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East Europe SUPPLEMENT

JPRS-EER-93-039-S

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7 May 1993

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*** Historian's View of Czech Political Scene**
93CH0573C Prague CESKY DENIK in Czech
14 Apr 93 p 3

[Article by Emanuel Mandler, a historian and chairman of the Liberal Democratic Party: "Politics Will Hurt"]

[Text] If I make an attempt to enter into the polemics between the publisher of CESKY DENIK and his editor in chief, I shall begin from that which the editor was evidently not successful in doing—comparing the year 1989 and the years 1939, 1948, and 1968. I agree with the arguments made by Pavel Safr, as well as with the statement that such a comparison is worthless. And yet, it is simple to find an analogous year to November 1989, when the government of the communist *nomenklatura* fell. It was May 1945 when Nazism fell.

At that time, our country was also liberated and the liberation was also attributed to the wrong people. As was the case three years ago, the resistance attempted to take credit after the war. The resistance (in those days from abroad and in 1989 it was from within) also took over the principal portion of postrevolutionary power—in both cases, this power was oriented toward close collaboration with the Communists. In those days, it gave rise to the National Front; after November, it was the Civic Forum [OF]. Both of these organizations, then, in the name of all-national unity, placed significant restrictions on democratic politics and thus initiated developments which threaten all of society. In the "closed" historical situation following World War II, this development led to the communist coup with incontrovertible logic; in the open post-November situation, it led to the reorganization of the Civic Forum Party (including its program) into successor rightist parties, mainly, however, the ODS [Civic Democratic Party]. These parties were victorious in the elections and are credited with the birth of the Czech state.

But as early as the first months of the independent Czech Republic, so much of the unpropitious heritage of the *nomenklatura* decades bubbled to the surface, and, unfortunately, also from the heritage of the past three years, that it is difficult to deny what Josef Kudlacek wrote about our conditions: "Thievery, fraud, and wrongdoing are matters which are natural and socially acceptable." The government, the coalition, the ODS, and the prime minister are reconciling with this. The editor in chief of CESKY DENIK does not exactly oppose him on this too much. If this is the case, then the situation in our country is truly serious anyway. I shall point out some related matters which, I hope, will make it possible to understand the situation a bit. And because I have already begun with history, I shall continue in that vein.

While the cheering masses in their post-November enthusiasm were convinced that they had embarked upon a road, at the end of which would be parliamentary democracy, their leader saw things differently. For

Vaclav Havel, parliamentary democracy had long represented a mere transition stage toward realization of an existential revolution and toward the overall—and thus also a political—reconstitution of society. A new kind of politics was to come into being, rid of its immoral power aspects, politics which would be exclusively a matter of practiced morality, a service to the truth, and caring for one's fellow man. Speeches made on this topic in those days sounded gratifying (it was not until two and a half years later that Petr Fidelius publicly uncovered the technique of their absurdness), and so something unprecedented occurred in those flag-waving postrevolutionary days: Politics was divided into noble service and morality on one side and into contemptible power hunger and governing (by the political parties) on the other side.

The above utopian division of politics was being accomplished by a new institution (the Civic Forum), which was fulfilling Havel's demand for new structures which need not even be organs or institutions, but rather a community. The OF solved this schizophrenic situation (after all, one must govern) in its own way: It proclaimed refinement and morality; it engaged in politics out of sight of the public, at the cabinet level. Its leaders "occupied" the newly emerging democratic parties and helped the decimated CPCZ [Czechoslovak Communist Party] to its feet by creating a "government of national understanding" with it. Together with the recent Communists, the Civic Forum then created a power stratum of a revolutionary establishment which staffed the ministries, the mass media, and everything else possible.

The ordinary mortal in the OF soon began getting fed up in the postvelvet revolutionary period by the tender services rendered by politics to morality, particularly when it could be seen who and what was concealed beneath its surface. It is logical that they forced the transformation of the OF into the ODS (later even into the ODA [Civic Democratic Alliance]), which, among others, resulted in the alliance of politics as a service with politics as power (governing). This as a natural requirement of practice.

Unfortunately, at that time practice had not yet been proven capable of requiring that politics be joined by unfettered morality. On the contrary, the primary accumulation of capital and the longing for prosperity acted in an inciting manner: Close one eye, close the other eye, and so it happened....

What occurred would have pleased Marx: the negation of a negation. The ODS and the ODA were negating the Havel-Dienstbier concept of tender politics in the conviction that politics means governing and as such has nothing in common with morality, with service to one's neighbor, and with the truth. This catastrophic nonethical error could occur in our country obviously because we only know about true democratic politics from hearsay and not on the basis of our own experience. (In actual fact, the legal standards upon which the functioning of politics is based cannot fulfill their purpose as

long as we fail to maintain elemental moral standards. Thus, the courts cannot be independent without universal respect for rights and the law, prosperity cannot exist without an awareness of the moral duty to pay taxes, without respect for the property of others, etc.)

After years of "totality," our moral feelings are extraordinarily weakened. (See the infamous saying: "He who does not steal is stealing from his family.") To this extent, the absence of moral dimensions (the actual rather than lexical absence) in the politics of the successor rightist parties to the OF movement is more dangerous. These parties are of immense importance to our future, just on the basis of being a substantial portion of the government coalition. Yet, without that moral dimension, they lack any breaks that can be used not only against careerism (the constitutional element of the ODA), but also against fraud, corruption, and organized crime activities. The revolutionary establishment is rapidly increasing as a result of the addition of financial tricksters. If we were to proceed at this pace toward conditions which are typical for the banana republics, what use would our "Western pattern" be to us (Safr)?

Any policy, if fully pursued, has a natural inclination toward degeneration. We should be able to admit that in our country democratic politics degenerated even before it was fully asserted. Vaclav Klaus has a share in this—but only a share. The key question of today's politics is as follows: Can the ODS step over the shadow of the OF and of Vaclav Havel, can it acquire the moral dimension necessary for governing at this late date, but can it nevertheless acquire it?

I would wish the ODS (and us all) success in this. Nevertheless, I am very envious of Pavel Safr for his optimism. There are reasons for pessimism. The ODS now has no alternative. The other parties of the right and center are weak or have ceased to exist because of the OF, and the control of political life by the communications media is wholly inadequate. If the rightist parties become fully compromised, the interests of the community could be protected, in the eyes of the voters, particularly by the Social Democrats and by the left-oriented mass media.

The consequences of all this are difficult to specifically predict today. It is obvious that the advent of democratic politics, with all of its essential dimensions (including the moral dimension), is yet ahead of us and that it will hurt.

* Czech Leftists Reveal Anti-West Leanings

93CH0573A Prague LIDOVE NOVINY in Czech
15 Apr 93 p 1

[Editorial by Adam Cerny: "Like Straw Sticking Out of the Boot Tops"]

[Text] The interference by the European Community with regard to the Czech Republic and other central European countries has given rise to much agitation,

some of it justified and some of it unjustified. The reactions of the political parties unintentionally illustrated the reason why a substantial portion of the public at the very least maintains a guarded distance from the opposition parties. The chairman of the Communists, Jiri Svoboda, made use of the situation in order to stress "the justification of the reservations which the KSCM [Communist Party of Bohemia and Moravia] has repeatedly expressed with regard to the government's foreign trade policy." At the same time, he was demanding that Czech manufacturers be protected against foreign goods by the use of import quotas and customs duties. So be it. But what does the bard intend to say with his ballad?

A repeated theme, which we can hear even in the speeches made by other opposition parties, is the casting of doubt—which frequently occurs with tongue in cheek—upon the overall orientation of Czech foreign policy. In the pre-congress internal discussions held by the Social Democrats, there were tenacious discussions dealing with whether the CSSD [Czechoslovak Social Democratic Party] should state clearly and aloud that it supports the orientation of the Czech Republic toward West Europe, toward the North Atlantic Alliance, and toward the European Community. (It would not appear that those who held this view were victorious at the congress at Hradec Kralove.) A similar declaration by the Communists would at the very least sound insincere.

The Federal Republic of Germany can serve as a double example in this sensitive and currently fundamental question. In 1969 when the Social Democrats assumed power there, none of Germany's foreign allies nor its voters had any doubts that Bonn continued to belong to the western democratic community. And the "ostpolitik" of Brandt was not in conflict with this orientation. Similarly, the Union-Liberal coalition after 1983 did not bring into question any "eastern" agreements concluded by the predecessor government. The explanation for both of these cases is simple: In the FRG's foreign policy orientation there was clear agreement between the government and the opposition, which was understandable to everyone. This agreement is a prerequisite for a democratic alternative during elections.

The opposition parties, be they the KSCM, the CSSD, or the LSU [Liberal Social Union], will have difficulty denying that they owe a debt in this regard, and, in a worse case yet, that they are overly clear in this matter. If they want to cast doubt upon such a fundamental matter as the foreign policy orientation of the state, they must always come out first and say what their policy would be and where it would lead. Until such times, it is possible to claim that, much like the proverbial straw sticking out of a country bumpkin's boots, no policy at all sticks out of the opposition declarations or, if it does, it leads consciously toward eastern chaos.

*** Central Europe Urged To Work Out Joint Strategy**

93CH0573E Prague MLADA FRONTA DNES in Czech
14 Apr 93 p 6

[Commentary by Josef Vesely: "Strategy Is Even Now a Priority"]

[Text] In preparing for his recent interview with our newspaper, Polish Foreign Minister Krzysztof Skubiszewski mentioned, almost as an aside, in Warsaw that the postcommunist countries of Central Europe, much like the West European "twelve," very urgently and as soon as possible need to work out a common strategy for transformation. Otherwise, in his judgment, the negotiations regarding the integration of new democracies into Europe will become shallow and be transformed into nervous and essentially petty arguments regarding the importation or export of meat, steel, or textiles. This is not a question of giving up the demand for the maximum opening of markets. On the contrary, a future common strategy, provided we work our way toward one, will make it possible to at any time "sift" the important from the unimportant, the momentary situation from the long-range situation. And the market will not suffer a loss as a result of it.

Considerations of this type are perhaps able to contribute even to the more precise ranking of contemporary trade skirmishes between the European Community and the countries of Central and East Europe into the overall context of our rapprochement involving the more civilized parts of the continent. And this despite—or perhaps even because of—the fact that the given part of Europe did not conduct itself amicably toward us through the institution of across-the-board restrictions applying to imports of important agricultural products through the apparatus of the Brussels Commission for the European Community.

Certainly, no sovereign state can afford to close its eyes to such unilateral steps by its partners, and it is appropriate to "say so aloud," as Prime Ministers Vaclav Klaus and Hanna Suchocka agreed a few days ago in Prague. At the same time, however, it would not be a service to the final success of this matter, even at the moment of flaming anger, to disregard the proportions between a one-month embargo and any strategic goals.

In this sense, perhaps the fresh fermentation of a purely commercial dispute could even be beneficial to the negotiations between the EC and the Czech Republic regarding an association agreement that was initiated today. The political risks stemming from underestimating the strategy, of considering it against the background of a secondary dispute, will stand out better. This will be all the more so because economic nationalism always grows out of internal economic problems and because this is so not only in the countries of West Europe.

*** East Urged To Protest Against Protectionism**

93CH0573D Prague MLADA FRONTA DNES in Czech
14 Apr 93 p 6

[Commentary by Jindrich Stepanek: "A Lie Full of Lameness"]

[Text] Yesterday the FINANCIAL TIMES published a commentary in which it said that East Europe is rapidly learning the art of protectionism from West Europe. This is the first official indication from the countries of the European Community that the prohibition applying to the importation of meat from East European countries does not have much in common with the proclaimed outbreak of foot-and-mouth disease.

It is clearer than the sun that the ban on the importation of meat, milk, and milk products, which became effective last week, is motivated by business and by nothing else. For example, Denmark has lost the attractive Japanese market for its pork and is virtually drowning in surpluses; Italy was, in turn, afraid of traditional imports of lamb prior to the Easter holiday. The accusation that there has been an outbreak in our country of foot-and-mouth disease can, at the very least, therefore be called vexing, reminiscent of the conduct of a bully who believes that East Europe can be considered to be an obedient truant.

We will surely not remain without losses. If the ban on products to the countries of the European Community lasts one month, yesterday's computations indicate that it will cost us 32 to 39 million korunas. Exporters, who are unable to quickly find replacement markets are already losing money. In a few days it will be the meat wholesalers that will be losing money, because export companies will not be buying their cattle, and finally, even farmers will be losers. In the end, farmers will have no choice other than to overfeed animals in their stalls. Sometimes, provisions made by the countries of the European Community can be substantially favorable to our consumers. The fact that the market is suffering a surplus of meat is persuading, for example, the meat wholesalers at Martinov to lower prices of meat by as much as 20 percent.

The greatest question mark deals with whoever is capable of compensating our farmers for their losses. While in the West, the strongest farmers can, for the most part, assert their compensation through tough lobbying, in our country the State Fund for Market Regulation does not intend to deal with the situation until its regular session next Friday.

We thus essentially have the only chance. It comprises the most vocal protest possible and if the ban is not lifted quickly, it involves retaliation. Our Monday embargo on imports of meat from the countries of the European Community is the proper beginning. In contrast to the protectionism of West Europe, however, this is only a defense.

