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*** Privatization Fund Operations Viewed by Jezek**
93CH0844C Prague EKONOM in Czech 14 Jul 93
pp 15-17

[Interview with Tomas Jezek, chairman of the Executive Committee of the Privatization Fund, by Eva Klvacova; place and date not given: "Anonymous (Ir)responsibility"]

[Text] *The Fund for National Property is an institution that is responsible for the temporary administration of privatized property and the realization of all approved privatization projects. The resources of the fund are used to cover many of the expenditures of the economic transformation. We turned to the chairman of the Executive Committee of the fund, Eng. Tomas Jezek, candidate of sciences, with questions regarding the activities of the fund and the progress of privatization.*

[Klvacova] Your proposal for extending the rental period from two to five years for first-time handicapped participants in small-scale privatization was rejected by the Chamber of Deputies. The reasons are understandable. It is always a problem to be returning to the past by amending laws. On the other hand, however, that rejection means that property will be returning to state ownership and that a portion of the results of small-scale privatization was thus defeated by the state. What can you say on the subject?

[Jezek] It is a lost battle but not a lost war. Nevertheless, the matter has caused me to be quite ill-humored. The economic impact will clearly not be so great, but the psychological impact will be. The group of people who acquired property as a result of auctions and to whom the amendment would apply is not overly great; it would be those people who participated in the auctions between June and October 1991 and are active in real estate that continues to be owned by the state. The amendment would not apply to auction participants active in real estate belonging to private individuals or communities. The auction participants frequently invested sizable sums and feel threatened today and have the feeling that their work has been frustrated. Moreover, the legal arguments that opponents of the proposal made use of are totally false. The property involved is owned by the state, and there is no reason the owner should not acquiesce with the wishes of its lessees and extend their leases, much as a private individual or a community could do. It is not a question of any change in the rules of conduct but, rather, a matter of free-will decisions. In the final analysis, such a decision would not have to be made in the form of laws by parliament. It would generally be sufficient to have a government decree. The entire argument used by the opponents of the amendment was simply poor and confused.

[Klvacova] Do you believe that this was a question of victory on the part of the management of as-yet-unprivatized enterprises, complete with management's own economic interests?

[Jezek] I believe not; I believe the reasons were substantially simpler. For example, one reason was that the economic committee that was supposed to discuss the amendment in May had organized a field trip and then missed the deadline.

[Klvacova] The Fund for National Property is the realizer of all approved privatization projects within the framework of large-scale privatization. At what pace are the approved projects accumulating within the fund? In other words, what do you think about the pace of the privatization process? Not only the specialized public, but also the lay public has a feeling that privatization is not being accelerated—rather, that the opposite is true. That is true not only for certain branches, such as health care and agriculture, but also across the board.

[Jezek] That is so. The supply side of the first wave of coupon privatization was prepared in three and a half months. It began on 18 January 1992 and ended on 30 April 1992. The extent of property prepared over that period for coupon privatization was valued at Kc203 billion. If we were to apply these efficiency yardsticks to the second wave of privatization, the second wave would have had to begin long ago. We shall be happy to see the second wave begin by the end of 1993. Today, the Ministry for the Administration of National Property and Its Privatization has property prepared for the second wave of privatization valued at Kc50 billion, of which Kc30 billion have been prepared in the form of reserves that could not fit into the first wave.

[Klvacova] Nothing happens by coincidence; everything has its reasons. Why is privatization slowing down?

[Jezek] The explanation is simple. No one is any longer willing to put in the effort that was required to prepare the first wave of coupon privatization. No one is any longer willing to leave Prague, closet himself off somewhere and work 16 hours a day.

[Klvacova] Isn't the fact that the entire procedure of approving privatization projects is unbelievably bureaucratic and being constantly more bureaucratized the actual stumbling block? In that connection, I would pose the hypothesis that the fundamental basis for that bureaucratization was forged by the law on large-scale privatization, which applied the procedure of the control pyramid, known from the error of central planning, to the process of privatization.

[Jezek] Oh, no. The approval of projects was proceeding more rapidly and has now slowed on the basis of one and the same law. So the cause must lie somewhere else. The stumbling block lies in the connecting regulations issued by the Ministry of Privatization.

[Klvacova] Minister Skalicky claims that the critical speed of privatization cannot be exceeded if we do not wish to continuously encounter problems involved in erroneous decisions, conflicts of interest, the loss of public consensus.

[Jezek] I find it quite extraordinary that the principal fear is that privatization should not be overly speedy, as if the Ministry of Privatization was some kind of a wild racing stallion and the basic task was to keep it reined in. However, much of that can be understood. The privatization process is at the center of public interest. People who are involved in its realization are under the pressure of journalists, opposition delegates, and all those who are continually looking for some mistake. So the pressure is actually great, and the natural reaction on the part of those involved in accomplishing privatization is to defend themselves. And they defend themselves by trying to make decisionmaking anonymous; they delegate decisionmaking to various commissions, groupings, and circles and are making efforts to see to it that there are as many of these circles, groupings, and approving organs as possible.

[Klvacova] A logical consequence is thus anonymous rather than personal responsibility.

[Jezek] Yes. It is a matter of deliberate and conscious blurring of responsibility. Perhaps it would be well in that connection to note—and I am using this supplementally as an answer to your previous question—that previously, in approving privatization projects, we started out with the assumption that the responsible ministries were sort of embassies of state enterprises at the center and that they are connected to a considerable extent with the enterprises in terms of interests. That is why, from the very beginning, their role was smaller. They only provided guidance and made no decisions. Today, so-called bargaining commissions have come into being. In practical terms, that means the voluntary self-demotion of the Ministry of Privatization and the promotion of the various other ministries. All are equal to one another. The Ministry of Privatization makes no decision until all others agree. And if they do not agree, that is reason enough for new rounds. That is the entire substance of the bureaucratic privatization process.

[Klvacova] Could I ask whether, under given conditions, that bureaucratization of privatization might not have developed? I would rather ask to what extent the Fund for National Property has intervened? Approximately how many privatization projects that are not being worked on does the fund have?

[Jezek] If we have five projects we have not yet touched, that would be a lot. Of course, we have projects in various stages of processing. Those are projects where, for example, a second public competition has already been held or a second public auction, and so forth.

[Klvacova] Thus far, the fund has collected Kc37 billion as proceeds in large-scale privatization. In view of the fact that coupon privatization in the first wave was accompanied by sales of considerable scope, that is not overly much. How are you getting paid for that newly acquired property? And what do you do about those who do not wish to pay or cannot pay?

[Jezek] We have two mutually intertwined problems that are difficult to untangle. The first is the fact that, in this country, it is still not a disgrace to owe someone money. Creditors are weak, they are not self-aware, and a lot of people take undue advantage of that fact. That is not a problem for the fund and new acquirers of property; it is applicable across the board. Payment morale is bad. We need bankruptcies urgently. The mythical Damoclean sword of bankruptcy must not merely tickle debtors, it must occasionally give one or another of them a real hole in the head.

The second problem, however, is the opportunity to obtain credit. There is only one prescription in that regard: The fund must simply begin making installment sales. However, there are surviving fundamentalist attitudes on the part of some people who have the opportunity to intervene in installment sales. They date back to the time when a battle regarding the concept of privatization was going on in the Federal Assembly, when the left wanted only installments, leasing, and so forth and was opposed to coupon privatization. Today, that battle has long been brought to an end, and beginning entrepreneurs must be given that opportunity to utilize installment sales. If the installment sales opportunity does not exist, businessmen will not be able to pay or will not be making investments. And I must be interested in having them make realistic investments. That is more important than the resources they will use to pay into the fund.

All of that is also related to the question of prices. The strategic goal should be to ratchet prices upward.

[Klvacova] OK then. Nevertheless, there are debtors who are trustworthy and debtors who are not. What are you doing with those who are not?

[Jezek] About 10 percent of new property owners do not make their payments on time. The decent ones subsequently request installment sales. The less decent ones tend to seek some kind of escape from the duty of paying. They are attempting to prove to us that the transferred property is not in order, that the accounts included uncollectible claims, and so forth. That sometimes borders on cunning and attempted fraud because complaints frequently involve property that is undoubtedly without defect.

[Klvacova] How high then is the share of those actual deadbeats?

[Jezek] I would say that the actual unwillingness to pay and to obtain property at the cheapest price and, if possible, for free involves 1 to 2 percent of the inhabitants. The others are people who have gotten into difficulty, their business intentions have encountered some kind of pitfall, the market has changed, and so forth. As far as our philosophy with regard to actual deadbeats is concerned, we can either sue them or withdraw from the agreement.

[Klvacova] Withdrawal from the agreement, of course, means stopping privatization and returning to the very beginning: It means a new privatization project or, at the very least, its modification, a new round of bureaucratic approving.

[Jezek] The problem of fund jurisdiction is real and urgent. Our hands truly are terribly tied by the privatization project. We cannot do much on our own. I shall cite a specific example: An enterprise broke up into two parts and was sold to two new property owners. One paid all right, the other did not. And he very likely will not pay, either. We shall wish to withdraw from the contract. The one who bought the first part of the enterprise would like to even buy the second. But we cannot make that decision. We were only able to conclude a contract with him regarding a future agreement, in which he pledges that he will buy the second portion of the enterprise if we compel the other owner to withdraw from the contract and if the Ministry of Privatization approves the altered privatization project. He has obligated himself—and on the basis of that we initiated action to withdraw from the contract and are requesting a change in the privatization project. It is all very complicated.

[Klvacova] And it is somewhat reminiscent of Kocourkov. As far as the second possibility is concerned, of how to compel a deadbeat to put things in order, may I ask whether you have ever won a court action?

[Jezek] Of course, and we are preparing for others.

[Klvacova] But it would seem that neither the tallest nor the broadest pyramid of approvers, involving the maximum number of participants, can prevent the approval of a project submitted by a swindler or an incapable businessman.

[Jezek] That is so, but, on the other hand, the number of actual missed balls is unbelievably low. More speed and sharpness and less bureaucracy in the approval process would, of course, be paid for by a probably larger number of mistakes, but society would benefit. At least in my view. But, of course, that requires tolerance on the part of society. It requires people not to call for the blood of those doing privatization at any cost.

[Klvacova] Greater tolerance on the part of society will hardly develop, however, even if it were to be to its maximum benefit. The spurned applicants for privatized property are, by definition, intolerant, as are all those whose standard of living is not growing but is declining, plus the entire opposition and, naturally, all of the mass-communications media.

[Jezek] But it is nevertheless necessary to cultivate an awareness that higher tolerance is beneficial rather than damaging.

[Klvacova] The fund administers, albeit on a short-term basis, a tremendous amount of property. Hundreds of billions of korunas pass through it. Your effort is to privatize as rapidly as possible, and yet you cannot

renounce your duty as an administrator. What are you doing, and what can you do to see to it that spontaneous privatization does not flourish in the enterprises you are temporarily administering and to make sure that new owners do not find only bare walls and land parcels?

[Jezek] Complete with drivers and secretaries, the fund employs 140 people. Caring for corporations that have been privatized by coupon privatization and are staying in our care for a considerable time and that you obviously have in mind is only one of the many activities in which we engage. For the state to invent new and better ways of guarding property will not help much. At one time, I referred to the privatization process as the "walk through the valley of death," and I said that we must pass through it on the double. That holds true today. If we do not do so, things will be bad. We shall develop problems involving the growth of wages and expenditures, and there will be losses. Then the pressure to guard property will arise logically. So that I do not see a problem as a given—that property has to be guarded for a year. The time for guarding must be shortened. And that is why the privatizers should again close themselves off at some chalet and work 16-hour days.

[Klvacova] You are obviously the only representative of a state institution who wants to shorten the life of that institution to a minimum. What is normal—and I am not saying it is moral—is to tend to strive for the longest possible life of an institution. Does that not also represent one of the motives for prolonging and slowing down privatization?

[Jezek] Certainly.

[Klvacova] Proof of the fact that we are lingering in the "valley of death" for some time now is the rapid growth of interenterprise indebtedness. State enterprises adapted negatively to the process of economic transformation. It is well known that the fund expended adequate resources to promote debt reduction among the enterprises—specifically, Kc22.2 billion. Were those resources not thrown out the window, as the saying goes?

[Jezek] No. They were added to the value of enterprise property; they were privatized. The liabilities of others were converted to liabilities of the enterprise being privatized. The effect is difficult to evaluate. Funds for debt reduction were expended to prevent enterprises from collapsing, so they could survive privatization. And they did survive. Only a single one collapsed. But it is difficult to prove that, had we not expended those resources, the enterprises would not have survived. Such proof does not exist. It is as if a mother tells her children: Do not run about in the street, you will be run over by a car; the children obey her and are not run over by a car.

[Klvacova] A strategy of defending against the avalanche of bankruptcies was developing at the Fund for National Property. Bankruptcies are not taking place—at least for the time being. Will you attempt to give us your hypothesis as to why that is so?

[Jezek] I shall try. Surprisingly, banks seem to continue to prefer bad debtors rather than suing them. Nothing is happening. A bank that has a poor portfolio of assets should be publicly shamed, and everyone should shun it. It should be shamed in the eyes of the public by the auditor. Nothing like that has happened for now. The large banks have a monopoly standing and are able to camouflage their poor asset structure. The public has nowhere else to go.

[Klvacova] Do the commercial banks not rely on assistance from the state or, more likely, from the Fund for National Property in the event of poor collectibles?

[Jezek] We pay attention to any inefficient expenditure of resources. We spent Kc1 billion on account cross-balancing, but that was only a loan. As far as Kc9 billion of additional aid is concerned, we shall be terribly careful. But I would say that the banks are mainly protecting themselves through the use of tremendous

profit margins. They can afford it; for the time being, competition in the banking industry is not functioning to any great extent.

[Klvacova] What are the other methods for using the fund's resources?

[Jezek] The fund must have large reserves to cover ecological risks. Those continue to be a big unknown factor. Primarily, however, it is the philosophy of the fund to utilize resources acquired in the privatization process for economic transformation to help that transformation. That assistance includes support for creation of the infrastructure—for example, Kc7.8 billion to build a petroleum pipeline from Ingoldstadt. It also includes the transfer of Kc1 billion to the Czech-Moravian Guarantee and Development Bank, which is intended to promote the expansion of business. And we will probably be depositing additional resources in EGAP [Export Guarantee and Insurance Corporation] to support export activities. We are not squandering any resources, nor are we unnecessarily giving them away.

Corruption in Government Charged; Antall Sues

93CH0918F Budapest 168 ORA in Hungarian 3 Aug 93
pp 4-5

[Interviews with Dr. Gyorgy Muller, deputy state secretary in the Office of the Prime Minister, by Laszlo Szente; and with Laszlo Lengyel, political scientist, by Zoltan Farkas; place and date not given: "Antall vs Lengyel; Who Can (Prove) What?"]

[Text] *Acting on behalf of the government, Jozsef Antall filed a complaint against political scientist Laszlo Lengyel, because, in a presentation at Veszprem, Lengyel asserted that corruption was so great in the state administration and at the ministries that even ministers could be bought, it was announced last week. Zoltan Farkas interviewed Laszlo Lengyel. We also tried to find out whose idea it was to file a complaint: the head of government, or the cabinet? Laszlo Szente conversed with Dr. Gyorgy Muller, a deputy state secretary at the Office of the Prime Minister.*

[Farkas] How did you react to the fact that Prime Minister Jozsef Antall had filed a complaint against you, and that even the prosecutor had already heard the case?

