of production, and not by the free-market system, in which private property and initiative enjoy a very large percent, some 80-90 percent. Certainly, the opposition disappointed everyone; that is to be expected as long as, despite the percentage it has, today more than in the past but still smaller than the government's, it does not dare to have an outspoken and constructive attitude and does not even manage to bring up new solutions for obtaining a genuine economic recovery. These solutions would be very simple if the opposition did enjoy the high regard abroad which the PNTCD, the PNL [National Liberal Party], and, more recently, the PAC [Civic Alliance Party] have been claiming everywhere that they enjoy. One might have expected that, because of these positions of influence, if they really existed, business circles in contact with the governments of Western countries would come to invest in Romania, and then one would have seen clearly that they wished to help this country set itself aright.

However, everything that has come here, all the joint companies which have been formed, all the Romanian companies with entirely foreign capital, do nothing as more than squeeze as many dollars out of the country as they can, taking advantage of the artificial exchange rate for American currency here as compared to the rate of return which is in effect in the West. So, if today one dollar is valued at 670 lei, and if you were to take this dollar and ask for lei at a bank in London or in Berlin, you would have the surprise of receiving almost 2,000 lei for one dollar. This shows very clearly that political as well as economic incompetence—I would say an incompetence which is kept up artificially—only robs this country of whatever it still has.

Here we see, therefore, why the opposition does not succeed and, in my personal opinion, will not be able to succeed, either, even if it has reached the conclusion that it must accept certain compromises with the government. Here we see that it is necessary that a young political group, a group that is aided by a circle of elite technocrats, should accede to power. I would say that the MER is also made up of select people, people from all professions, from all fields, people with superior qualifications. The MER is coming in with some solutions which are in fact correct, European solutions, on the basis of which this country must raise itself up.

If the opposition would truly have played a positive role, it would have succeeded at least in persuading several great world banks to open branches in Bucharest and, through them, to finance production schemes in order to help give a boost to some of the larger Romanian employers. At present, people do not want Romania to have very large-scale employers, as was Malaxa, for example. The Ecology Movement of Romania is now attempting, through a whole series of young specialists, to bring a breath of fresh air into this field.

In my capacity as president, I expect that the reinvigorating effect of the new will provoke some adverse reactions from many directions. It might be good for the country's president, whom we respect because he is an elected president, to understand that it would be good for him to collaborate also with advisers other than those whom he has gathered around him. We want President Iliescu to understand that we are ready to contribute to the good of this country.

[Antonie] Political observers are circulating the idea that early elections will be inevitable for Romania. How do you, Mr. President, assess these assertions?

[Gugui] The assertions are correct. However, the opposition cannot be credited with bringing about these early elections, which is what we might have expected. We have enough information in this regard. And since I have brought up the subject of information, I would like to bring into the discussion the problem of the Romanian Intelligence Service, a matter which should be have a certain gravity. There is no cause for the sully of this institution by the harangues of any irresponsible member of Parliament or by the articles of any journalist who thinks that if he abuses Virgil Magureanu today that he has written an extraordinary article. Virgil Magureanu does not need to be insulted. He just needs to be criticized, since the chance exists that due to such criticism he may find good ways to improve himself. He is, however, the head of this service that must ensure the country's security, and he should be respected as such. It does not matter whether we are talking about Virgil Magureanu or about any other person who might occupy his position.

Returning to the matter of early elections, I would like to say that we hope that the Ecology Movement of Romania might also benefit from this situation if it will work in the spirit of ecology, demonstrating that today it is a group which will constitute a choice for the future for a great number of voters. We wish to assure the present political regime, as well as the future regime, that the MER will be a militant political group for the progress of Romania, ready to collaborate with all political and interest groups that seek the country's new economic start-up, the shortening of the transition period, the beginning of ecological reconstruction, and the promotion of ecodevelopment on the spiritual and social plane.

[Antonie] If early elections do take place, do you think that the MER will become a parliamentary party? And, along the same lines, what kind of political alliances do you have planned?

[Gugui] At this moment we have no alliances planned, but rather a unification with the other ecology forces of Romania. And we hope that all the groups that arose separately from the MER or that dissociated themselves from the MER will join us today, next to our new leadership, which is capable of perceiving and molding political reality. Should the FDSN [Democratic National Salvation Front] ask for our collaboration in an economic plan which demonstrates that it is feasible, we will collaborate. If the opposition or the Democratic Convention will ask for our support for a program that demonstrates its feasibility, then we will do that together with them. The important thing is that this program should agree with our outline for a program of government, which should in turn agree with the objectives of our program platform. Our program platform defines the Ecology Movement as being a grouping of people with the same opinions, interests, and choices for political courses of action. In any case, the program of alliances will be decided not by the Governing Board, but by the whole territory, because we want to have a democratic leadership. The major, historical decisions that concern the party will be made only after consulting the district councils. We are determined to ally ourselves with anyone who presents a constructive ecological program for the healing of this country and, above all, for economic recovery.

We want no one to be surprised if the Ecology Movement of Romania surpasses the threshold by a comfortable margin. Today, a large part of the electorate has realized that, in fact, the MER was a victim of the "waste materials" scandal, which was kept alive by order. This is because, before the 1992 elections, it was the fourth-largest party represented in Parliament and thus by no means a negligible adversary.

[Antonie] What is the MER vision and program in connection with the fate of Bessarabia and particularly with regard to the more than six million Romanians in the diaspora?

[Gugui] We need to state specifically that we are directing our attention to developing collaboration with ecology groups in Bessarabia. We also intend to initiate some protest actions in connection with our Bessarabian brothers. And since the subject of protests has come up, I consider that the march of cages, symbol of the Tiraspol trial, was devalued by the fact that only 200-300 persons, with only a few people from among the political leaders, participated when, in fact, it should have been a nationwide action. It is a shame that this circumstance was not capitalized on. I believe that in the future, after we have finalized the process of reorganization, we will be able to take part in some very large-scale demonstrations, which we hope will give occasion to the other parties to join us. I say that we hope, because relations among the parties

are pretty strained right now. It is regrettable, for instance, that among the parties in the Convention there are disagreements which, unfortunately, appeared after these parties had realized their political objective of being represented in Parliament.

At this moment, I cannot declare my opinion on the six million Romanians in the diaspora. I got to know a part of the diaspora, namely that of New York, and can tell you that, personally, I am disappointed. There is a large category which enjoys financial resources and the ability to procure financial resources. But this diaspora has one single overriding theme, and that is that it will not invest in Romania as long as Iliescu is president. That is a great mistake, and I told them that many times. What is more important: that money be invested, and that jobs be created and unemployment lowered; or that there be no investment because Iliescu is president?

I do not believe that the presence of Iliescu at the head of the country is what is holding back the moneyed diaspora Romanians from investing in Romania. I believe that other matters are the problems, but if those are subordinated politically, that is not a good thing. So, when the country starts to recover, politics will cease to play the role that it plays when the country is in terrible shape. When poverty has long been below an acceptable threshold, there is also corruption; and this territory of Romania, which is so strategically placed, is hunted with a view toward dividing it.

However, Romanians are disunited both within the country and abroad. That is the tragedy of this people. We hope that the Ecology Movement of Romania will succeed in convincing the diaspora, too, that it is something quite different and that it wishes to bring a breath of fresh air into Romanian politics. We are convinced that we will be the butt of some attacks by the government and of some attacks in the press. Furthermore, we have already seen that people have sometimes confused my position as a man of the press with my position as politician. For this reason, we wish to appeal to those who will want to write more about the Ecology Movement of Romania that, before writing, they should come and discuss things with our spokesperson, whom we will appoint soon. I consider this to be civilized; this is the normal way to deal both with us and with any other party.

[Antonie] What prospects do you see for relations between the MER and the young people of Romania, since we know that at present a people's future is ensured by an education with an ecological attitude?

[Gugui] We consider that the young people must play an important role within the ecology movement. And we desire that very thing, because with a young leadership there is a need for as many young people as possible to make up this party. Consequently, this will be a matter of priority with us; that is, to attract young people and

organize them in a political form bound to help increase the credibility of the ecologists' attitude in the ranks of the population.

[Antonie] How do you see in the future the relations of the MER with the ecology parties which presently exist throughout the world?

[Gugui] I think that there will be some very good relations, and we will begin, probably starting next month, to establish contacts with these parties. We are convinced that we will enjoy a large audience in other countries' ecology parties.

[Antonie] And how about relations with nongovernmental ecological organizations?

[Gugui] We hope to cooperate extensively with nongovernmental ecological organizations. The MER will support those of their actions that will contribute to ensuring the quality of life, ecological reconstruction, ecological development, and the protection of the environment, as set forth also in the Ecology Movement of Romania's program platform.

[Antonie] What can you tell us in closing?

[Gugui] I thank you for this interview and hope that this time the Ecology Movement will convince as many people as possible to become members of this party. We are waiting for them at our headquarters on 11 Alexandru Philippe Street, where they can express their choices; and we hope that the MER will become the fertile ground of a new Romania.

#### **\* MER Sees EC Integration as Crucial Goal**

93BA1190A Bucharest *BARICADA* in Romanian 22 Jun 93 pp 12-13

[Unattributed article: "The Romanian Ecology Movement's Platform—A Governing Alternative"]

[Text]

#### **I. The Need for the Opposition—The Need for an Alternative**

Following the FSN's alternative government program and the PNTCD alternative cabinet, it is the turn of the Romanian Ecology Movement [MER] to present an alternative to the alternatives, thus becoming the first party outside Parliament that is bringing its own government program to the attention of public opinion.

#### **II. Strategic Goal**

The MER's particular goal is to integrate Romania into the European Community pattern within 10-12 years. As we know, the agreement associating Romania with the EC was signed by Premier Vacaroiu at the beginning of the year, but the credit for concluding it belongs to the

previous cabinets (Roman-Stolojan), since the negotiating process was actually finished by the time the current executive branch was established. The agreement currently is being ratified.

At first glance perhaps it seemed curious for the MER to have proposed a long-term goal outlined by the previous governing bodies and taken over by today's. However, in all sincerity we must recognize that our agreement for association with the EC probably is the most important achievement of post-December Romania. The association is the last preparatory stage before joining. We can only become an integral part of the EC following a thorough and multilateral process of transformation (legislative, institutional, economic, social and so forth) of the entire Romanian society.

Success of this process is a condition for integration into the EC, which is equivalent to building a state of law and a market economy within a legal framework, which makes it improbable to return to any totalitarian system, especially a communist one.

### **III. Institutional Reform**

#### **1. Institutions of the Central Administration**

(a) The ministries will be subject to a process of reorganization carried out following approval and promulgation of laws that stipulate their main duties as well as the basic organizational structure, allowing a certain freedom of movement to the ministers holding portfolios with regard to finalizing the organization's structure.

In this way we ensure the stability and continuity of the activity of these important state institutions, characteristics that do not exist at the present time, when the name, purpose of activity, structure and even headquarters of some ministries have changed several times (for example, the current ministries of trade, tourism and industry), with clear negative effects on the personnel and their actual activity.

The Ministry of the Interior is to be subject to a process of change aimed at demilitarization of the police and abolishment of the economic police, whose duties (together with a portion of the personnel) are to be taken over by the Financial Guard. In this regard Law No. 30/1991 on Organization and Operation of the Financial Guard is to be amended.

In addition the law will require the heads of territorial police inspectorates to be elected by the citizens by direct vote, like mayors are elected. We feel this measure will lead to a considerable drop in the crime rate.

(b) The public employee by law will be given a status regarding his rights and duties, including conditions for hiring and salary. This law will replace the current Decision of the Romanian Government 667/1991, detailing the duties, responsibilities and salaries by groups of employees. We will seek not only higher pay than the current level but also introduction of much

more severe penalties than are currently in effect in order to discourage corruption, abuse or negligence on the job.

## 2. Institutions of Local Public Administration

For the institutions of local public administration the main priority is to "supply" them with a legal means allowing them to establish and utilize budgets adequate for solving their own needs.

We feel that, besides the traditional tasks (sanitation, ensuring public order, joint transport and so forth), the institutions of local public administration must take on a more important role in organizing the distribution of primary products for the population by creating wholesale centers for agricultural food products, whose legal form would be as commercial companies based on stocks with joint capital (public and private).

## 3. Reform Institutions

It is no longer a secret that the Romanian reform, particularly privatization, is currently in a state of stagnation, a direct consequence of the imperfection of Law No. 58/1991 on Privatization of Commercial Companies, but also of the government's illegal interference in the activity of the State Property Fund (FPS) and the Private Property Fund (FPP), institutions under the Romanian Parliament.

What is more, the changes (with a political underpinning) made in the leadership of the National Privatization Agency (ANP), a government organ, also actually reduced it to nothing. Of course, it is abnormal for a unit under the government, that is, the ANP, to conduct the activity of parliamentary institutions (FPS and FPP) as provided by Law No. 58. But there can only be a legal solution to this problem and in the end that belongs to the legislative forum. The government's unhappy interference only blocked a promising start to its activity, especially that of the FPS.