*** Self-Sufficiency Said Essential to Republic**

93CH0573B Prague LIDOVE NOVINY in Czech
15 Apr 93 p 9

[Commentary by Jiri Payne (ODS [Civic Democratic Party]), chairman of the Foreign Affairs Commission of the Chamber of Deputies: "Into What Kind of Europe?"]

[Text] The breakup of the federation in our country has brought the revolutionary period of revolutionary political disputes and the period of most fundamental changes to an end. Our people have identified appropriately with the new state and, here and there, one even hears words of pride. As far as the future of the Czech Republic is concerned, expectations for the immediate future here as well as abroad are optimistic.

Our public has generally become accustomed to the dynamic pace connected with rapid development accompanied by mass changes. Our government has in turn become accustomed to announcing changes ahead of time and in sufficient time. We could start by speaking of the stabilization of the political system and its readiness for additional inevitable change.

We are beginning to look about us in the world which surrounds us and we cannot always be enthused. For one, we have the exaggeratedly emphasized voices of some Sudeten Germans, something which instills a mild fear in us; at other times, we are encountering incredible trade barriers—for example, where the export of our steel or meat is concerned; and, finally, we are having to deal with dumping prices for imported apples. We are not alone in this; similar problems with the European Community also beset the United States.

While three years ago our West European neighbors were calling for privatization and a market economy, today, when we are attempting to assert market rules, we hear from the West here and there: "A market, yes, but not so much; privatization, yes, but not so rapidly."

It is as though the European Community were afraid of the young democracies which are developing much too rapidly and as though it were closing itself off into itself. The concept of deepening is prevailing over the concept of expansion in the European Community which has no desire to lose its own prestige and political influence in the countries of central and East Europe and which must find some kind of justification for putting the brakes on the mutual relationship.

As our experiences with the surrounding world grow, we are beginning to understand that our partners are not countries which are similar to benevolent organizations, countries which will be helping us only out of sympathy to our country. In any event, we have tried this out several times in the past, for example, in 1938, and we could finally learn a lesson, given a little bit of generalization: Whenever we were relying on assistance from abroad, it was never worthwhile.

Thus far, West Europe has not fully come to terms with the end of the Cold War and is in need of a little bit of velvet awakening. As long as we approximately represent for West Europe that which the "Osis" (citizens of the former GDR) represent for West Germans, we have no choice but to exert the most intensive efforts to care for our own interests, together with the process of self-awareness. If we know that we should not overly rely on assistance from abroad, then, without casting doubt upon integration processes and international collaboration, the following is all the more clear to us: We must primarily be the ones to take care of ourselves.

*** Leftist Daily: Try Protectionism of Our Own**

93CH0573F Prague RUDE PRAVO in Czech 10 Apr 93
p 1

[Commentary by Zdenek Hoffmann: "The Lesson of Liberalism"]

[Text] The prohibition to export meat and milk products to countries of the European Community will surely compel our government to think again about whether to open our market or to protect it against foreign competition. Hitherto, the government solved this problem unequivocally: We have opened ourselves to Europe and, in return, received the promise of trade liberalization in the form of association agreements. But even what little the EC permitted us to do at the beginning is being curtailed from time to time; the EC is simply basing its actions on the immediate situation. And, in accordance with the situation, it erects or dismantles barriers to floods of foreign goods. Last year, it was steel and, later, pork; this year it was the turn of all meat and milk products.

The EC is thus lecturing our government on how to understand liberalism. Its absolutism and the downright opening of markets is impossible for the time being. The reasons for halting imports—undocumented dumping prices or even the contradicted suspicion of the incidence of epizootic diseases—are evidently secondary in this direction. The shirt is closer to the skin than the coat. In the EC, there is a surplus of meat and milk, so nothing is to be done: So as not to ruin their domestic production, they will stop imports. When they get rid of the surpluses, they will again permit imports.

And how should our government conduct itself? Should it adopt retaliatory measures and temporarily halt imports of similar products, as was done Thursday by Hungary? Why not? We cannot always concede. However, it would be incorrect for us to slip to the opposite extreme or even to resort to willfulness. Imports of high-quality and frequently even cheaper goods—say, the much-debated recent imports of apples—compel our producers to improve the quality of their production and to lower what are frequently high prices. This is in the interest of the consumers. And the government must also think of them. Let the customer decide whether to buy our apples or apples from the Netherlands, Czech butter

or imported butter. But the Cabinet should recognize in sufficient time when the creation of a more advantageous competitive environment ends and when it is necessary to protect our weak and unstable yet promising producers from drowning. In its consequences, this would weaken our entire economy.

*** Monumental Task Faced in Money Exchange**
*93CH0568A Prague HOSPODARSKE NOVINY in
Czech 6 Apr 93 pp 1, 3*

[Article by Leopold Surga, doctor of jurisprudence, of the Czech National Bank: "Tons of New Money—How and Until When Will Czechoslovak Bank Notes and Coins Keep on Being Exchanged?"]

[Text] *The stamping of bank notes and the formal separation of the currencies as of 8 February was a prologue to the demanding process of exchanging money. Only at the end of this process will it be possible to speak of the separation of the Czech and Slovak currencies in the past tense.*

Under normal circumstances, this process would take several years. It will be necessary to put some 300 tons of bank notes and more than 2,500 tons of new coins into circulation. The same quantity of money will need to be withdrawn from circulation and destroyed.

The Parallel Existence of Payment Media

The time horizon that calls for completing the separation of the currencies by the end of 1993 will place great demands not only on bank employees. The exchange of money will result in problems primarily for all cashiers in banks, post offices, the sphere of business and services; those who service coin-operated machines and all types of automatic teller machines; and, of course, to a maximum extent, citizens. Complications will result particularly from the fact that, for a certain period of time, several types of coins or bank notes of identical value will be in circulation alongside each other. For example, cashiers in businesses will not get by with a limited number of compartments in their cash registers. The banks and the post offices will require that bank notes and coins rendered in payment be sorted not only by value, but also by type; citizens will be involved in changing coins of one value for another. Even if the Czech National Bank endeavors to restrict the circulation of bank notes and coins of identical nominal value to a minimum period of time, it will be impossible to eliminate the parallel existence of coins of identical value.

To a certain extent, it is possible to please only the operators of coin-operated automatic machines. The Czech National Bank will provide them in plenty of time with new coins of various values so as to make it possible for them to prepare data for electronic coin sorters or for input systems of automatic machines to be adapted to the use of the new coins ahead of time.

In Shortened Time Limits

Curtailing the period during which old and new bank notes and coins exist in parallel means that the public will have less time during which it is possible to make payments for purchases using older bank notes and coins that are being replaced in circulation. If citizens find older bank notes or coins after the expiration of their period of validity, they will have only a very short time to exchange them at the bank.

In contrast to previous practices, the Czech National Bank does not intend to task the post offices with exchanging withdrawn money. Branch offices and locations of various commercial banks have expanded considerably. On the other hand, that does not mean that post offices would be prohibited from exchanging invalid money for their fellow citizens, particularly in smaller communities. They will, however, have to turn over invalid money to the bank on a timely basis.

The time limits set aside for the exchange will be very short. After their expiration, invalid bank notes and coins will no longer be exchanged. It is possible to take that fact into account now already and to gradually effect an exchange of cash deposits for newly issued money, the validity of which will not be in question. At the present time, such a value is represented by the 200-koruna [Kc] bank note. In April, the Kc50 coin will be added, and, in May, the Kc1,000 bank note. We continue to recommend the transfer of sizable cash savings to various types of deposits, ranging from current accounts to certificates of deposit. Cashiers in banks and enterprises that handle significant supplies of cash will have to periodically examine the composition of their cash holdings so that, by the time the deadline for exchanging some values has expired, they are not left in the cash register with a "joker" in the form of a packet or bundle of invalid bank notes.

The requirement to eliminate the remnants of the monetary union without delay, a union comprising the circulation of identical coins and bank notes of lower value in both of the republics, does not permit invalid bank notes to be exchanged after a period of five years, as stipulated in Section 19 of Law No. 6/1993 Collection of Laws [Sb.] on the Czech National Bank. Law No. 60/1993 Sb. on the separation of the currencies permits, in Section 14, the exchange of bank notes and coins issued by the State Bank of Czechoslovakia that are legal tender, according to Section 1, Paragraph 2 of Law No. 60/1993 Sb. on the separation of the currencies, over a substantially shorter period of time.

Stages for Invalidation

By 30 April, the validity of the one-heller and five-heller coins, which will no longer be replaced in circulation by coins of identical denomination, will terminate. A very important date in the progress chart for the exchange of money will be 31 July 1993. As of that date, the validity of the 10-heller, 20-heller, 50-heller, and Kc10 coins will end. As of that same date—31 July—the validity of the

Kc10 bank note will cease, along with that of the Kc10 coin, as will bank notes valued at Kcs20 and Kcs50. The new Kc50 coin will be placed into circulation as early as 7 April; the Kc20 coin, together with a new Kc20 coin and coins valued at 10, 20, and 50 hellers, will be placed into circulation as early as 12 May. (Bank notes valued at Kc20 and Kc50 will be issued in October and November.)

The exchange of coins and bank notes withdrawn from circulation by 31 July 1993 will be possible until 30 November 1993.

New coins valued at Kc1 will be placed into circulation in June; Kc2 and Kc5 coins will be issued in September. The validity of existing coins of these denominations will terminate on 30 September and 30 November 1993. Exchange will be possible until 31 January 1994 and 31 March 1994.

Cached bank notes—the Kc100 note, the Kc500 note, and the Kc1,000 note—will be withdrawn from circulation as of 31 August 1993. Their exchange will be possible until 31 May 1994. Upon the expiration of the stipulated dates, the possibility to exchange the above-listed means of payment will terminate irrevocably.

*** Government Assistance in Bankruptcies Urged**

93CH0568C Prague HOSPODARSKE NOVINY in Czech 9 Apr 93 pp 1-2

[Article by (do, ha): "Bankruptcies Will Purge the Climate—During the Phase of Bankruptcies, Government Cooperation With the Enterprise Sphere Is Essential"]

[Text] *The Association of Industry, which, in our conditions, logically represents the strongest industrial lobby, recently complained that the state has still not made an unequivocal pronouncement as to whether it is willing to assist former state enterprises in solving their financial problems in the face of inescapable bankruptcies.*

The contention by the Association of Industry is not completely accurate. The state has already expressed itself by indicating that it intends to prevent bankruptcy chain reactions. But it will commit itself only on a selective basis and with a maximum guarantee that the expended resources will be used efficiently. It no longer intends to countenance a situation in which a financial injection disappears in obscure "internal enterprise" intrigues. The only results were billions siphoned away from the Fund of National Property, on the one hand, and rising insolvency (primarily among the giants) of the enterprise sphere on the other.

The philosophy of a selective approach is reflected in the amendment of the law on bankruptcies and settlements. It introduces the institution of a cooling-off period, which is customary throughout the world and frequently used, and which provides room for the extrajudicial solution of financial difficulties. If there is no agreement between debtor and creditor during this period of time,

the state is willing to enter into the action. However, its willingness is understandably conditional. One or another enterprise must first document that it is capable—if it is rid of so-called bad debts—to undertake new development. Development can no longer be unequivocally understood to mean a planned rise in production, but, rather, the specific tangible development of production, for which there is a market. If such a market is found abroad, all the better. That is why it is the government that will have the final word regarding who will be assisted.

The basic technical variation will obviously consist of buying up the debtor's accounts payable. Unfortunately, resources are not so great as to permit the buying out of accounts payable at their face value. Sources close to the government indicate that consideration is being given to buying out accounts payable at 50 to 70 percent of their nominal value. The remainder will clearly rest on the shoulders of creditors—in other words, primarily the banks. Supportive viewpoints for the selection of drowning bankrupt enterprises will take into account their importance within their region and their position in any possible bankruptcy chain reaction, and should also include the degree to which the enterprise is responsible for those debts. There is, after all, a difference whether an enterprise has more or less uncollectible claims—say, in Libya, where it simply had to make deliveries under the directed management economy—or whether unpaid-for tractors are found in various parts of the world because the enterprise conducted its foreign trade activities in an unqualified manner.

The law on bankruptcies and settlements became effective on 1 October 1991. For a period of an entire year, bankruptcy could be declared only because of excessive debt on the part of the debtor and not also on account of his insolvency. Because excessive debt for the most part occurs in extreme cases, it was possible to make only sporadic use of the law. In the period during which the temporarily restricting regime came to an end, the status of the economy that had brought it about had not been overcome.

Moreover, in terms of a time frame, a wave of bankruptcies would have fallen into the time during which the state was being divided, which undoubtedly would have resulted in additional complications. That is why the restricting regime was extended by an additional six months. If the Association of Industry is consistently appealing to the government, it should bear in mind that the twice-deferred full validity of the law on bankruptcies already contributed a modicum of time to its welfare. This time should have been used to restructure enterprises, to seek out new markets, and, in the final analysis, even to negotiate with creditors. In some cases, that actually happened partly. In the coming phase of Czech economic history, such important lobbies as the Association of Industry should not stay with only appeals. And, on the contrary, the government should not merely ascribe a passive role to the association.

*** Agricultural Tax Relief Announced**

93CH0568B Prague HOSPODARSKE NOVINY in
Czech 6 Apr 93 p 2

[Article by (dz, rm): "Rubik's Cube of Dumping Prices—
V. Klaus Promised Farmers Tax Relief"]

[Text] Part of the changes being prepared for the tax laws will include partial tax relief for farmers. During a break in yesterday's discussions with representatives of the agricultural public, Vaclav Klaus, the prime minister of the Czech Government, informed journalists about that development.