[Lengyel] Frankly, I was surprised when the prosecutor was nice enough to call me on the phone so that I would not have to learn about the proceedings from a summons, even though I thought that nothing could surprise me anymore. I was not surprised by the fact that in a given case the prime minister would harbor such passion against my person, because I was more or less aware of his feelings.

[Farkas] What kind of passion is that?

[Lengyel] I have been made aware by several messages and letters that he largely disagreed with my writings, but to understand this matter, one has to know that previously the prime minister and I had a very good relationship, I could call it almost a friendship.

There Goes Proper Manners

[Farkas] When, and for how long?

[Lengyel] Until about mid-1990 our relationship was very close, we met regularly, and I believe that I helped him in many respects with my advice and our conversations. This relationship, however, was terminated in response to certain articles I wrote. I believe that passions came to dominate prime minister when I described in detail as part of a major study—a copy of which I forwarded to him—that ever since July 1992 the Hungarian Government has lost its reliability and some of it manner that would be appropriate in international circles.

[Farkas] Laszlo Lengyel did not have to present himself at the prosecutor's office for this remark, but because he allegedly said at a Veszprem function—and this was also reported by the VESZPREMI NAPLO—that corruption

was raging within the state administration, and that division chiefs and ministers could be bought. They could put you to prison for three years for this, if this statement was indeed made, and if they can prove it.

[Lengyel] I do not recall every sentence of that presentation, of course.

[Farkas] Could you have said such a thing at all?

[Lengyel] The way you stated it reminds me of a stenographer's note, accordingly, if I think in terms of my own sentences, I probably did not say exactly what you said, but insofar as the content of the statement is concerned, i.e., that corruption prevails in the country, and that the government, and, in many respects, the opposition are responsible for their failure to stop corruption—yes, I am certain that I said that.

[Farkas] How can you prove the truth of your statement?

[Lengyel] I find this somewhat odd, because I should not really have to prove this. Ever since 1991, when a study of mine addressed this issue, I have been writing continuously about it, and dedicated a chapter in my book to this subject: corruption ranging from privatization affairs through foreign trips—and by this I mean executives. And then from real estate transactions through the formulation of various rules—officials have in the past, and continue to this date to abuse the available opportunities. I disapprove of this practice in government, just as I disapprove action like this when taken by opposition officials serving in local governments.

[Farkas] Pardon me, this is quite different from saying that ministers can be bought and that government executives are corrupt in this country.

[Lengyel] All I can say is that in this sense I conveyed the kind of public view I sense every day, when I start reading the newspaper.

The Head of Government Is Offended

[Farkas] But you could get three years for saying that. Couldn't you?

[Lengyel] If they sentence me to three years in prison for that, I am probably going to be forced to serve that sentence. I believe, however, that before this case is heard in court, the newspapers will publish in detail the affairs of not one, not two, but even more government executives. There is nothing new about this. This is why I wonder, that the government is initiating action against me, at a time, if I sense this correctly, a lack of confidence toward government officials also exists within the ruling coalition. Representatives of the ruling coalition use far harsher words to publicly accuse each other in parliament with respect to privatization cases.

[Farkas] Could you provide examples?

[Lengyel] No particular explanation is needed as to what I have in mind, if you consider that this is the ninth or

tenth instance in which Tamas Szabo's response to an interpellation has been rejected, that the KDNP [Christian Democratic People's Party]—a coalition party—would like to establish a parliamentary committee to review privatization—a matter the MSZP [Hungarian Socialist Party] also recommended on part of the opposition. In Italy the prosecutor did not begin to investigate the person who asserted in a newspaper that the government was corrupt, instead he launched an investigation of the government. True, he did not dare to do this for 40 years. In Japan, too, prosecutors did not dare to ask the ministers about the situation for 40 years. But by now, and in the world we live today, we must raise these questions. The proper response by the prime minister to the things I wrote in dozens of articles and books is not to become offended on behalf of the government, but to be able to withstand an audit of the members of the cabinet and of government executives.

[Farkas] Nevertheless, what you have done was to vilify ministers, members of the cabinet. In other words, you said that they could be bought, and even if you did not list names, your statement could be regarded as defamatory. Or am I wrong?

[Lengyel] I am unable to judge this. Quite obviously, if I accuse any institution of being corrupt, while this view of the public is known and described every day, any institution, any public institution could file a complaint.

Honorable Men

[Farkas] Did you anticipate this complaint?

[Lengyel] No. It came as a surprise, because I did not think that anyone would file suit regarding a corruption case in the midst of an election campaign.

[Farkas] Is it not the function of the head of government to defend the purity of his cabinet?

[Lengyel] Of course it is, but this defense should come in the form of publicizing the financial statements, the expense accounts of members of the cabinet, of having their role in privatization cases examined, of checking who and under what conditions invited them in given cases for foreign trips, and at whose expense such trips were taken, and so on. Well, this kind of thing is the elementary duty of a government, and of the head of government, of course. The previous system did not dare to risk a prosecutor's inquiry in corruption cases, and not even a review within the party, because when it came to corruption they were rather well aware of the meaning of intertwining, and they also knew that they would be better off by avoiding publicity.

[Farkas] This case reveals, however, that Jozsef Antall is confident that Laszlo Lengyel is not going to be able to prove anything, and that therefore he may be convicted. Is this also part of the deal?

[Lengyel] Obviously, this is why Antall filed the complaint, and, of course, he will be able to prove with my three-year

sentence that all of them are decent, honorable men, that they created perfect order and purity in the country, and the way Antonius said this next to Caesar's body, I, too can say only that I am proud of having shaken the hands of such honorable, valuable men.

[Farkas] What is going to happen next? Are you willing to reach an agreement?

[Lengyel] One cannot reach an agreement in this regard. The complaint has changed the situation into a public charge. One cannot step aside in a corner and say that I am not going to play anymore. Incidentally, I regard this matter as entirely superfluous. This is truly the thing that surprises me, when a government, or a head of government does not assess the kind of monster that hovers over his head during an election campaign, if he tries suppress the freedom of expressing one's opinion, and thereby drawing attention precisely to corruption, to its own corruption cases.

Setting an Example

[Farkas] On the other hand, had Antall not filed a complaint, he would have acknowledged that his ministers were corrupt and that some of his government executives were corrupt.

[Lengyel] If he can indeed justify his confidence in purity, filing a complaint is very important to him, of course. But if I think of the fact that in his parliament, moreover, from within his party, the government had been called a traitor, to which he did not even make a faint critical remark, I must say that from a legal standpoint we are facing a traitor government, because it tolerated an open statement made in its face by a member of parliament. Well, "traitor" is only one of the adjectives used, because if one turns on the television, one hears far harsher terms regarding the government than the ones I used, let's say from Jozsef Torgyan or from MDF [Hungarian Democratic Forum] representatives. I find it ridiculous when someone, in this case the prime minister, makes such selective attempts to break down public opinion, and those who mold public opinion. Because it is obvious that he wants to set an example.

Offense and Measure

[Szente] The event where these ominous sentences occurred took place some time in early June, on the 11th, I believe.

[Muller] Indeed, and the complaint was filed a few days later, on or about the 15th of June.

[Szente] In other words, the complaint was filed from a practical standpoint almost immediately after these statements were published.

[Muller] The complaint was filed a few days later.

[Szente] Did you try to inquire before filing a complaint whether things had happened the way they had, whether he had said those things indeed, whether he had said those things in a certain way, and so on?

[Muller] I am not aware of that. I believe, however, that since a few days passed between the date when the newspapers published this statement, and the filing of the complaint, Lengyel Laszlo would have had an opportunity to make the necessary corrections had the newspapers misquoted him. Saying that every level of the Hungarian state administration, from the bottom all the way up to the top is corrupt and can be bought, and that every minister and division chief has his own price according to the alleged statement, is an extremely grave matter. And it is not just anyone who says this, it is Laszlo Lengyel, a political scientist and economists known to the public for good reason, a person whom I have extremely high regard for, and whose statement I regard as infinitely unfortunate. It is true that Hungarian state administration has an awful lot of problems. There are problems with the personnel composition, nevertheless I would simply state: I do not see the sense, the purpose of a summary, generalized statement like this. But despite all the problems, this state administration is functioning, it is trying to reform itself. This then is not only terribly offensive to, but also untrue from the standpoint of ministers and the state administrative staff.

[Szente] I would assume that it was not Jozsef Antall, personally, who filed the complaint, but instead he asked his staff to draft a complaint and to forward it to the appropriate place. Did the prime minister initiate or urge the filing of a criminal complaint, or did others recommend it to him?

[Muller] Quite naturally, the complaint is supported not only by the prime minister's intent, but also by a determination made by the government. The complaint was filed in the name of the prime minister because, based on present law, the government, and the prime minister are the ones authorized to file such complaints.

[Szente] Was this the sole possible legal recourse in this case, or could something else have been chosen, something other than a criminal complaint? I believe that in this instance we are dealing with Paragraph 232 of the Criminal Code of Laws, which specifies a maximum punishment of three years in prison. Has the filing of a plain civil suit been considered?

[Muller] The law provides a relatively broad latitude in matters like this, because recourse is also available under civil law based on the violation of personal rights, in addition to a criminal proceeding. But the alleged statement—since this case is now in the adjudicative stage—constitutes a crime according to the complainant, because of the extent to which it offended members of the cabinet and the government.

[Szente] Laszlo Lengyel and Jozsef Antall know each other personally. Has someone asked Laszlo Lengyel whether he would retract his statement?

[Muller] I am not aware of anyone having asked this question.

[Szente] How could he make appropriate amends?

[Muller] Well, this question cannot be answered, at least I am unable to answer this question. The case is now in the prosecutor's hands. An investigation has to be conducted, and then they will decide what the appropriate amends could be. I think it would be inconceivable to predict in advance, or to state what kind of amends would be necessary.

[Szente] The fact that the prime minister filed a complaint against Laszlo Lengyel, or, to be more exact, that he initiated criminal proceedings against him, became known not because the government created some great publicity about it, but because word somehow leaked to the press. Are there other, similar cases?

[Muller] To the best of my recollection there are no other cases at this moment. This is not a typical case. It is a very rare and very exceptional case, if for none other but the weight of the person involved, and the character of the statement.

*** State Secretary on National Propaganda Office**

93CH0918B Budapest HETI MAGYARORSZAG in
Hungarian 30 Jul 93 pp 4-5

[Interview with Tamas Katona, state secretary in the Office of the Prime Minister, by Karoly Alexa; place and date not given: "Hungary, the 'Accessible'"]

[Text] *The slander campaign whose topic is a 190 million forint supplemental appropriation to improve information about the nation—as approved by the government and a majority in parliament—has been roaring and cresting for almost a month now. (How many apartments could one buy with that money in picturesque Buda?) The government? The parliamentary majority? It would be more appropriate to talk about the mentality that served as the chief ideological motivating force for the elections. Partisan political discourse during the past three years cannot be regarded as particularly civilized and restrained, but the surge of this kind of mean talk can only be compared to the one that accompanied the action nicknamed taxi blockade. Most certainly not by coincidence. A spontaneous coalition was formed in which many tones of voice mixed, from the worst kind of "proletarian demagoguery" all the way to the vilest pseudoliberal accusations. NEPSZAVA, 168 ORA, ELET ES IRODALOM, MAGYAR NARANCS, NEPSZABADSAG, etc. Those who write articles and make statements include members of the AVO [State Security Police] and alcoholics, old women and young newcomers, writers and emigrants. It is anyone's guess what kind of stand it is, from which they are not ashamed to sell their wares.*

After an exhausting report from Government Chief Counselor Imre Molnar (UJ MAGYARORSZAG 6 July) it still seems appropriate to ask State Secretary Tamas Katona, the "system's boss" for this subject.

[Alexa] Instead of an introductory question I will ask several questions: what is "nation propaganda," what is its purpose, what is the reason for it, what kinds of Hungarian traditions exist in this regard, and why do we hear so much tooth grinding?

[Katona] Even if we do not go back in history, and concentrate only on the 20th century, we ask: What kind of image could Hungary project? We have lost two world wars, and no one anywhere in the world appreciates the courage Hungarian society manifested after World War I, when it ended a bankrupt situation in a nonviable, dismembered country, amid a global economic crisis; and no one appreciates the fact that after World War II, after the caterpillars of war waded through the country, Hungarian society rebuilt the country with spectacular speed. What has remained in people's minds is that Hungary always stood on the wrong side, and consequently one has to be suspicious about this country. An unfair peace settlement exists, together with fear that Hungary (armed to the teeth), wants to subvert the world. The amount of craziness and prejudice that exists—prejudice is always crazy. Something has to be done against this, this situation must be resolved. It should be obvious that both in the past and in the present any sensible Hungarian policy must have as its purpose to present the country the way it is.

Indeed, it would be desirable to avoid using the word "propaganda," considering its vile "connotation." The task involves information provision. A similar attempt had already been made after World War I—in those days a minister of information had existed for a short period of time—and in those days [Prime Minister Kuno] Klebelsberg established the network of "Hungarian institutes." And he was correct: Our hard currency is Hungarian art, Hungarian science, and Hungarian culture. What people outside of Hungary are aware of—to a certain degree—are Hungarian music, the name Szent-Gyorgyi, etc. We do not become embarrassed as long as we remain in these fields, when it comes to laying out our goods on the table. And we should not forget about an endeavor of Klebelsberg's to grant scholarships to young artists and scientists for two or three-year stays abroad, thereby not only making these people better prepared in their fields upon their return to Hungary, but also providing an opportunity to learn two or three languages.

Pal Teleki's endeavor was of the same significance. I have the Teleki Institute in mind. Without the huge statistical and geographic assessment that Institute performed, no sensible political discourse could have been attempted. The Institute on History and the Institute on Law at the Academy are outgrowths of his Institute. And so, although a kind of continuity does exist, we must start anew in developing the scientific background.

As to the attacks: They are symptoms of early electioneering propaganda. I am using the word propaganda here, precisely because of its bad "connotation." These plans—ours, or the one proposed by Miklos Csapody, or the old idea of Karoly Alexa—include nothing that one could quarrel with. The goal is to make Hungary accessible to foreigners. This requires publications above all, and I would like to expend the 190 million forints approved by the National Assembly for information purposes, primarily on publications.

[Alexa] The press is talking about a waste of taxpayers money, some gigantic chinovnik staff [pejorative term for government bureaucrats], etc.

[Katona] What kind of headquarters do we have in mind? Well, it consists of the prime minister's press office and the office of the prime minister's spokesman. And the prime minister's office also has a small public relations office headed by Government Chief Counselor Maria Koncz. The function of that office is to disseminate information in Hungary. Thus far she has been organizing our employment and social policy campaign, and all this amounts to is publicizing facts and data, and to forward these to the appropriate places. The National Information Center must be operated independently, but alongside this office, to inform people beyond the borders. Foreigners must also be informed of what exists here in Hungary. Accordingly, the logic of these things is as follows: If the government has a state secretary in charge of information, this function, too, would have to be performed under his supervision; it should not be combined with either the press office or the government spokesman's office of the prime minister. The function of the press office is to inform the prime minister, and to provide public information from the prime minister and the office of the prime minister; the other office presents its reports on behalf of the government. All I can add is that with the passage of time the National Information Center might take over the foreign press review function from the government spokesman's office, insofar as articles related to Hungary are concerned. The head of the Center must have the same rank as the other two.

The small center is going to function in the framework of this organizational structure, and it will be appropriate to establish this Center beginning on 1 January 1994. We believe that the funds we received were meant to be expended to cover operating expenditures, so that we allocate as little as possible for wage expenditures. The head of the office could keep people busy with the help of a multilingual clerk and a secretary, people who are going to deal with this matter, because the best way to produce the publications appears to be outside contracting.