In the event that the MER comes to power, it will solve the problem by placing the ANP under parliamentary control and revitalizing it. In our view the ANP and the FPS must be the only institutions responsible for representing the state's interests in the companies using public capital, as well as for their privatization. The MER will take all measures required so that the ministries are concerned only with working out and applying government policy in their sectors because, as the law points out, once the ownership capital is created they will cease to have any more duties in the area of privatization.

The MER will apply all the legal forms of privatization (sale of assets, complete sale through auction and sale of stocks), giving greater attention to the sale of assets as well as to the MEBO [management and employees buyout] method, however.

However, for this it is absolutely necessary to establish a National Reorganization Agency, whose purpose would

be to "insulate" the enterprises with losses, to make diagnostic analyses of them, following which, according to the case, it would take measures for reorganization or liquidation in conformity with the provisions of Law No. 76/1992 and the Law on Bankruptcy, which would be raised to an emergency status.

The idea for establishing the agency mentioned, which must be a government institution in the MER concept, is sanctioned by the international financial organizations, as one of the conditions granting reorganization loans. It could be established by using PHARE [Economic Reconstruction Aid for Poland and Hungary] capital.

## IV. Economic Reform

At the economic level, the MER will give priority to the branches whose development can be supported with domestic resources as well as nonpolluting technologies. It is a question of agriculture, tourism and connected industries (food, light, motor vehicle construction, furniture and household electrical products) as well as transportation, telecommunications, construction, trade and services.

Approaching economic problems from this perspective, however, is hindered by the imbalanced structure of the Romanian economy inherited from the communists.

Unfortunately any reorganization of Romanian industry (which has not yet begun) cannot easily solve the thorny problem of the mammoth combined enterprises. On one hand, Romanian exports even now are based to a large extent on chemical and metallurgical products and, on the other hand, the immense values of the holdings of the particular companies make their privatization less possible. For that reason the units mentioned must be the subject of special attention from the planned National Reorganization Agency. With regard to agriculture, the MER will concentrate its attention in two directions:

Urgently concluding the retrocession of agricultural land and crediting production to the private plots;

Promoting an ecological agriculture (according to the model of the advanced countries), seeking man's integration into the environment and not transformation of the environment. We have enough experience with the widespread arable areas destroyed following irrational "fertilization," with entire hectares of forests cleared illegally, so we no longer leave things to chance as was done until now.

Clearly, these desirable goals can only be achieved if an adequate legislative framework exists. For that reason, the MER is proposing to promote a Law on Agricultural Credit under the status of maximum urgency as well as a set of other normative acts that would regulate the problems connected with irrigation, planting material, and so forth.

However, the recovery of tourism can also have the same effect, bearing in mind the still unexploited immense tourist potential Romania has available. Utilizing it will

lead to a sudden change in the area of construction, trade and services, results which, of course, would also appear following superior utilization of the existing tourist base.

The MER's goal in the area of tourism is to increase its share in the GNP from the current approximately .35 percent to at least 2 percent. It should be specified that tourism in countries with lower tourist potential than ours, such as Austria and Switzerland, represents 2.5-3 percent of the GNP.

In order to reach this goal the methods are clear: privatization with the basic contribution of foreign capital, increasing the personal safety of tourists (through legislative, financial and operational measures) and activity for foreign promotion at the world level. The keystone to this is the right to own land, which is a current problem which the MER can resolve for the commercial companies, either those with completely Romanian capital or joint ventures (with foreign capital participation).

The MER feels that the most urgent measures in the area of trade are the legislative ones. Mainly they aim in two directions: bringing the commercial code up to date (by including regulations on activity for acts of trade, merchants, commercial practices) and adapting to the international conventions that Romania participates in (particularly GATT and the agreements for association with the EC and the Economic Association of Free Exchange (AELE). In this way it will be possible to require a customs, commercial and competitive policy in accordance with the provisions of this convention, among other things, also containing the rule for national treatment (foreign products legally reaching Romania have the same status as Romanian products, with regard to the procedures for distribution and approval). The MER will also give special attention to the production and distribution of electric and thermal power, seeking to develop a powerful private sector in the area that also represents one of the conditions for obtaining foreign credits.

In the financial-banking area action will be taken for the following:

Energetically combatting fiscal evasion, for which purpose a Law on Taxation Policy will be promoted; among other things it will provide for the requirement to have the retail merchants use fiscal marking apparatuses (apparatuses provided with a fiscal "box" which records all the transactions and the information can only be requested by the fiscal organs);

Seeking utilization of foreign loans in the areas for which they were granted. As a general orientation they will seek to obtain on a priority basis the credits intended for economic reorganization and, in particular, aiding privatization.

Given the powerful decapitalization of the Romanian commercial companies, a credit program will be improved, utilizing the capital coming from converting withdrawals in currency into lei. The program will be

detailed along economic branches and direct beneficiaries and the interest and terms for repayment will differ from one case to the other.

#### V. Instead of an Epilogue

Without claiming to hold a magic wand, the MER feels that this work shows a real availability to take over the helm of the nation's destiny at any moment.

We assure you that we have honest and educated people who can change Romania into an honest country, capable of becoming part of that honest world we all are striving for.

#### \* Ecology Movement Official Views Recent Party Merger

93BA1188B Bucharest BARICADA in Romanian 22  
Jun 93 p 15

[Interview with Octavian Ciobota, first vice president of the Ecology Movement of Romania, by Doina Antonie; place and date not given: "Interview with Mr. Octavian Ciobota, First Vice President of the Ecology Movement of Romania"]

[Text] [Antonie] Mr. First Vice President Octavian Ciobota, what is your opinion regarding the future political evolution of the Ecology Movement of Romania given the new situation engendered by the union of that political group with the National Ecology Party [PNE]?

[Ciobota] The unification of the two parties was carried out under conditions of partnership and with equal rights for the structures of the two parties, without taking into account the number of members and the resources which each party brought in. It is a great gain for the country's supporters of ecology. The members of the PNE are outstanding people, and we are very pleased with this union. Through the work which we share, starting with the protocol signed on 23 July 1992, and through the elections which took place in September 1992, we have proven that we are in a state of rebirth. This takes into consideration the fact that we had an unfavorable situation as regards the "waste materials" case. Together we obtained a percentage which I consider satisfactory for that period. Our partners proved to be action-oriented people during the period of the elections and their efforts were carried out both in Bucharest and in the provinces. The PNE was led by people who are experienced and politically gifted, which allowed us to blend together over time, starting from last year through the present. And presently, under the approval given by the extraordinary congress of the MER, which took place on 12-13 June 1993, a new evolution was confirmed that will have remarkable results on the Romanian political scene. We are hoping that the other ecology groups will join us in creating an ecology bloc, since it seems that elections may be held rather soon.

[Antonie] What is your opinion regarding the situation of the Ecology Party of Romania (PER), given the fact

that the Democratic Convention has watered itself down considerably, if you judge from the standpoint of their original objectives?

[Ciobota] The PER is a party which represents something definite. However, since that party has not held a congress up to now, I have no way of grasping the party's size or its power and influence with the electorate. The alliance it made within the Convention has given it a strength and a representation in Parliament that comes from people who vote for the other parties representing the Convention. For us to be able to understand the strength of this party, we would have to know exactly what its size is, and, if there were any PER congress—which could take place since up to now the PER has never held a congress—we could negotiate for a possible union or alliance, whichever might be desired. From the facts as they have existed up to now, because of the fact that the PNE came into being precisely because of some differences of opinion at the highest levels of the PER, I do not know to what extent these negotiations can be realized, since the PNE is now part of the MER. President Otto Weber needs to decide whether his personal feelings about former PNE members [as published] are appropriate, given the fact that the country's interests are more important than personal interests. I can furnish you with additional arguments in order to illustrate more precisely the things I said above.

The ecology movement was born as a legal entity in 1990. At that time, Mr. Otto Weber carried on negotiations with Mr. Maiorescu for a leadership structure within the ecology movement. Because his grievances were not redressed, he created the PER. After that, since some dissension appeared within the PER, part of the membership left and founded the Romanian National Ecology Party. The union of the PNE with the MER was carried out in a context where Mr. Otto Weber continually cast suspicions on the old PER members who had become the PNE; he did this due to some problems that we have no way of identifying so that we might know if they were subjective or real. But in the new situation that has been created, I do not know to what extent the grudges that have been harbored since then can now turn into friendly feelings. Because of this, it must be decided whether some personal or subjective interests of Mr. Otto Weber concerning his former opponents from the PER should be sacrificed to the public interest.

[Antonie] What is your opinion regarding the Ecology Federation of Romania [FER]?

[Ciobota] I will give you a history of that party, insofar as in 1990 the present president of the Ecology Federation of Romania was in the MER; he was actually MER vice president. But at the first congress to take place, ill luck had it that Mr. Alexandru Ionescu, the well-known scientist, was no longer elected to the MER leadership. In the context of responsibilities, subsequently this FER was created, represented by Mr. Alexandru Ionescu. We would be honored to have some discussions with the FER; but I will reiterate once more what I said above:

that in order to negotiate with someone we must know, in the first place, the resources and number of members so that we know what part of the electorate we can count on in any future union.

[Antonie] What can you tell us about some MER members who no longer play a part in the leadership of the ecology movement in Romania: Prof. Marcian Bleahu, Prof. Dr. Dolfi Drimer, and Mr. Toma George Maiorescu?

[Ciobota] With reference to the former MER figures, I can state that we are sorry that these men could not keep themselves in their positions due to the political circumstances of 1991 and 1992. Prof. Dr. D. Drimer is a politician who, even though he is no longer part of the political leadership of the MER, can prove his political maturity by deeds that would be the opposite of the declarations he made concerning the "waste materials." As long as there is no criminal indictment in the "waste materials" case, the MER cannot set itself up as judge. Professor Bleahu is a well-known scientist who is uncontestedly a person of value recognized both domestically and internationally, and with whom we wish to keep collaborating. With reference to T.G. Maiorescu, he was dissatisfied from a political standpoint in the MER; he chose other options in ecology; and eventually, withdrawing from political life, he rediscovered the atmosphere in which he could demonstrate his professional qualities as writer and ecologist. We wish to keep collaborating with all the people who were active within the MER, and especially with the founding members; whatever the errors inherent within an inexperienced party with no traditions in Romania, we must all join together.

Starting with December '89, the people of this country must become and must be considered new human beings. This must be demonstrated and confirmed by the deeds of each of the years 1990-93; we must keep in mind the reconstruction of this country and the future of the children who will enter the ecologists' millennium.

[Antonie] What is your opinion of the current MER president, Mr. Eduard-Victor Gugui?

[Ciobota] In the short period since we have gotten to know each other, he has proven himself to be a very open and penetrating man. The fact that Mr. Eduard-Victor Gugui is also a businessman, especially in the field of journalism, compels me to warn the Romanian press not to confuse his persona as political representative of a political party with the persona of Eduard-Victor Gugui as a man of the press. I know that in the field of journalism he is both liked and disliked, due to the competition; and because of that, I am saying this specifically. Along these lines, I am asking that every time the Romanian press treats the subject of Eduard-Victor Gugui, it make a distinction and not a confusion such as has occurred in other cases, too. If he will express his personal opinions in the name of the party, without having researched in depth the wishes of the local MER chapters, we will speak out against both his statements

and against any subjective and deliberate interpretations which the press might make, without having verified them beforehand.

**Severin Editorial on Varieties of Corruption**  
*93P20213A Bucharest TINERETUL LIBER in Romanian 15 Jun p 3*

[Article by Adrian Severin: "Money, Power, and Corruption"]

[Text] Recently, the president of the republic, Mr. Ion Iliescu, stated in a press conference, which was highly publicized in the media, that he would rather die poor than allow himself to be seduced by money. I would like to believe that the president was referring not to money in general, but to the money that corrupts, to the money that a proverb calls the "eye of the devil." Regardless of this subtle difference, however—and of the thoughts of malicious people who have observed, with good reason, that the poverty experienced in Cotroceni Palace [presidential offices] is different than the poverty experienced by the peasant in Pocraca waiting for land and tools, the poverty experienced by the worker in Galati waiting for work, the poverty experienced by the man of culture, the professor, and the founders of the revolution in Timisoara waiting for sponsors, or by the pensioner in Balta Alba waiting for social assistance—I am sure that many poor Romanians would jump with joy at the comforting thought that poverty is a badge of honesty, "I am poor, therefore, I am honest! It is true that I have nothing but water for nourishment, but at least no one can accuse me of being corrupt. At least I have that!" These are simplifications, as seductive as they are inaccurate, which corrupt our logic, our thought, and our behavior.

Of course, if it is true that not all wealthy people are dishonest, it is just as true that not all poor people are immune to corruption. On the contrary, the needy are more vulnerable to money's allure. The matter is similar to how merchandise is handled: Cheap goods are sold first, and then expensive ones are sold. Or, the poorer you are, the lower your price.

This brings to mind the case of a Romanian director sent to Italy to negotiate a contract with a large specialized Italian firm to construct roads, highways, and boulevards. Shortly after the discussions began, the Italians began to wonder if our emissary was truly the director he pretended to be. Their suspicions were aroused when the person in question requested a BMW as a gift. Somewhat later, we realized that, in fact, the foreign company had nothing against offering a bribe to obtain the contract, but that it was astonished that the value of the requested bribe was rather small compared with value of the deal and were worried they'd end up paying some imposter who lacked the authority to make a decision. The upshot is that, when it comes to making a deal, a high-level Romanian official feels tempted even by something as

insignificant as a ballpoint pen, while an official in a developed country is hard to corrupt even with a villa on the French Riviera.