Tax relief applicable to land parcel tax will help in cases where the land cannot be worked. The government further supports the establishment of a fund that would provide farmers with loan and guarantee assistance. A definitive project for the proposed system should be discussed within the government inside of two weeks so that it could begin to function in the next few months.

As far as protection of the market is concerned, Klaus said that farmers want more than the government. He designated as a big problem the subsidized foodstuffs being imported from the European Community, particularly, but said that the restriction of imports was, in his view, a "stick with two ends." The government is therefore looking for a tolerable measure of defense, with the prime minister wanting to utilize his discussions with foreign partners toward that end.

Josef Lux, deputy prime minister and minister of agriculture, said in this connection that what was new is that the government wants to engage in a struggle with the EC and other partners to suppress dumping prices. Concrete results of yesterday's negotiations was also the tasking of J. Lux to prepare measures having to do with restricting the importation of apples, some 820 tons of which were imported into the Czech Republic during the first three months of this year, whereas, in 1992, the figure amounted to 192 tons.

*** Trade Ministry Official on New Energy Policy**

93CH0577A Budapest MAGYAR NEMZET in Hungarian (Economic supplement) 29 Mar 93 pp I, III

[Interview with Istvan Pohankovics, Ministry of Industry and Trade state secretary, by (f.m.); place and date not given: "Let Us Make Better Use of Our Domestic Sources of Energy"]

[Text] *Parliament recently ended its debate on a conceptual plan for energy policy. The plan had been drafted so that the National Assembly could place on record, in the form of a resolution, the political parties' agreement on the basic principles of energy policy. In the debate, the political parties' designated speakers assessed the draft differently than the Economic Committee's report had. Some speakers criticized the absence of a decision on a new base-load power plant. Others did not want such a decision. And there were also speakers who objected to the draft plan's overoptimism, because it projected annual growth rates of several percent for GDP through the end of this decade. We interviewed Istvan Pohankovics, the political state secretary at the Ministry of Industry and Trade, on the timely questions of energy policy.*

[(f.m.)] What view has developed regarding the construction of a new base-load power plant?

[Pohankovics] Estimates of the power demand through the end of this decade and in the coming ones, respectively, are very uncertain at present. Before a decision is made [on building a new base-load power plant], a survey of the existing power plants' state will certainly have to be undertaken. The survey could establish whether it would be more economical to modernize the existing power plants and then continue using them to generate power for yet another decade, or to build a new power plant.

[(f.m.)] Should the construction of a new base-load power plant prove necessary nevertheless, for what source of energy would it be built?

[Pohankovics] The country's installed generating capacity at present is about 6,000 MW. Continuous and reliable access to the source of energy will carry great weight at the time of expanding the installed generating capacity. Resolution of this question will require a very extensive process of gathering comments and reaching agreement, as well as the coordination of many problems that often are mutually conflicting. For instance, the domestic production of nuclear fuel would provide for Hungary an entirely reliable source of supply but would be more costly than the world market price of such fuel; because of the low calorific value of our types of coal, on the other hand, what could be called conventional power generation in our country is not competitive at all. In spite of all this, it is in our national interest that the given power plants and the given mines continue to operate for a time longer, in mutual cooperation. And again, it would be too dangerous to assign too great a role to hydrocarbons, which are relatively expensive on the

world market and their supply is not entirely ensured at present. Hence our efforts to hook up to the gas pipeline that interconnects the Western countries. Hopefully, a year from now we will be getting gas not just through our traditional channels, but from elsewhere as well. It is common knowledge that the Adriatic petroleum pipeline is unable to operate, because of the war south of our country. Which means that our country, even despite its good connections regarding prices, annual delivery schedules and quality, is at the seller's mercy. The views on these questions were more or less unanimous.

[(f.m.)] Environmentalists have lately been gaining increasing influence over building power plants and selecting their sites. Our means are limited, yet there are so-called dark greens, who would best like to shut down every power plant but are unwilling to do without electricity themselves. How does energy policy tie in with environmental protection?

[Pohankovics] In the environmental debate, the political state secretary of the ministry concerned indicated that his ministry was preparing to approach in the light of its own tasks the conceptual plan for energy policy. Which is something everyone involved should welcome. In the course of drafting the conceptual plan for energy policy, all the ministries have had ample opportunity to incorporate their own requirements in such a way that, by the end of the two-year drafting process in the summer of 1992, there already was sufficient emphasis on their requirements. In a general approach, environmental considerations would hardly have gained suitable emphasis in this conceptual plan. In some cases the specifics would have to be defined in fairly great detail. I have in mind, for instance, the question of what modes of heating and what desulfurization processes would be needed in a specific coal-fired power plant; what would be the investment's impact on operating costs; in which power plants would such investment, costly in the long run, be permissible, and in which ones would it already be prohibitive? The same question can be raised also in conjunction with oil-fired power plants when the removal of sulfur is one of the main tasks. Still unsolved for the time being is the disposal of the nuclear power plants' radioactive auxiliary materials of low and intermediate radiation intensity. A final solution to this problem—for instance, storage in the Mecsek uranium mine—must be found within a year or two, because storage at the nuclear power plant for a period longer than five years cannot be regarded as a solution. These are the questions which, in my opinion, the conceptual plan for energy policy does not have to address in detail. Actually these questions belong in the conceptual plan for environmental protection. Of course, the conceptual plan has points of contact with the fuel and power industry. Indeed, the factors of the fuel and power industry—efficiency, economy, and reliability of supply are typical—must be decisive, but environmental protection is of equal rank and must assert itself comprehensively.

[(f.m.)] Was there anything in the conceptual plan about the renewable sources of energy available in Hungary? Was it perhaps mentioned that they ought to play a greater role in the production of energy?

[Pohankovics] In the case of the already mentioned 6,000 MW of installed generating capacity, the proportion of power we would be able to cover with the presently available sources is 7 or 8 percent, in my opinion. The 1- or 2-percent relative importance [proportion] of the individual sources determines the extent to which some of them are being studied. For other considerations, however, it would be extremely important to harness the water power that is available on the Hernad and Raba rivers. The Tisza, too, could steadily provide between 25 and 40 MW of generating capacity, which could supply 1.0 or 1.5 percent of the country's power demand. This would be extremely advantageous, because comprehensive water management could be employed, and the use of water for irrigation could be sensibly combined with these small turbines, perhaps as low as 0.5 MW in size.

I regard biomass as another renewable source of energy. An enormous amount of clippings is produced in agriculture, between 700,000 and 800,000 metric tons a year. If chopped up, the clippings could supply the occasional meat-packing or feed-mixing plant with hot water over a period of three or four months each year. In my opinion, it would be very advantageous for the individual regions to make use of this biomass, and it would also help to spread awareness of the importance of energy conservation.

Energy policy must develop a wide public consensus. By suitably educating the public, we must prevent the emergence of views such as those held by one of the speakers in the debate. In case of a base-load power plant designed for imported coal, he said, what traffic there would be on the Danube! The consumption of 3.0 million metric tons of imported coal a year would mean shipments of 8,000 to 8,500 metric tons a day. That would require three or four barge trains sailing up the Danube and unloading each day. And that task is not incapable of being solved.

[(f.m.)] Is there anything left of Germany's coal aid, or has the program ended?

[Pohankovics] Under a program started with Germany's coal aid a year ago, it is [still] possible to obtain funding for ideas on energy conservation. All the money earmarked for this competition has not been spent as yet. Thus the Ministry of Industry and Trade, and the Hungarian Credit Bank (it administers the money) will provide funding for the applicants whose ideas are accepted. For example, a company is offering to provide district heating for some of the homes in Pet, using scrap lumber as fuel. The realization of this idea would be very important, because the same method could be employed elsewhere as well.

[(f.m.)] Does the ministry have any plans to harness water power or to gain energy from biomass? Has it established a fund or subsidy for this purpose, or will it invite applications in a competition organized jointly with the OMFB [National Technical Development Commission]?

[Pohankovics] The ministry does not have any significant appropriation for these two objectives. Money for that purpose is available from the appropriation for the National Technical Development Program.

[(f.m.)] How much power could be generated by these methods?

[Pohankovics] It is estimated that these sources of energy could replace merely 1 or 2 percent of Hungary's installed generating capacity. But further progress appears promising, through cooperation between Stat Kraft (Norway's state power industry enterprise) and Magyar Villamos Muvek Rt. [Hungarian Power Plants Corporation]. The process is still in the planning stage. The Norwegian side presented its feasibility study in November 1992. It is a very thorough and detailed analysis that explores several solutions, ranging from the existing small hydroelectric power plants on rivers to the most profitable new sites. The Norwegian side is even willing to provide financing; in the form of a loan, of course.

[(f.m.)] If I am not mistaken, a few years ago a Canadian firm offered to build small-capacity nuclear power plants. Has there been any progress on that project?

[Pohankovics] Actually the first offers were made around 1990, and they have advanced to the stage of preparations. Primarily the investor's intentions have been formulated, and references have been provided. In my opinion, it is not possible to proceed any further until the question of the [new] base-load power plant has been decided. Even in the meantime, however, all local opportunities ought to be utilized somehow. For to think only in terms of the national power grid is one extreme; and only in terms of small local power plants is the other one.

[(f.m.)] To my knowledge, also Poland is offering to supply coal. What actually will be the fate of the Hungarian coal industry?

[Pohankovics] There is a carefully considered program for the development of coal mining. Under that program, only a few hundred jobs have ceased last year and this year at each coal-mining enterprise, in Nograd and Borsod Counties and in Pecs. Obviously, the method of mine closures could be chosen only if the rate of return were 30 or 40 percent higher. After all, mine closures would mean intensive disinvestment in the coal industry, and that could be offset only by paying suitable compensation to the unemployed and to local governments. From a profit of merely a few percent, however, it would not be possible to provide such compensation. That is why forced mine closures are not being planned.

[Box, p 1]

Parliamentary Pros and Cons

Last Tuesday, the National Assembly, by a vote of 208 yeas, five nays, and 10 abstentions, approved the conceptual plan for energy policy that the government had introduced. As evident from the voting, an overwhelming majority of the deputies agreed with the strategy outlined in the conceptual plan. The debate on the conceptual plan's draft already began last November, and in several rounds, with the active cooperation of the [National Assembly's] Economic Committee and Environmental Protection Committee, the country's power demand has been reconciled successfully with the upgraded considerations of environmental protection. As Janos Latorczai, the minister of industry and trade, emphasized in his closing speech before the commencement of voting, the information [he provided] was the product of a two-year process of gathering comments and seeking agreement.

The conceptual plan itself was drafted on the basis of the situation that existed in 1992, but the strategic objectives laid down in it have not become obsolete. In the debate, the deputies also called attention to several "allergic" points affecting the present and future of energy policy. Although a sharp professional debate never developed, several deputies debated the timeliness of a decision on the proposed base-load power plant. Nobody was able to query directly, on the basis of real arguments, the need for such a power plant, but most deputies felt that this option ought to be left open, so as to allow time for a decision to mature. That was mostly the conclusion to be drawn also from the minister's closing speech. For he pointed out that, foreseeably around the year 2000, it would be necessary to commission a base-load power plant of large capacity, but it would be equally feasible to design the plant to operate on lignite from strip mining, on imported coal, or on nuclear fuel.

That remark already leads us to a recurring topic in the debate on the power plant: For what source of energy should it be designed? There were deputies who felt that the prospects are good even for burning straw. Others urged that better use be made of water power. Plans involving the integration of coal mines with power plants, and cooperation between them, were also discussed. Several opposition deputies criticized the delays in privatizing the enterprises that supply gas, and they also pointed out the dangers of energy dependence. They saw energy dependence as a real problem particularly in the case of support for "megalomaniac" ideas.

Although, Hungarian society, as also the industry minister hastened to point out, did not have any particular cause for complaint lately about its power supply, and though the amount of power the country needs to be able to function is available, it will still be necessary to ensure a balance of supply and demand, and also to change the distorted system of rates. For the present rates do not yet

reflect all the input costs. In conjunction with disinvestment in the coal industry, the deputies strongly emphasized disinvestment's employment-policy and social consequences, which they basically expected the government to remedy. A Socialist deputy objected that society's oversight of Magyar Villamos Muvek Rt. is more limited today than it was in the past, when at least the National Planning Office was able to look behind the scenes there. The deputies also criticized the government for its failure to provide sufficient tax, import-duty and credit benefits to encourage energy conservation and the spreading of environment-friendly technologies and equipment. The discussion of rates raised the question of how much the households could afford to pay, and a debate developed on what impact the higher rates in the near future would have on households, above the minimal level of power consumption. The rising operating costs of the power industry also filled some deputies with concern.

The dispute over electricity rates lent a dash of color to the debate that otherwise was too professional for the layman. For instance, it was brought up that, in comparison with Italy, 5 percent more energy was consumed to produce a bicycle in Hungary, yet the bicycle's price is barely a third of what it costs in Italy. Therefore it might seem that three times more energy is being consumed per unit of product in the Carpathian Basin. That would be true in terms of GDP, but not if "projected" to the bicycle itself. Of course, the next deputy's question explained the complexity of the energy problem in a way that even the layman could understand: From whichever viewpoint we examine the energy costs, under these circumstances should we not reconsider the advisability of continuing to make bicycles domestically? he asked.