[Alexa] Since some of the charges pertain to the government's (usual...) secrecy, it might be worthwhile to mention a few specifics.

[Katona] A series of six booklets entitled "Hungary Renewing Itself" is being prepared. These volumes are divided by subject matter, but they can be combined into

a single volume. They describe Hungary's political organization and ideal, the economy, culture, etc. We plan to publish this in five foreign languages, in addition to a Hungarian edition. I find it necessary to resurrect the periodical HID, to be published primarily in the languages of neighboring countries. (A Romanian and a dual Italian issue of this periodical was published when I was at the Foreign Ministry, but then this initiative has somehow died out, even though having this publication would be very important, because this, too, provides "opportunities for conversation" with the neighboring countries.) Informing Hungarians in the West about happenings in Hungary would also be handled by this office. This would require some kind of a weekly news program to be made available by our offices abroad (on video tape or on CB) everywhere. The Foreign Ministry, the Ministry of International Economic Relations [NGKM], as well as the Ministry of Public Education are involved in information provision, but these activities make an impact only if coordinated. Providing this type of coordination is one of the functions of our Center. We also keep the world exposition in mind, etc. In brief: We have an abundance of plans.

[Alexa] Speaking of Hungary fairly is the function, moreover, the duty of all of us. This is "social work" in the broadest sense, to use this nice old term. The symptom of this is the fact that private associations must be present—as they are—here, just as tourists. How is the Office going to relate to this?

[Katona] Coordination would multiply these efforts. Roles must be assigned somehow, and this is why an inter-ministerial committee must be established. Plans call for a committee composed of the political state secretaries of the Foreign Ministry, the NGKM, and the Ministry of Culture and public education under my chairmanship, because the political state secretaries are responsible for public relations. This composition must not mean that in special cases the political secretaries of other ministries could not become involved in this work. I am presently holding political state secretaries' conferences biweekly, and these topics can be raised at these conferences at any time. What I just said also means that the Office of Hungarians Beyond the Borders, the World Federation of Hungarians, and when it comes to science, the MTA [Hungarian Academy of Science] would also be involved whenever appropriate, in other words, they would have a permanent invitation to take part in the committee's work.

[Alexa] In earlier days, a foreigner walking on Vaci street and wanting to obtain some information about Hungary might have purchased a cook book, a shabby Madach translation, or a photo album about Lake Balaton.

[Katona] Attention has been paid to this earlier, and things have changed somewhat. Anyone who visits a foreign university library and asks for a collection of books related to Hungary, will find very few publications, most of which will be books written by emigrants, and beyond that, a rather large number of less scientific,

journalistic reports by professionals from neighboring countries. We, too, can discover this terrain just as they did, in part prior to World War I. Let me underscore this: None of our intended work coincides with that performed by propagandists in the past. If we want to demonstrate today's Hungarian reality in the framework of a stable democracy, such effort is not aimed against any country in the region. One of the strong points of Hungarian political consciousness is that people find a readiness to cooperate only in Hungary, a readiness without which East and Central Europe is never going to extricate itself from under the ruins. Providing this service—learning and appreciating each other's values—is also part of the functions of national information.

[Alexa] This whole issue, this topic also has a historical aspect. Countless foreign travelers have passed through Hungary during the past thousand years, these have not failed to describe their experiences, just like Hungarians travelling or living in exile abroad have not. The adjective *hungarus* prefaces the names of more than a hundred saints, the relationships of kings from the Arpad Dynasty with other ruling families of Europe, the study trips of apprentices wanting to take their masters exam, the foreign connections of nationalities residing in Hungary....

[Katona] You are talking about the two volumes by Istvan Szamota published in those days! This matter is close to my heart, because my grandfather, Gyula Halasz, has written two books on this subject. One is entitled "The Hungarian Wanderers on Five Continents," the other is called "Globe Trotting Hungarians." Quite naturally, books like these must also be gathered, and this once again presents to us a task to be performed: the establishment of a scientific, historical background and data base. Much of the available money must be expended to establish this data base. Just as a huge volume of data supportive of Teleki's activities exists. In recent times we have very well learned to read and write between the lines. We might as well forget about this ability of ours, but one should indeed learn how to interpret numbers and statistical data. This is a science that must be learned once again.

Let me return to what I have been talking about before. No single center could perform this kind of work, this mission by itself. I regard background activities, coordination, and the publication of certain summary volumes as our task. We are at the very beginning of things, because this institution exists mostly in the heads of my colleague Imre Molnar, and of my fellow representative Miklos Csapody. Let me mention the fact that I was asked on television about the difference between my concept and Miklos Csapody's plan. My answer was very brief: There is no difference between the two. I should not even have to say this: The work here does not amount to some short term propaganda, instead it involves catalyzing work to be performed with endurance.

[Alexa] During the past decades Hungary's relationship with foreign countries represented a strictly controlled "hunting ground."

I believe that the staff at the international division of the Ministry of Culture has experienced a rather heavy turnover. We were not the ones who travelled on scholarships in those days, of course. At one point it would have been extremely important for me to spend at least two months at the Vienna military history library to do some research relative to 1848-1849 military history. Having published quite a few books, I found it natural to request a scholarship. They made me take a language test (after paying the required fee), then rejected my application for lack of space. At that point I decided never again to apply for a scholarship like this. It sounds absurd, but never in my life have I set my foot into the Kriegerschiv.... This is tragic, as well as comic. Certain scholarships were given to those who did not travel for scientific purposes.

Although the primacy of the Foreign Ministry in this area is beyond dispute, the fact that Klebelsberg established the foreign cultural institutions under the Ministry of Education was no coincidence. In several respects and instances we must simply restore—consistent with contemporary needs—the functions Klebelsberg assigned when he established these institutions. I know that my fellow university professor, Laszlo Szorenyi, the present ambassador to Rome, is not going to rest until the Hungarian Institute in Rome becomes what it should be, i.e., what it has been before.

[Alexa] We might be able to reach an idyllic state of affairs, in which the courtyards of Hungarian institutes are not going to serve as parking places for AVO auxiliary personnel assigned there, but as places where the—far more modest—vehicles of guests can park.

[Katona] Those people who had been digging there might have come home already. Finally: We are going to be able to open a new institute this year, in Sao Paulo, Brazil. A huge Hungarian Benedictine abbey is there with a high school. Those decent Benedictines are engaged not only in teaching, but also in social work. This aging community of monks needs a little blood transfusion. I have been working on this an awful lot. I was fortunate, because Chief Abbot Asztrik Varszegi also supports the idea, and I managed to convince the Benedictines there that the most certain way to ensure the survival of the school (a Brazilian school) is to preserve the Hungarian bond, the Hungarian foundation and name. Here we have everything that could serve as a background for a small Hungarian institute: Roman Rezek's huge library, the Teilhard de Chardin collection.... We also have plans in Los Angeles and in Jerusalem. I sincerely hope that we are going to be able to find the form with which we can establish a Hungarian presence everywhere.

*** Organization of Prime Minister's Office Viewed**
93CH0918C Budapest NEPSZABADSAG in Hungarian
3 Aug 93 pp 1, 9

[Interview with Jozsef Kajdi, state secretary in the Office of the Prime Minister by Gabor Ferencz; place and date not given: "Cabinet Office Reorganized"]

[Text] *Jozsef Kajdi does not count on state administrative staff leaders remaining in their places, if radical changes in political trends occur as a result of the elections. The administrative state secretary of the Office of the Prime Minister believes that quite a few elections have to be held in Hungary before the importance of mutual confidence between career and political appointees no longer precedes every other consideration.*

[Ferencz] The organizational structure of the Office of the Prime Minister has significantly changed since the Antall government has taken office. How stable is today's state administrative staff, to what extent could it represent continuity in case of political changes?

[Kajdi] Indeed, from among all the state administrative organs, this Office has experienced the greatest fluctuation. The great "exodus" came to a conclusion before the new government took office, many people who had worked here before decided not to wait until the government took office, after they learned the election results. Some units were completely vacated, not a single employee remained in place.

[Ferencz] Would you reveal a secret by telling which unit you are talking about?

[Kajdi] The economic policy unit of the office. In other words, the changes were also prompted by the need to replenish the staff; we also made organizational changes because the cabinet office's structure had to be adapted to the new constitutional structure. It is worth considering that with the termination of the party state, the parallel state administrative structure developed at party headquarters—employing young, talented professionals in the final years—has also ceased to exist, and at the same time the prime minister's personal staff had to be augmented. The changed name of the Office is also revealing: It has functioned as the Office of the Prime Minister, and not as the Office of the Council of Ministers since May 1990; this indicates that as a core staff its function is to provide professional services supportive of the prime minister's activities.

[Ferencz] I understand that foreign consultants also assisted in the reorganization.

[Kajdi] This work proved to be popular with consultants, many of them offered to help in restructuring the cabinet office so that it resembles those in multi-party democracies. Good relations have evolved with "sister offices" abroad, including the German Chancellor's Office and the French and British cabinet offices. We received the greatest help as a result of an American program which enabled the expert team to "audit" the organization of

the Office of the Prime Minister. We established the office of the cabinet chief, for example, based on their recommendations.

[Ferencz] Am I correct in saying that this consulting firm was headed by Szabolcs Szekeres, the present chairman and president of the AV Rt [State Property Management Agency]?

[Kajdi] That is correct. It was not an unusual task for him, because he had performed several audits like this before, in other countries. This professional, who settled at home after performing the audit, joined the AV Rt, but not immediately after completing the audit.

[Ferencz] Were consultant costs financed by international aid programs?

[Kajdi] Yes, they were; these costs did not burden the Hungarian state budget.

[Ferencz] How stable is the staff of the Office of the Prime Minister today? Could the events of 1990 repeat themselves? How well are these professionals paid?

[Kajdi] This is one of the most urgent problems faced by the cabinet offices, and perhaps by the entire Hungarian state administrative staff: The business sphere represents a substantial lure. The power of attraction exerted mostly on economists and attorneys is so great that not only the best of our professionals leave, but they also "seduce" the mid-level staff. The way income levels evolved here, it is difficult to replace those who leave, and therefore, by no coincidence, an awful lot of young men are employed by the central state administration. Unfortunately, counter-selection may evolve due to the relative low salary levels.

[Ferencz] To what extent is the professional staff independent from politics? Should these people be concerned about existential uncertainty in case of a change in government?

[Kajdi] A real "threat" exists only from the standpoint of deputy state secretaries and officials above that rank. After the 1990 elections the legislators felt that guarantees of permanence had to be provided within state administration, and therefore established the positions of administrative state secretary and deputy state secretary. The intent behind this was that these people provide professional continuity even if the political trend changed, but as of today I believe that a possible change is also going to affect these people. I regard this as conceivable, because various professional staff members working for various parties are obviously going to enter the state administrative staff after their parties win the elections. One also has to recognize that a confidential relationship must exist between leading professionals and politician ministers. And the new ministers are likely to find professionals they can trust among their own professional associates and friends.

[Ferencz] This, on the other hand, could also mean large-scale personnel changes after the elections, just as large as they were after the elections that "changed the system"!

[Kajdi] Yes, this could occur, particularly in 1994, if a radical change in government takes place. I believe that it takes several election terms before we find ourselves in a situation in which state administrative leaders are not affected by cabinet changes.

[Ferencz] The conference of administrative state secretaries is also a new institution; the agendas for cabinet sessions are prepared at these conferences. Where does substantive debate over proposed agenda items take place? At the cabinet session? At the state secretaries' conference? Or, perhaps, at discussions held among political state secretaries?

[Kajdi] During the first six months of the Antall government, even debates about issues of professional detail consumed time at cabinet sessions. News reports in those days told us about cabinet sessions lasting until dawn. This situation was untenable, and therefore, based on foreign experience, we introduced the conference of administrative state secretaries, and established the various subcabinets. We have reached a point by now, where more than half the number of proposals to be dealt with at cabinet sessions is placed on the agenda "without debate," and all they require is a nod of the head by the cabinet. The conference of administrative state secretaries does not take positions regarding political issues, of course, at most it draws up the possible courses of actions and indicates the available decision-making alternatives. The economic cabinet plays a very important role. The cabinet session generally adopts whatever this body agrees upon, because a minister less familiar with the economy is not going to veto something the economic ministers have already agreed upon.

[Ferencz] In an interview after his resignation, Mihaly Kupa said that Jozsef Antall did not tolerate economic policy debates at cabinet sessions...

[Kajdi] The prime minister generally does not tolerate debate at cabinet sessions regarding professional details. If a proposal turns out to be professionally inadequate, the prime minister views this as a failure to abide by the cabinet's rules of order. These rules of order require that in the last resort, the affected ministers must clarify disputed issues among themselves. Only in a very few countries do cabinet meetings last more than an hour or two! This can be achieved only by preventing the presentation of disputed proposals to the cabinet, even if only two ministers dispute the attendant issues. If, at the cabinet session, it turns out that no unanimity has been achieved regarding one or another proposal, the prime minister removes that item from the agenda and orders further negotiations.

[Ferencz] Is there an opportunity for general political debate?

[Kajdi] Of course, there is.

[Ferencz] I am asking this question because, on occasion, ministers interpret decisions in different ways after cabinet meetings.

[Kajdi] As mentioned before, the prime minister does not permit debate over matters of professional detail at cabinet meetings, but it is he, who quite often raises political issues of principle that need to be clarified.

[Ferencz] What does the coalition of three ruling parties mean from the standpoint of state administration?

[Kajdi] There was no reason to change the staff composition of the cabinet office for this reason. The ministers exert decisive influence in the various ministries. Even if the political state secretary belongs to a different party, diverse views are subject to in-house negotiation. If needed—very few precedents exist in this regard—the prime minister also joins the political negotiations.

[Ferencz] Is my understanding correct that the prime minister has taken part in reconciling a conflict within a ministry?

[Kajdi] This has happened, but the reasons for the conflict were personal in nature, and only to a lesser extent political; the people involved had difficulty in getting along.

[Ferencz] As of recently we had several raging storms over the government's so-called 3,000 series determinations. What criteria exist for determinations to be made public?

[Kajdi] This clearly depends on the contents of a determination. From among all the government determinations only those are published in *MAGYAR KOZLONY* which designate functions for governmental organs that also affect the citizenry, even though they do not establish rights and duties. There also exist so-called 2,000 series determinations; these are of interest to a limited group of people, and we publish these in the Record of Determinations. And finally, the 3,000 series determinations regulate the internal functioning of the organization. Most of these contain assignments: The government assigns the performance of a function by a certain deadline to one of its ministers.

[Ferencz] Who decides to which series a given determination should belong? Does the ministry that submits such a proposal designate the series?

[Kajdi] Exactly. The proponent must make a recommendation regarding the extent to which the decision be made public, but the ultimate decisions is made by the government, of course.

[Ferencz] Has it ever occurred that a ministry wanted to treat a certain matter as an "internal affair" and recommended that the determination be part of the 3,000

series, and that thereafter the conference of state secretaries or the cabinet decided to make the determination public?

[Kajdi] This occurs very often.

[Ferencz] And in the reverse?

[Kajdi] Not in the reverse. Interestingly, it is the cabinet meeting and the conference of state secretaries that usually does away with the excessive caution exercised by the staff, and asks: Why should this decision not be made public?

[Ferencz] Has it ever occurred to anyone that the 3,000 series, which provides an opportunity for political attacks, be abolished, because most of the determinations included in the 3,000 series are not secrets, they are only uninteresting?