Which of these two societies is better insulated against corruption? Certainly not the underdeveloped society. The ideal vaccine against the corruptive power of money is money itself, wealth, and prosperity.

But is corruption linked only with money? A famous adage states, with good reason, that "power corrupts; absolute power corrupts absolutely." There are, therefore, people who will die poor (in the sense that they will end their lives never having had money), but who were corrupted by power, namely by the pleasure of having imposed their will on others and of having seen them submit to their decisions. I know a well-known politician who leads a relatively modest life, but who, in order to obtain support from abroad for his electoral campaign, promised to relinquish his contacts with members of the Romanian diaspora who lack any rights in their host countries, or to turn a blind eye to the entry of certain multinational corporations into Romania. In light of this, could one really say that the official who allotted housing or granted a license in exchange for money is corrupt, while the politician who struck deals that affect the lives of millions of Romanians is honest, just because the latter did not stuff money into his pocket?

So, it is time we acknowledged that poverty is not the same thing as honesty. As such, those who absolutely insist on equating poverty with honesty, do not know what they are doing and are making us more vulnerable to corruption, or would like to persuade us to see, according to the biblical expression, only the mote and not the beam in the eyes of others. Either way, we should heed the words of the Holy Scripture: "Woe to that man by whom the offense cometh!"

**Minister Sees Upturn in Tourism Industry**

*93BA1188A Bucharest BARICADA in Romanian 22 Jun 93 p 14*

[Interview with Matei Agaton Dan, minister of tourism, by Ion Marin; place and date not given: "After Three Years of Progressive Decline, the Tourism Industry Shows Signs of Rebounding"]

[Text] Mr. Matei Agaton Dan is 44 years old and is a specialist in finance and accounting. After his graduation from university in 1971, he worked for eight years in construction assembly, after which, for another eight years, he was chief accountant in an important Bucharest institute: The Institute of Research, Technological Engineering, Design, and Production for the Inorganic and Nonferrous Metals Industry.

Starting in January 1990, he worked only in governmental organizations: inspector general on the prime minister's economic and financial inspection staff, then sector head in the Romanian government, director of the cabinet of the minister of state charged with the quality

of life and social welfare, and undersecretary of state and specially authorized representative of the government in its relations with the unions and with employers.

In 1992 he became a member of the FDSN [Democratic National Salvation Front] (without having passed beforehand through the FSN [National Salvation Front]). In that capacity, he took part in the elections in September of the same year and was chosen deputy from Bacau. But, since last November, he appeared on the list of dignitaries in the Vacaroiu cabinet, as the man guiding the destiny of the Romanian tourism industry. Specialists are still debating among themselves, as he told us himself, whether he is the seventh or the eighth political figure since the December 1989 revolution to whom this position has been entrusted. Probably that issue will be decided by posterity....

Meanwhile, however, Mr. Matei Dan and his wife (economist at RENEL [National Electric Power Network]), are struggling hard to control the...jitters engendered by the upcoming examinations which their son, Tudor, age 18, who is now at the first major crossroads of his life, will be taking.

As far as we are concerned, we wish them, all of them, much success!

[Marin] Mr. Minister, the summer season started recently, and the thoughts of many among us are directed toward the Black Sea coast. Please tell us, to begin with, what is the percentage of tourist facilities there which are open, out of all the facilities in existence?

[Dan] At the seaside, this varies from resort to resort and falls between 65 percent and 87 percent; this last figure describes the fortunate situation in Neptun. Regarding the degree to which they are backed by contracts, I would like to stress that just the Litoral company alone, which is the second most important tour operator in the coastal region, will bring in 30,000 foreign tourists this year. In actual fact, we are talking about a doubling of the number of foreign tourists who are to visit the Romanian seaside, compared with last year. Of course, there are still few enough, but for me this numerical increase is important, because after two to three years of progressive decline in the tourism industry, we are now facing a first sign of recovery.

For that reason, I think—and I hope that I am not wrong—that 1993 is a decisive year for the coast, because we are succeeding for the first time in bringing back foreign tourists. It is entirely up to us whether we can also keep them coming, a message which I have, moreover, sent to all directors of commercial firms. This is because, if the tourists abandon us again because of poor services or for other reasons, I believe that it will be almost impossible for us to reinstate them again into our tourist circuit.

What is happening right now is that there is tremendous competition. At the last European conference of the

World Organization for Tourism, where Romania held, through my own person, the office of vice president, statistics were presented showing that the supply of tourist services exceeds the demand by 30 percent! This means that, at the present time, a fierce battle to attract tourists is being fought in the European market.

[Marin] Yes, but we should be benefiting from something of an advantage, because, due to the dramatic events in the former Yugoslavia, the beautiful Dalmatian coastline, which used to attract annually a large number of Western tourists, has left the European tourist circuit.

[Dan] Absolutely, absolutely. Truly, let us say that we have had a lucky break. Unfortunately, many of these tourists have preferred Bulgaria to Romania. So it happens that my Bulgarian counterpart, with whom I met recently in Paris, stated to me that our neighbors to the south already have problems, because the demand there is tending to outstrip the supply.

This is the reason why I asked him to act to our mutual advantage: I requested that he direct the surplus tourists our way.

[Marin] How do you explain how such a situation arose?

[Dan] It is due, above all, to a negative image of Romania which is obstinately presented abroad, in a specific manner.

[Marin] Are you talking about an image "manufactured" here in our country, and then "exported"?

[Dan] No, I am telling you what I saw abroad, not what I read here: Romania appears only as a country of handicapped people, of children sick with AIDS. The only thing which could be considered somewhat positive, in the sense that it is advantageous for tourism, is the Dracula business. The reservations with which our country has been seen have been due, however, to other problems, too, such as those—previous problems—of political instability. But I think those reservations have been overcome, since Romania is now seen as an element of stability, not just political but also even economic stability. Certainly, the circumstances of this moment have also played a role in the change of perspective, since people's judgment of us is being formulated after comparison with the former Yugoslavia or with Russia.

There is a series of signs that confirm that the attitude toward our country is changing. These signs appeared as soon as Mr. Vacaroiu signed the Agreement of Association of Romania with the European Community. Certainly, these signs make themselves felt at the level of tourism, too; however, I make so bold as to assert that, in this case, they are also due to our policy of promoting tourism. We have an aggressive policy; I do not shy away from calling it that, even though the term does not seem to be very well received by the press.

[Marin] What does this aggressiveness consist of?

budget funds dedicated to promotional actions, funds which are six times greater than in 1992.

[Dan] Well, we use all means which we have at hand for the promotion of tourism. And please keep in mind that, despite the difficulties engendered by the present state of the economy, we have obtained out of the current year's

But we have not limited ourselves to just that much. We have a well-structured program which we follow consistently and whose first results have not been slow to appear.

**\* Chances for Creating Viable Coalition Evaluated**  
*93CH0740A Prague RESPEKT in Czech 20 Jun 93 p 3*

[Commentary by Milan Zitny: "Slovak Opposition Has Found A Common Voice"]

[Text] The week before last, the unbelievable happened in Slovakia: Meciar's opposition found a common voice. On Friday, 4 June, the major opposition parties signed a communique, according to which they will support the former delegate of the SDL [Party of the Democratic Left] and present the Slovak charge d'affaires in the CR [Czech Republic], Josef Stanek, for the office of chairman of the NKU [Independent Control Office] against the HZDS [Movement for a Democratic Slovakia]. (According to the agreement, the positions of deputy chairmen of the NKU will be occupied by the KDH [Christian Democratic Movement] and the SNS [Slovak National Party]). Because of the division of forces in parliament—the HZDS now has only 66 votes, while the opposition has 82—the execution of the agreement can only be prevented if the agreement is violated by one of the opposition parties.

The new situation is forcing Meciar to act quickly. As a result, during his travels through central Slovakia, the prime minister stated his willingness to enter into a coalition with the SDL or the SNS on the condition that those parties adapt their programs to the program of the HZDS. The reaction of the representatives of both parties was not entirely negative: however, in their view, a coalition will only be possible in the form of a compromise—not a dictate by the HZDS. Both parties are well aware of the fact that, in a situation where the HZDS has a minority government, they can afford to reject any dictating of terms. Of course, they have concrete ideas about their demands for a share in power, but, for tactical reasons, they are waiting for V. Meciar's decision to accept them.

For Meciar, a joint communique of opposition parties means that the latitude within which he can maneuver will slowly but steadily decrease. The opposition will only support those laws that will not increase the prime minister's popularity and, at the same time, will not threaten the existence of the opposition parties. Thus, for instance, the opposition will block the government draft of the law on the National Security Council (RNB), which would give the head of government unlimited authority and would set him above the constitutional framework of the SR [Slovak Republic]. The law proposed by Meciar would create an agency that would be superior even to the president.

However, the draft of the law, which makes the KDH suspect that Meciar is attempting to obtain the latitude to install a potential dictatorship, is not a work of chance. In a situation where the HZDS is running out of steam in the battle with Slovakia's economic and social problems, the present political forces would apparently truly like to resort to a solution that is very close to its nature. The division of the parliamentary forces admittedly can prevent that, but, in the final analysis, both parties face a stalemate. If premature elections were called, the opposition could not form a coalition capable of taking action as an effective alternative to the HZDS. There are too many heterogenous entities in the game.

There are only two clearly recognizable parties in Slovakia at this time—Weiss's SDL and Carnogursky's KDH. However, they need additional partners for either of them to form a government coalition. But, apart from the social democrats, who have minimal influence, there is no one at the left end of the spectrum. (There may be some hope in the expected further split in the HZDS and the subsequent creation of a social-democratic faction.) The SNS is even worse off. Changing a collectivist-oriented national party into a party with civic principles is a Sisyphean task. Finally, Knazko's Alliance of Democrats in Slovakia, which joined the Liberal International, has little substance and is unconvincing.

On the right, the party with the best prospects is the Conservative Democratic Party, which recently merged with the Slovak ODS [Civic Democratic Party]. In a preelection coalition with the KDH, it could thus win a relatively large percentage of votes, but, even according to the most optimistic expectations, that will not suffice for a purely rightist government coalition.

Supporters of the SDL are well aware that such a scenario is probable and are already indicating that a rightist-leftist coalition would not be impossible under certain circumstances. The rightists would implement the economic transformation, and the leftists, on the basis of a precisely formulated written agreement, would support them and simultaneously ensure the necessary aid to society.

Therefore, the domain of parliamentary mathematics is open to everyone in Slovakia. The HZDS and the SNS have, so it seems, the least chance of "survival." The two are very similar to one another in their uncertain future, which is incompatible with west European political structures. Therefore, if Meciar finally chooses a partner "out of necessity," it is more likely to be the SNS than the SDL. But not even that alternative is the answer to solving the crisis, which, according to one side, is threatening and, according to the other, has already engulfed independent Slovakia.

### Bucar Assesses Two Years of Independence

93BA1202A Ljubljana SLOVENE in Slovene 26 Jun 93 p 2

[Interview with State Assembly Deputy Dr. France Bucar, by Ivo Zajdela; place and date not given: "We Have Only Touched the Tip of the Iceberg"]

[Text] *Dr. France Bucar is undoubtedly one of the leaders of the Slovene spring. He also played a big role in preparing for and introducing political pluralism and democracy, as well as in Slovenia's independence.*

[Zajdela] Two years have passed since Slovenia's independence. This is a period when we can already assess our work. In your opinion, what are the successes and consequences of independence?

[Bucar] The biggest success is independence itself. Without it, we would still be in Yugoslavia and its regime; or even worse, from the regime as it was, all the negative consequences started to emerge at that time (economic collapse, the disintegration of social institutions, a lack of confidence), the system's disintegration began. Even though we tried to eliminate that system, it would have collapsed even without us. Of course, what would have happened without our effort is another question.

It is a great success that we achieved independence, parliamentary democracy, and a new constitution, which provides a basis for a civilized European system. It would not be possible to do anything without that. That means, however, that we have "only touched the tip of the iceberg," and everything else is as it was earlier. By just changing the top of the political system, however, we have not yet changed the social structure, which the system built for 50 whole years.

It was precisely during the last few months that there was more and more talk about these failures, from at least two points of view: the one that is secretly annoyed at independence, and the one that participated creatively in independence.

Essentially, all of us participated in independence. Our share, of course, was very different, and also the functions were distributed very differently, but I could not deny the others as well. An epochal act such as independence cannot be the achievement of just a handful of people, but is rather the confluence of various currents of social events. Those participants with various roles are nevertheless part of the existing social structure, which has remained untouched. Those who had all the leading positions in society, both in the economy and in the administration and politics, were not put in second place by that act.