—(bodnar)

*** Government Audits State Enterprises, Other Assets**

93CH0578A Budapest FIGYELO in Hungarian
1 Apr 93 pp 16-17

[Article by Ervin Zsubori: "Report of the Auditor General's Office on the State's Business Assets; The Unexplored Empire"]

[Text] Under the defunct system of economic planning, everything was more simple. There were only a few hundred enterprises, almost all of them state-owned. Everybody knew everyone else, and the nice, unified information-gathering system, which had a close logic, was able to reach everyone. The competent officials up there at the top cleverly figured out what information would be needed for the three-, five- or 10-year plans; they then issued the necessary instructions; received the returns by the specified deadline; classified the returns and arranged them in groups; and sent them as required, to the few who needed to know. And it was not primarily the information system's fault that the plans did not always turn out the way they were supposed to.

Probably the problems began when, willy-nilly, the so-called second economy began to gain ever more ground. Even the statistical system mostly found it bewildering. Annoying gaps developed in the information network. The unverifiable flows of income and capital irritated those who were thinking in macroeconomic terms. Then came the change of economic systems, and suddenly "everything that had been whole broke up." The freedom to establish businesses, the emerging diversity of the forms of business association, the commencement of privatization, and the growing number of closures, liquidations and bankruptcies irreparably crushed the earlier systems and made them useless. The changes were taking place so rapidly that there has been no time to put in place a new, comprehensive information system that meets a market economy's requirements. Thus, with slight exaggeration, it could be said that the idyllic situation has developed where we know absolutely nothing.

The above statement is generally valid also for the state's business assets. At least that is the conclusion one is able to draw from the key sentences of a recently published report. It was prepared by experts of the Auditor General's Office who, in the fourth quarter of last year, audited the record-keeping and information systems for that, by no means insignificant, domain of business assets. Notably: "There is no agency in Hungary today that maintains a continuously updated, verified and complete record of all organizational changes. Consequently, even principles of policy are lacking for taking a verified and complete inventory of the state's stock of business assets, and for monitoring its changes."

All this, of course, does not mean that there are no agencies gathering even today thousands of items of information on economic players, the operators of business assets. The law directly mandates that the State Property Agency (AVU) and the State Assets Trust Corporation (AV Rt.), as the principal holders of state assets, develop information systems. Although the ministries, which likewise exercise the state's rights as owner of business assets, do not have such an unambiguous mandate, they too gather and process information about the firms under their supervision. Naturally, also the KSH [Central Statistical Office], the APEH [Office of Tax and Fiscal Auditing], and the Registry Court are continuing with unflagging intensity to gather data on businesses. But somehow the many separate masses of data refuse to come together and form an integral whole.

The main cause of this is perhaps the fact that the information systems the various state agencies have developed or are just developing independently, on the basis of their own requirements, simply "pass one another by." Any connectivity among them is mostly accidental. For as the report of the Auditor General's Office establishes, rather in officialese but in no uncertain terms nevertheless: "At present there is no organization with authority to undertake the coordination that is essential to ensure minimal uniformity of the information content."

The situation is further worsened by a series of obstacles that hamper the flow of information between the holding organizations on the one hand, and the background institutions concerned with gathering the data on the other hand. Unless those obstacles are dismantled, the information systems' integration can hardly succeed. Sometimes these obstacles are caused by a shortage of personnel and a lack of material prerequisites (removal of these obstacles appears easy, since it is "merely" a question of money). But one must reckon also with barriers that are difficult to remove, such as the confidential nature of the information gathered by the APEH.

The experiences of the information system's partial audit at the AVU provide good examples of the difficulties hampering cooperation. To compile the names and addresses of the enterprises within its sphere of interest, the AVU had relied also on the records of the APEH and KSH. But the head of the Tax Office, citing the confidentiality of tax information, refused to release the repeatedly requested information—just names and addresses. From the KSH the State Property Agency had requested, among other things, that it be included among the organizations belonging to the state's unified statistical system when the government decree on the 1993 National Program of Statistical Reporting (OSAP) was being drafted. However, the KSH chairman did not regard the AVU's inclusion as expedient, because information gathered within the framework of OSAP cannot be used for purposes essential to the performance of any activity, and the AVU needed information for exactly such a purpose.

In spite of all this, the setting up of records at the State Property Agency is proceeding relatively well. The Privatization Information System is up and running. But, among other things, regulations are still lacking that specify to whom, at what intervals, and what kind of information the AVU is required to report.

The recently established AV Rt. could not have developed an information system by the time the audit was held. There was time to prepare only the first summary. The AV Rt. is receiving from the AVU the documents and files on the businesses that belong to the AV Rt.'s purview and are already operating as corporations. A supplement to the report of the Auditor General's Office contains the draft of an agreement—it bears an October 1992 date—between the two organizations on the transfer and acceptance of documents and files; according to our information, however, the agreement has not been signed to this day. That is the more interesting because the transfer and recording of this huge mass of data has been proceeding continuously for some time and, according to the latest reports, has even been completed.

Among the heads of ministries, the minister of transport and communications is exercising the owner's rights over substantial business assets belonging to the state. The development of a separate information system is proceeding fairly well at the ministry, but there are

problems also here. Since January of last year, for instance, the APEH has not been processing the data contained in the financial statements of the businesses under the ministry's supervision.

Among the governmental information organizations, the Firms Register and Information Service—it has a staff of merely three—appears promising. It is a subdivision of the Main Department of Information Technology and Law within the Ministry of Justice. Although the present system supports exclusively the work of the Registry Court's judges, it is to be hoped that conditions will soon be created for granting also outside users access to the complete data in the register of firms. In any event, according to the experts of the Auditor General's Office, the database maintained by this service could be the main starting point for keeping a record of the state's business assets at the holding organizations.

At the Land Office, there is a good chance that official records of all real-estate properties will be in place by 1995. For the time being, however, disposition of two-thirds of the documents arriving in Budapest occurs after the specified time limit.

In addition to the inclusion of the APEH, also the Central Statistical Office could play a key role in creating an integrated information system. It is already gathering information on more than 60,000 incorporated businesses. Although the KSH has taken over also the master files on unincorporated business organizations and sole proprietorships (more than 600,000 economic players!), it soon became evident that the lists of names and addresses were very incomplete and inaccurate, the classifications were inconsistent, and the information was far from up-to-date.

Thus, for the time being, we certainly are able to say that a verified and complete record of organizations does not exist anywhere in Hungary at present. And as the report of the Auditor General's Office establishes, "No state administrative agency has at present verified comprehensive information on the structure of ownership, including the magnitude of foreign direct investment, and also on the changes of ownership."

Well, that is about where we stand these days. Everyone knows something, but nobody knows everything. Yet it is wonderful to know everything, and who would not like to do so? That, of course, has yet to come a bit later. Until then, let us keep hoping that the Great Omniscient will share his knowledge with us when we get there.

[Box, p 16]

Recommendations for the Government

In order to be able to determine at all the stock of the state's business assets, and to measure the changes occurring in it, the Auditor General's Office makes the following recommendations to the Government:

1. The conditions must be created for maintaining a register of all businesses, while choosing the most expedient site for the register and determining the manner in which the data in it can be accessed and used.
2. At the agencies exercising the state's rights as owner, it is necessary to determine the scope of basic information regarding the business assets, the reporting obligations, and the manner in which the information systems can be linked together.
3. In harmony with the systems already operating at the AVU and the AV Rt., it is necessary to regulate the maintenance of records on state-owned business assets, as well as the reporting obligations, also at those ministries which exercise the state's rights as owner.
4. The elements must be removed that are obstacles to linking together the information systems at the holding organizations, and those of the background organizations that also process information on the business assets in question.
5. To remove the existing administrative restrictions on the flow of information, and to ensure timely access to information for those who participate in preparing or implementing decisions, or in supervising their implementation, the obligation of the aforementioned background organizations to supply information must be regulated anew.
6. The rescission must be proposed of Section 23, Paragraph 2, of Law No. LIII of 1992. (For the provisions of that paragraph and the need to rescind it, see our [third] box—Editor.)
7. The AV Rt. must elaborate the conditions of its semiannual reporting obligation on the changes in, and the utilization of, the state's business assets.
8. Provisions must be made to ensure that the Auditor General's Office automatically receives the information to which organizations belonging to the state's unified statistical system are entitled.

[Box, p 17]

Two Interpretations

"The Auditor General's Office does not form an opinion on the expediency of this or that privatization strategy. That is a political question," emphasized the leaders of the Auditor General's Office at a press conference held on this topic. But then they continued: "However, it is our duty to speak out on how the tools earmarked for a given strategy will meet in practice the requirements of economic efficiency, expediency and, last but not least, of conforming to regulations."

This statement lends itself to two interpretations. One interpretation remains within this logic and believes that the task is to develop an information system necessary to pursue a unified government policy on privatization and the management of assets. But, according to the other

interpretation, which transcends this logic, the mentioned task is so complicated and expensive that a review would be warranted, respectively, of the underlying strategies to privatize and not to privatize. If for no other reason, because the development of a comprehensive information system serving the purposes of centralization would make it difficult to change that strategy later on.

[Box, p 17]

Implementation Impossible

A good example of the anomalies and ambiguities in conjunction with the stocktaking and supervision of the state's business assets is Section 23, Paragraph 2, of Law No. LIII/1992 on the Management and Utilization of Business Assets That Are To Be Retained Permanently in State Ownership. This paragraph, which the Auditor General regards as impossible to implement, specifies that if the AV Rt. becomes insolvent, or if the rate of its profit (or dividend) is substantially lower than the level of profit or dividend attained in the national economy, then the Auditor General's Office is obliged to investigate the causes of such a situation and to summarize them in a separate report.

According to Auditor General Istvan Hagelmayer, the main obstacle to carrying out this task is that the comparison the cited paragraph requires does not make economic sense. Aside from the fact that "rate" and "level" are two different things, comparability is questionable particularly because the capital (assets) structure of the organizations belonging to the AV Rt. is quite different from the same structure in the national economy. That in itself could cause a lag in efficiency, independently of how the AV Rt. operates. Not to mention that any comparison is possible only if there is an organization capable of establishing and reporting in due time the "typical" dividend or profit in the national economy. Since at present even the stocktaking and updating of the state's business assets are unsolved, the situation could hardly be different in the national economy as a whole.

For all the above reasons, the Auditor General's Office recommends rescinding the cited paragraph.

* Devaluation of New Forint Reported

93CH0578B Budapest FIGYELO in Hungarian
1 Apr 93 p 15

[Article by Gabor Oblath: "Forint Devaluation; Exchange-Rate Competition"]

[Text] Most probably, the purpose of the government's decision last week was to quiet expectations of a devaluation. The decision is unlikely to prove a fundamental revision of the foreign-exchange policy the government has been pursuing up to now. However, the official explanation of the reasons for the devaluation—it cited the development of international cross rates, and the

forint's appreciation in relation to European currencies—can be termed neither lucid nor convincing. Therefore I will dwell only briefly on the explanation of the reasons, but do not wish to comment at all on the rate of devaluation. Instead, I would like to offer some general reflections, to the attention of all those who believe that the rate of devaluation carried out this year (together with the 1.9 percent in February) is already excessive, and that the domestic exchange-rate policy pursued in recent years has proved essentially successful, requiring no revision.

There are two things wrong with the official justification for the 2.9-percent devaluation: it does not really hold water, although numerically it could be in order. Since January, because of the minor rate correction in February, the forint has indeed depreciated in relation to most European currencies, albeit very slightly. More importantly, however, the development of international cross rates in itself cannot explain the forint's devaluation relative to the Hungarian National Bank's official basket of currencies. The very purpose of that basket is to prevent cross-rate fluctuations from causing changes in the average external value of the forint. If they nevertheless cause such changes, then the solution is not (or more exactly: not only) the forint's devaluation, but a review of the basket's composition (it now comprises the U.S. dollar and the ECU, the European Community's collective currency, on a fifty-fifty basis). Actually the question now, in my opinion, is not about changes in the cross rates or the composition of the Hungarian National Bank's basket of currencies. The real question is: What can exchange-rate policy do when the domestic rate of inflation is accelerating perceptibly, outstripping increasingly the inflation rates of our foreign partners, while export growth is coming to a standstill and even declining in value, and in the course of all this more and more enterprises in an increasing number of sectors are clamoring ever louder for protection from foreign suppliers?

The official explanation of the latest devaluation failed to mention these questions, probably because it did not wish to fuel further unfavorable expectations (of the inflation rate's continuing acceleration, for instance). And had the explanation mentioned these questions, it would be hard to understand why the rate of devaluation has been merely 2.9 percent. But the analyst is not bound by such appreciable considerations; his task is to attempt to present a picture of the situation, after weighing the real circumstances and dangers.

The forint's real exchange rate has been rising for years: the official devaluations have not compensated for the faster rate of inflation at home than abroad. According to the IMF's latest statistical publication, this trend continued also in 1992: The real rise in the exchange rate during the first nine months was 13 percent over entire 1991, and 8.5 percent if also the fourth quarter is included. (These figures and trends differ from what the Hungarian National Bank has reported, and we will revert to that later on.) I wrote in FIGYELO about a year

ago (FIGYELO, No. 19/1992—Editor.) to warn that, according to international experience, artificially propped up exchange rates (becoming overvalued) can burst like bubbles, which means, in place of a soft devaluation, a sharp drop in the domestic currency's external value, together with severe inflationary and recessionary consequences. The government's intentions in themselves are not enough to inflate the bubble; also the "market" must actively contribute to this, otherwise the official reserves would soon be depleted.