[Kajdi] No, this has not occurred to anyone. The so-called 3,000 series determinations has been "inherited," it was not invented by the Antall government, moreover, it is also an accepted method used in other countries. Although unfortunately, the case of the 3,000 series determinations has recently given rise to some unjustified hysterics, I still must say that we will need internal determinations also in the future, except perhaps to a lesser extent than at present.

* ASZ Audits State Agencies' Internal Controls

*93CH0918E Budapest FIGYELO in Hungarian
5 Aug 93 p 13*

[Article by Gyorgy Kolossvary, deputy director of the state accounting office: "ASZ Audit: Auditing the Audits"]

[Text] Audits conducted at 27 ministries and organs with nationwide jurisdiction present a rather depressing picture of the way state administrative agencies audit their own finances.

Due to the ever increasing, apparently long-term, tension relative to the state budget, more attention than before must be paid to the operation and management of organizations funded by the state budget, from the standpoints of utility, results, and legality. An audit covering the past three years of operation performed by the State Accounting Office [ASZ] at 27 ministries and organs with nationwide authority was designed to describe and to assign a qualitative ranking to the auditing practices of these agencies.

ASZ's task was performed in three categories: financial and management audits of a supervisory character, the internal audit functions of agencies, and supervisory audits conducted in enterprises under state administrative supervision. The ASZ audit found that not even in one agency did the audit practice measure up to changing legal requirements, moreover, omissions and mistakes were generally not sanctioned. Accordingly, it appears

that to this date, the leaders of state administrative organs have not recognized the significance of audit functions.

Budget and internal audits as a whole have not been improved, and without change, the level of audits was moderate as compared to the task at hand. This was partly caused by the fact that audit functions were performed by low-ranking personnel as secondary matters, that the supervision of audit functions was delegated to lower management echelons, as was the audit reporting function.

Audit functions were generally not performed with the frequency, content, and character required by law. A critical outlook was consistently missing from audit reports, and so were situation analyses based on cause and effect relations. Thus the needed actions were not taken.

Due to the incomplete audits, improperly targeted and irregular management practices were probably not revealed in quite a few areas. A liberal approach to responsibility and the lack of sanctions weakened the restraining effect of audits.

In most places, internal audits do not constitute continuous systems, and the development of such systems is not progressing at the appropriate pace at newly established organizations.

As part of the activities of state administrative organs, the importance of supervisory audits at enterprises has been downgraded for no good reason at several places, accordingly, not even audits were capable of enhancing the efficient operation of state assets. The founders seldom established supervisory committees, at the same time, however, the audits were organized in a manner inconsistent with legal requirements. According to laws presently in force, state administrative organs exercise state ownership rights only over their nationwide public service enterprises. When enterprises under state administrative supervision become corporations by the end of this year at the latest, the supervisory audit function over enterprises is going to be permanently terminated.

The ASZ audit indicates that it would be appropriate for the government to develop an action program consistent with the spirit of the state household law, and to establish a Central Audit Office, or audit offices. In parallel with this, it would appear as appropriate to amend related laws. It is the function of state administrative organs to strengthen the internal audits of these institutions.

Details of AVU, AVRT Audit Revealed

93CH09181 Budapest HETI VILAGGAZDASAG in Hungarian 7 Aug 93 p 14

[Unattributed article: "State Accounting Office on Property Managers"]

[Text] A report released last week concerning a State Accounting Office [ASZ] audit concluded on 31 May

"stripped naked" the two leading institutions that exercise the state's ownership rights: the State Property Management Corporation (AVRt) and the State Property Agency (AVU). Even the opening balance of the AVRt founded last October is "credible only to a limited extent," because it does not include the value of bank stock transferred under its ownership. The AVRt has neither a business plan nor a privatization strategy that states the goal of selling, or reorganizing and then selling the enterprises owned by the AVRt at the earliest possible date. A liquidity plan is also missing, even though definite expenditures (6 billion forints in guarantees, 2.9 billion forints payable to the Hungarian Insurance Company, and 5 billion forints in the form of consultant fees) already exceed the available amount of funds.

One cannot tell from where and on what grounds AVRt receives its funds, or figure out the structure of its expenditures, according to ASZ. The report states that the development and observance of appropriate conflict of interest rules regarding persons assigned by the AVRt to enterprise boards are lacking. The report also mentions that resolutions brought by the AVRt leadership are not documented, and therefore cannot be verified. As it turned out, the salaries of 84 AVRt employees may be regarded as "exceptionally good," and that each employee at the new headquarters building acquired last spring has 48 square meters of office space. ASZ found the source of the conceptual and "objective" obstacles in the path of AVRt's organized operations in and around the government: AVU has not transferred the appropriate documents to AVRt, Property Policy Guidelines presently in force were missing, and while the government has yet to pay a 7 billion forint contribution to AVRt's basic capital over and above the 3 billion forint capital it already has, it obligated the AVRt to pay 8 billion forints to the state budget, based on the supplemental budget.

Three years after its establishment the AVU is still not capable of accounting for, and following changes in state property it owns, according to the ASZ report. Although AVU's work has become more structured, its "criminal record" includes the fact that in 1992, based on government decrees, AVU illegally transferred 3.4 billion forints worth of property free of charge, and that in the course of a year, consultant fees have increased by 250 percent, far in excess of privatization revenues; in 1992, consulting fees represented 34 percent of 5.7 billion forints of privatization expenditures, while AVU has not expended even a penny for the purpose of creating jobs. Claims, according to which Ministers Ivan Szabo and Tamas Szabo reached an illegal agreement regarding conditions to be observed by AVU when providing guarantees, are excuses addressed to the government. ASZ stresses that even today, the AVU is unable to describe progress made in privatization in adequate detail suitable for making a verifiable assessment in the

macro-economic context, and that this situation maintains, and further increases the lack of confidence in the privatization process.

In its 50-page report ASZ included the audit of the use of Phare privatization support funds received since 1991. The related findings are shocking: From 2.6 billion forints (26 million ECU's) made available thus far, AVU utilized only 400 million forints, while it incorporates increasing shares of privatization revenues into its own budget. "Due to bureaucratic rules and language difficulties, AVU officials involved in transactions are unable to seek Phare support as long as other sources are available," according to the ASZ report. The report also suggests that as of recently, the AVU is rewarding employees "willing" to apply for Phare support funds.

* Amendments to Bankruptcy Law Discussed

93CH0918H Budapest UJ MAGYARORSZAG in Hungarian 9 Aug 93 p 4

[Interview with Mrs. Tamas Politzer, National Assembly legal counsel, by Ferenc Toth; place and date not given: "Parliamentary Interview on the Amended Bankruptcy Law"]

[Text] *A new law adopted by parliament on 13 July amended the Bankruptcy Law. We discussed a few of the important details of the amendments with Mrs. Tamas Politzer, an official at the legal secretariat of the National Assembly.*

[Toth] Why was it necessary to amend the bankruptcy law enacted in 1991?

[Politzer] Law No. 2 of 1991 took effect on 1 January 1992, and the amendments were based on practical experience. The purpose of the amendments was to more firmly enforce the original concept of the bankruptcy law, and to enhance the effectiveness of the law through legal means. The main purpose of the law remains the same: To help restore troubled business organizations that can still be saved.

[Toth] How does the new law define bankruptcy proceedings, liquidation proceedings, and final settlement proceedings?

[Politzer] According to the law, in a bankruptcy proceeding the debtor requests more time to pay off his debts, or makes an attempt to reach a bankruptcy agreement. The purpose of a liquidation proceeding is to permit creditors to recover their money if an insolvent debtor ceases to exist without a legal successor. In a final settlement proceeding a solvent debtor pays off his creditors upon deciding to cease operations without a legal successor.

[Toth] The law changed the definition of "debtor" and "creditor." In what way?

[Politzer] Henceforth, the question of whether funds owed become due within or after a year loses significance. Final settlement and liquidation proceedings lead to the termination of the debtor without legal successor. To accomplish this it becomes necessary for the debtor to reach settlement with all of his creditors, including those whose claims he disputes. For this reason the law states that in these proceedings the term "creditor" means everyone having a financial claim against the debtor.

[Toth] How did the starting point change in the three types of proceedings?

[Politzer] The starting point of a given proceeding is not determined by the date of publication of a court's ruling as before, but by an earlier date: the starting date of the proceeding. In case of a bankruptcy proceeding the starting point is the date when a request for a proceeding is received at a court; in case of a liquidation proceeding the date when a court ruling ordering liquidation takes force; in case of a final settlement proceeding the date the highest body of a business organization designates in its resolution concerning final settlement.

[Toth] The law makes new provisions as to what does and what does not constitute parts of a business organization's assets. What are the main differences between the new and the old provisions?

[Politzer] One of the very important new rules is that assets managed by the debtor under an agreement with the state property management organization are not to be regarded as assets. This does not include forests owned by the state, land areas protected by separate law as nature conservation areas, state-owned historic buildings or monuments, arable land set aside for compensation purposes, real property regarded as the debtor's assets included in the list of assets approved by the government, related to the law that settles the ownership of real property formerly owned by the churches.

[Toth] Have the notice provisions also changed. In what ways?

[Politzer] The organization subject to final settlement is also obligated to provide notice. The board of creditors is also entitled in every case to provide notice. In cases involving large numbers of creditors a rule protects the person conducting the proceeding, by requiring that creditors must not seek information individually concerning the creditor's assets and financial situation, but instead several creditors must do so jointly and severally.

[Toth] Chapter 2 of the law revises bankruptcy proceedings. What are the most important differences between the old and the new rules? What has to be attached to a request, what conditions does the law establish for rescheduling payments, at what point is it possible to regard consent as granted?

[Politzer] The law discontinues the concept of mandatory declaration of bankruptcy by the owners. In other

words, a business organization may initiate bankruptcy proceedings only on the basis of its own resolution. A petition to conduct a bankruptcy proceeding must be submitted by the head of the business organization. A simplified financial statement prepared not more than three months ago must be attached to the petition. As mentioned before, the starting date of the bankruptcy proceeding is the day when the debtor's request is received at the court. The law defines the content of public notice to be given to unknown creditors.

The most important part of this is the way creditors can obtain information available to unknown creditors. The new rules strongly aim for shortening the proceedings, and for lessening the formal character of the proceedings. Granting more time to the debtor to make payments makes sense only if there is hope for reaching a bankruptcy agreement. Only creditors aware of the assets and the financial situation of the debtor are able to decide whether a chance for reaching a bankruptcy agreement exists. Accordingly, in a bankruptcy proceeding, the debtor is entitled to additional time to make payments only if more than half the number of creditors with overdue claims, and more than one quarter the number of creditors with claims that are not overdue on the starting date of the proceeding agree to the debtor's request to grant additional time. A new rule provides that during the additional time granted, the debtor cannot choose among the creditors to be satisfied—not including claims to which the additional time request does not apply—in other words, the debtor is not only obligated to pay, but he is also prohibited from making voluntary payments to creditors who had claims on the starting date of the bankruptcy proceeding.

[Toth] What should we know about agreements in bankruptcy proceedings?

[Politzer] The law provides detailed rules for the form, content, and approval of bankruptcy agreements. The state property management agency's approval is considered as granted even if it does not appear or is not represented at the meeting that produces the agreement. The debtor is obligated to report to the court the fact of reaching an agreement within three days after reaching the agreement. If it takes several meetings to reach an agreement, this obligation applies primarily to the date when a meeting produces results. If the parties are unable to reach a bankruptcy agreement, the court terminates the bankruptcy proceeding and orders the initiation of a liquidation proceeding. The court does not review the expressed interests of the various parties as long as a bankruptcy agreement is reached pursuant to law.

* Problems With Integrating Trade Missions

93CH0918D Budapest NEPSZABADSAG in Hungarian
3 Aug 93 pp 1, 4

[Unattributed article: "A Majority of Ministries Protest 'Ambassadors' Dictatorship"]

[Text] Interior Minister Peter Boross told the affected parties that the government had no plans to combine

ministries. The foreign minister, a member of the cabinet, however, has not decided whether to submit to the cabinet a thus far not publicized proposal to integrate representative offices abroad.

If implemented, this concept would have a fundamental impact on the independence of organs and persons active abroad. Trade missions abroad would feel the primary impact, and this would place them in a situation of "dual dependence." (Many attribute the plan to Foreign Ministry State Secretary Janos Martonyi, and to NGKM [Ministry of International Economic Relations] State Secretary Endre Juhasz.) Under the Labor Law, these organizations would be part of the ministries, but professional and political supervision would be exercised by the Foreign Ministry, thus changing their present situation. These organizations would submit their reports to Budapest through the ambassadors. Trade offices could be moved to embassy buildings, and this would also result in savings.

NEPSZABADSAG was informed that a majority of the cabinet members agree with Bela Kadar who holds that the otherwise—in principle—advantageous system that functions well in several Western countries is premature in Hungary: A system including strong foreign representation on part of firms has not yet evolved, and only along with such representation would it be sufficient to have one or two employees performing trade representation at embassies.

A majority of the cabinet members believes that it would not be appropriate to shatter the network of foreign trade missions at a time when their activities are particularly important from the standpoint of the national economy. (According to several cabinet members, Kadar would resign if the existing conditions were changed.)

The possible subordination of personnel belonging to other ministries, such as military attaches belonging to the Ministry of Defense or the Intelligence Office (civilian intelligence) would also create problems, according to a majority of the government officials. Military and civilian intelligence organs are not subordinates of the foreign minister or of ambassadors in any country. True, this carries the risk that the information they convey is different than the information provided by the ambassador: It is the political decision-makers' function to obtain the broadest possible, and, on occasion, contradictory information, which therefore needs to be clarified when they reach a decision, the above-mentioned officials assert. They added that a single channel for information flow is a prescription for mistaken decisions. Intelligence employees are also responsible for the personal security of representative offices abroad, and this, too provides an opportunity for intelligence personnel to acquire confidential information, and it is not up to intelligence personnel to decide whether such information should or should not be dealt with by the ambassador.

According to participants at the ambassadors' conference, the minister without portfolio in charge of the secret services spoke of a cooperative system which preserved the autonomy of the secret service based on the primacy of state interests, because without such autonomy the service would no longer make sense.

Under the present circumstances, Jozsef Antall does not want to intensify fault lines within the government and thus suffer grave personal consequences, and therefore he is probably not going to force the issue of establishing integrated representative offices abroad.

*** Minister of Interior Danescu on Corruption**

93BA1276A Bucharest ROMANIA LIBERA in Romanian 9 Jul 93 p 11

[Interview with Interior Minister George Danescu by Bogdan Ficeac; place and date not given: "Relax, the Minister of Interior Is Not Against Reform"]

[Text] [Ficeac] Mr. Minister, to begin with, I would like to ask you to speak about the crime rate which applies today in the country and, in particular, about its dynamics.

[Danescu] Regarding the crime rate over the past three years, I would like to tell you that its extent worries both us, the leadership of the ministry, and all police officers. Looking at statistical data, I can say that the crime rate is growing, but the number of offenses and the number of perpetrators we have detected have also increased. So, for example, during the first half of this year there were 106,599 crimes reported—28,448 more than in the same period last year—committed by 79,552 perpetrators, of whom there were 22,403 more than in the first part of 1992. And, so that I may respond to some accusations which have been leveled against me to the effect that we investigate only minor cases, I wish to say that we have recently both uncovered people with important names holding important positions, and exposed some very serious cases.

[Ficeac] Can you give me some examples of important persons who have been and are the object of police investigations?