If we are talking about mistakes, I must say that a big mistake was also made in our judgment that on one hand we could carry out that process as peacefully as possible, and on the other the problem was essentially deeper than we realized. We thought that everything would go more

smoothly. It is quite logical that whoever occupies some social position, he will not soon leave it voluntarily, without forces that would force him into different behavior and a different position. In the economic area, the entire social structure has remained as it was. That structure needs its own legitimacy, which it previously obtained from a party decision, and which is now given by economic efficiency. We made the first mistake with privatization, when we relied on the position that the social structure in the economy had to be eliminated and replaced with a different one. In this regard we are only dealing with "chemistry," the replacement of one element by a different one. It is a matter of our making it possible, during this process, for people to come to these positions who will prove through their real effectiveness that they are suitable for those positions. It was a big mistake that we did not start privatization immediately. We were two years late with it. Things did not stop, however, and consequently the process of uncontrolled privatization spontaneously occurred. The other part of the failure has to do with the legal and political area. We adopted a new constitution, but we did not do anything decisive in the main structure, in the administration, the judicial system, the entire repressive apparatus, etc. That still awaits us. In the meantime, however, self-awareness also began to grow stronger in the former structure, along the lines of "Things have not changed at all, and we are the ones who are taking them forward." The third big failure is that people started to wonder what had actually changed. More or less all the people from the former regime remained in the same positions. For that reason, confidence in the new authorities also started to diminish, and thus people cannot say that those authorities are the ones who actually brought anything new.

[Zajdela] What is our biggest obstacle now on the Slovene political scene?

[Bucar] It is hard to say which tree in the forest is most important. There is no basic agreement on what we want. There has been no basic analysis of the actual situation. The political scene has not taken shape. It is interesting that we have a whole series of parties with different orientations and shades, but actually it is logical that the political sphere in Slovenia is divided into two parts, still the same ones as in 1990, and that it takes place regardless of the individual political parties. We still have on one side the forces that reflect the previous structure's interests, and the forces that represent the former Demos's new scene. That scene is completely empty today, and it will still be necessary to fill it with a new content. Demos, just as it was, fulfilled its role, and it is therefore logical that it could no longer continue, since once you reach the top, then the path only leads downward again. All the goals that Demos had (independence, a pluralist society, a new constitution) were achieved.

[Zajdela] A lot of things were not done in Slovenia's political transformation, or else there was not enough time for them (for Demos). That is particularly evident today. Where do you see solutions?

[Bucar] A transformation of political life is necessary if we want to make progress. Demos achieved its goals and thus the matter was ended. The space that it occupied remained unfilled, since the political parties that are in that space do not match precisely. The dividing line does not determine the parties, but rather cuts through them. That is why we have people in many parties who are oriented either to the right or the left.

Above all, it is necessary to put ourselves in the 1990's, and stop drawing on obsolete models. More or less all of us are still thinking in postsocialist terms. What we were brought up on for 50 years is still in our heads. Entire generations grew up with a different way of thinking. Many people also think that we can go back to before 1941. That is impossible. That is why our present concern over how to transform political life has to be the primary one. On one hand, today's political elites are the driving force behind events, but on the other hand they are the biggest obstacle to progress. They all view the future in terms of their own position, and all the alternatives seem good to them as long as they make it possible for them to remain in the political leadership. We are now caught in a trap of not being able to move forward.

[Zajdela] A campaign to "stop the right wing" has come from the ranks of the Democratic Party. That has seriously split the Slovene right wing. Years ago, some people were afraid of the polarization of Slovenia into two political blocs. The consequence was the previously mentioned collapse and the SKD's [Slovene Christian Democrats] joining the present government coalition. Are you Democrats prepared to correct these completely obvious mistakes?

[Bucar] We are not important enough to be capable of making such crucial and big mistakes. Stopping the right wing was not a reflection of political democracy. It is the title of an article written by an author who really is a member of our party. She did not consult anyone about that title and the party did not discuss it.

I myself am also of the opinion that although I would not like to use the expression "stopping the right wing," the problem here is different from the way that the SKD leadership posed it: "It is necessary to drive out the Red directors and replace them with our people." That is not true at all. I do not agree with that. It only means driving out devils with Belzebug, replacing one with the other. That way of thinking is typical of clericalism. That is the source of the bipolarism of politics: previously you drove us out, and now we will drive you out; previously you occupied all the positions around the pots, and now we will. We simply cannot accept that. That was one of the SKD's big mistakes, and it was precisely for that reason that we separated from them.

### Statistics on May Economic Trends

93BA1196H Ljubljana DELO in Slovene 29 Jun 93 p 2

[Article by Silva Ceh: "For Imports One-Fourth Higher"]

[Text] Imports increased due to expensive luxury cars; in the socialized economic sector, 7 percent fewer employees than last April.

Ljubljana, 28 Jun—Industrial production also declined during the spring months of 1993, i.e., in April and May; comparisons with its volume in 1986 indicate a renewed intensification of inflation. In April, exports lagged somewhat less behind imports, but imports from abroad (not counting the former Yugoslavia) were more than one-fourth higher; this is the most important characteristic of foreign trade trends at the beginning of 1993. Imports are higher primarily due to purchases of luxury passenger cars, which are not a stimulus for the revival of economic growth. In the socialized economic sector, there were 7 percent fewer people working in April, and in the noneconomic sector, 3 percent fewer than last April. The record holder among retail prices is medicines, which are almost 90 percent higher than the average for many years. The wage freeze law, which is expiring in June, halted the abnormal growth in personal incomes during the second half of last year. These are some of the findings of the Economic Institute of the Law School [EIPF] regarding trends in May.

After the somewhat reduced March decline in industrial production, in April and May it increased somewhat again: in April by 1.79 percent per month (which means 24 percent per year), and in May 0.83 percent per month (10 percent). Since February, production has been declining by 13 percent at an annual level. Otherwise, industrial production was 7 percent and 5.5 percent below the comparable level last year. In comparison with 1986, industry produced 41 percent less in April and 38 percent less in May. In trade, retail sales, although somewhat lower in April, were approximately the same as last year during the first four months of 1993, and 31 percent lower than in 1991. Inventories of unsold goods declined by 1.23 percent, and were 9 percent lower than the April 1992 level. Demand contributed to sales' being as large as last year's. Since production is declining, the inventories of unsold goods are also declining in industry.

According to a survey by the Statistics Institute, there are fewer and fewer orders in industry: in April 62 percent of the enterprises polled were dissatisfied with domestic sales, 47 percent with sales in foreign markets, and 75 percent with sales in the markets of the former Yugoslavia. The EIPF analysts note that in view of these responses, the problems of orders from abroad in April 1993 are the biggest since independence. The situation is different with purchases of semifinished products and raw materials, since almost 80 percent of the enterprises have no difficulties with these sorts of purchases in the Slovene market and foreign markets. This does not

include interrupted purchase channels with the former Yugoslavia, which are critical, in the opinion of 22 percent of those polled. The same number, i.e., 22 percent of the enterprises, also had major difficulties in paying claims, and otherwise, 83 percent of economic organizations faced problems with paying bills in April.

Trade with the former Yugoslavia was cut in half; the other part of exports is stagnating, and imports are higher than last year, particularly due to passenger cars.

The analysis of the data on commodity trade is incomplete, since they are being supplemented retroactively and are not yet final even for the first quarter. According to the provisional data, total exports in April were 16.3 percent lower and in the first four months almost 16 percent lower than in the same period last year, but after the corrections it may turn out that there was not even a decline at all. In April, imports were 3.5 percent lower, but for all four months 7 percent higher, and this is thus (without taking into account the more than 50 percent decline in exports to and imports from the former Yugoslavia) the most important characteristic of foreign trade trends this year. The April 1992 surplus of \$27 million was replaced in the balance for April 1993 by a \$44 million deficit. The balance of trade is most weakened by the growth of imports of consumer goods, which increased during the first four months of this year by a full 53 percent, or by \$280 million. As stated, this was mostly because of imports of luxury cars, which, according to approximate calculations, contributed to imports worth \$200 million. Without this type of automobile expansion, the Slovene balance of trade was positive, and not negative, by \$125 million.

Since export prices increased by 1 percent, and import prices fell by 5 percent, the trade results by value are better than by volume. Consequently, during the first quarter the physical volume of exports declined by about 20 percent, and the volume of imports increased by 10 percent. In commodity trade, there has been an increase in the orientation toward East European markets, and somewhat less to the states of the former Yugoslavia. Slovenia is achieving a surplus with all the developing countries except for the oil exporters, but has a deficit with the developed ones, especially the EC, EFTA [European Free Trade Association], and OECD [Organization for Economic Cooperation and Development] countries. According to provisional and unofficial data, in the current balance for the first four months of this year the state has a \$35 million deficit (last year there was a \$439 million surplus), and a \$123 million outflow of short-term capital. It appears that the planned surplus in the current balance for this year, \$700 million, will not be realized. The authors of the May economic trends also see something good in this: the poorer result in this balance will make it easier to finance the budget deficit, and together with domestic savings, will preserve somewhat more money for investments. In April the Bank of Slovenia's foreign exchange reserves, after declining during the first months, increased by \$45 million and those of other banks by \$22 million, i.e. for a total of \$67

million, and now exceed \$1,200 million again. In April, foreign debt increased by \$14 million, and at the end of this month had climbed to \$1,765 million.

And what about prices and wages? In May, retail prices increased most for agricultural crops, namely by 5.7 percent, and for services, by 2.8 percent. An exception was the prices for social security services, which jumped by 30.6 percent. The EIPF analysts predict that the persisting decline in year-to-year price growth rates will probably end in June, after the present fluctuation by about 2 percent per month started last July. Prices for medicines are exceeding their average for many years by 89.6 percent, prices for craft services by 58.8 percent, prices for leather products by about 30 percent, and prices for textile products by 28 percent. The relative prices for heating and construction materials are lagging substantially behind this average, by a full 20 percent, and domestic PTT [postal, telephone, and telegraph] services by almost 50 percent.

The volume of personal incomes declined by 3.8 percent in May, by almost 12 percent in public services and 16.6 percent in state services, whereas in the economy it was approximately the same as in the last two months of 1992. Wages at insurance companies particularly jumped in May, namely by 15.3 percent. The law on freezing wages halted their rapid growth. But what will happen after June, when the law is no longer in effect? If we witness a repeated real growth in gross wages, economic activity will be even lower, and unemployment will be higher.

[Box, p 2]

In 1987, more than 700,000 people were employed in the social sector, and in April 1993, fewer than 500,000. In April, the unemployment rate reached 14 percent. Every seventh inhabitant of the state is without work. It is interesting that this year only employment in the social sector is declining, whereas it is growing in the noneconomic sector and in the private sector. There are 495,000 people working in socialized enterprises, 140,000 in the noneconomic sector, and 34,000 in the private sector.

[Box, p 2]

The EIPF analysts feel that excessive imports of luxury goods are not a stimulus for economic activity. It can be understood as a fact that investment in productive activity is still accompanied by high risk and a lack of normal confidence from people. The analysts think that the government would probably have to limit the volume of imports of luxury goods, and especially for expensive cars it should introduce higher tariffs and taxes.

# Finance Minister Optimistic About Economic Recovery

93BA1196E Ljubljana DELO in Slovene 26 Jun 93 pp 19-20

[Interview with Finance Minister Mitja Gaspari by Janko Lorenci; place and date not given: "We Will Not Have an Economic Collapse"]

[Text] *Minister Gaspari on comparisons between Slovenia and the former East Europe, our managers and entrepreneurs, the crucial effect of wages on economic recovery, his attitude toward strikes, about how he would rather resign than allow the budget to exceed the agreed-upon volume...*

[Lorenci] The economic situation seems bad, and it seems that the first signs of a slight panic are appearing among the public. Justifiably?

[Gaspari] If we look at ourselves, Slovenia, from outside, we may be concerned, but there is no reason to panic. If we look at comparable states and the European region in general, there is also no need for concern. The recession is primarily a matter for Europe, not Slovenia. From this perspective, Slovenia's situation is still far from being bad enough to lead to panic. Serious misgivings are arising, however, about our internal forms of conduct, primarily the perception of what and how much we have to pay for the state's economic independence; in this regard we have not yet reached an appropriate point of realization.

[Lorenci] Isn't a comparison with the former East Europe actually disgraceful, since recently it was still supposed to be far behind us?

[Gaspari] We do not need to compare ourselves to Albania, Romania, and Bulgaria, but naturally we can compare ourselves to the Czech Republic, Hungary, and possibly Poland. Even before the war those states had a stronger industrial tradition than Slovenia. In the second place, they started the transformation at least two years ahead of us. In the third place, their per capita income is not dramatically worse than the Slovene one. In the fourth place, in trading with the West we are competing with these states, and we are only partly complementary. In short, Central Europe is an area with which it is not disgraceful to compare ourselves.

[Lorenci] All those states nevertheless lived under a stricter communist regime than Slovenia, which had a sort of half-market economy, which was supposed to be its main comparative advantage.

[Gaspari] We already lost that advantage during the last 15 years, when Yugoslavia developed retrogressively. International markets were closed to us, the political system gradually unraveled, and the state's economic relationships were increasingly unstable. Slovenia started to lag behind in development, and from 1985 on that was also reflected in the figures. Admittedly, we had more open economic relations with foreign countries

and better managers, but that difference was not so very dramatic; otherwise, it would still be more obvious today. The fact that we were behind in many things during the last two or three years is obvious, however. From the very beginning, it seemed to me that with respect to privatization we were talking about donkey shadows [reference to fable; i.e., not seriously dealing with the matter]. It is true that privatization is a sort of quiet revolution, but such things never take place completely rationally and the different interests of different groups in the population are expressed in conflict. We are resolving that conflict here more slowly than in some other places.