Well, it is to be feared that in recent years also the current account of our balance of payments, improving as a result of the influx of foreign capital and due to the recession as well, has helped to create a kind of exchange-rate bubble. These factors supported the forint's real appreciation, motivated primarily by the economic-policy efforts to curb inflation. At the same time, they may have undermined the ability of the nation's producers to compete domestically and abroad. Sooner or later, this will lead to serious problems, but it is impossible to predict when they will arise and in what form. The root of the problems is that the influx of foreign capital, which simultaneously supports real appreciation and is a consequence of it, could grind to a halt or change direction, specifically because of the decline in international competitiveness it itself has caused. That is when exchange-rate bubbles tend to burst. When there is danger of that happening, of course, exchange-rate policy must strive not for a sharp devaluation, but to prevent a sharp drop in the exchange rate. Exchange-rate policy can achieve this if, after a perceptible correction of the exchange rate, it prevents a continuation of real appreciation.

Many people are of the opinion that the forint has not become overvalued during the past period, and Hungarian production's international competitiveness (or rather the profitability of export) has not worsened. The Hungarian National Bank has arrived at that conclusion by comparing the domestic and foreign price indices; and Laszlo Halpern (FIGYELO, No. 10/1993), on the basis of comparing industry's domestic and foreign-trade prices. These findings, however, must be handled with caution. The aforementioned trends of consumer prices point to something entirely different. The gap between the indices of real exchange rates computed on the basis of producer prices and consumer prices, respectively, could indicate that the prices of goods and services not traded internationally are rising, in relation to the prices of goods and services that are traded internationally. As a result, the supply of exportable and import-substituting products declines, their domestic demand rises, and with time a worsening of the balance of merchandise trade becomes inevitable. That trend can be offset only temporarily by domestic recession, which restrains the demand for imports and intensifies the pressure to export, even at declining or negative profitability. And the figures referred to by Halpern, according to which the export prices of industrial goods rose faster last year than the domestic sales prices did, could also mask a very

dangerous trend. Namely, that exporters are now attempting to shift onto foreigners their relatively rising domestic costs, in the course of which they are actually pricing themselves out of the international markets. Anyhow, the export volumes of the three industries that were raising their export prices the most aggressively in 1992—namely, of the engineering, food, and chemical industries—showed the biggest drops, which does provide food for thought.

Exchange-rate policy, of course, is unable to work miracles. But it is able to forestall a worsening of the country's price- and cost-competitiveness. And amidst the economy's present problems, that is nothing to sneeze at.

* Central Bank Stops Export Prefinancing

93CH0577B Budapest FIGYELO in Hungarian
1 Apr 93 p 14

[Article by Emilia Sebok: "Preshipment Financing; There Will Still Be Creditors!"]

[Text] The anxiety was premature and exaggerated when it was revealed last autumn that the Hungarian National Bank would soon stop rediscounting the short-term credits (repayable in less than a year) granted exporters for preshipment financing (FIGYELO, No. 40/1992). Many people were reassuring the jittery exporters already then, telling them that the banks would be able to provide such credits from their own foreign-exchange resources, perhaps even at a lower interest rate than before. Having allowed the commercial banks sufficient time for preparations, the central bank has now stopped rediscounting such credits as of 31 March. Already since 2 November 1992, the Hungarian National Bank has been rediscounting in foreign exchange the intermediate- and long-term preshipment financing provided for exporting firms, against their export earning; the central bank will continue to rediscount such credits until the Exportgarancia Rt. [Export Credit Guarantee Corporation] takes over this function. (In this case the central bank sets its rediscount rate in accordance with the OECD consensual rate. To the rediscount rate the commercial banks add their margins within their own competence.)

In recent weeks the appropriate departments of the commercial banks have been working feverishly on perfecting their preshipment financing scheme, and its conditions have been revised even at those financial institutions which have already been providing preshipment financing in the past. According to information received from the Association of Banks, 14 banks will be offering this financial service to customers at the start of the new system of preshipment financing, and five more banks are preparing to join them soon. Thus the conditions for the development of competition among banks are given. But the expectation is not unfounded that the wide circle of banks will be offering their services in vain if, as in the case of credits denominated in forints, there are few creditworthy customers. That could be true

particularly in the case of credits of this type, because the unambiguously creditworthy firms that export much with reliable bank guarantees can easily obtain also direct foreign-exchange credits.

The businesses producing for export have been mainly concerned that, once the central bank stopped rediscounting preshipment financing credits, they would be able to obtain only far more expensive forint credits denominated in a foreign currency, instead of the refinanced preshipment credits whose interest rate (11.5 percent for the exporter) is extremely favorable in comparison with the prevailing general interest rate. But the commercial banks are trying to reassure their potential customers that, for the overwhelming majority of applications for preshipment financing, the level of interest on international money markets plus the domestic banks' margin would be more favorable than the rate on the forint loans refinanced by the central bank up to now. The banks we contacted either quoted LIBOR plus 2 to 4 percentage points; or they said that the rate would be based on LIBOR, but emphasized that the exact interest rate would depend on the type of transaction and the customer's credit rating—i.e., on the risk involved. (Henceforth, for the benefit of exporters, we will be publishing regularly on page 45 the leading foreign interbank rates.) Thus the fixed interest rates applicable up to now will cease. Probably the credit contracts will always specify variable rates, in line with the international rates.

Regarding other charges and fees, the panorama of banks is more diverse. All banks will charge a commitment fee (but it will be worth checking on what amount the given bank charges this fee). And there is also a one-time charge for handling or on some other grounds. These charges and fees perceptibly increase the cost of the credits.

But far more important than the incidental costs is the question of exchange rates. The clients are free to choose the foreign currency in which the credit is denominated, but they usually get the credit in forints, converted at the rate at which the bank buys foreign exchange that day. And the bank converts the forint installments on the credit at the rate at which the bank sells foreign exchange on the day the installment is paid. The customer has to absorb the difference between the bank's two exchange rates, just as he has to bear the risk of possible changes in the forint's exchange rate in the meantime. (The customer is able to insure himself against that risk through a forward contract, but that again does not come free.) At some banks, all or a part of the credit is available also in foreign exchange, if import is required for the export sale.

Another factor in the competition among banks is the question: Whom will the banks accept as customers, and

who can apply to a given bank for such credit? Any legal entity, unincorporated business association or individual entrepreneur that/who, in the sense of the foreign-exchange regulations, qualifies as an exchange citizen may apply for preshipment financing to any bank, and not just the one with which it/he already has business relations. But here, as in the case of any borrowing, the given financial institution's established and reliable customers will probably enjoy an advantage. (There are banks that will accommodate "strangers" only if the bank with which such applicants maintain their current account does not engage in foreign-exchange transactions but guarantees the repayment of the credit for preshipment financing.)

It goes without saying that this type of loan is intended to promote hard-currency export and can only be obtained to finance export. Therefore the existence of an export contract is a prerequisite for obtaining such a loan. The loan is repaid from the export earnings that flow into the bank. But if that is not possible for some reason (for instance, because the export deal fell through), the customer's other forint assets can also be used to cover the loan. There are banks that will provide such loans only against letters of credit or bank guarantees, but they too would cast their eye on the business's forint assets, should all or a part of the proceeds from export fail to materialize.

Specifically because of that risk, not every bank is willing to advance 100 percent of the export's value. (Even in the case of preshipment financing rediscounted by the central bank, the limit was 70 percent.) There are banks that expect the exporter to finance from his own funds between 20 and 30 percent of the export.

And then there can be also other "refinements" among the contract's stipulations. One large bank, for instance, is willing to open a line of foreign-exchange credit for a customer only if he undertakes to use exclusively the bank's financial services for a twice greater volume of export than the export deal for which preshipment financing is being provided. And then there may be certain minimums, which will free the bank from having to bother with providing preshipment financing for small export deals.

While the placing of short-term preshipment financing entirely on a market basis can only be welcomed, we are looking forward to seeing how the system will function. Judging by past experience, most banks will almost certainly modify their preshipment financing schemes as they go along. At present there is striking similarity on several counts between the schemes of individual banks. The field will probably draw apart also in this competition in the future, depending on the conditions under which the individual banks will have access to sources of foreign exchange.

*** New Siec Organization Viewed as Presidential Party**

93EP0235A Poznan WPROST in Polish No 15,
11 Apr 93 pp 15-16

[Article by Boguslaw Mazur: "President's Network"]

[Text] *It would be interesting if the formation of a Nonparty Forum in Behalf of Reform (BFNRR) were to indicate the beginning of the building of his own party by the president, says Jacek Kuron, minister of labor and social affairs and vice chairman of Democratic Union (UD). "But I am skeptical about parties that describe themselves as 'nonparty.' A 'nonparty' party is like non-buttery butter or noncoffee coffee."*

The formation of the BFNRR seems to show that the president's new campaign, which has been going on for a long time already anyway, is intensifying. After breaking with the PC [Center Accord], the Belweder camp was left bereft of any kind of political base of its own. What is worse, the president's popularity in society has clearly dropped. The arduous rebuilding of influences, which has been going on since Hanna Suchocka's government was formed, is proceeding under the old slogan "I can do nothing because they are blocking me." They—the ineffective parliament and the disunited political elite. Against this background, the president looks like a person full of goodwill and excellent ideas, suffering because democracy must be respected. For how, can anything be done if the political elite is afraid to give the president greater powers? "They could hardly get to me fast enough to ask me to dismiss the prime minister, and now they are afraid of me," said the president during the March meeting with the Solidarity National Commission in Gdansk. But the president expects that the political elite will overcome their fear, and the presidential draft constitution is to help them do so. It is based on the conviction that the parliament-cabinet system has failed and should be replaced with a "semipresidential" system, or, as can be guessed, a system in which the government will govern and the president will rule.

For now, the president proposes that the recently passed "small constitution" be amended. All that needs to be done is to limit the prime minister's ability to countermand the president's decision, to give the right to independently appoint one-fourth of the Constitutional Tribunal and the right to rescind decorations and awards.

Meanwhile, the "elite" is blocking things. For example, the formation of a National Guard, reporting to the president, made up of four brigades, five regiments, and an aviation regiment.

Aleksander Hall, chairman of the Conservative Party, was even put off by the president's reflections directed to "S" activists about the similarity of a National Guard to the old ZOMO [Motorized Reserve of the Citizens Militia]. What can the president do in a situation such as

this? He can shoot down an antitank helicopter, which is what he did at the firing ground in Orzysz.

During the passage of the budgetary law, he established his image as a cross father punishing his misbehaving children. All it took was for the president to threaten to dissolve parliament and the law was passed—they became frightened! The initial stage of the gathering of some of the opinion-creating circles around the Belweder, deliberating in the councils on matters of economic development, the countryside, Polish-Jewish relations, the ecology, the media, and science and culture, also came to an end. Some of the council members may, in the future, constitute an intellectual base for a presidential grouping. In any case, some of them are already defending the president—and rightly so—against the aspersions cast on him by the opposition. That, for example, is what the council on cultural affairs did. But, because in politics, just as in commerce, nothing is free, the president blocked the candidacy of the critically acclaimed, by cultural circles, Prof. Zdzislaw Klajnert for the position of minister. That is how the president gained the favor of the intellectuals and, at the same time, made it understood that, in filling government positions, he, too, has something to say.

Except that the March abolition of the PPP [expansion unknown] put the permanence of the government into question. In addition, the time for the next price increases of energy carriers and State Railroad fares was drawing near. And so the president arrived in Gdansk for a meeting with "S" activists, with the Turkish foreign minister at his side. Andrzej Drzycimski, the president's spokesman, said that, on the weekends, diplomats will be received in the Tri-Cities, where the president normally rests. And immediately afterwards, the president made his telephone number—21-28-21—available to the "normal people."

Anyone can call the president—to share his concerns or ideas with him or give him good advice—as he would a father.

More important was the visit to the Zdzeszowice coking plant, where the BFNRR was formed. Here a real acceleration took place, during which the president, as is his custom, tried to kill a few birds with one stone. The Forum arose on the base of Siec [Network]—that is, the horizontal structure in Solidarity made up of plant committees of the largest industrial plants in Poland. It has such goals as application of a market economy, private ownership, and the building of a middle class. At the same time, Jerzy Borowczak, one of the Siec leaders, declared that he hopes the president will curb the newly rich, driving around in Mercedeses, and that the "300 million program" will make it impossible for the liberals to steal any more.

However, Andrzej Mirecki, representing the Forum, when asked about the connection between the Forum and Siec, replied that the connection is "direct"; "people working on applications solutions decided to support the

Forum." When urged to name the authors of the "300 million plan," he said only that it is the "president's concept from the days of the elections, which cannot be directly transferred, and that there thus is the problem of its application," and "we are ready for application measures."

But before the president, at the coking plant meeting, expressed support for the "application" of his program, he revealed his disapproval of the "S" National Commission ("We talked, there was a lot of rancor, and nothing was done"), which the assembled activists of Siec received with some satisfaction because, for a long time already, they have been opposed to the union leadership. Next he warned that he does not want the government program for privatization of 600 enterprises to be abolished.