[Danescu] For the time being, we have come up, so to speak, to the level of directors. For example, Gheorghe Ioan Chiricescu, general director of the firm S.C. REMAT S.A. of Arad, is being investigated while held under preventive arrest. He demanded and received 30,000 German marks from the owner of a private firm in the locality for the delivery of 8,000 tons of scrap iron. We are also investigating Viorel Barca, director of the firm S.C. Constelation-S.R.L. of Bucharest, and manager of the Volexpo Commercial Complex of Voluntari, Ilfov Agricultural Sector, who demanded and received from four foreign companies the amounts of 683,000 lei and 2,000 dollars for renting spaces in the Complex. Similarly, we are investigating Gheorghe Cadariu, director, and Aurica Tamas, chief accountant, who are both from the firm S.C. Hercules S.A. of Baile Herculane. They received 1,000 and 300 German marks, respectively, for concluding and implementing a partnership contract.

[Ficeac] What do you think might be the reasons for this explosion in the crime rate?

[Danescu] The main cause, in our opinion, and according to all the analyses which we have carried out, is the economic situation. As long as there are serious economic problems in our country, it is obvious that these problems will engender unlawful acts of all kinds, all the way up, if you like, to the taking of a person's life

for a hundred thousand lei or even less. Another reason lies in the existence of a certain legislative vacuum; but, even more than that, not even the legislation already in existence is being efficiently enforced. The prosecuting authorities, the judicial authorities, and, of course, the police authorities still have gaps in the way they enforce the provisions of the law. I do not want to defend my own people, but I must remark on the fact that many of the punishments for serious crimes are very light. I need not even mention that the institution of bail is not always well understood. For committing very serious crimes, dangerous criminal elements or offenders who have caused serious damage, both personal injury and public or private property damage, are being released in the most slipshod manner.

I would like to illustrate what I said above with two concrete examples. One is from the Arges district, where, due to medical problems which could have been treated within the medical system of the General Directorship of Penitentiaries, authorities twice interrupted their carrying out of the punishment of Dan Dragoi, who had been sentenced to eight years in prison for robbery. He subsequently failed to report back to the penitentiary and was arrested once again, this time because he had committed a murder. Or we can take the case of Ion Serb of the Dambovita district, who had been sentenced to 20 years in prison for murder, and whose sentence was similarly interrupted, also for medical reasons; he did not report back to the penitentiary by the deadline and is currently being sought for the commission of numerous crimes. I might also add the fact that some of these persons, after they have been let out, leave for abroad, because there is no clear and firm order which would keep them from leaving the country.

Another reason for the growth in the crime wave is the lack of education. Although it is my opinion that the Romanian people was an educated people and, in my sincere opinion, Romanians are still well brought up, today the majority of us have some serious catching up to do in this area.

All of these things, probably along with other things, can be corroborated also by the fact that there are extraordinarily few of us policemen, for both the maintenance of public order and the investigation of crimes of an economic nature. As regards the latter, I would like to say that in the first part of this year alone, 34,000 crimes were committed which damaged public property valued at more than 6.7 billion lei. I must bring up again and underline the fact that we have one policeman per 700 residents, which is a very small percentage.

As you see, there are many reasons. Ever since I was appointed to the leadership of this ministry, I have tried—especially since I know the ministry and have placed at its head a new team composed of professionals who know their trade—together with the present command, to breathe new life into the attack on evildoers. And I consider that, to a good extent, we have succeeded.

[Ficeac] In connection with the promotion of a great many professionals to the leadership of the ministry, which is a very good development, I would nevertheless like to get your opinion, too, about the much-discussed question of the demilitarization of the Ministry of the Interior.

[Danescu] What can I tell you? I have been on the job six months and have been asked to carry out the demilitarization overnight, even though this idea was initiated by the former minister of the interior without his backing it up in any way; that is to say, he did nothing along those lines. On the contrary, I found more military people than I had left; that is to say, certain civilian jobs had been transformed into military ones. I blame both him and the others in the command because they left me with this problem as well as other very difficult situations. Obviously, I have been constrained—and I will tell you from the beginning that I am not against demilitarization—to do a job which has been well thought out. In fact, I have already appointed a group which is working on this matter. Clearly, if I remove some people who up until now have been wearing a uniform, I have to put something in their place so that I have the kind of force which is needed to ensure measures to maintain order, whether at a demonstration or at a game in the stadium. But if plainclothesmen intervene in a situation, they are not as effective as uniformed officers. Therefore, I must weigh this action very carefully.

The question of the workers's wages is also being posed; even so, they are poorly paid. But, in any case, please rest assured that the minister of the interior is not against reform.

[Ficeac] In reference to the new kinds of crimes and the way those crimes are being fought, what can you tell us?

[Danescu] I have set up a brigade to combat organized crime and another brigade to combat corruption and smuggling, but at the moment these units are undermanned. Also, I have reinforced the units battling drugs and in this area—which gave us a lot of problems in 1993—have gotten excellent results. For example, aside from identifying in March a group of 10 persons involved in receiving and forwarding cocaine—about 105 kg—from a South American country, we investigated another 20 persons, most of them Turkish by nationality, from whom we recovered 25 kg of heroin and 4 kg of hashish. I should also mention the uncovering of a similar subsidiary operation conducted on Romanian territory by Sava Docmanov, from whom almost 130 kg of cocaine were confiscated.

[Ficeac] In connection with the rise in the crime rate, the press has been accused with ruining the country's image by presenting some similar cases; and it has been alleged that things are nowhere near being that serious. But now I see that you are confirming that we were right, saying that we have hit the top of the European criminality charts. What is your opinion about these accusations which have been leveled against the press?

[Danescu] First of all, I have never accused you of ruining Romania's image, especially as long as you present things which are real.

[Ficeac] I was not referring to you...

[Danescu] I think that it is very good for people to know what the reality is; it is also good for them to know that there are some people out there who are working to uncover criminals. However, I would criticize some publications which, by exaggerating, blow up sometimes trivial incidents into something really earthshaking. At any rate, the crime situation is alarming; and even if we are far from experiencing what goes on in other countries, I say that it is better for us to prepare ourselves starting now, so that we do not reach the point where those others are.

[Ficeac] The idea of reintroducing the death penalty is receiving wide circulation...

[Danescu] I have said that it would not be a bad thing, although my opinion is that it is not the death penalty which will solve this situation. Let us solve the economic problems, the educational problems, and the law-enforcement problems, and only then let us see if we need the introduction of the death penalty. I think, for example, that we could modify some penalties in the criminal code, such as those for rape, robbery, piracy, offenses against a government officer, bribery, influence peddling, counterfeiting of money and of securities (because the latter, too, have become more extensive at present), embezzlement, and drug-trafficking and use. In our country, we still have only trafficking in drugs; we do not have use of drugs because we are very poor. But when people have money, they will start using drugs in our country, too.

[Ficeac] What can you tell us about the so-called "war" between the police and the Financial Guard? Who stands to gain from this conflict?

[Danescu] I would like to tell you—in my usual non-sense way—that this "war" is a permanent fixture. I see that you are surprised. Let me explain. First of all, we have cooperated very well with our colleagues from the Financial Guard; not only that, but we should keep on cooperating with them, in order to complement one another. They are competent in the financial realm—how one keeps accounts, how you calculate a commercial increase, how merchandise comes in, and other matters; while the economic police take care of those who commit crimes. What is the "war"? Among the Financial Guard's personnel there are people, from all departments, who are dishonest. Our task is to apprehend them and, when we do apprehend them, to bring them to justice. This is what has upset them. I do not believe that their anger is justified, because we, the leaders of these institutions, have pledged ourselves to clean things up. I personally cannot find any fault with myself—I cleaned things up and will do so again! This is the "war" that everyone is talking about.

As far as I am concerned, the day after I learned from the newspapers that Mr. Florica had accused me, I lodged a complaint against citizen Florica with the General Prosecutor's Office for affront to authority and defamation. I am convinced that the truth will come out in this case; I do not see Mr. Florica going anywhere except where he deserves to be because of the unjust charges he has made against me.

[Ficeac] It seems that we have come to one of the day's hot topics: the minister of the interior under the scrutiny of the anti-corruption commission....

[Danescu] The parliamentary commission was not able to do anything other than to establish the truth, because in my case there was no question of my being a corrupt man! I believe that this commission has its own role to play, but in the final analysis it is still up to the law to take action. The commission can settle questions of a general nature, of some persons' conduct, of morality...As far as I am concerned, reproaches which I consider completely unfounded have been directed my way. For example, I am accused of not taking measures against some policemen from one of the capital's police stations who, with an eye toward confiscation, picked up some merchandise which had been smuggled in and sold it without respecting the stipulations of the law; in fact, a part of the exchange value was transferred into the Ministry of the Interior's account.

I could have excused myself very quickly by saying that all of these things happened while I was not yet the minister. But I am not doing that; on the contrary, I feel duty-bound to investigate and to nip in the bud any violation of the stipulations of the law. We carried out an investigation covering the whole country and ferreted out other cases, too. Only after that did the Financial Guard take notice. Since it is a matter of 21 people, I considered this phenomenal; consequently, I took action, five days after the findings, to send all the documents to the Military Prosecutor's Office with a suggestion that they take legal measures. That does not mean that I have stopped, but that, for the time being, I am awaiting the findings of the Military Prosecutor's Office. If these men have committed crimes, they will be punished through the justice system. If their actions were infractions of discipline, then I will take steps according to our internal regulations.

[Ficeac] So in this case the Prosecutor's Office is responsible for the delay in the taking of measures.

[Danescu] I do not even call it a delay. They are investigating; you realize that this is not the only case they have....

[Ficeac] What can you say about the case of Colonel Vitiuc?

[Danescu] In the case of Col. Vitiuc, I know that he has a son with his own firm. The question is whether Vitiuc is involved in his son's business. He avows that at the moment the Guard came to inspect, he just happened to

be there seeing his son. I think that it was a frame-up, because it was just too much that both Mr. Florica and a still camera happened to be there. But that is their business. Anyhow, I gave this matter to Generals Sandu and Nitu to check up on. Their report back to me indicates that Vitiuc is not guilty in the slightest, because he was not involved in his son's business dealings. Accordingly, the generals suggested that I dismiss Mr. Florica's report, since the officer is not guilty.

[Ficeac] Nonetheless, a video tape does exist.

[Danescu] Yes, there is a discussion between Mr. Florica and Col. Vitiuc in a store—but not in Col. Vitiuc's son's store—in which there are moments when the colonel is speaking very respectfully to the general while the general is inciting him to say something to incriminate himself. But Col. Vitiuc showed that he is a savvy officer and did not respond to the general's provocations.

[Ficeac] What can you say with respect to your intervention at the Television?

[Danescu] With respect to my intervention at the Television, I consider that, in this case also, there was a test concocted once again by Mr. Florica, but with the Television's help as well. Some pieces of material evidence were filmed in the repository of the Financial Guard, and whoever saw those goods thought, of course, that they were found in the police department's repository. This nuance was given to it precisely on the day when people heard that there was supposedly a "gang" of 21 policemen who had deprived the state of millions—a matter which was unconfirmed.

Having been informed of this matter, Gen. Sandu, acting on his own initiative, went to the Television to find out what it was all about. Around 18:30-19:00, he came to me and reported that he had given some explanations to the effect that measures had been taken and that the matter would be looked into. At that point, I wanted for us to see how that cassette had come out—the one with Gen. Sandu's position statement—since it was to be broadcast over the television. On viewing it, he realized that, in fact, not all of his reply to these charges had been recorded—I am convinced that that was due to the limited time slot—but that, since it had been cut, it came across as a not very eloquent reply.

At that point, I picked up the telephone and, with Gen. Sandu's agreement, I called Mr. Soloc and told him that, due to his cutting of the statement, I could no longer agree to its broadcast; I believe that that was the correct thing to do, since it was up to us to decide whether or not we wanted to appear on television. So this is the great act of "censorship" which I performed at the Television!

What surprised me, however, is the fact that an allegation appeared, in the press and in the Commission Report, that I had interceded so that the first material I mentioned—in other words the cassette with footage from the Financial Guard repository—would not be broadcast. That fact is totally incorrect.

[Ficeac] Ana Electronic?...

[Danescu] In connection with the orders made by the people subordinated to me for the purchase of some televisions from the Ana Electronic company, I do not believe that I am responsible for all the sparkplugs, all the televisions, or all the radio sets that are aquisitioned. We have a large ministry here. That company employs a clause that specifies that if a number of televisions are purchased, a certain discount is given. And this discount was given to the Ministry of the Interior, not to Danescu, who took nothing home.

[Ficeac] The anti-corruption commission brought charges, some of them rather serious, against some people under your immediate supervision also, while you were blamed for not taking the appropriate measures...

[Danescu] With respect to the fact that I did not take the appropriate measures against those three men—Cico Dumitrescu, Muresan, Voicu Costica—I tell you that as far as I am concerned, as things stand, there is no proof that any of these men committed a crime. Now I am waiting for the parliamentary commission to check this out completely—let no one interpret this as meaning that, in proceeding this way, I might be aiming to divert the investigation—and, if I find that these three men have committed irregularities, I will take the proper measures against them. In fact, it had been brought to Col. Muresan's attention some time before that some of his behavior put him outside of the province of his job, since the inquiries which I had ordered were not concluded by the former head of Unit 0215 whom, moreover, I had replaced. The investigations are continuing, and, in any case, I do not leave matters unfinished!

[Ficeac] The press has hinted that your struggle against corruption in the Ministry of the Interior was aimed at covering up a certain purge of your opponents.

[Danescu] First of all, I am not an evil and vengeful kind of guy. I am a sentimental type; I like flowers and romantic ballads. The idea that you were talking about was put forward by the same people whom I fired or who were arraigned due to their incompetence, because they had wanted to use their jobs to carry out feuds; they were not executing orders, and they were not working. It is certain that those who were arraigned were guilty of criminal acts. If anyone among them considers himself innocent—and now I am issuing an appeal—please ask him to address himself to your newspaper so that he can contest my actions; I will make all the documentation available to you. You will realize that the minister of the interior is a fair man from this point of view, too.

[Ficeac] It is not necessarily a matter of the three men who have been arraigned, but of certain changes in duties. For example, the idea has been floated that Gen. Suceava was removed because of some differences of opinion with yourself.

[Danescu] You see, this "Suceava case" will always remain at the forefront of the news, especially since,

from what I understand, he is a friend of your publication, which is not a bad thing. He was the head of an investigation corps in the ministry. If that group had operated and carried out its assignments the way it was supposed to, we would not have so many cases of corruption, of incompetence, which have influenced the general condition the ministry is in. He rendered himself guilty, and I believe that a part of this whole mess which I found is owed to a great extent to him.

[Ficeac] The press has also talked about a so-called "conspiracy" organized against you. Gen. Nitu, one of the persons named, has protested vigorously against this rumor, but he has also expressed his perplexity at your failure to intercede in his defense.

[Danescu] First of all, I have not accused anyone of any conspiracy. Rumors and gossip come my way, but without verified facts I take no action. Perhaps some among these people, who appear now to be adversaries of mine, had a difference of opinion when I was appointed minister of the interior; perhaps some of them had wished very much to be sitting in this chair. But I do not take this into account. Therefore, I do not have any reason to defend Gen. Nitu; he can defend himself. If he has not said or if he never says that he is against me, I congratulate him, especially since he is one of the principal leaders available to me, and he commands a large unit.

[Ficeac] Let us return to the conduct of ordinary police officers. Why are they not always receptive toward certain justifiable demands of the citizens?

[Danescu] I agree with you that there are some, not many, who sometimes stand idly by. The only explanation I can come up with is that those are not true police officers. I promise you that their turn for dismissal from the Ministry will come. There is, however, another side to this question, too. Tell me, have you seen, in a square or somewhere else where police intervene legally, how many "well-wishers" prevent them from doing their duty? No one sees that!