[Lorenci] Slovene politics and the economy have perceived each other and their role in our development, or undevelopment, very differently. For politics, our managers as a rule are not worth anything, and the economy lacks any essential advantages compared to East European countries, whereas businessmen and also a lot of economists think that our body politic is incomparably sicker than our economic one. What do you say, since you are a bit in both spheres?

[Gaspari] At this time we do not have better managers, and comparatively they are at most better than others. We lived in such unstable conditions that they had to become adaptable. That remains our advantage, at least partly. The organization of work at enterprises, and above all cooperation among enterprises, their cooperative attitude, which is so characteristic of the Japanese economy, for instance, remain our weak point. As far as politics is concerned, at this point it is certainly not contributing to stabilization of the economy. At a time when you are changing the system's foundations through privatization, however, politics can hardly be expected to be calm and stabilizing. As a nonpolitician, I expected the present coalition to give Slovenia basic political stability. I still do not see any other coalition that could offer at least that much.

[Lorenci] Can the scandals and other political tensions be sensed in the government's work?

[Gaspari] I do not belong to any party, and I do not have internal information of that type. As I observe government meetings...

[Lorenci] These things do not interest you, and you do not want to go into them?

[Gaspari] I consciously decided that I would not deal with this. That is an attitude, of course, that is neither praiseworthy nor deserving of criticism. I also consider it most correct. I do not see any divisions in the government's work as passionate and terrible as they are supposed to be, according to some public descriptions. The coalition is still solid enough internally that it can reach an agreement on the issues that are important for the survival of the government and the coalition. At least so far, a solution has always been found that does not threaten the coalition, but at the same time does not support a unified economic policy.

[Lorenci] You previously spoke about managers. What do our private entrepreneurs seem like to you? Some people talk primarily about quasi-entrepreneurs. The proof of that is supposed to be the mass purchases of expensive cars; real entrepreneurs would rather invest the money in some market niche.

[Gaspari] There are about 20,000 of them now, and I cannot evaluate them either positively or negatively. A few years ago we decided on a different system, and entrepreneurs are obviously one of the offspring of that system. What they will develop into depends not only on them, but also on the economic system. The vast majority of new enterprises are arising in the service and trade sectors, and a considerable portion of the profits that they earn is a sort of income from the fact that those entrepreneurs came to the market first, and with others and consumers poorly informed, they acquired more than they would have in a settled market with strong competition. That, of course, is a sort of very subdued initial accumulation of capital in the Slovene way, and that is the second thing. It will be possible to regulate it gradually, primarily through tax legislation. Only the gray economy itself cannot be regulated by it, since otherwise it would not be the gray economy. We are now preparing tax measures that will cover some of the effects of the gray economy, including the automobiles that you mentioned. It will be prepared soon, and I would rather not talk about it in more detail.

[Lorenci] The investment of money in cars and so forth can also be an expression of distrust in the future and in solid prospects, an expression of a belief that one still cannot see any light at the end of the tunnel.

[Gaspari] Even the Germans, for whom unification was something similar to what the loss of the Yugoslav markets was for us, are seeking a light at the end of the tunnel in vain. Actually the entire EC, which is now lagging behind North America, is seeking new strategies for economic development. Slovenia will also have to seek one within that; it is too small itself for an independent development strategy. It is important to Slovenia to sense as soon as possible the main European courses of development and to attach itself to them.

[Lorenci] By the light at the end of the tunnel, I did not mean anything big and lofty; for the average Slovene, that light only means a belief that the long decline has finally ended and that the path upward is beginning, even though it is still slow; that light, for him, is also an end to the mortifying feeling that a catastrophe can happen any day and the economy can collapse.

[Gaspari] Slovenia will certainly not have an economic collapse! Absolutely not! In my opinion, this year and next year we will still be stagnating, but then there are possibilities for a gradual revival of growth, which started moderately back in October 1992, and would have continued, if the completely irrational growth of wages had not continued as well. All the analyses indicate that the growth of wages is a direct blow to our

industrial production. And if average real wages have increased, I could hardly say that people are worse and worse off.

[Lorenci] That is true, and in that regard the government has a psychological and material reserve for taking measures!

[Gaspari] People are thus not worse and worse off, but there is increasingly greater stratification. It is impossible to have capitalism and a very egalitarian society at the same time, however. Economic growth is thus not as far off as it may seem, but it is strongly dependent upon two things. The first one is trends in Europe, especially in the EC, and the second one is a reduction in costs at home. Wherever you turn, the main cost is labor, i.e., wages. I will not explain how we will gradually reduce the burden of labor through taxes and thus also encourage entrepreneurs to invest more. Who will invest now, though, when everyone is waiting for privatization like dogs on a leash?

[Lorenci] Serious investment will start when a considerable portion of the property has been privatized. And when will that be?

[Gaspari] According to the law, 12 months after it goes into effect, i.e., on 6 June 1994. More than 1,000 firms are being audited, however, and about 700 are being denationalized, so out of 2,500 enterprises, only a third of them can start to be privatized immediately. Most of the enterprises will probably want to be privatized internally, which means that they will wait for their value to be relatively lower. I hope that at least 400 enterprises will be privatized this year, and the rest of them—again, I hope—by the end of 1994.

[Lorenci] And then there will finally be a larger wave of investments?

[Gaspari] Primarily domestic investments will start then. Foreigners will come when they see that the situation is stable—i.e., when they see some examples of serious domestic investments. Then people who are not speculators and want to remain here for more than one spring will appear.

[Lorenci] Then the foreigners who are already investing are themselves speculators?

[Gaspari] Of course not. There are not a lot of serious foreign investors, however. The ones so far will not dramatically change our economic situation. The future ones will be extremely important. With their additional investments, we will be able to promote some of our important sectors, which themselves do not have the money for it.

[Lorenci] Which sectors?

[Gaspari] The electronics industry, the metallurgical, lumber, textile, and shoe industries, those are our branches. Those branches are our strategy, since they

were already the principal ones earlier; they will also be the principal ones in the future, when they have become used to living on their own.

[Lorenci] With the present poor trends (production, exports, employment...) there is a lot of weeping and groaning. Some well-meaning critics say that the essential thing is for us to restructure, and that in comparison with that, a few percent up or down in production, etc. do not mean anything. That is probably true. Is restructuring really going on, however?

[Gaspari] It is; that is obvious to me. We launched a restructuring of the banks, and thus also a serious restructuring of the debtor enterprises. If I can simplify and shorten it a great deal, in the end the enterprises that were the banks' final creditors will become the actual owners. That seems to me to be the most direct path for restructuring enterprises, which is a twin to ownership transformation, since in this case it also literally involves privatization. That process has started, and it will end in a year or two. It is a very serious restructuring, and at this time it is the most serious economic investment by the Slovene state and the economy. Those famous billions of German marks are not a matter of throwing money through the window, but rather an extremely serious preparation of Slovene banks and enterprises for the revival that will follow this restructuring. For the economy to restructure, privatize, and revive at the same time would really be a bit too much.

[Lorenci] At this time the state is conducting several large systemic and also purely economic operations. Some people, for example Dr. Mencinger, are warning that its role is too strong, and that it is recreating the unholy alliance between politics and the economy that was characteristic of the previous system.

[Gaspari] In contrast to that, some businessmen are saying that the state is neglecting them, that it is not conducting an industrial policy, that it lacks a strategy to develop the economy.... We thus have two poles, but practical experience, of course, is not at either of them. The state, of course, will have to involve itself in the public sector in order to complete its reorganization, put it on an economic basis, and equip it with an appropriate means of management and partly with reasonable subsidies. The state can only intervene in industry and the private sector with an appropriate tax policy, which has to be stable and predictable. What should be done in an individual industry, and whether anything even should be done, is the very borderline issue that the government is also intensively discussing now. I think that we in Slovenia will soon be able to formulate an appropriate industrial policy.

[Lorenci] If we translate the state's great power to a personal level, are you actually the biggest entrepreneur in Slovenia?

[Gaspari] According to the financial figures, that is probably true. Of course, I do not consider myself an

entrepreneur, except that I take care of spending the budget as rationally as possible.

[Lorenci] Can that large transfer of money give a person a feeling of power?

[Gaspari] Rather, a feeling of frustration because of the lack of money. I really do not feel as terribly powerful as it might perhaps seem to someone.

[Lorenci] More patient economists say that this year the government will accomplish a lot and actually enough, if it achieves three things: adopting a bearable budget, launching privatization, and curbing wages and the social benefits tied to them. Do you agree with them?

[Gaspari] Completely. In my opinion, what is important is primarily for us to survive the financial revolution that will occur with privatization. I am optimistic that we will be able to endure that serious shift in balance sheets without serious financial difficulties. In spite of everything, privatization is a dramatic event for the economy, and gives a fundamental emphasis to this year, which is a year of survival. In the second place, it is necessary to insist on price stabilization, for which there is no substitute. We cannot play with the idea of a little more inflation and then a little more development. Any serious person abroad will tell you, "Your main achievement is stability; hold onto it at any reasonable price! Fiscal stability is the first condition for you to be able to start thinking about reviving the economy in the third phase." That is why I am obliged to insist on the budget that has been adopted. I would rather resign than change it, especially the part concerning the size of the budget deficit. There is no weighty argument that is forcing us into a serious increase in the budget. In order for us to be able to keep it within the accepted volume until the end of the year, however, some serious discussions in the government will be necessary very soon, since some users are exceeding the projected limits, unfortunately primarily in the area of employment and social welfare matters. In the third place, it is important for us to keep the balance of payments at approximately the same level. It cannot be the same as last year, and also the situation in Europe does not indicate that exports could grow substantially. The trend in convertible exports does not concern me as much as some other things.

[Lorenci] Which users are exceeding the budget items? Why don't you stop them?

[Gaspari] We are trying, but some rights are obviously legally guaranteed. The bad experience last year with wages, which ended up in the Constitutional Court, may also happen to us again this year unless the appropriate legislation is changed, immediately, in June and July. We are recalculating things now. Without changes in the legislation, we will get into such difficulties that we will have to inform parliament that the budget will not last until the end of the year.

[Lorenci] What legislation do you have in mind?

[Gaspari] I am thinking primarily of unemployment compensation, where there are many problems, where rights are too broad for the state's capabilities, and the compensation is paid for too long, which discourages people from the desire for reemployment. I do not see any reason why there are so few jobs if we note on the other hand that contract employment is so very intensive. People are obviously shifting to that form of employment. There would thus be less of a burden on the budget if the period of compensation were shortened, and at the same time it were made possible for some of these changes, as specified in a government decision, to be prepared as soon as possible, by the end of July, with immediate validity.

[Lorenci] The issue of wages remains an open and hot one. Wages are now about 700 marks, but according to all your assertions and the government's that is absolutely too much and is preventing a successful and more or less sudden revival for Slovenia. In spite of that, it seems that the government has reconciled itself to this level of wages and is not showing any particular ambitions to reduce them radically instead of keeping them.

[Gaspari] I very much support Dr. Glavic's proposal, but it is not feasible in practice. We have to be realistic enough to admit that wages cannot be nominally reduced. It would be hard to find a state like that. I accept the agreement with the noneconomic trade unions as a serious sign that the state and the trade unions know how to negotiate rationally, and will. In the second place, the escalating scale for the noneconomic sector and for the economy is very stiff, and also comparable with other states. It will lead to a real reduction in wages this year, and pensions along with them, of course. I would therefore say that the situation regarding wages is not catastrophically bad, and that the government did not make a substantial mistake in this area; there could have been some disagreement in the procedures. It is more than clear that a real growth in wages directly increases the number of people unemployed, and I hope that the trade unions are now also closer to realizing this. We will be able to start talking about a real growth in wages when a real growth in production also starts.

[Lorenci] A while ago you yourself said publicly that base wages should not exceed 25,000 tolar. Now that amount has been exceeded, and you seem to agree with it. The government always gives in again, and the already bad situation thus becomes worse. Sooner or later it will get into a situation in which it will have to win in some big strike. The government also gave in in the last two strikes, by teachers and farmers, when the public was obviously on its side. It thus seems that the government is also weak in political psychology.

[Gaspari] You are arguing with the wrong person about this. I demanded that kind of attitude toward strikes last year with respect to the railroad strike, which was the ideal moment for a decisive position, since the railroad unions' strike was unjustified. Unfortunately, at that

time there was no willingness for that, and then it somehow continued. Regarding the negotiations with the teachers, I would not say that the government definitely gave in. It was a matter of seeking a compromise, seeking an upper limit that the government would still be capable of financing. When that limit was clearly and decisively set, there was no further negotiation. With respect to your criticism about the exceeded 25,000 tolar, it was a matter of combining either the 25,000 tolar and a more moderate escalating scale, or 26,000 tolar and a steeper escalating scale. Wages are determined by dynamic factors and not static ones. Viewing this as a financier, a steeper scale and a higher base until the end of the year yield more than a lower base and a more moderate scale. The government did not give in as irrationally as it would perhaps seem at first glance. I can also state clearly that there will not be any more yielding. What the government had to say to the noneconomic trade unions, it said. That is the end of the matter, even if there is a strike in the middle of the tourist season. As far as the economic trade unions are concerned, what was offered in the contract negotiations is the maximum. If it is not adopted, the government will have to use the measures at its disposal.