With concern that the group of union activists not block the implementation of the PPP, the president brought about a meeting between their representatives and Janusz Lewandowski, minister of ownership transformations. At the meeting, the president said: "This is Polish soil, and we should make better use of it. We should move all powers for this poor society, which cannot afford to move them itself." And further: "There are still 30,000 or 40,000 plants that should be given over to poor and ambitious Poles." To Walesa's statement, Minister Andrzej Drzycimski added: "It is the president's opinion that no one group should benefit the most from privatization. The elites, which are in power now, are benefiting the most from privatization, while society has been the loser."

Thus, in putting himself above the "elites," the president is running for the position of chief representative of the "poor and the able"—that is, the majority of society, which gives him a chance of recovering at least part of his former popularity, needed in the next election. He is also gaining the nucleus of a future presidential party, not without reason describing itself as "nonparty"—indeed, the president is above divisions. Furthermore, we know that the potential supporters of a presidential party are now "scattered" in various groupings, from the Confederation for an Independent Poland to the Liberal-Democratic Congress—and the nonparty formula will be very attractive to them.

At the same time, Walesa once more demonstrated the size of his influence—if the government privatization program is implemented, it will be because the president "forced" the Siec activists to accept it. In this way, Walesa made it understood that he will not accept the "chancellorship" vision of government, whose champion is minister Jan M. Rokita, chief of the Office of the Council of Ministers. He also suggested that he will not be satisfied with the defense of his person, as some of the politicians from the coalition are undertaking. ("The

first attempt at stabilization is an attack on the president, which I believe to be damaging to the country," said Tadeusz Mazowiecki, chairman of Democratic Union, recently in Tarnow.)

According to Bogdan Borusewicz, chairman of the Solidarity parliamentary club, the president's political base is weak because it is being formed in opposition to the union's leaders. Furthermore, none of the Siec initiatives has achieved any great success. Even the multithousand demonstration of a year ago succeeded only thanks to the support of the "national" group. And, at present, Marian Krzaklewski is trying to take the initiative, announcing that a referendum will be conducted in May on the matter of privatization and that there will be strikes in the budgetary sphere.

The guess is that Lech Walesa is attempting to repeat the maneuver from the period of the "war at the top," when he "ran to the front" and stood at the head of the dissatisfied masses, so as to later, after becoming president, defend the promarket course of reform. "The president recently said that he must show the people that there is a new chance, otherwise society will turn down all of the reform," says Minister Drzycimski. "Appealing to the myth of a big-industry working class indicates a return to the 'old' in refurbished Solidarity garb, maintains Deputy Kazimierz M. Ujazdowski (Conservative Party). And, he adds: "Perhaps better days are coming for socialism, but the BFNRR is only one factor in this, and not a method for halting the march of the populist left.

And, in the Belweder, after the president moves to new headquarters, a Marshall Pilsudski museum is to appear.

[Box, p 16]

National Unity Forum?

Deputy Wladyslaw Frasyuniuk, vice chairman of UD:

I am astounded that Siec wants to try to persuade society that it is a structure functioning in behalf of reform. If it is functioning, it is in behalf of the restoration of the socialist method of managing the economy. I see the forming of Forum as an action aimed at Hanna Suchocka's government and believe that further conflicts can be expected. The president is again subscribing to the "golden fish" fable, whose moral is that he who asks for too much will not get nothing, and is yielding to extremely populist groupings. If he believes in their strength, we can expect irresponsible moves on his part. And I thought that the president learned from the "war at the top" and from his cooperation with the Kaczynskis. It is too bad that we will again have to be at odds with the president.

Andrzej Drzycimski, minister of state, the president's press spokesman:

The BFNRR is definitely not the nucleus of a presidential party. The president believes that a front should be formed

around the country's reformation because we are now participating in a brutal capitalistic game, while society grew up under socialist conditions. Therefore, privatization cannot be restricted to 600 enterprises, but circumstances should be created for people to feel that something depends on them, that they can, although they do not have to, decide their own fate.

Jan K. Bielecki, minister for European integration:

Everyone has the right to affiliate and create structures such as Forum. But, to deride the Sejm, democratic institutions, and parties, strikes at the very essence of democracy. The results of this are cries that a "strong person, who will put things right," is needed.

Prime Minister Views Problems in Security Service

AU0505145693 Ljubljana DELO in Slovene 30 Apr 93
p 21

[Interview with Slovene Prime Minister Janez Drnovsek by Janko Lorenci; place and date not given: "A Sick Game"]

[Excerpts] [Lorenci] In your opinion, what are the basic reasons for current, affair-ridden, critical, and almost paranoid situation?

[Drnovsek] We are obviously going through a change of system, when there is a lot of leeway for such matters. Speaking of the affairs connected with unlawful privatizations, there are plenty of them everywhere, in Eastern and Central Europe, where they are also in a transitional period and are trying to implement privatization. Privatization is by its nature a conflicting and controversial process that inevitably provokes dissatisfaction, because some people get more while others—and they are in a majority—lose. It is at the same time difficult to set clear rules for privatization and say how to implement it correctly, because privatization is in a way an unnatural process. In the West privatization was gradual, taking centuries, while we would carry it out practically overnight. Some of these reasons are, therefore, of an objective nature. The VIS [Security Information Service] affair is connected with the establishment and transformation of state institutions. There was no time in the past to dispose of certain hangups from the past and sometimes no energy either.

[Lorenci] The subjective responsibility of the politicians nevertheless seems to be great, as they in the last two years deliberately or recklessly allowed the continued application of the old property legislation, which was lawful, but for the majority of people obviously illegitimate. This has now backfired on the politicians. If last year was marked by a political stalemate resulting from the balance of power at that time, the beginning of this year was marked by chain-reaction affairs. Property transformation is at the root of all of them. The result is roughly the same: There is a danger of a total political paralysis.

[Drnovsek] It is difficult to separate the subjective from the objective in politics. When my former cabinet started work last May, it set itself a new privatization law as its first priority. However, I can say that we underestimated the processes of unlawful privatization; on the one hand, we concentrated on the new law and on the other on the economic problems that were pressing upon us. The political blockade which you have mentioned prevented the adoption of the new privatization law for a long time. However, I agree that these affairs in a way paralyzed Slovene politics, and also economic policy. Too much energy and time is being spent on them! [passage omitted]

[Lorenci] Why did you replace [former VIS Chief] Brejc?

[Drnovsek] The cabinet was changing at that time and replacements in all the leading posts of these services were envisaged then. I personally was not inclined toward the replacement of Brejc, although some coalition partners demanded the replacement of the VIS chief. I personally could not decide on his replacement either, because I did not know whom to propose as the new chief. This is a rather delicate post. Had I put forward somebody who knew about these things, he would have probably been a former employee of the State Security Service, which would be problematic in itself. On the other hand, a nonexpert in this sphere is also problematic. Therefore, I was rather indecisive. Well, then various warnings ensued....

[Lorenci] A letter by [VIS Deputy Chief] Jeglic?

[Drnovsek] Including a letter by Jeglic. When as prime minister, I received a letter from the deputy chief of this service containing such strong warnings, it was quite normal, after consultations with the coalition partners, nevertheless to decide in favor of replacement. I also briefed them about the content of Jeglic's letter. Everyone whose opinion I asked was in favor of immediate replacement. [passage omitted]

[Lorenci] You appointed Mr. Sirse because you personally trusted him?

[Drnovsek] I proposed him because I judged that he was capable of performing this duty. [passage omitted]

[Lorenci] Are there any individuals implicated by Brejc who belong to the leadership of your party?

[Drnovsek] Not that I am aware of. Those were things that actually had no real connection with this affair.

[Lorenci] But they were connected to the Hit affair?

[Drnovsek] Neither to the Hit affair nor to the VIS affair. However, it is difficult to talk about this. The session of Bucar's commission [State Chamber Commission for Supervision of Work of the Security and Intelligence Services] was closed and I have no wish to continue the practice of casually discussing any, no matter how, classified matter in public. However, after everything that I have heard, I can easily state that the Liberal Democratic Party [LDS] is in no way threatened by what Mr. Brejc said; neither threatened nor involved.

[Lorenci] Could you say the same for the government?

[Drnovsek] Yes, also for the government.

[Lorenci] What would you do if it nevertheless transpired that somebody from the leadership of your party or the cabinet were involved in this affair?

[Drnovsek] I would replace him without hesitation and take other necessary measures, depending on the extent of the involvement.

[Lorenci] Even if your closest assistants were involved?

[Drnovsek] Even then. I would not shield anyone. I care very much about learning the truth, what the truth is, what the business is all about. There has been too much suspicion and general mistrust. For example, when I replaced Brejc, I had a bad feeling somehow because I was not firmly convinced whether or not it was right. I expected the government commission to clarify this. [passage omitted]

[Lorenci] An impression was nevertheless created among the public that the government was behaving defensively or at least passively, that it had not strived from the very outset to shed light on the entire business (Hit and VIS), but has reacted more or less defensively, to the actions of others....

[Drnovsek] The government acted like that because we first wanted to establish what it was all about, to pursue the matter far enough to appear in public confidently and assuredly. The worst option is what has been happening continuously until now—constant manipulation with partial truths, assertions, and generalized assumptions, on the basis of which public judgments and suchlike have been made. You will probably agree that in any serious country certain procedures must be complied with, especially when such delicate matters are involved, instead of releasing partial results and partial conclusions to the public while the process is still going on. At the moment almost everything is being sorted out through the papers—and this is manipulation. We will also have to ascertain within the government how a highly classified commission's report about the VIS leaked to the public. The government has already examined this report and also informed the public prosecutor. However, the case is not proven until the court comes to a decision and until the opposite side presents its arguments. Therefore, as a government we have found ourselves in a position in which certain things came to public light too soon, and were not fully proven.

[Lorenci] The government is, among other things, criticized for omitting from its statement the part of Jeglic's letter referring to the arms trade?

[Drnovsek] I have already said that in our statement we quoted only some of the elements of the letter and the report by the government commission, and not the entire letter and the entire report. We did this for various reasons, not because it might be less incriminating for someone, but...

[Lorenci] Shall we say, for reasons of state?

[Drnovsek] Let us say so.

[Lorenci] Your reservations about the parliamentary investigative commission raised a lot of dust and objections. I believe that you were partially wrongly interpreted on this matter, perhaps even deliberately. One can agree that such commissions cannot assume the role of juridical bodies and that they can turn sour. On the other hand they might play a useful role. From your point of view, it did not seem wise to tell the public that

what the commission was supposed to do would nevertheless be done by the public prosecutor, the police, and the courts, since we know that the prosecutors, the police, and the courts have all been very passive so far and that everybody is actually waiting—or at least so it seems—for a strong impetus from the outside, a clearly conveyed political will that such things should also be prosecuted in these instances.

[Drnovsek] You have voiced some of my reservations yourselves. There is a serious danger that such a parliamentary commission is misused for political games, and that some politicians who would take part in all this would have no serious intentions whatsoever of getting to the bottom of the affair. Their intention is, or at least so it seems, primarily to make a lot of noise and raise a lot of dust at a certain moment. However, it is quite another thing to bring a matter to an end patiently and systematically and reveal all the facts. In such a case these facts might prove not be as these politicians want them to be now. Therefore, I have more trust in juridical bodies, and for this reason I would not like to discredit them in this situation, and belittle the significance that they should have in a law-governed state. Finally, in Italy such matters were not initiated and resolved by any parliamentary commission but by juridical bodies. And all this in spite of the politicians.

In Slovenia, too, the juridical bodies will bring these matters to their conclusion sooner than the parliamentary commission. This is my opinion. When I was asked further about this in Parliament, I said that I was naturally not opposed to the parliamentary commission, but that its powers must not be at the expense of the legal system. Of course, any statement can always be misinterpreted.

[Lorenci] What does the behavior of Bavcar and Brejc mean to you, that is to say, the concealment of the documents? How would you judge such behavior?

[Drnovsek] The government has raised the biggest question about this. Why did not the one who removed the archives at that time tell anyone in the state about it? There is still no answer to this! Had he wanted, he could have found a suitable manner and a suitable addressee—the state president, the chairman of Parliament, the chairman of the Supreme Court... If the suspicion were really so serious, it would be necessary to inform somebody about it, probably immediately. Even if one accepts the premise that many people could not have been trusted, it is impossible to accept that nobody in this country could have been trusted and that the two of them could rise above all the institutions of state and the officials. This premise cannot hold. [passage omitted]

[Lorenci] How would you comment on the view that Brejc and Bavcar, who seem to have acted in tandem, hid the documents to make political deals with them?

[Drnovsek] I would not dare to state that anybody hid these documents to use them in political deals, blackmail, or private commercial deals. I have no proof of

this. However, the very fact that these documents have been removed for two months, gives rise to numerous serious questions, some of which will have to be answered. I would not like to engage in this competition of making accusations without proof. [passage omitted]

[Lorenci] What exactly can you, as prime minister, do to accelerate the clarification of these affairs so that this special engagement of yours—I am referring to your promotional interests—would also be visible on the outside, in public?