It is true that if the bill now being considered by Parliament concerning the organization and functioning of the police is passed into law within a short time, it will grant a greater protection to police officers and will give them a greater safety in their actions. This matter is all the more imperative especially as we are concerned about the extent and frequency of attacks to which these officers are subjected. For example, just in the period of 1990-1993, 12 police workers were killed this way, while 155 were wounded and 1,146 were otherwise attacked.

Maybe I do not have to tell you that the police need help, but my lifelong conviction is and always will be: The police need support (through the press and television), encouragement, and legal backing. I would ask for help also from the military prosecutors, who, in some cases, until a sentence is pronounced, keep pestering our

workers, making some of them beat a well-worn path to the Military Prosecutor's Office. Nevertheless, I am convinced that the police force is respected and will continue to be ever more respected. I will repeat what I have said all my life: I do not even want the police to be loved, I want them to be respected.

[Ficeac] What can you tell us about the Onoriu case?

[Danescu] I am familiar with the case you are referring to because it interested me, but the delay in solving it has also roused my curiosity, considering that this particular accident happened on 1 January of this year. In any case, I can tell you that on 17 June of this year, the capital police again sent the case in question to the Bucharest Municipal Prosecutor's Office. What one must not forget, however, is that the citizen in question is at large, and not through any fault of ours.

[Ficeac] Thank you for the interview, Mr. Minister. I hope that you will assist us whenever questions arise which call for your informed opinion.

[Danescu] With the greatest pleasure...

*** Serbian Union Official on Unions' Role in Conflict**

93BA1297A Bucharest TINERETUL LIBER in Romanian 12 Jul 93 p 3

[Interview with Zoran Marinkovici, General Secretary of Energy and Petrochemical Unions in Serbia, by Liana Buligan; place and date not given: "Unionism Has Become Part of the Plan for National Survival"]

[Text] [Buligan] What is the purpose of your visit in Romania?

[Marinkovici] Our delegation is in Romania on the invitation of the PETROM Labor Union Federation (CNSLR [National Confederation of Free Labor Unions of Romania]-FRATIA), and we have a double purpose. Obviously, it is an exchange of experience with respect to union organization. Principally, it is a matter of the specific features of unions in the energy and petrochemical industry. No matter where they are located, these unions have problems in common. And then there is the fact that we have already gone through a period of clarification of the laws concerning unions and of actual work in tripartite bodies.

However, I do not want to hide the fact that this visit is the continuation of overtures which we made to the leaders of the big central labor organizations of Romania, that is, FRATIA and CNSLR, to mediate with the international labor union bodies for a resumption of relations. We, as labor unions, are not involved in politics; we have exclusively social and humanitarian aims. Therefore, looking at the situation from this point of view, we would like at the very least not to have to endure the consequences of the embargo.

[Buligan] What is the degree of unionism in Serbia now, and how does it function in the exceptional state which your country is in?

[Marinkovici] Despite our exceptional national situation, the national idea has brought us together more than ever, and one could say that it has obliged us to centralize our operations. In the past—to be specific, four-five years ago—there had begun to be a consolidating of the trade unions, which at that time had a great degree of independence in relation to the republic's central labor organization. The state of war changed not the functioning of the tripartite arrangement, but rather the nature and seriousness of our concerns, and it obliged us to close ranks. In our country, unionism has now become a part of the plan for national survival. Thus, we have been compelled to reappraise the programs of solidarity and mutual aid throughout the whole country, and not just at the level of particular industrial concerns, and to think of and to find other forms of protecting wage earners which would be supported by the wage earners themselves, because the state can no longer guarantee the normal financial and economic reserves.

To come back to your question, I can state that we have approximately 2.8 million members in Serbia and Montenegro and the autonomous regions of Kosovo and Voivodina. Our members are organized into trade unions by the industry (31) and are coordinated by a central organization (the Union of Free Labor Unions) which has more of a role of coordinating general union strategy. Now we need a national Union of Labor Unions which would be financially strong and representative and which would, nevertheless, guarantee the independence of each of the trade unions individually.

[Buligan] What are wage earners' most serious concerns?

[Marinkovici] The key concern is preserving the real value of wages, given the hyperinflation and the economic standstill caused by the embargo. Every month, at the level of the government and the employers, we have to assess the value of labor, and thus of wages. We calculate the monthly "subsistence basket" for a family of four of whom 1.8 percent are working, with a margin of give-or-take between minimum and maximum in order to make allowance for the price differentials from one region to the next. The minimum monthly income is 50 marks, give or take 15 percent, depending on the economic situation of each industrial concern individually. All of these factors are stipulated in the collective and individual labor contracts.

[Buligan] To what extent does the embargo influence union activity?

[Marinkovici] Very much so, even catastrophically so, since exceptional problems have appeared connected with the protection of labor and with social welfare. In this way, the question of protection and social welfare has become also a local task for each union individually. The solidarity and mutual aid funds, into which are collected membership dues plus a minimum of 2 percent

of the particular industrial concern's gross income, have been bolstered. Since we are relying on the sense of social and national consciousness, every worker contributes as much as he can.

In this way, we are able to pay people who are suffering a new form of unemployment (the unemployment rate is 20 percent), namely that created by the embargo. We guarantee these people the minimum wage, even if they actually have no work available to them to do. Especially in our line of work, we have many situations of this kind.

If the funds in a given area are not sufficient to guarantee this minimum subsistence level, the unions from other industries and from other areas send the necessary moneys. Through the labor law, we can introduce the laws which we need directly into parliament, while through the committees of equals [as published] in which we are represented we have direct access to decision-making levels.

[Buligan] Given the country's exceptional situation, haven't the unions thought of contributing to the finding of a solution?

[Marinkovici] Even in this situation, we are preserving our apolitical character. We are concerned only with social problems and let the government do its job. Now we are attempting an initiative through union channels to get into the international union bodies, specifically the CISL [International Confederation of Free Trade Unions].

We have appealed to the Romanian unions because we are neighbors and we know each other's history and national characteristics well, but also because Mr. Miron Mitrea is a member of the CISL leadership. We are pinning great hopes on the Romanians now. They could mediate, they could explain the situation of our workers, and they could plead for us to be given at least the chance to have normal relations through union channels.

Fundamentally, this is a question of labor, of people, of life, and not of politics. We would like an affiliation so that we have a connection with the world. At one time, we were affiliated with the European Confederation, but as soon as the embargo was put into place, it was implicitly extended to union relations also. Could that possibly be fair?

[Buligan] Have you kept your hopes alive?

[Marinkovici] It is a well-known fact that people can manage in any circumstances. It is not easy to live being fenced in and cornered, but the spirit of our people makes us feel sure that we will rise above this historical moment, too, just as we have risen above others. We live with hope; and we want, in the names of our grandfathers and fathers, to prove that we have not lost our national consciousness.

* Tepelea on Christian Democrat Conference Results

93BA1214A Bucharest LIBERTATEA in Romanian
30 Jun-1 Jul 93 p 2

[Interview with Gabriel Tepelea, Christian Democratic Party deputy, by Roxana Costache; place and date not given: "The Christian Democrats are Focusing Their Attention"]

[Text] [Costache] You have returned from Bratislava and we hear that you were among the most active participants in the meeting of Christian Democratic parties within the European Union. Did not the subjects overlap with the Vienna demonstrations?

[Tepelea] The subjects in Vienna were broader, referring to human rights, while we in Bratislava concentrated our attention exclusively on the problem of national minorities. Of course, this was within our view as Christian Democrats. I can tell you that a lively preparatory correspondence took place between us and the Brussels central headquarters regarding the documents. The first thing we did was to amend Article 4 of the Resolution in writing; this concerned "autonomy in various forms." We thought the term seemed vague and (for this reason) dangerous. We asked for elimination of the sintagm, feeling this could lead to the Yugoslavization of any country and region and we proposed that it be replaced with a formula dedicated to the matter of administrative decentralization.

[Costache] Are you satisfying the "claims of the day?"

[Tepelea] If administrative decentralization is applied correctly in the regions where the Hungarians are in the majority, they and those they elect may organize their social and cultural life and economic activity to conform with their desires, within the Romanian state, of course. We formulated the most amendments, 13, during the plenum.

[Costache] Who else amended the document?

[Tepelea] Others, including Austria (four amendments) and France (three). I think all our interventions aimed at important basic elements. For example, in the case of the formulation that "it is the responsibility of each state to support the cause of those with the same national identity, who live in other countries," we pointed out the dangerous nature of the term "cause" (subject to interpretation). We asked that explanations be made since at any given moment one could understand that this means the responsibility to fight to revise borders, which would mean that we are inciting beyond our European borders. Following the discussions, which lasted several hours, and with the aid of others, particularly the French and Belgians, we reached adoption of the following final text: "In the spirit of the CSCE Charter it is the right and responsibility of each nation to support efforts for ethnic, religious, cultural and legislative maintenance of the minorities with the same identity in other countries."

I can also tell you that we formed a separate opinion in connection with an article that states the following: "We are convinced that following the process of European integration and rise in interdependence, the sovereignty of the national state is surpassed by relations of solidarity and cooperation." We objected to this.

[Costache] Mr Tepelea, where do these formulations come from and why do they keep cropping up? Absolutely the same ones, in almost all the documents?

[Tepelea] How else would they appear? It is a matter of trying to place the idea of solidarity and cooperation above the national state. But since there is no mention of what is meant by cooperation, with whom we cooperate, what is meant by solidarity and with whom, we prefer that these remote European ideals remain in the formula of the national state which guarantees our order. Although we insisted, this passage in the statement was not eliminated, for which reason we gave a separate opinion, supporting our position with arguments.

[Costache] What were your observations during the session devoted to political administration and organization?

[Tepelea] We gave a clear statement asking that the Christian Democratic parties emphasize the balance between the rights and obligations of the minorities as citizens of this country. This idea was taken up in an article where we succeeded in introducing the idea of compulsory loyalty to the state in which the minorities live. We also specified that the Christian Democratic alliance alliance must concentrate on spiritualization of borders while retaining their inviolability. Further, we supported the need to establish regulated meetings of the Christian Democratic parties in the countries with large minorities: colloquia, discussions, seminars, rapid and direct contacts, particularly during crises, in order to prevent the start of any conflicts. In addition a new mentality must be created on the ruins of dying communism, where the majorities and the minorities would bear the message of mutual comprehension, of creating a new link between individuals and the people.

[Costache] What did you value in particular?

[Tepelea] Some organizational initiatives such as, for example, establishing a Christian Democratic Academy with headquarters in one of the eastern countries, which also would have the role of promoting knowledge of the facts. For example, Dr. Fischer said that children are studying in Germany or Hungary but their parents are not allowed to visit them. We explained that those parents probably cannot visit them because they are poor and do not have the financial resources. According to what I know, and I am not a member of the government and am part of the opposition, these restrictions do not exist. And I am obliged to tell the truth in the name of my consciousness as a member of a Christian Democratic party. Or when another European, Mr. Franke, said that Romania does not have a Hungarian or German minority press and that they do not have access to radio

or television, I asked my neighbor, a Christian Democrat from Tirgu Mures, to speak up. I told him that "being a pastor and a Christian Democrat, you are obligated to tell the truth." He stood up and told them that "this information is not true."

[Costache] What should be done?

[Tepelea] We should send people abroad who know foreign languages well, who know the country's history and the political realities. People determined to tell the truth, who are not afraid of international figures, who in the end are people just like us. As far as we are concerned, I think we should have a closer dialogue with the Hungarian Christian Democrats—according to what I found out there are six or seven members of Parliament there—who for the time being are remaining in the UDMR [Democratic Union of Hungarians in Romania] but who have a more understanding attitude; they are more realistic and probably they also pose the problems of awareness when they make statements.

* Bucharest Prosecutor Against Capital Punishment

93BA1297B Bucharest TINERETUL LIBER in Romanian 17 Jul 93 p 2

[Interview with Constantin Son, prosecutor in the Bucharest Municipal Court's Prosecutors's Office, by Simona Ionescu; place and date not given: "I Do Not Enjoy Arresting People"]

[Text] [Ionescu] Because you became a public personality as soon as you were appointed chief prosecutor of the Bucharest Municipal Court's Prosecutor's Office, we will now ask you the routine question: Who are you, Mr. Constantin Son?

[Son] I have been a prosecutor since I graduated from law school. Except for one year (1981-1982) when I was transferred to the General Prosecutor's Office, I have worked in the Bucharest Municipal Prosecutor's Office. After my experience at "General," I returned to the Sector Two prosecutor's office, where I worked for 12 years. In recent years I led that department by carrying out the duties of chief prosecutor. Several days ago, I was appointed chief prosecutor of the Bucharest Municipal Court's Prosecutor's Office.

I do not have very many spectacular things to tell you about myself. I have two sons. The older one is in his fourth year of law school and wishes to pursue the same career as mine. The younger one has just taken his high school entrance examinations, and he surprised us by coming out first on the list of those accepted.

[Ionescu] Why did you take up the career of prosecutor, rather than that of lawyer, judge, or policeman?

[Son] To be honest, back when I was young, I did not give any special thought to making a choice. There used to be a current of opinion among students at the law

school that we would find our own true personalities better if we worked as prosecutors. And then there was also no concept of running to become a lawyer because you would make more money that way. As you see, I for one did not embrace that idea even later on, since after 1989 I stayed on as a prosecutor. After 22 years in this profession, your life and soul get tied up in it, whether you like it or not; a period of time like that influences you, puts its stamp on you...

[Ionescu] What are your thoughts on starting your new job?

[Son] My principles are still the same; I have never been one to change them as soon as I was promoted into a new job. Above all, we will carry out our work fairly, with great care, because this profession carries some strict and extremely dangerous delicate balances if we do not do our job with fairness and professionalism. Entering into a person's house with a search warrant, depriving someone of his freedom, which is an extremely serious thing, is carried out solely at the prosecutor's prerogative. At the moment he decides such actions are necessary, he must weigh very carefully the decisions which he is making. If there are not unambiguous clues pointing to a person's guilt, it is better if you do not issue a warrant for his arrest. Personally, I lean toward tipping the scale according to the principle of "in dubio pro reo;" in other words, if even the slightest doubt exists which might act in favor of a person suspected of having perpetrated an offense, then I should refrain from taking radical measures against him.

On another level, we have great responsibilities with respect to corruption, especially since, through changes in the law, crimes of corruption have come under the obligatory competence of the prosecutor. There are crimes which, as a rule, are committed in absolute secrecy; and that fact makes them terribly difficult to prove. From my own experience, I can tell you that not even in cases of flagrante delicto do we reach a sure conclusion that the suspect is guilty, while during the course of a criminal trial various external questions intervene—legal technicalities to be sure, but ones which change how we approach a trial from the beginning.

[Ionescu] Are you a person inclined toward clemency?

[Son] I am very merciful; you can meet up with this fact again, if I may say so, if you weigh my past work. There was a period during which resoluteness as regarded the number of persons arrested out of the total number of those arraigned was valued. The more people you had arrested, the more...resolute you were! Sector 2, where I worked, always came in on the tail end of those statistics. I can tell you sincerely that I take no pleasure in arresting people! Obviously, I am not referring to robbers, sadistic criminals, or criminals who rape young girls. But as for a young person without a criminal history who for different reasons has committed a theft of several thousand lei, I do not throw him in jail for several months while he is waiting for his trial to be concluded! This subject needs

to be treated in all its nuances, and I do not believe that we have the necessary space now....