The farmers demonstrated completely inappropriately. The agreement with them currently has not caused excessively serious consequences for the budget. I agree with you that it has to be clearly stated where the limits are. I will state them clearly when I inform the government at the end of the month or the beginning of July about the fulfillment of the budget. I think that I have the prime minister's full support for the position that the budget has to stay within the adopted limits. Budget outlays on the whole can only be increased within the legally specified limit, i.e., by 10 percent at most. I will not agree to rebalancing the budget, and not personally either. Next year we will abandon the principle of a change in denomination, and start a nominal budget. As far as I am concerned, there is thus no fear that the budget would not be fully implemented. I would by no means accept compromises that would destroy what was arduously adopted in parliament for 1993; I would rather resign.

[Lorenci] When I mentioned the more political aspects of the government's conduct, you said that I was not talking with the right person. You are also a politician, however, and as a financial expert you are well aware of how important "unprofessional," immaterial matters are even in your area; just one statement can bring about a fluctuation in the currency. As was stated, the government is bad at political psychology. It seems clear that it should have taken firm but unpopular measures at the beginning of its term, and thus created a basis for later improvement and also for a better position for itself before the next elections. If it does little or nothing now, at the beginning of its term, because it is not decisive enough, for instance, it will only prolong the economic agony, and then will also fail politically in the elections. That seems to be elementary political logic, but your government does not seem to be acting according to it.

[Gaspari] Well, no one is perfect. We are all learning. Our political marketing could certainly have been better, and certainly at times decisions could have been made more intelligently and more quickly, overtaking some event and keeping more room to maneuver. The criticism is partly appropriate, and I also accept it personally. At the same time, the government has undoubtedly adopted and instituted some firm measures. Most people were surprised that it even adopted the budget and then pushed it through parliament. It will also insist on it. Governments usually fall because of budgets, and not interpellations. We will certainly not fulfill 100 percent of everything that we planned, but the basic goals will be achieved. At the end of the year it will be possible to verify this. I would thus not assess the government after 100 or 200 days; let us assess it according to the course of events, individual measures, and results after some reasonable period.

[Lorenci] You agree, then, that wages and social transfers are the most open and acute issue?

[Gaspari] I hope that I will not be perceived again as a person who would like to make people destitute. One must be aware that it is an objective problem.

[Lorenci] Then Slovenia will have to follow Taiwan's path, as Dr. Mencinger says?

[Gaspari] After the war, even Germany recovered through renunciation, investment primarily in productive investments, and holding back the individual standard of living. For us, the loss of the Yugoslav markets was a sort of equivalent of war. That should be acknowledged somehow. Prof. Ribnikar once said very appropriately that everyone in Slovenia feels like a victor; no one wants to negotiate, or ever yield, and everyone only makes demands. That mentality will have to be adapted to reality a bit. Sometimes it is also necessary to yield and give up something, in order for things to be better tomorrow.

[Lorenci] Some pessimists even think that first of all Slovenia will have to have an economic collapse so that it can then be reorganized and the above-mentioned mentality can be changed.

[Gaspari] I would not play with economic collapse. That is like playing with inflation. Those are irresponsible statements, much less measures. If we collapse economically, we will also collapse as a state, and I have never wavered in my feelings about that. Since we have decided on our own state, let us accept it and built it seriously!

[Lorenci] What should be done with wages and social welfare, then? Slovenes do not want to change and accept by consensus the burden of reduced wages and tougher social welfare, and the government is neither capable nor willing to institute this. At the same time, it is a fundamental issue. Consequently, one should be radical. Isn't one of the possible courses, however, renouncing the former basic economic doctrine, i.e., stabilization, and

reconciling oneself to higher inflation in spite of everything? Not in order to revive production, etc., through it, but rather in order to cut the otherwise uncontrollable wages that way.

[Gaspari] I know, Dr. Mencinger, etc., also think that it is an inevitable course. Some of my colleagues in the government also think that some more inflation would help to resolve the difficulties more easily. I must decisively say no. The central bank is also firmly against it. Let me clearly state or repeat several things: by extorting higher wages, people are essentially throwing their colleagues out of work. Higher inflation will not bring higher production, and unemployment will be increasingly higher. I am not prepared to sacrifice low inflation in order to have unemployment possibly reduced by 1 percent, just since it will be artificially concealed for a while by additional money, e.g., by a higher budget deficit. It will only be for a while, since the central bank certainly will not sanction it. Illiquidity, nonpayment, poor discipline, and economic disorder would increase further in the economy. Economic disorder has never led to new jobs. There is thus no alternative to the present commitment; the alternative is for people to realize this! Wages? If the present scale also applies next year, wages will shrink to 500-600 marks per employee. We have to achieve that in order to make new employment possible. Perhaps it is funny that the minister of finance is emphasizing this, but I repeat: employment is what ought to interest everyone, but not by extorting a higher standard of living on one hand, and on the other, demanding that the state seek new jobs. That could only be achieved by increasing the budget deficit, and I will not and cannot do that. Unless we are able to agree at the end of the year on continuing the present policy of stabilizing wages, then I doubt that we will be able to put together a budget for next year. We are very rapidly approaching the point that you keep bringing up again.

[Lorenci] That problem is thus clearly recognized and defined?

[Gaspari] The budget for 1994 will even be much more crucial than the budget for 1993, since it will expose the problems even more clearly. It will be necessary to decide clearly: only such and such wages and social welfare, and strict economizing by all budget users. There is still a tremendous amount of room for economizing. Enormous subsidies to the economy are still flowing out through the customs system, for example, more than 30 billion tolar just last year. At one of the next government meetings, I will submit a memorandum on changes in the tax and fiscal area, in which I will propose specifying dates by which the customs law and the law on customs tariffs have to be amended. The new system will thus definitely have to be in effect already for the 1994 budget.

[Lorenci] You are talking very categorically. It seems that your authority in the government is growing.

[Gaspari] I am an equal member of the government, and I do not have any special status. It does not seem to me that my power has increased; my position is more or less the same as in the previous government. I also come to grief with some of my proposals. The proposal for a tax on gambling machines did not go through, for example. I will submit it once more, because I think that at this time, when we are in limbo with respect to gambling, that tax should be imposed, since we cannot simply eradicate that type of gambling, which is outside organized casinos. Otherwise, I feel all right in the government and I do not have any difficulties with my colleagues.

[Lorenci] You are the finance minister and you have to be miserly. From the fact that individual ministers identify themselves with their ministries, apply for more money, and you turn them down, could personal criticisms also arise?

[Gaspari] Open personal antagonism? I am not familiar with it in the government, and no one has told me yet that he is my enemy because of it. In principle, I consider my position in the government an official one. It is thus not a matter of a private relationship with people. When we sit in the government, I always think that we are sitting as officials and consequently we speak on behalf of our ministries. Outside the government we can be friends or colleagues. I would not mix personal matters with official ones. In changing the budget, of course there were tensions in the government, since the prime minister and I obviously set some limits.

[Lorenci] There is considerable criticism of some of your colleagues in the economic part of the government, especially Davorin Kracun and Maks Tajnikar. There is also an opinion that the economic part of the government is not composed of a suitable mix of strategists and operatives. What would you say?

[Gaspari] It would be very rude and arrogant for me to assess my colleagues' work. The prime minister, as the director of this orchestra, would do it and if necessary decide on any change. I will not say that the situations have always been ideal, but in interpersonal relationships sometimes differences can be smoothed over, and sometimes they remain, of course. Then the prime minister has to arbitrate. Now, for example, we are seeking a good compromise between two positions: on one hand, more emphasis on selective tax breaks and a stronger industrial policy, and on the other hand, the most linear possible tax system, with the fewest exceptions and then a linear reduction in burdens. IMF experts will also help us.

[Lorenci] What would you say to a specific proposal that either Joze Mencinger or Velimir Bole assume the position of the government's main macroeconomist? Mencinger, for example, would bring the government not only expertise, but also credibility, which it needs very much.

[Gaspari] I can only answer that hypothetical question hypothetically. In the first place, I would not want to push Mr. Mencinger into the government or push anyone else out of it. Finally, a good replacement can also be found for me....

[Lorenci] There is none for you, so to speak....

[Gaspari] That is not true at all. Mr. Kranjec was absolutely a good finance minister. Admittedly, there are few people for this position, since we did not have our own state and we did not nurture appropriate people. I do not know whether Mr. Mencinger would even be interested in that position. At this time he is primarily criticizing the government. His qualities are obvious, of course. Otherwise, I do not see any reason to turn the government upside down. Would we need a deputy prime minister for economic affairs again? The experience with Mr. Rigelnik was good, and a coordinator would perhaps be appropriate. In the previous government, the deputy prime minister filtered matters regarding the economic ministries before they came to the government, and thus sometimes reduced tensions and eliminated some superficial things in papers coming to government meetings.

[Lorenci] There are consequently no essential disagreements in the government over the basic orientation?

[Gaspari] No. I am mostly criticized by my colleagues for not collecting taxes well enough. We probably really are doing it somewhat worse than some stable states. The belief that better tax collection would miraculously eliminate most of the problems is very superficial, however. In the first place, there is the gray economy (I have already spoken about it), and we are already trying to do something about eliminating its effects, for example, regarding gambling machines, cars, and contract labor. That legislation will not have lasting value, but it is attempting to cushion some current dissatisfaction over disproportionately distributed tax burdens. Partly for the same reason we will also institute a tax on firms. In my opinion, we are not making cardinal errors regarding income tax on physical persons, and with respect to tradesmen the republic tax administration is working substantially better than some people would like to know. By the way, I am still protesting the bomb thrown at the tax office in Krsko, since when such attacks start against institutions that the state should keep going, the extreme limit of tolerance has been crossed. Probably some tax evader wanted to vent his rage against the local tax service.

Since you are asking me about differences, however, there are still partial disagreements over the policy on tax breaks and industrial policy. On the third side, if there is any difference at all, there is also the fact that I am very firmly against having the central bank relax its policy. I am very firmly against having the budget deficit larger than it has been; 1.8 percent of GDP is the upper limit that Slovenia can still afford for financing the deficit. That deficit is not intended for current budget

spending, but rather the costs of restructuring banks and enterprises. I will insist on this unswervingly as long as I hold this job.

[Lorenci] You have already mentioned two or three times that you would rather resign than allow several

things to happen. Is it true that you have privately already threatened to resign several times?

[Gaspari] No, I have not threatened to resign at any government meeting, and I will not. I will resign when I see that things are going in a direction that I cannot agree with professionally. Threats of resigning are a childish matter.

## Federal

### Background on FRY President Zoran Lilic

93BA1199C Belgrade VREME in Serbo-Croatian 28  
Jun 93 pp 27-28

[Article by Ivan Radovanovic: "Candidate Zoran Lilic: On the State Track"]

[Text] *Many contend that Lilic is the "captain" of the new SPS [Socialist Party of Serbia] generation, a group that includes, besides him, Nebojsa Covic, Goran Percevic, Ivica Dacic, Dusanko Djogo.... They are all considered Milosevic's favorites.*

Viewed chronologically, the first in the series of events that would later determine the new president of Yugoslavia happened at the beginning of the year. Zoran Lilic, the chairman of the Serbian Assembly, yelled out to the departing opposition, "Close the door," and according to journalists who were present, Mrs. Lilic sent a message to her husband on his pager: "Come home, don't make a fool of yourself."

On that occasion, Mrs. Lilic was not obeyed, and another decisive event soon followed—the removal of Dobrica Cosic from office and the appearance, in Lilic's hands, of a phantom set of notes from a secret military meeting. Zoran Lilic unselfishly distributed part of these notes to the socialist deputies responsible for Cosic's overthrow, and after that everything was easy.

First there was the meeting at the "Sava" Center, where Lilic sat next to Zivota Panic, then the wedding of young socialist Ivica Dacic, where Lilic was one of the most jovial guests, and finally the meeting of the Main Committee of the Socialist Party of Serbia, where the son of a Brza Palanka potter and former model, the chairman of the Serbian Assembly and a jovial person, Zoran Lilic, was put forward as the new president of the new Yugoslavia.

### Soft and Hard

After that, the whole story becomes much less interesting, so that even the very report of Lilic's candidacy passes mostly without comment, with the exception of the unproven assertion by the Socialist Party of Serbia that its candidate Lilic enjoys high esteem among the people.

Regardless of that, Seselj's radicals immediately accepted Lilic, the Montenegrin Democratic Party of Socialists also had nothing against him, while the entire opposition quietly stood on the sidelines, demonstrating that it was completely aware of how ideal the former chairman of the Serbian Assembly is for the unimportant post of Yugoslav president.