[Drnovsek] We are facing a dilemma as to how deeply the government can become involved in the functioning of the juridical system. The government's scope is naturally limited. It is limited to the VIS and the police, while all the other institutions are independent of the government. If I ask the people around me whether they are involved in the affair or not, all of them—those who are innocent and those who are not—will naturally reply that they are not involved. My personal scope is, therefore, limited and the legislative and police bodies can probably achieve much more. I have actually asked all my colleagues whether they were in any way involved in these affairs, and they have assured me that they were not. What can I do but believe them? Therefore, we are trying to prompt all the relevant institutions to become fully engaged. They should rest assured that the political will for the clarification of these matters exists. I will personally propose certain measures concerning government services, all this to make the situation clearer and more definite and to eliminate any suspicion that the government or anybody within it was involved in these affairs.

[Lorenci] What moves will you propose?

[Drnovsek] The VIS affair is much more acute for the government than the Hit affair. Hit is being investigated by the Social Accounting Service anyway. The police have passed the charges to the public prosecutor's office, and it is now up to the juridical system to deal with it. As a matter of fact, this is a classically entrepreneurial case....

[Lorenci] Unless politics is involved?

[Drnovsek] Exactly, and if this were the case, it would transpire from these procedures and the parliamentary commission would also be able say something about it. But there is nothing else for the government to do about Hit. However, in the Hit case we also came across the VIS, which interests us more because it is a government service. The very fact that the former chief of the service and his deputy told me two completely different stories implies that there is something rotten going on. I had the impression even before that the service operated in a far too blase manner. In the past this was UDBA [State Security Service] and we all know how and for what purposes it was used. During the transitional period, in the period of gaining our independence, everything was obviously subordinated to this goal while not enough attention was paid to the transformation and prevention of abuse of this service.

[Drnovsek] My impression is that this was somehow the norm, that anyone could take a dossier or two, photocopy it, and arm himself with information that might come in handy some time later. As the government, we must now clarify these matters and clearly introduce the principle and conviction that this service serves the state. The mechanisms that will prevent abuse must be incorporated into the service. We are working on it rather intensely. One direction of our activities is aimed at clarifying the irregularities that have already occurred. The other direction is preventive, that is to say, it is aimed at filling blank areas that lack regulation with relevant mechanisms. I have already initiated proposals for a new law on the VIS and new internal regulations for this service. Consequences for the personnel will also have to follow.

[Lorenci] You seem to believe that the regime, the government, and the coalition will not collapse despite the dramatic dimensions of this affair, which resembles a political thriller.

[Drnovsek] That is so. The coalition is quite firm at the moment. Perhaps all the upheavals of the last three months of its existence have actually strengthened it.

Macedonia

* Gligorov Explains Difficulties in Joining UN

93BA0914A Skopje VECER in Macedonian 31 Mar 93
p 5

[Address by Kiro Gligorov, president of the Republic of Macedonia, to the public: "A Position of Calm"]

[Text] *Faced with the policy pursued by the Republic of Macedonia, there has been a relaxation even among the greatest opponents of its acceptance as member of the United Nations.*

The adoption of the proposed resolution indicates equal membership in the world assembly of nations without abandoning our constitutional name of Republic of Macedonia.

The adjective "former Yugoslav" will be used by the United Nations for internal purposes only and for no more than two months. It is a historical fact that that country was a member of the former Socialist Federative Republic of Yugoslavia but not that it will be applied to anyone in the future.

The resolution of controversial issues with the Republic of Greece will take place without arbitration but through direct talks between the two countries through the mediation of Cyrus Vance and Robert Owen.

Last night, speaking on television and via the other mass media, Kiro Gligorov, president of the Republic of Macedonia, addressed the public on the eve of the resolution to be adopted by the Security Council concerning our acceptance as member of the United Nations Organization. President Gligorov explained to the Macedonian audience the position of the country and the essence of the proposed resolution, making it clear that this document adopted by the members of the Security Council would mean that the Republic of Macedonia will become a member of the assembly of nations without, however, rejecting our constitutional name.

President Gligorov's Speech

"Today the announcement by the government of the Republic of Macedonia on Macedonia's membership in the United Nations was made public. I feel committed this evening to express my thoughts and views on the course of the talks and on everything which is related to this 15-month period that I would qualify as a difficult and lengthy struggle and talks aimed at enabling the Republic of Macedonia to join the international community of the United Nations.

"No one expected such a development of events, for as early as 15 January of last year Macedonia had already met all required conditions and the general view was, as was also noted by the arbitration commission headed by Mr. Badinter, that Macedonia had met all the conditions for membership in the United Nations and for international recognition. However, it was only if we were to

forget the history of the Macedonian people that we could expect to be granted United Nations membership at that point. Our history, however, indicated otherwise. It indicated that the existence of the Republic of Macedonia was an issue over which all of our neighbors and, more broadly, the Balkan area had fought in the past and are currently waging fighting hard against our survival and statehood. The stubborn opposition to granting UN membership to Macedonia in the past 15 months was not the objective of just one of our neighbors, although that same neighbor erected the biggest obstacle to our UN membership."

A Historical Moment

"The international recognition of the Republic of Macedonia marks the turning a page in Balkan history. With this act the Bucharest peace which divided Macedonia will be revised. The Versailles injustice, again affecting Macedonia, also has no longer any reason to exist. It could have been anticipated that under these circumstances the acceptance of the Republic of Macedonia as a member of the United Nations would not be easy. The difficult struggle, first within the framework of the European Community and then the United Nations, proved this once again. Our immediate objective, I would say the historical moment for our nation and our state of becoming a member of the United Nations will thus definitively be confirmed by reality. This is a reality of which everyone is aware and which must be confirmed internationally: the Republic of Macedonia must become part of the United Nations and a member of the international community. Accordingly, it seems to me that today all of us have the duty to think deeply about what we are doing and what we are thinking in order not to hinder the membership of the Republic of Macedonia in the United Nations. I believe that this historical action will confirm all the accomplishments and all the actions and sacrifices that in the past, and especially in the course of the war for liberation, took place taking us to the point of having our own state.

"However, in practical terms, for the past 15 months we remained an unrecognized state or were partially accepted with a specific international quarantine and prevented from assuming our position in the United Nations, in the KEBS [European Security and Cooperation Conference], in European and other institutions, and in the Council of Europe. Let us not even mention the international economic and financial institutions. With a view to all this, at this point we are in the final stretch, on the very eve of the Security Council resolution to recommend Macedonia's acceptance by the UN General Assembly. We can assess this as an event which will make possible once and for all Macedonia to become what it has been for the past two years during that senseless war: a factor of peace and stability in the Balkans; to stop being the powder keg and the apple of discord. On the contrary, in the future, as a member of the international community, Macedonia must assume the initiative in promoting the broadest possible cooperation among all countries in the Balkans and, above all,

in the aspiration to make the Balkans an indivisible part of Europe and Macedonia a member of the European Community.

"Accordingly, the issue of accepting us as members of the United Nations and of agreeing to certain realities that exist today in the world, in Europe and in the Balkans, without sacrificing any vital part of our national interests, was the issue we faced. I believe that we have resolved this issue. Everything that has been achieved in the talks conducted so far allows us to preserve our national dignity and to become a member of the United Nations without sacrificing any vital part of our national interests."

Without Sacrifices

"Let us proceed chronologically. All efforts to block and, until the last few days, to postpone the acceptance of Macedonia as member of the United Nations, failed. It was initially said that the resolution should make no mention of the fact that Macedonia had met all the prerequisites for becoming a member of the United Nations. In itself, this is an absurdity. Then, an effort was made to have the Security Council recommend that Macedonia be accepted by the General Assembly after all controversial issues with Greece have been settled. Then, that certain conditions had to be settled through arbitration, i.e., that a decision be made concerning the name and some other issues raised by Greece. All such matters and requests were rejected, one after another. The resolution notes, at the start, that Macedonia has met all the conditions stipulated in the United Nations Charter. Second, arbitration was not accepted. Therefore, no one can resolve any kind of problem and agreement related to any eventual arguments between us and Greece outside our presence and without our agreement. Third, we were not asked nor accepted to change the name of our state, to amend the Constitution, to change the passports, or anything else in communicating with the world, with all countries throughout the world and within the United Nations under a name different from the one entered in the Constitution—the name of the Republic of Macedonia. These were our basic stipulations and we believe that, with some concessions, which are inevitable in such cases, we were able to achieve the following: First, the stipulation that Macedonia be given a provisional or transitional name such as the Former Yugoslav Republic of Macedonia was deleted from the resolution. This agreement is not provisional. It will be used only within the framework of the United Nations and, therefore, not by the countries throughout the world, and only for the requirements and within the limits of the United Nations will our delegation be addressed as the delegation of the Former Yugoslav Republic of Macedonia. However, the Security Council itself, as well as our government, have clearly let it be known in their statement that this is merely temporary, to last for not longer than for two months, until some issues of relations with Greece have been resolved. This address will be used but this is not a name and will have no consequences other than to note the

historical fact that Macedonia was formerly a member of the Socialist Federative Republic of Yugoslavia. In its statement, which is a United Nations document and an addendum to the resolution, our government clearly stipulates that never and under no circumstances whatsoever will Macedonia agree to be called the Former Yugoslav Republic of Macedonia."

Open Prospects

"As to the possible resolution of unresolved issues that will be raised by Greece and issues that we shall raise in turn, the arbitrating authority has not been determined. The purpose of the mediation by Vance and Owen is merely to help and, on the basis of goodwill, to assist the two parties in reaching an agreement on unresolved issues and to find joint solutions. In this sense, I think that we should welcome what Mr. Mitsotakis said yesterday: that it is in the interest of Greece for our state to exist, that Greece has no wish or intentions whatsoever to appropriate or to divide Macedonia, and that it does not wish to have along its border any neighbor other than our state.

"This, added to the statement that discussions between the two sides are inevitable, provides an opportunity for sensible compromise and for discussions, above all between the two countries, and for seeking solutions that will ensure lasting good neighborly relations. All the problems that have been accumulated in that area, naturally, will not be resolved with our UN membership or in the course of our discussions with the Republic of Greece. However, to follow the path we chose from the start of this argument, with a dialogue and reciprocal understanding, based on common interests in seeking a solution to this situation, and creating a new atmosphere in the Balkans in which the Republic of Greece and the Republic of Macedonia will collaborate on the basis of common interests, is the only way leading to the resolution of such issues.

"The fear that has been voiced by our public is if the United Nations refers to us as the Former Yugoslav Republic of Macedonia this may imply some kind of demand by today's Yugoslavia or by any other Yugoslavia that Macedonia belongs to it. I believe this is something that should be clarified, although, it is clear in itself. If we remain outside the United Nations, with or without this term we could be a permanent target for acquisition. The position of undefined territory and unrecognized state in the Balkans, bearing in mind what has already happened in history in connection with Macedonia, the struggle which has been waged because of it, and the parties interested in its nonexistence, are all inconsistent with the status of the United Nations membership. Therefore, the threat that someone would take us over if we are a member of the United Nations and if we assume our place in the international community becomes incomparably smaller, not to say nonexistent, for we shall be making our own decisions and, furthermore, the resolution of the problem in the Balkans will come faster.

"Perhaps soon or at some time the war will come to an end. At that point it will become possible to resolve all issues and restructure problems that currently exist in the Balkans. Under such circumstances, as a member of the United Nations and of the CSCE, i.e., protected by the collective security mechanisms, Macedonia will become unquestionably safer and, naturally, equal in all such relations. For the first time in history, nothing would be able to be resolved on any European forum or in the world community without our participation.

"Therefore, there should be no fear of acquisition or of any demand that tomorrow we become part of former Yugoslavia, only because for the next two months the United Nations will use a silly formula that is the product of the realities in which we live and that makes it possible for us to assume our proper seat in the United Nations. Neither in the past nor henceforth do I believe that anyone would refer to us by a name different from the one stipulated in our Constitution."

United Instead of Divided

"I believe that everything that has happened indicates one thing: So far, pursuing a policy of peace, good neighborly relations, nonparticipation in the war, and cooperation within our own Republic, have brought us to this historical moment in which our people has asserted its statehood on the international scene. This is a historical task stemming from the past and the duty of our generation, a duty which it must fulfill in an uneven struggle. Everything else should be set aside. The least divisive today is whether Macedonia should or should not become a member of the international community. I believe that on this matter we must be united. We must equally be united in our belief that not one of us will agree or has ever agreed to abandon our name.

"We must reach the level of becoming an equal member of the international community. Only thus, by itself, will it become clear how absurd the attempt that became part of the history of the United Nations really was and it will make no member of the United Nations proud, as we are being told now, to allow two neighboring countries to interpret this pretext in their own way, and to undertake peaceful constructive talks for cooperation. This action offers us another opportunity as well.

"Under the conditions in which we find ourselves now we were able somehow to survive. Our people suffered a great deal from the sanctions and from the embargo imposed by Greece. We know how the people in our country live. However, we also know that with our emergence in the international scene, and with the sympathy which our state and our people enjoy because of everything we have done not to broaden the war in this area, we shall also create better living conditions. After his recent visit, Mr. Rufi, head of the delegation of the Council of Europe, said that Macedonia will become an honored guest of the Council of Europe before the beginning of June and, soon afterward, a member of that

council. I may describe this as entering into the European structure through the front door. After our recognition, I believe that one of the first steps should be to ask for associate membership in the European Community. Let me recall that in the past, the commission headed by Lord Carrington noted that with the democratic changes that have taken place, the peace-loving policy and internal order, and readiness to settle international issues through agreements, Slovenia and Macedonia deserve to be the first associate members of the European Community. I believe that, subsequent to gaining membership in the United Nations, this must become our first task. This will open for us the European market and provide us with new economic opportunities. We shall be able to dedicate ourselves even more profoundly to our internal problems, particularly on the economic level, for prospects will appear for new development and for obtaining funds from abroad, enabling us to prove what we can do and what we know.