[Ionescu] Mr. Prosecutor, are you for or against the reintroduction of the death penalty?

[Son] Oh dear, that is a difficult question! As a man of the law, I can tell you that I cannot advocate such a solution, because it is enormously difficult to ask for such an irreversible punishment. Personally, I have not had occasion to be confronted with such a case, but I know judges who have been put in the situation of making such a decision. I can tell you that those decisions put their mark on those judges in one way or another. It is not easy to condemn someone to death.

As a human being, however, when I see particularly heinous crimes, I cannot deny that I have thought that application of the death penalty might be necessary. I believe, however, that after society has settled down, the evil passions which lead to crime will also calm down.

[Ionescu] We hope that, through this interview, our readers have been able to form an image of the chief prosecutor of the Bucharest Municipal Court's Prosecutor's Office, and I sincerely wish that this will have been their only contact with you and the institution which you lead. We thank you.

* Substandard Working Conditions for Miners Noted

93BA1321A TINERETUL LIBER in Romanian
21 Jul 93 p 6

[Article by Liana Buligan: "Precisely Because They Work Under Extremely Harsh Conditions, Petroleum Workers Face Real Adversity With the Ministry of Industry"]

[Text] Your perspective on life changes substantially if you spend a day and a night at an oil field with petroleum workers. If in that interval you live among the 25 workers, isolated in the seclusion of the hills, eating the same canned foods, biting into the same bread from a two-week supply, in the unbearable heat of the metal barracks scorched by the hot summer sun, you can more easily understand what derrick life is all about. And if, in the night that follows, a storm lays the barracks bare, but in the morning after a night of rain you see the same derricks while mounting the steep stairs of the metal skeleton toward the "dog house," where the chief driller assigns the day's tasking, at the hour when cans of water apportioned for the day are leaving the nearest village (8 km), it seems you no longer have the strength to understand the source of the passion for this profession, which none of them, from the engineer to the day laborer, would exchange for all the gold in the world. This is a sketch of a commonplace interval of time, without spectacular events, at the Salcia oil field (Dolj province), a derrick that experienced a technical accident, but unable to offer images of horror and heroism as suspense films have accustomed us to. Two weeks out of the

month a team of drillers, isolated from their families and the throbbing rhythm of the street, works, eats, and sleeps here. Following that are a few days off in which the majority of the people, being from the country, work their plot of land and then take their sack on their backs for another two weeks of isolation and yearning for home, of the unforeseeable and of loneliness. A disciplined life because the mysterious and boiling depths of the ground do not tolerate any other kind of relations with people. Duty to country is performed without slogans, without strikes, without threatening demands, for a minimum salary of 50,000 lei.

At the Craiova production field I know the director general Ion Tatulescu, backed up by the economic director Viorel Tirziu and the union leader Augustin Cuipagea.

Relative to 1989, production of crude oil and gas is 98 percent, for the entire field, which extends onto the territory of three provinces. 400 tons of crude oil are extracted daily, under conditions in which the perimeter of exploitation is old and somewhat exhausted while, due to physically and intellectually shabby technology, the final recovery factor from the deposit is only 35 percent.

In 1986 engineer Tatulescu was the youngest director of a regional oil field and remained in the same job even after December 1989 because he was, and still is, a specialist. "I am trying to maintain an old field with low production and keep it afloat," declares the director, somewhat satisfied by the fact that from an annual profit of 13 billion lei, only 1 billion is taken in the terrible financial logjam, but concerned for the future of the 1,530 employees. Through the agency of the management he strove last year for the concession of some extraction and exploitation perimeters for some foreign firms, among which the most important was Petrokardos, in the hope that the latter would re-equip at the level of modern techniques and would allocate funds for research. The investments necessary for researching new deposits are extremely costly, but without them, the future of the field is somber. Director Tatulescu's hopes are pinned on a derrick in Valcea that, with drilling at 4,800 m, promises significant future production.

Under these conditions, the personnel structure is frozen. Relations with the union are collaborative, it being understood that otherwise the salaried employees would suffer. By law the field has the prerogative to manage only the patrimony, while prices are fixed by government decision. All the greater the bewilderment of the specialists who assure production, when they find that the state sells crude oil at prices below world pricing levels, even now, when no more hills in Romania are oozing with crude oil, as they were in the interwar period. Now, when exploration for the discovery of new deposits in the rest of the world is carried out through satellite techniques, we cannot even permit ourselves financially to assemble some research derricks.

The problem of technology is thus truly nerve-wracking for the field's director of drilling, engineer Cornel Georgescu, who is confronted with a financial logjam of 800 million lei, out of a profit of 2 billion lei, under conditions in which his technical base is below the minimum necessary to assure the protection of labor and its security. Collaboration with Romanian petroleum equipment firms is clumsy, also due to the financial logjam. In order to save their plants, the equipment producers work only for export, thus avoiding the internal financial logjam, selling cheaply to others that which the beneficiaries of the country are obliged to purchase at exorbitant prices abroad. A defective circuit, as if thought up by a mind that wishes for everything to be lost and destroyed in Romania. These people are specialists coveted by many other countries who offer them work contracts at impressive figures, but they remain at home to struggle week on end to make sense of a "drill pipe," to have absurd dialogues with the Ministry of Industry that cannot renounce its centralist mentality, while constantly infringing on the autonomy of the "Petrom" management.

Relations among the unions that belong to the Federation of Petrom Syndicates, a powerful and efficient center, and the Administration follow the laws of common interests. The Collective Work Contract has been finalized and establishes a median income (which includes raises inherent in petroleum work) of 80,000 lei. But the social problems are many, connected with the isolation of the work places, transport and the guarantee of board limited to 400 lei provided for by law.

The head of the Free Syndicate of the Foraj field, geologist Viorel Bicica, made assurances this year about occasional social assistance, provided for in the work contract, bottles and equipping those work places where it is possible with refrigerators and televisions. At Melinesti, the field organized a hothouse that supplies the dining hall. The Administration and the union built 67 apartments this year. The "Collective Work Contract is the only legal framework extant. Without it we could not work," the administration and union declare in unison. Reserve is noted with regard to the activity of the management, and real adversity with the Ministry of Industry that, without offering any assistance, intrudes on their autonomy. In fact the need for greater autonomy is a source of dissatisfaction. The union cannot control production nor can it be the "gendarme" of productivity, which is what the administration understood, but not the management. If the salaries granted represent 24 percent of the profits realized, the men's dissatisfaction is all the greater given the refusal of the management to grant a 12 percent raise for the risk factors involved in the drilling activity.

Greedy for information, the men work because they cannot conceive of life without work and because they like the profession they have learned. Disappointed by the government which, by their vote, they "elected," they no longer expect anything good from the "Powers That Be." They are suspicious and pin their hopes only

on the "plot" of land they acquired and which they are capable of defending to the death and working with their bare hands. For the time being, because of the union, "Petrom" is benefitting from an extremely advantageous work contract, and this has convinced them of the utility of union solidarity. This is the only expression of democracy they recognize and respect.

*** President of Bankcoop on Domestic Capital**

*93BA1279D Bucharest ADEVARUL in Romanian
22 Jul 93 p 6*

[Interview with Alexandru Dinulescu, president of the Cooperative Credit Bank—Bankcoop, by Gh. Cercelescu; place and date not given: "Domestic Capital in the Market Economy"]

[Text] [Cercescu] Mr. President, Bankcoop is the only private bank in Romania with domestic capital. What is the bank's position within the Romanian banking system, and how do you see its evolution so far?

[Dinulescu] Our bank is the result of an initiative taken during the first days of the transition to a market economy in Romania. It was created as a private bank aimed at mobilizing and exploiting the rather limited and scattered resources of the population and small private businesses; the creation of Bankcoop meant nothing more than the resumption of a valuable experience dating back to more than a century, in the cooperation of consumers and credit. This explains the fact that our shareholders are consumer and credit cooperative organizations, medium-sized private enterprises, as well as particulars.

During the two and one-half years of its existence, Bankcoop has worked in the financial-banking system with its own organization and operation procedures, based on market economy rules, with appropriate technical resources, through an infrastructure that covers the entire country, and with personnel capable of assuring high quality service. We are now the bank with the third largest network in the country, the fifth largest activity, and an account balance of over 130 billion lei; we have over 100,000 customers, more than 90 percent of which are small and medium-sized private enterprises which came into being at the same time as the bank. The efficiency of our activities allow us to continue to develop by expanding our network, diversifying and improving the range of our services, and attracting new customers.

[Cercescu] Speaking of new customers, where do you obtain the financial resources, which in keeping with your activity, should be constantly growing?

[Dinulescu] The acquisition of resources is particularly complex and difficult problem for private banks, at least under present conditions; it should be said in passing that since the banks capitalized by the state obtain their resources at reduced interest or interest-free from the

state budget, we are being subjected to an unfair competition. That is why we have stressed the attraction and exploitation of customer resources, and the constant reduction of resources from other financial-banking institutions. We are concerned with finding a system that will draw the savings of the population and small private enterprises.

[Cercescu] Private banks are subject to shareholder control. How is this handled at Bankcoop?

[Dinulescu] First of all, all the employees of our bank are shareholders. Therefore, I can safely say that control starts at the teller's window, from the first operation, by the bank's small shareholder.

[Cercescu] But you also have large shareholders....

[Dinulescu] That is true, but for the most part they are customers who are interested in good bank activities and accept no compromises. In general, our customers have direct access to shareholder—and implicitly to the bank's—management and control organs.

[Cercescu] Bank activities are always conducted under a constant compromise between prudence and risk. Do you accept the risk?

[Dinulescu] The formation of a bank is in itself a risk, which we have obviously accepted. But under what conditions? Those of prudence. We cannot separate risk from prudence, and that is why we place particular stress on knowing and reducing risk.

[Cercescu] What are you doing to reduce the risk?

[Dinulescu] First of all, through constant analysis of the economic circumstances under which our customers conduct their activities. Secondly, by knowing our customers' effectiveness and thus the possibility of recovering our credit. And of course, through the material guarantees offered by the credit requester.

[Cercescu] Generally speaking, a bank can be easily affected by psychological factors. Someone starting an unfavorable rumor about the bank is enough to initiate unexpected withdrawals from its customers. Do you also foresee such possibilities?

[Dinulescu] No bank can exclude this risk. Especially in a market economy where competition is very strong. That is why we are concerned with assuring a correct image of the bank's situation among its customers, an image that we base on material supports that would allow us to face possible pressures. We constantly seek to assure an adequate level of liquidity and to create the funds necessary to cover some risks; for instance, we have risk and reserve funds of about four billion lei, an amount which greatly exceeds our shareholder capital, and we additionally take very strict measures to guarantee credit.

[Cercescu] Romania is moving through a period of galloping inflation. Have you found means of protecting capital?

[Dinulescu] Naturally, we have sought to protect capital from the start. Consequently, we have sought the highest circulation rate for our resources; we have already recovered more than 70 percent of the credit we have extended. At the same time, we have sought to achieve a good endowment and to invest in the purchase of our banking facilities; currently, Bankcoop owns more than 80 percent of them.

[Cercescu] Generally speaking, customers are dissatisfied with their banking services. Are your customers satisfied with the services you offer?

[Dinulescu] That is a difficult question. If I say yes, I will be lacking modesty; and if I say no, it means that we have not achieved our goals. That is why I would rather refer to the concept of quality, and to point out that it depends on the general context of financial-banking relations. Take for instance the discount period. The instruments we are currently using don't allow us to fully satisfy customer expectations; that is why we are studying the possibility of introducing modern instruments and techniques. But their introduction depends not only on our bank's capabilities, but also on those of the other banks. In any case, we are constantly diversifying our banking services, improving their quality, and are particularly concerned with offering our customers the most complete assistance possible so as to assure their business success.

[Cercescu] Do you collaborate with banks in other countries?

[Dinulescu] Of course. We maintain relations with over 100 banks in the world, especially in Europe and the United States. I was in Germany and Austria just a few days ago, where I met a number of managers of cooperative banks. Both at Deutsche Bank A.G. and at Raiffeisenbank, I found that there are opportunities for establishing and expanding collaboration not only in business matters, but also in training and upgrading our own bank's personnel with a view to improving banking services. I once more realized the importance of people's banks in countries with market economies, and the opportunities existing in our collaboration with credit cooperatives.

*** Architects' Union Official on Housing Problems**
93BA1320B Bucharest ROMANIA LIBERA in
Romanian 21 Jul 93 p 10

[Interview with Mariana Celac, vice president of the Architects' Union in Romania, by Cornelia Simionescu; place and date not given: "A Family Equals a House Plus and Adjoining Lot"]

[Text] We are reminded of builders now and then, if only because the sad sight of unfinished apartment blocks raises

obvious questions about their fate. But architects, we seem to have forgotten forever, even though they always think of us, drawing a small human form at each end of their plans as a reference for the house, metro station, or sports arena they are designing... I thought it would be important to also find out what is going on in their world which is not often mentioned, but which we need and will continue to need so greatly. That is why I suggested to architect Mariana Celac that we have a conversation, starting with what I considered as essential:

[Simionescu] How do you, architects, perceive the current housing crisis?

[Celac] The housing problem continues to be treated from a fixed viewpoint, based on the number of existing requests, on the manner in which they are expected to increase. The same sort of interpretations are used in the area of proposals or solutions. If apartments have been built as block constructions, people say, that is how they will continue to be built. Someone will give some money from a budget, it will be apportioned by counties or ministries, and the one who will be at the head of the line, rightly or wrongly, with or without bribes, will get an apartment.... This reasoning, typical of the current times, is being weakened by essential changes.

[Simionescu] There will always be the disadvantaged, who cannot secure housing by their own means. Civilized countries build state housing for them.

[Celac] This should happen here as well, especially since the predominant construction of small housing units—studios, two-room apartments—has created acute problems in apartment overcrowding. What is more, the absence of a fund of unoccupied housing also raises great technical problems in returning nationalized houses to their former owners. The solution to the problem depends primarily on what is known as local autonomy. Until city halls have the possibility of evaluating their housing needs, of managing and developing their housing resources in accordance with their own needs, we will be stuck in the same monopolistic approach, in the same state-controlled immobility.

Fortunately, the rural world is recovering its house building practices much more rapidly, thus relinking its bonds with traditional living in an essential human respect: a family equals a house plus an adjoining lot. Even with its many architectural absurdities, even abominations, no one can deny the dynamism and lack of inhibition with which villages have begun to recreate their housing resources. The space in new rural houses is three times larger than the norm, and they are equipped with all the installations needed for civilized living.

Excessive Apartment Costs, Reflection of Inertia

[Simionescu] One could conclude that more money is available in rural areas..., but for city dwellers, on the

other hand, the situation remains dramatic. Today, the price of a 3-4 room apartment sold by ROMCONFORT has reached 14 million lei.

[Celac] These excessive prices are generated as much by uniform and outdated construction techniques as by the state's monopoly. In my opinion, there are two major avenues for cost reduction: innovation and technologic diversification, which means the adoption of new construction, structure, finishing technologies, including light wooden construction for small housing, with light-weight walls and roofs of modern materials. The second avenue is market competition among builders, without which we cannot emerge from the vicious circle in which we are drowning. In turn, the proposition of an architectural solution plays a decisive role, offering common housing formulas with a very broad range of financial options and possibilities for users.

[Simionescu] I think that everyone would like a house with a yard....

[Celac] I wouldn't be too sure. It's possible that in Bucharest, Cluj, Iasi, and other large towns, the choice could be strongly determined by closeness to work, the children's schools, means of transportation, and so on. We must clearly understand that when it comes to their own needs, people negotiate, and that their judgements are extremely complex.