"After all, it makes no difference whether he is chairman of the Serbian Assembly or president of the federal republic; what is important is that he is dull," says Vojislav Kostunica, the chairman of the Democratic

Party of Serbia, and that is the extent of his thoughts about the young, mustachioed candidate.

As the socialists like to say, Lilic was set in motion toward his star on 27 August 1953 (the same age as Bozovic), the son of a potter and a housewife, in Brza Palanka, not far from Kladovo. He studied at and graduated from the School of Engineering in Belgrade, working as a conductor for Urban Transport, as a model at the Belgrade Trade Fair, as an installer of window treatments in Novi Beograd high-rises, as a milkman.... His last inconsequential job, which some journalists were later inclined to call his passage through "the American dream," was as a peach picker in Bolec.

Much less is known about the political career of the model who will become president, although enough for many people not to like him. The first time that anyone heard of him was in 1990 when he became a socialist deputy in the multiparty Serbian parliament that was convened then. He was depicted, and he depicted himself, as the "soft current" of the SPS, which later, after his rapid advancement, would be transformed into a coherent question by journalists who follow the workings of parliament: "If Lilic is the soft current, then what is the hard one?"

Some opposition figures regard him as the biggest actor in the modern history of the Serbian Assembly ("Bata Zivojinovic is an amateur"), and among the particular merits attributed to him is the fact that he managed to trick even the pragmatic Zoran Djindjic of the Democratic Party.

He was a prominent guest at opposition and journalists' tables in the Assembly restaurant, and he did not refrain from slinging a little mud at his socialist colleagues and saying that the opposition was right on this or that issue. To this day, he is remembered by the Democratic Party caucus for having assured them, prior to the famous session where he would brutally guide the adoption of the Law on the Election of Deputies to the Chamber of Republics of the Federal Assembly (the session remembered for the aforementioned "Close the door"), that the controversial law would not pass, in part because even he did not like it. Today, people in the opposition no longer like to even hear his name, and the most frequent comment that can be heard about him is that he is "fickle and immoral."

Many contend that Lilic is the "captain" of the new SPS [Socialist Party of Serbia] generation, a group that includes, besides him, Nebojsa Covic, Goran Percevic, Ivica Dacic, Dusanko Djogo.... They are all considered Milosevic's favorites, sweet enough for the ordinary population and hard and uncompromising enough toward the opposition, which they generally view as an "enemy element."

### Lie Down, Get Up

Thus, it is not unimportant that they took the biggest step in their careers at the October socialist congress,

when Milosevic reproached the-then party leaders for too soft an attitude toward the opposition. At that time, Lilic himself was elected to the party's Executive Committee, and it is recalled that he criticized parliament chairman Aleksandar Bakocevic, in Milosevic's mind already a goner, whose post he readily accepted a few months later.

"He does not turn down anything," says one of Lilic's acquaintances, noting that as soon as Lilic heard that he was a candidate for leader of the socialist parliamentary caucus, he began convincing his colleagues that he was perfect for the post.

Besides the fact that he does turn down anything, the presidential candidate does not have the habit—in Milosevic's eyes a bad one—of making functions offered to him conditional on certain unnecessary demands, such as autonomy in his work and the like. He listens to everything that is told him, does not reflect on orders, spends the intervening time dealing with ephemeral matters, and readily conveys the whole "lie down, get up, stand up, sit down" ideology to lower cadre.

Milosevic is probably especially pleased by his "Central Committee" style of working. For example, in order to make parliament more serious, a ban was imposed on drinking in the restaurant of Assembly employees; in order to make deputies more serious and force them to attend sessions, the monitors were removed from that bar; in order to make the duties of the Assembly president more serious, Lilic himself stopped going to what had been his favorite restaurant—his food was taken directly to his office. So that everything would be according to regulation, the new chief even took as his closest associates people who had served on the former Central Committee (perhaps at Milosevic's recommendation, because Lilic was never on the Central Committee, and thus did not even know the official figures from that time).

The following example shows how indispensable apparatchiks are to him in the performance of his everyday "duties and obligations." When a radical deputy complained to Lilic about one of the newly brought in Assembly employees and, at the same time, about one of Lilic's vice chairmen, asking that they be replaced, his response was, "Take the vice chairman."

#### Jovial Person

Among circles that follow the socialists, Lilic has managed to become known for the fact that "only Percevic is worse than he is," while some contend that he is also a "new Bozovic," "the only difference being that things about him have not yet been proven." The socialists in turn say that Lilic is beloved among their workers, alleging that at one point an ultimatum even arrived from the proletarian section of "Rekord"; we will not work if Lilic does not continue to work as our general director, in addition to the post of Assembly chairman. Their wish was granted only to a certain extent. Lilic ceased being general director and became the chairman

of the board of the "Rekord" D.O.O. Holding Company. The workers were probably happy, while malicious tongues mentioned certain large amounts of money that were sent to Rakovica and "Rekord" from the state money printing office, but all of that remained an element of the "unproven" part of Lilic's biography.

"He is young, aggressive, power hungry, and will stop at nothing," according to another assessment of Lilic's character, whereby it is noted that he is also very cautious, since for the most part it is impossible to find in newspaper documentation any of his statements on delicate issues. Concerning Serbs in Bosnia-Herzegovina, the Republic of Serbian Krajina, various Vance-Owen and other plans, Lilic generally speaks only after Milosevic and never deviates from that.

All in all, Lilic is apparently ideal for the post of president of unfortunate Yugoslavia. A person who was a model, a conductor (perhaps that is where the door reference comes from), and chairman of the Serbian Assembly. He has no problems whatsoever with his wife, he does not listen to her, nor is ambition a problem. No matter how much he has, it cannot be as enfeebled and great as Cosic's. And most importantly, he is a jovial person, which fits in with our needs and the post that awaits him.

#### Retired General Attacks Milosevic's Party

93BA1196G Ljubljana DELO in Slovene 28 Jun 93 p 5

[Interview with General Stevan Mirkovic by Slobodan Dukic; place and date not given: "I Always Carry a Whip and a Knife With Me"]

[Text] From our correspondent.

Belgrade, 27 Jun—"There are bad times and wicked people in Serbia, and consequently I always carry a whip, Mace, and a pistol," stated Tito's retired General Stevan Mirkovic, until recently president of the LC-Movement for Yugoslavia, which is considered a legitimate successor of the former LCY, in an interview for DELO. The party's leadership removed Mirkovic from his position, but he himself does not recognize that and claims that Prof. Mirjana Markovic, the wife of Serbian President Slobodan Milosevic, is behind it.

He explained to DELO's correspondent the essence of the dispute that the Serbian public is in any case following with great interest. Stevan Mirkovic claims that he opposed the desire of Mirjana Markovic and her adherents to have the LC-Movement for Yugoslavia become an appendage of Milosevic's Socialist Party of Serbia. "After two years that party has already showed its real face. It has become a nationalist one, and the Socialists are openly associating with the Radicals, Seselj's fascists. Social fascism is on the march in Serbia."

"Mirjana Markovic said that at the present time, Seselj is useful. Of course he is useful, but to whom? He is useful

to Milosevic and the Socialist Party of Serbia," said Mirkovic, who added that Mirjana Markovic could not oppose the influence of the Socialist Party. "The social and political atmosphere in Serbia has been colored by Milosevic recently with his nationalistic speeches. You can calmly write that the Socialists are not only nationalistic, but also an antisocialist party. They support the elimination of social property, but they are doing the same thing as the ruling regimes in the other Yugoslav republics. Because of the Socialist Party's extremely nationalistic approach, a third of Serbia's citizens did not come to the elections. We will choose our membership among them, because we think that they are Yugoslav-oriented people. Although they removed me from my position, I am preparing a Yugoslav congress, to which delegates from all the former Yugoslav republics will come."

[Dukic] Including the Slovenes, then?

[Mirkovic] The Slovenes have an independent communist party. They will come as guests. We have the same goals in our program, however. We are striving to integrate the Yugoslav region again. You will see—our time is just coming. People are sick of war, and we are an antiwar party. Even in capitalism, roses are not blooming. Capitalism in Europe has structural difficulties. Why else did they meet in Copenhagen? They talked about the difficulties.

[Dukic] Explain to us why you are armed.

[Mirkovic] In my criticisms, I am striking against both Arkan and Seselj and Milosevic. I told you that I carry with me Mace, a pistol, and a whip, which I received from an Indian general when I was chief of the JLA [Yugoslav People's Army] General Staff. All the parties in Serbia have their own armies and police forces. That also applies to the Serbian committee of the LC-Movement for Yugoslavia. Their people, armed with automatic weapons, are around the building in which we are talking. Walk around and you will see. Since I am a violent critic, I am a target of the nationalistic extremists. They even try to attack me on the bus and the trolley. I always ride on the trolley. Mrs. Mirjana Markovic comes to the party headquarters in the presidential BMW and with an armed escort. That is why neither she nor her husband Milosevic knows what is happening around them. They do not know how the people breathe. They live under a glass bell.

[Dukic] Have you ever used your personal weapons?

[Mirkovic] Yes, so far the whip, in order to defend myself against attacks by Goran Latinovic, chairman of the Serbian committee of the LC-Movement for Yugoslavia, and Svetozar Simovic, chairman of the executive committee. They threatened me in this building, and I pulled out the whip and waved it at them. In accordance with my decision, they were removed from the building for misusing party money.

[Dukic] What is your assessment of the political situation in Serbia?

[Mirkovic] The Socialists are in their last gasp. They will live as long as Seselj and Vuk each go their own way. When they unite and start their nationalist dance, Milosevic will fall. Social revolt also awaits him.

## Macedonia

### \* Ethnic Tension in Aracinovo Examined

93BA1105B Skopje NOVA MAKEDONIJA in  
Macedonian 25 May 93 p 4

[Article by Panta Dzambazoski: "Someone Is Planting Bosnia in Our Village"]

[Text] *Twelve or 13 Macedonian families received threatening letters in which they were asked to sell their houses and property within two months; otherwise, sanctions would follow, first against their property and then against their families. The signer is the "Board of the Ethnic Albanian Committee," which no one knows if it really exists or whether this is a provocation by someone else, as deputy Ismet Ramadani announced.*

Fear, concern, alarm, and above all, surprise were instilled in more than 1,000 Macedonians living in the Skopje village of Aracinovo, where more than 10,000 Albanians also live. Last Wednesday, 12-13 Macedonian families were visited by the postman, who brought them each one letter, all of which had written in Macedonian, the identical contents: "Without any panic and without any particular politicization, you are to sell your property, as you wish, within a period of two months. Otherwise, sanctions will follow, first against your property, and then personally against you and your family." Then a warning was given once again: "After the expiration of the deadline the established sanctions will take place for which there will be no delay and no turning back—Friendly regards, the Board of the Ethnic Albanian Committee."

Whether these families were the only ones especially chosen to receive threatening letters is a question to which we received a negative answer. The postman was carrying other letters on which the addresses and names of the family heads were precisely typed, but the delivery was stopped immediately after the police were alerted.

Is there really some sort of ethnic Albanian committee that advocates the ethnic cleansing of Aracinovo and is calling for a civil war? The answer given by the residents of the village, the Local Community, the committee members (three from the PDP [Party of Democratic Prosperity], and Deputy Ismet Ramadani, after a meeting held the same evening, is that no one knows anything about the existence of that committee. The Local Community [MZ] and the PDP branch, at their

meetings, disassociated themselves from and condemned this act, urged that the participant or participants be found and convicted, and likewise urged that coexistence continue to be nurtured and be as firm as it had been to date.

### **The Threat Consistent With Democracy!**

Both the Macedonians and the Albanians in this village, especially the older ones, state without hesitation that in this village, 10 kilometers from Skopje, from which Skopje Montenegro begins to extend, people have lived well for years, without national and religious divisions. A neighbor, Macedonian or Albanian, has always been first for help, for joy, and for pity. The village has a post office, a health clinic, a monopoly [as published], a birth registry service, many private firms, and an elementary school with parallel classes in the Macedonian and Albanian languages. Some people engage in agriculture, and some work privately or in the city. The village has both rich and poor residents. A mosque and a church stand next to each other in it, and wherever one wants to go, no one is irritated by it. Until now incidents of pressure for emigration and the sale of Macedonians' property have not been observed; at least the Macedonians themselves say so. What does irritate the village residents, perhaps, regardless of nationality, is the sudden settlement of Albanians both from areas of Macedonia and from Kosovo (close to 5,000 new inhabitants in 10 years), which can hardly be borne by the narrow streets, crowded by an even larger number of trucks, tractors, and cars, and the public land, on which new houses are appearing, often without permits.

At the moment when we arrived in Aracinovo yesterday morning, an UNPROFOR [UN Protection Force] vehicle was already parked in front of the MZ, and talks with the MZ secretary were being conducted, as we learned, precisely concerning the threatening letters and the interethnic situation in the village.