There is a formula for housing within acceptable dimensions, at a normal proportion of land utilization. Of course, I don't mean such mammoth constructions as the Militari section, with a concentration of 14,000 square meters of inhabitable area/hectare, in which every function, every service often becomes a calvary. Generally speaking, in our country we have few land problems, despite all that has been said to justify the madness of razing villages. More than anything, the destruction of the hearth has meant an irreparable loss, because as a fertile area, it sustained family life, whereas the area it cleared proved to need 50-60 years in order to become economically efficient. I think that the older neighborhoods of inexpensive housing in Bucharest, such as Vatra Luminoasa, Steaua, and Baneasa, are arguments for the many advantages provided by this type of construction to the population.

Maybe Only Russia Is Ahead of Us

[Simionescu] Except that at that time, employees enjoyed...adequate credit with which to build their own homes....

[Celac] Throughout today's world, the banking credit system operates very intelligently and flexibly, meeting the needs of the population, which unfortunately is not happening here. Because of the indecisiveness in launching the market mechanisms, they operate incorrectly and in a single direction. The same is almost true in the architectural area. The large planning and design institutes continue to operate—with six directors,

accounting, supply, and other services, whose management costs reach approximately 60 percent of project costs. Inevitably, the burden of this centralized, bureaucratic framework surfaces in the construction costs. I think that with their several hundred employees, our institutes are the largest in the world. Maybe only Russia is ahead of us. What remains most frequent all over the world, are flexible, adaptable partnerships of up to seven architects.

Architects Come, Architects Go

[Simionescu] What will architects do under the drastic reduction in construction volume?

[Celac] About 60 percent of them keep their jobs in design institutes and do some outside work in addition. Many proposals have appeared: interior renovation, restructuring of older housing. There are also private land construction, vacation homes, hotels, warehouses, the transformation of living space into offices. That's about it. Not even we, architects, will be able to diversify our proposals beyond the paradigm of block housing, concrete, and uniformity, until the market economy leverage comes into action. With all the caution of incomplete information, I estimate that there is very little unemployment in our profession.

[Simionescu] There are a number of Romanian architects working elsewhere.

[Celac] It's true that about 2,000 of our colleagues have left in the last 25 years, many of them being considered as top professionals in the countries in which they work. All of which goes to confirm the standing of the Romanian schools of architecture; their graduates are well schooled and hard-working, as well as endowed with the inventiveness and creativity of their roots.

The recession in the developed countries of Europe has led a number of foreign architects, unfortunately not of the first but of the tenth rank, to seek work in Romania. Because we did not know how to protect our profession, nor to stop the invasion of those who are less accomplished, the Buick business center in Bucharest, for instance, will stand in the capital's landscape as the product of a third-rate rather than a first-class architecture, as it properly should have been. I want to close with an example, which being omnipresent, offers us an opportunity to reflect together, and which can be extrapolated to all areas of our lives. We are now witnessing the emergence of a double image on the street: on one side, huge commercial spaces with dirty windows, with empty shelves and refrigerators, which continue to remain under state administration; and on the other, small private shops, clean and smart, in which every square meter counts, as well as the pushcarts or stands that are invading the sidewalks. No one is asking why such an absurd duality is possible in Romania, the European country with the largest amount of commercial space construction per inhabitant. Everyone pounces on the unattractive pushcarts, in other words refusing to see the forest because of the deadwood.

Serbia

Economic Program of Serbian Radical Party

93BA1370A Belgrade BORBA in Serbo-Croatian
5 Aug 93 p 10

[Article by Miroslav Mikuljanac and Misa Brkic: "All Serbs Employed and Equal"]

[Text] Public expenditure, the government budget deficit, and the amount of money in circulation have risen drastically. Merchants have not been certain that they would be able to collect what they should for their goods, and factories have not had an incentive to sell their goods for worthless bank notes. Producers have been allowed to sell for foreign exchange, but the use of paper money has caused immense technical difficulties. Wages and salaries have been adjusted to hyperinflation twice a week, and with the cash received people have immediately run to stores to anticipate price increases.

"When the national currency began to lose value, everyone wondered: Who is to blame? In order to disguise what it was up to, the government has been accusing a large number of entities, above all, the foreigners who have been enemies and who introduced the blockade.... Once people got accustomed to hyperinflation, the psychological preparation for fascism had been completed, and people's minds were ready and waiting for the fuehrer."

The Similarity of Economic Policy

Historical analogies have been and are a dangerous and seductive business. Everything quoted above applies to Germany at the end of the twenties and early thirties. Even laymen, however, will find in these sentences published in the weekly VREME many similarities with our everyday life, and there are quite a few ordinary people and experts (in all fields) who have a presentiment and are forecasting that Serbia might seriously head into fascism.

Many economic prerequisites are strikingly reminiscent and similar to the German frustration six decades ago: Destructive hyperinflation brought about immense redistribution of social wealth, deterioration of the workers' standard of living, destruction of the middle class and intelligentsia, rapid enrichment of speculators and profiteers (foreign exchange and inventories of goods), erosion of morality in the family, changes in the value system, introduction of the cult of idleness and easy money, a rise in crime, and illegality.

"There is even a large similarity between the concept of the economic policy of the Socialist-Radical coalition in Serbia with Hitler's practice in Germany," says Bojan Dimitrijevic, assistant professor in the School of Economics at Belgrade University. "I am referring here above all to complete centralization, strong power of the state, a growth of the government sector, corporatism as a link between government and party officials with the

large industrial and financial monopolies, renunciation of the class struggle, trade union support of the government in order to preserve social peace.... Additional characteristics are economic autarky, control of foreign trade, a currency with low convertibility, suspension of the market, public works, and the transition to barter."

The prerequisites, then, are here. There is also a similarity in the conduct of economic policy, the only question remaining is whether this fall the Serbian Hindenburg will turn over the post of chancellor to some Serbian fuehrer. Is there a leader on the political scene of Serbia who is still pretending to be an outsider, but has the ambition to introduce full employment, to achieve an economic boom, and to return national dignity to the Serbs?

The Search for a Coalition Partner

Political analysts, but more and more frequently economic experts as well, are looking fearfully at the chances of Vojislav Seselj, leader of the Serbian Radicals. Bojan Dimitrijevic says that he even has certain similarities with Adolf Hitler in his political biography. The seductiveness of Seselj's eloquence and inclination to easy resolution of all (even economic) troubles are only one element of those forecasts. The election success of Seselj and his Radicals in the past two years irresistibly recall Hitler's rise in Germany. In 1924, he had 32 seats in the Bundestag, in 1930 he already had 107 seats (which coincides with the serious recession that left 1.2 million people unemployed), and in 1932 the National Socialist Party took 230 seats in the German parliament. "At that time, it was the strongest political party, capable of bringing down the government and causing a parliamentary crisis," Dimitrijevic says.

"Serbian voters are already quite familiar with Seselj—promises of equal pay and pensions, public works and full employment, reduction of government administration, selling off hostile (foreign) embassies, and a showdown with profiteers and speculators are already glued to their ears." And finally, the chief of the Radicals has announced that he will bring down the federal and republic governments on 15 September (which would cause a parliamentary crisis). Nor is it a negligible fact that Seselj's sympathizers and members of the party have infiltrated military and government structures, and all relevant information is leaking out from there for the political and parliamentary activity of the Radical Party. The accessible information indicates that the most recent peasant dissatisfaction and blockade of the roads could actually be in the "creative handwriting" of the Radicals.

The number of deputy seats in the Serbian and federal parliaments is making it possible for Seselj and his Radicals to control the situation for now. In an interview with BORBA, it is true, the leader of the Radicals complains that there still is no partner on the political scene with whom he would make a deal and bring down the government of the Socialists. But he believes that time is on his side.

Difficult Situation of Coal Miners

93BA1372D Belgrade POLITIKA in Serbo-Croatian
5 Aug 93 p 10

[Article by Maja Perovic: "Coal Never in Greater Demand"]

[Text] Resavica, Aug—Miners in Serbia's underground coal mines can no longer endure the difficult position they have been in. They are being pinched by their small paychecks, which arrive late, which means that they have lost their value, by their difficult working conditions, by the lack of pit props, quality explosives, and detonators. They can no longer work with the paycheck they receive and under such bad conditions, and that is why the trade union will take every measure to alter this situation as much as is possible. The miners in the Rembas Mine spoke to newsmen about their troubles.

The demand for coal has never been greater than this summer. Serbia's mines, however, cannot achieve the anticipated output. There have been large shortfalls because of worsened conditions in the receipt of production supplies, capital investment projects have been far behind schedules, and there have been difficulties in financing production and capital investments. For example, an output of 1.17 million metric tons of coal was planned for this year, 363,871 tons were produced in the first half of the year, or about 64 percent of the output planned for that period, the miners say.

Mines About To Be Shut Down

The mines of the Public Firm for Underground Coal Mining, according to Cedomir Djordjevic, director, can produce about 80,000-90,000 tons of coal a month. Unless methane igniters arrive from domestic manufacturers, production will fall 43,000 tons, but if, as has been promised, these detonators arrive by October, monthly production of the mines will be about 76,000 tons of coal.

Because of the lack of money and production supplies, above all, the methane igniters, the enterprise will have to close down several mines. The Jarando and Vrska Cuka Mines are not in operation even now, and Soko will be shut down in a matter of days. A recent fire also shut down the Jasenovac Mine, but here, it is expected, production will be resumed in the latter half of August. At Rembas, all four mines are operating at reduced capacity, because they contain methane. Because of the lack of pit props and appropriate detonators, since the beginning of the year they have lost more than 48 workdays at Rembas, which means about 75,000 tons of coal. The shortage of pit props threatens to shut down these mines entirely.

The prices of coal, which now range between 25 and 40 German marks [DM], and which in 10 days will fall to DM5-10, says Cedomir Djordjevic, are so low that the firm is unable to do business. Gross income is thus half of the payroll, the mines are deep in debt, and sales are overbooked.

Three to Five Years for Improvement of the Mines

According to Ljubisa Ilic, assistant director of the firm, customers who pay in advance—58 percent, and suppliers—29 percent, have the largest share in financing coal production. Loans from the EPS [Electric Power Industry of Serbia] and short-term credit have a total share of 11 percent in the firm's obligations. Thus, at present the firm's total debt is 120,000 tons, while about 70,000 tons of coal are owed to customers.

The three main problems of the coal mines, according to Ilic, are price policy, the lack of investment, and the miners' low standard of living.

Annual coal production in underground mines is about 1 million tons a year, which is less than one-third of the republic's needs. The Public Firm for Underground Coal Mining has completed programs for expansion of production at five mines, and programs are being prepared for another three mines. According to Cedomir Djordjevic, they will be sent to the competent officials in the EPS, in the republic government, and then it is up to them to decide whether the programs will be implemented. If they are carried out, coal production in Serbia would increase to 2 million tons a year. However, development of the mines is going slowly in our country. According to Djordjevic, from three to five years are needed to improve a mine.

The employees of the Public Firm for Underground Coal Mining see the way out of this situation in having coal prices set so that they keep up with the rise in the prices of production supplies and the payroll, after the present disparity is corrected, so that the mines are freed of paying taxes and contributions except for taxes for pensions and health insurance, and in having the price of all energy sources include a contribution for capital investments in all the mines, with long-term credits furnished by the banks under more favorable terms to finance consolidation of the mines.

In addition to Miners Day, the Rembas Mine is this year celebrating the 140th anniversary of its existence. On that occasion, they will open a new center for monitoring gas, ventilation, and fire in all the pits of this mine.

Vojvodina

Wheat Problems Remain After Harvest

93BA1352B Belgrade BORBA in Serbo-Croatian
26 Jul 93 p 7

[Article by B. Gulan: "Harvest Completed, but Problems Remain: The Wheat Remains in the Lofts"]

[Text] In Vojvodina, 425,000 hectares have yielded 1.7 million metric tons, but only 300,000 tons of grain have been bought from farmers.

Novi Sad—The wheat harvest has been completed in Vojvodina. After a successful harvest, in terms of the

total crop and yields, formulators of agrarian policy—but also farmers—have been left only with worries. Because, despite the bountiful harvest, the state is not certain whether it will provide sufficient bread grain, and the farmers are again getting ready to revolt. They are not satisfied with the price, nor have they received money for their yearly labor.

Thus, at the time when the harvest has taken place, we have more problems than if the grain had been imported. According to the farmers, the biggest problem is the state, which first determined a satisfactory price of about 0.20 German marks per kilogram of wheat (the first protective price of 240,000 dinars per kilogram), but has not been in a position to keep up further with everything that is happening, so that this price today amounts to—0.06 marks!

“From 425,000 hectares, 1.75 million tons of wheat has been harvested, for an average yield of 4.1 tons per hectare,” says Mr. Olga Curovic, province secretary for agriculture [as published]. “Production is 770,000 tons greater than last year, and the quality of the grain is high. Problems have arisen when it has been necessary to pay the farmers for the grain.”

“The farmers will not give up their grain. They are now destroying even what they have submitted or signed contracts to submit, and the contracts, and the grain, for the most part, has remained stored in state silos. However, both the lofts and the granaries of farmers are now full,” says Eng. Petar Ilic, president of the Cooperative Alliance of Vojvodina. “The attempts of the state to maintain the value of wheat have not borne fruit. In addition, there are almost no results of the announced natural exchange of wheat. As an example, producers of fertilizer are prepared to exchange only 40,000 tons of fertilizer, while equipment producers are not showing any interest at all.”

At the beginning of the harvest Zivojin Matic, director of Commodity Reserves of Serbia, particularly emphasized that everything was ready for the harvest and the purchase, but that it would be seen only in the field how everything functions. Matic was immediately concerned

that the steps for reaping would not go as planned in the cabinet, and his claim, unfortunately, has been realized, because the wish of the state to buy 2.2 million tons of grain of the 3.5 million tons that have been harvested in Serbia has not been fulfilled. Inflation—and the long trip of the dinar from “Topcider” through dealers and late or no payments to farmers—have taken their toll.

This is best confirmed in the words of Branislav Tuvedzic, a farmer from Krcecin, who says, in a statement for BORBA, that he has submitted a whole 37 cars to the state, and has not yet received a single dinar!

“This is a legal and perfidious deception by the state at all levels. Both the farmers and the people have been deceived,” adds Tuvedzic. “Nothing of their promises has been fulfilled. It is unacceptable that the state is saving itself on the sanctions, because, for what they they have done to the farmers, and also for what they are doing to the people—there is no connection at all with them. When I speak about farmers, I delivered my harvest, and the village a whole 400 cars, while only 10 cars have been paid for. Bread is expensive for everyone, and the people put up with it and remain silent. Everyone is circulating dinars today, but they don’t reach the farmer at all.”

And while dissatisfied farmers suffer and prepare for a blockade of roads, mills, and silos, the republic and federal ministers for agriculture seem not to care about it. Because, both are from Vojvodina, but they have seldom been among the farmers this year, in order to tell them why they are being cheated. Dr. Koviljko Lovre visited India recently, where, in a conversation with Bosko Nikolic, director of “Zitosrema,” alone “opened his heart,” saying to him: “I’m afraid I’ll be minister of agriculture for several days yet!”

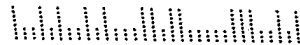
Milos Radovic, director of the Directorate for Commodity Reserves of Vojvodina, points out that only 300,000 tons of wheat have been bought from farmers and paid for in various ways. In his words, a whole 1,000 billion dinars have been irretrievably lost, just because the farmers are unsatisfied, and have refused to accept and have returned money.

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