MZ Secretary Resat Feradi showed us a copy of one such letter, and showed us the names of the families to which they were addressed. What struck us was the manner of address of the unknown champions of ethnic cleansing, who seem to speak with respect: "Dear Sir," and a capital V also appears ("VAS," "VASE" [you, your]). They obviously interpret democracy in their own way: "The time of democracy has come, in which we can think freely, work freely, and make proposals freely." (With the threat against the property and families—author's note)

The MZ secretary explained to us that after the arrival of 10 citizens, a meeting was held, and the next day they went to the police station in Gazi Baba, since there is no police station in the village. There, the MZ president and secretary, as well as deputy Ismet Ramadani and Zivko Janevski and Todor Stojkovski (who received letters) reported on this case. Previously the village had been visited by a police patrol, which was likewise informed. The agreement reached there was that a big fuss would

not be made about this, and that the Ministry of Internal Affairs would do its job. Then, however, according to the secretary, a large number of Macedonians gathered in the village church and decided to go to the republic Assembly the next day. A meeting with the police was also held on Sunday. Secretary Resad [as published] Feradi told us in conclusion that this was the first case of an interethnic threat, and he expressed his conviction that whoever was seeking to spoil coexistence, his plan would fail because of the Albanian-Macedonian harmony characteristic of the village. Why are only Albanians active in the MZ? The secretary answered that they were probably busy in other work or that they had already had enough of it.

### **"Why Should We Flee, and From Whom?"**

Sefik Hiseni, who works as a field guard, said, "We are living very well, there have never been any problems, and it is more likely that an Albanian will quarrel with an Albanian or a Macedonian with a Macedonian, than an Albanian with a Macedonian." Hiseni then took us to the Janevski family's house, where his first words were, "How are you, neighbor, all right?"

Zivko Janevski, to whom the threatening letter was addressed, was not at home, but his son Stojanco Janevski, the father of two children, was. The Janevskis have been living here for a long time, and Stojanco's great-grandfather was even born here. "We are upset and bothered by this letter. We are neither thinking of fleeing somewhere from someone, nor do we know how. In any case, the contents are incomprehensible to us. There have never been any problems in Aracinovo; even when one Albanian died in the demolition of unauthorized construction in 1991 relations did not cool, and instead anger was expressed to the authorities. There are no pressures for selling houses and fields, but interest in buying exists, along with a willingness to pay a high price. I do not know what to think; perhaps it is a provocation. At the meeting, deputy Ramadani calmed us down, pointing out that probably that committee did not exist, and reminded us that the Ministry of Internal Affairs had to finish its work, since it could perhaps be possible, as he said, that this was a provocation by some Macedonian party. The one who sent the letters has to be from the village; otherwise, how would he know the exact names? I thought that uncle Tomce was named that, but he was named Tomislav, and the sender knew that," Janevski told us, adding that his uncle, who only had one small field and a house, also received a letter.

Trajan Kostovski was another interlocutor of ours. "I think that there was also a letter for me, but the mail was stopped. There have not been any problems in the village, but now the younger people seem to be hatching something. We do not go to the MZ, since most of the people are Albanians, and someone has to translate for us what is said. The Albanians occupy all the offices; the PDP branch took one room from the MZ, and I do not believe that they are even paying any money for rent. There are no pressures to sell, but as a joke, they ask. Let

me quote the Muslim priest, who says that in every joke there is a half-truth, and so if that is the case..."

#### Are the Young People Divided?

"Perhaps all of this is something unrelated," said Krste Janevski, "but a time is coming when it could be the stark truth tomorrow that Bosnia may 'explode' in our village. We are bothered that our children are being divided. We now have to see our children off to school and bring them back, since it has happened that they have been attacked and mistreated. They do not dare to go outside to play during recess. In a purely Albanian district it happens that they call you 'SHKA VI,' which is an insulting term for an infidel. We older people respect each other and we go to the village without fear even at midnight. It bothers us that in stores owned by Albanians, everything is written in their language."

We also asked the Muslim priest, Irfan Abazi: "I know that you reporters want to fill the page of the newspaper, but listen to me, since I am talking to you sincerely. There is no cooling of relations, and there will not be in the future either; everyone is enjoying his civil rights. I understood about the case and I said that we should analyze it together and find that person or people at any cost, if they are from our village. To illustrate to you that we are living well, I have been living with my neighbor, uncle Ordan, for a full 23 years now. Now, look, I am building a house, and uncle Ordan passed by this morning and told me, 'Good luck, reverend.'"

While we interviewed the residents of Aracinovo, a committee composed of Macedonians because of the incident with the letters was sent to the Republic Assembly. As we were told by the committee's members after their return from Skopje, they were received by the vice president of the Assembly, Tito Petkovski, who promised them, as he stated, that the proper authorities would try to find the perpetrators as soon as possible, and that their requests would be put before parliament. The committee requested that the case be investigated, that the Ministry of Internal Affairs be employed to protect the population, and that a police station be built; that the sudden settlement of the village, the residence and citizenship of the "newcomers," and the usurpation of public land be investigated; and that field damage in Macedonia be repaired.

[Box, p 4]

#### Announcement From the Aracinovo Village MZ

In connection with the pamphlets addressed to a certain number of citizens of Macedonian nationality, the council of the Aracinovo MZ from the village of Aracinovo issued an announcement disassociating itself from and condemning that act.

"The author of such a document, requesting the forced emigration of our fellow citizens, is using a truly 'out-moded' method of disseminating something that has no place here, and we categorically state that he will not succeed.

"The cost of our mutual understanding and coexistence," the announcement states, "is too high, and no one, regardless of political beliefs, can cool our relations, which mean peace, calm, and life."

[Box, p 4]

#### Avoiding Mass Single-Nationality Gatherings

A group of citizens from the Skopje village of Aracinovo came to the Macedonian Assembly yesterday and asked to talk about the recent incidents that upset some of the citizens of this village. They were received by the Assembly's vice president, Tito Petkovski, with whom they spoke for 40 minutes. First of all, a request was made for the establishment of a police station in the village, from which it would be possible to intervene quickly if necessary; the problem of the Macedonian students was explained, and an investigation was requested of the reasons why their parents sent the children exclusively to the old school, the newly built one having been left to be used only by Albanian students; and the problem of unauthorized construction was also cited. Specifically, the illegal construction is so extensive that houses covering part of the streets and built by Albanian newcomers from Kosovo, as the delegated representatives from Aracinovo claimed, were springing up like mushrooms after the rain. The Ministry of City Planning was asked to investigate the situation and take steps to stop this phenomenon. A considerable part of the conversation was also devoted to the letters that 10 residents of the Christian faith had received as a threat to their safety, both personal and that of their families and property.

Petkovski said that the requests would be conveyed to the three responsible ministries—Internal Affairs, City Planning, and Education—that the government would be informed about what was happening in Aracinovo, and that action would be taken as quickly as possible. It was furthermore agreed that the methods of single-nationality gatherings and protests in front of the Assembly, as had been advocated, would not be used, since at this time that could have unplanned political implications. They went back after this talk, but two of their representatives first visited the Ministry of Internal Affairs to inform officials about some operational matters being undertaken there, and also about the contents of the letters with threatening contents that they had received, with the aim of assisting in the proceedings.

#### \* Political Aspects of Privatization Law

93BA1105A Skopje PULS in Macedonian  
28 May 93 p 6

[Article by Aleksandar Comovski: "Exchange of Intrigues"]

[Text] *Can it happen that the Law on Privatization will remain one of the biggest securities in which not even one broker will be interested?*

Three weeks ago, Dr. Jane Miljevski was challenged to a duel by his own Social Democrats. On the same afternoon, Dr. Ljubomir Frckovski conducted talks with the Liberals. The identical timing does not have to have a political relevance. The common element is confrontation with the powerful directors' lobby in both parties. In the case of the privatization model that has been offered, they represented managerial-property interests not recognizing party boundaries. The two government fighters were faced with pressures to yield.

The privatization minister retreated from the firm concept of ownership transformation through sale and agreed to external shares "in the value of 10 percent of the assessed value of the capital and its distribution to all employees." This unique type of "social voucherism" did not receive the support of the SDSM [Social Democratic Alliance of Macedonia] deputies' group, but it is completely uncertain whether the latter will be united in the vote and whether it will stand behind the government cabinet and its own minister. There are also differences within it regarding other provisions concerning title to property, who is responsible for assessing the capital, and especially the audit of internal shareholding.

The confrontation between the head of the police and the Liberals, however, was initiated because of the upcoming transformation of this complex and organized system before the laws on internal affairs and the Intelligence Agency go into Assembly proceedings. It is almost certain, however, that the Liberals want to check and find out how much data the police, in the very critical year 1992, archived on crime during that year. It was quite certain that the police operationally covered and monitored the processes of the transformation of the gray economy across the threshold of the "black" one and that they identified some of the methods of gangsterism and unscrupulous enrichment. Some of the well-known Macedonian managers, who, although their passions did not subside, nevertheless felt unpleasant, were also under observation.

The legal vacuum and the absence of institutions are suspending the lapses of the current managerial teams and especially the successfully established alliances between "their" socialized enterprises and separate, but their own, private branches. Guarding themselves, however, from the political implications of some of the previous big hunts of directors, the current political crews did not renounce the well-known methods of attaching themselves to and allying themselves with powerful individuals in the economy, creating the well-known political-managerial elite.

Thus, in this year's atmosphere of looting, on the threshold of the adoption of the Law on the Transformation of Social Capital, a contrived dilemma is hanging in the air: should it be this kind of privatization, and

should it be now? For those who suspect that the transformation of ownership will only legalize the looting, the antithesis would be: without regulations, could one of the crucial reform undertakings, which will shake the social and political foundations of the newly created Macedonian state, even be channeled and controlled at all? In both cases, a period of "white-collar" crime is inevitable. This is a question of financial deceptions in subsidies, commercial loans, and violations in the competition of free or mixed economic systems, whose perpetrators, according to Klaus Tideman, can only be merchants, enterprise directors, exporters, bankers, and bankrupts. This well-known German criminologist identifies the "milieu of so-called white-collar crime as normal business life and relations among the participants." Whether the audit of internal shareholding will lead us into the waters of police investigations also depends, among other things, on the acceptance of the legal solutions, if the identification of some of the processes of embezzlement and avaricious speculation is accepted as a basis.

In addition to the still undefined position of the Liberals regarding the concept of ownership transformation that has been offered, the support of the PDP [Party of Democratic Prosperity]-NDP [National Democratic Party] coalitions is also uncertain. For the time being, it is conditionally playing the role of an observer, first because private business already represents a feature which is also a sort of sign of national identification. In the second place, at large and even medium-sized enterprises, there are no Albanians in the ranks of the managerial teams. Thirdly, their necessary "vote" for the law is one of the last opportunities for bargaining before the adoption of the laws on local self-government, personal names, and courts. The VMRO [Internal Macedonian Revolutionary Organization] deputies' position is governed by the motive of not accepting anything proposed by the coalition. It is no less characterized by insistence on egalitarianism as a more favorable campaign position.

Macedonia is one of the last countries in the newly created world without a law on privatization. The change in ownership structure, by regulation or irregularly, is an undertaking that is making waves not only in society's social structure, but also, as a consequence, will shift political forces and relationships in the state. The appearance of entrepreneurialism both as a capital relationship and as power will immediately dictate changes in the system as well, and the reorientation of parties toward the newly created electoral nuclei will initiate processes to change the power structure. Wright Mills, in "The Power Elite," foresaw 25 years ago that "the process of social stratification will cause the recruitment of a social group that will have true economic, political, and ideological power."

With a regular and developed privatization system, Macedonia will be able to legitimize the democratic processes that it has started, and formulate a system of legislation that would confirm it as a law-governed state.

With the constructed political position that "we all have part of everything," the question is whether it is even possible to start the process of privatization through which development would be improved.

When these lines are read, the Assembly steamship will just be accelerating. From now on, it can be noted that the legislator has many trials ahead, which will require sufficient tact and concessions from him. In the case of this systemic law as well, procedural problems will appear, and in the final phase of the adoption political debates will be initiated. Their intensification would be a replay of the sessions on the draft version of the Law on the Privatization of Social Capital, this time in the newly created conditions for a struggle closer to the elections.

The problem is not with the amendments, the most numerous to date after the constitution, and just as many as when the Law on Citizenship was passed. The question for serious analysis in the Assembly procedure is how long amendments can be attached. In practice, when the Law on Privatization is involved, we may face the acceptance of an amendment on which party interests would coincide, but which would disrupt the project's consistency, jeopardizing the entire model.

The law's fate is uncertain. The government is facing unforeseeable consequences. On the one hand, [it has to deal with] the stubborn and doctrinaire political character of Jane Miljovski, whose persistence is backed by the serious work of 18 months of personal involvement, a group of experts, and verification by international and financial institutions. Experience shows that that does not have to be any particular credential unless the law passes through the filters of narrower party interests.

The Law on Privatization is a model. No one can venture to predict the success of its implementation. The unpredictability of social tensions and economic logic cannot always be sanctioned. Consequently, the amendment offensive against the law can be accepted only to the extent of ironing out the normative solutions. If the very concept is jeopardized, especially through insistence upon the distribution of capital instead of its sale, then it is quite certain that some other minister, and some other government will have to prepare some other law. If the debate is left to chance and party haggling over accepting one proposal and rejecting another, then the Law on Privatization will become a patchwork. Of course, it is possible that the Law on Privatization will experience the fate of the one on the judicial system. Everything will be coordinated, but no one will be satisfied.

The game is continuing. Pay and carry!