"As members of the United Nations we definitively take our destiny into our own hands. I would be happy if I could share with you in your homes this calm which I feel tonight, on the eve of this historical action of becoming a member of the United Nations in the immediate future," President Kiro Gligorov concluded.

* Impact of UNPROFOR Troops Examined

93BA0881A Skopje PULS in Serbo-Croatian 25 Mar 93 p 16

[Article by Dzabir Derala: "UNPROFOR by Night"]

[Text] *Are the professional soldiers' close contacts with youth, and especially with young girls, part of a project for bringing the UNPROFOR [UN Protection Force] troops closer to the local populace?*

When, in the absence of history, everyday life is the true one, the most important craftsmen of events are professional makeup artists. Peace, as part of the history that "is being constantly created," has been placed in the broad embrace of the UN, which, for its part, sent us professional soldiers, or, as some people perceive them, career soldiers with gentle faces. UNPROFOR has taken root in Macedonia, as, let us hope, no other foreign army or domestic paramilitary one will that might possibly step onto Macedonian territory—not to mention the fact that the people have already grown fond of them and adjusting to them so much that they no longer perceive them as a foreign army, and in view of the way things are going and the mood, not even as an army.

The 700 UNPROFOR soldiers with blond hair and with tattooed shoulders and forearms, who show them cheerfully to shy Skopje girls, have in a way changed life in Macedonia. Regardless of their presence and function in distant and nearby missions and actions, UNPROFOR in Macedonia is in many respects something with specific features, especially if one takes into account the fact that this is the first mission to be undertaken preventively, before a war zone is created. As a potential war

zone, Macedonia, during the two months of UNPROFOR's presence that have passed, has shown itself to be an "extremely hospitable country, with good, friendly people," according to a statement by Mr. Alan Roberts, UNPROFOR's press representative, from the department of civilian affairs. "In the beginning, after our arrival," Mr. Roberts said, "some people were afraid that our arrival would be accompanied by the appearance of war. We are making an effort to make people feel safe, and to be of assistance, since this mission is the first of that kind: a mission in peacetime. All the people, both Macedonians and Albanians and all the others, I must say, are open to cooperation. We are striving to build something here, all of us together, without interference in this country's politics...."

UNPROFOR's presence is more than noticeable, everywhere and at all times. When we say this, it primarily means a maximum presence in places of leisure, especially where teenagers spend all their time. These are usually the cheaper places (although fairly expensive by secondary school standards), where they stay until late in the evening and drink quite a lot of alcohol. With the arrival of the foreign soldiers with deep pockets and a merry disposition, which they always "carry" with them, the working hours of all the cafes have become unlimited. Or, more precisely, until the moment when the last UNPROFOR soldier leaves to go to bed, abandoning the place of the endless hospitality of the owners and their teams of waitresses, barmaids, and other male and female friends from the night and endless recreation in an "oasis of peace."

The trust that our state has in this army is enormous. Their uniformed presence where one can rarely see anyone but young and lightly dressed civilians (including female civilians) has been left only to their military police. The control of their own soldiers, from what can easily be observed, is especially intensified during the late hours of the night. In a brief conversation with a member of UNPROFOR's military police, who was on duty at one of the Skopje teenage spots, we gathered that "there are no problems, everything is regular, our soldiers are very well behaved." He probably did not know that one or two minutes before they came in, the UNPROFOR soldiers who were guests at that moment were informed in time that their police were coming. The music was lowered, the caps were straightened out, and the regrouping was aimed at calming down the atmosphere. The policeman did not answer a question about whether their soldiers could also not wear uniforms, but he said that the possibility that they would not recognize their own soldiers if they appeared out of uniform was almost ruled out. Not much more than an hour passed before some soldiers, who left almost immediately after the police patrol did, returned having changed into civilian clothes, and continued their recreation until 5:30 AM, after which they left, followed by cordial smiles and generous female friends from the extended Skopje nights.

Perhaps it seems unlikely, but we have learned that even in Skopje (in addition to several places in Kumanovo, which has reached the point that there are "heroes" on its streets who even settle accounts with UNPROFOR with their fists), there are places where the presence of anyone's uniform is rejected. We discovered one such place in one of the most popular teenage inns in the Skopje quarter of Kapistec, the Apolon cafe, where the arrival of uniformed soldiers during evening and nighttime hours is rejected as improper.

Ten meters further on, an equally popular place for nighttime outings was packed even at 3 AM on a workday. The cafe resembled a military canteen. Next to the bar and at almost every table there were uniformed UNPROFOR troops, and their presence was interspersed with a large number of teenaged girls, who held the hands of their new friends with affectionate glances.

The soldiers are simply behaving like soldiers. Their needs and desires are fewer and more understandable than those of the people around them. In accordance with their mentality, they all behave toward these soldiers with a certain amount of familiarity and closeness, characteristic of this area. The soldiers, depending on their inclinations, have already fit into various Skopje teenage circles, and this is probably part of "UNPROFOR's becoming closer to the local population," as some public statements put it. Perhaps it is, and perhaps it is not intentional, but it seems that the army's association with secondary school youth is outside the professional daily duties that were outlined in the very beginning, starting with the suitable city meetings and "minifairs" of military equipment and technology organized even in Kumanovo, during the time of the Canadian vanguard, and ending with the 24-hour parties of the entire Scandinavian contingent in every place visited in the republic.

The nontraditional forms of prostitution in Macedonia, including the prostitution of minors, which is characterized by the covert and mediated (in addition to the direct and obvious) selling of bodies, has gained new dimensions with UNPROFOR's presence—expanded dimensions, of course. If previously the price for one night that a girl would spend "nontraditionally" with her "nontraditional" client was one joint of marijuana, or a job in a popular discotheque or a cafe-bar, it has now been placed within the framework of UNPROFOR's patterns. If nothing else, and there is that as well, the offers of 100 marks for any girl whatsoever from the UNPROFOR soldiers (who are not particularly discreet) are sufficient. That was also testified to by several barmaids who were asked, "in a purely friendly manner," as they say, how much it would be best to offer for a girl. Nevertheless, the prices are not as high for those who are known in "certain circles" from before for such a method of earning money, mostly for adventurous reasons. No more than 20 marks is needed for them, although we heard that people work even for the ridiculous amount of 10 marks or even less, but also for more respectable offers of 50 marks.

It cannot be associated with this, but it is interesting to know that a few days ago an "UNPROFOR party" was organized at the L. cafe, where the local population (some self-critical spirits even say "patriots") could only be represented in its feminine "edition." "Only girls were allowed to come to the party," we were told by a waiter at another Skopje cafe, answering, without any ill intentions, a question about how he felt about UNPROFOR's presence in Macedonia.

* Reasons for Stalled Legislation Process Given

93BA0811C Skopje NOVA MAKEDONIJA in
Macedonian 4 Mar 93 p 4

[Article by K. Cangova: "The Key Laws Under Lock!"]

[Text] Relationship: Government-Parliament, Establishment of the State

When radical changes are made in government, it is necessary to bear in mind the political climate in the Republic. In order for the state to live with the new laws, a general consensus of the citizens is necessary. The system has to be changed by legal means and not by populist agitation from the street. At this moment only partial, not complete, legal solutions are being dealt with.

A year and a half after the proclamation of the constitution, the state of Macedonia is not yet established in the true sense of the word. The laws of primary significance concerning normal functioning of the new state order in Macedonia do not exist. All possible time limits written into the highest state legislative act have passed, and no one is interested in it. This is a matter of exceptionally important projects which are a characteristic of a parliamentary government such as that toward which Macedonia is striving: the laws for privatization, the tax system, local self-government, the series of laws which will define the economy, and many others which follow them. It seems that a proposal for a transition period from one system to another has been made without the legal machinery to standardize the relations in the economic and agricultural system and in government management having been devised. And instead of hurrying the actions for preparing the most important laws, using the time to propose them as a whole one by one, not only to confirm the constitution, but also to change life in many spheres of existence, we are witness to partial products. A patchwork of legal decisions which in essence does not mean and does not change anything specific in the relations which have to be reestablished in the country.

Where Is the Brake?

Why is this so, and where is the brake—in the government or in the Parliament, from the former where the laws originate, or the latter where they have to be "certified" before they begin to be applied? And justification can be found on both sides. The government simply marks time and waits for a more convenient

moment for offering some of the laws which will introduce radical changes, while it evaluates the political climate and mood in the Republic. And for its part, the Parliament finds a political dimension in the few legal regulations which it is offering. And in place of carrying out the legislative function for which it is intended, more and more frequently it exhausts itself in useless, nonproductive, nonconstructive, and recently one would say, primitive arguments concerning specific conditions in the Republic, which is very far from its true task.

According to Tuse Gosev, Minister of Justice, at this moment the Republic is in the nominal phase of establishing constitutional order. This is to be understood as meaning that we have promised the people only that we will create a parliamentary democracy for them and that we will create a system such as that for which our constitution provides. According to my evaluation, Gosev says, we have achieved only a tenth of that which now lies before us in order to finalize the legal status of the state. Almost all the draft laws which provide the basis on which we have to build the system are prepared, but there is a question if we will be able to apply them in this political atmosphere which we have today. The opinion in the government is that, in order for the country to live with the new laws, a general consensus of the citizens is necessary, but factors which have to be overcome are the social shocks, the economic power, and the political dissonance between the political forces in the Republic. The change has to take place in a legal way, and not through populist agitation from the street.

Why Is There Plotting?

Bearing in mind all these obstacles in the government, more and more often it is the case that we consider what effects we will achieve if we decide to send a certain law to the Assembly or not, and if not, will we come to a situation where the changes which we offer through this act threaten the basic existence of the citizens. It is precisely for this reason, the Minister of Justice emphasizes, that we are not making decisions about basic changes. And not that we did not begin with them. Here is the law for selling buildings which are public property, now there is the law for selling business space. In practice, entering the new system has to proceed "painlessly," almost unnoticeably, so that the citizens will not sense a qualitative change all at once.

With respect to the law for local self-government, the draft phase has passed through the cabinet, the twelfth version of it is ready, and already next week it will be discussed at a meeting of the government, Tuse Gosev says. I expect a stormy debate because there will be many contradictory opinions, but I hope that there will be understanding and that the law will go on to the Assembly very quickly. The main disagreements concerning this draft law concern the interference with the opshinas, and the way to solve this is through a directed law so that we will leave to the opshina assemblies that which they can successfully accomplish, but that will not be by force of law. As yet, no difference is made between

local self-government and the government, decision-making of the citizens and government management. It is necessary to understand that local self-government is not carried out on the basis of law, but is established as a custom of the people.

However, I do not agree that the changes and additions to the laws where fixed amounts in criminal fines are determined in average wages are insignificant. We had arrived at a situation where we have laws without adequate sanctions, which was a common complaint. We made these changes so that the laws in the country would function. Likewise, we have at least 250 draft laws which regulate the contract economic system and they have to be eliminated, but at the moment it is not possible. We are waiting for the last phase of the law for transformation of capital which has to put an end to socially owned property. With this in place, we will carry out deregulation of the system.

The government does not work, as an executive body it does not change anything—that is the evaluation of Tomislav Stojanovski, President of the Legislative and Legal Committee in the Assembly of the Republic. By using the procedure of changes and additions to laws which came before the Parliament during these past two months, the government has allowed itself, in addition to fines in wages, to wrap itself in protective measures. This is a dangerous thing. These protective measures, which also provide for incarceration, something absent in the previous legal decisions, burn with an absolutism which is destructive to human worth. And all of them were passed in the Assembly, although ZPK [expansion unknown, possibly a lawyer's association] took a position that there did not have to be protective measures in these amendments. This is a consequence of the unnatural coalition which seeks only to remain in power, but does not know how to work in the government. There are no important systemic laws, they do not come from the government. And, those which do come and seek greater attention are sent [to delegates] two days before a session, says Tomislav Stojanovski. This is the case with the customs law. It has to be examined in the current fourth extension of the 56th Session. It contains 312 articles, and as an expert in this matter, I am not prepared to raise my hands so easily for such an important law which regulates paid commerce with foreign countries, a law which involves protection and control by the state. According to the President of ZPK, any law even when it is already prepared has to be given time to "season," in order that it not be a concoction of everything and nothing.

The upshot of this matter, which cannot be completely exhausted here, is a heap of unfinished work on both sides. It seems as if in these matters that there is an unraveling of the executive and the parliamentary powers and penetration of the one into the other. We live in chaos and disorder which has to be countered with appropriate legal regulations. The responsibility of the government and of the Assembly for this situation is enormous, which is felt most of all by the citizens who

are being passed by rapidly. This is no time for plotting. It is necessary finally to come out with the laws which reflect life. Here it is possible for pressure to be exerted by the people's elected officials in the government with urgent requests for the most necessary laws, precisely because they are the people who are responsible for and represent the people, and know their needs and problems.

[Box, p 4]

The Government Knows the Path of Change

The government has reasons; it knows the path of change; it is not standing in place, although it seems to look and feel so, says Tuse Gosev. A state is not made in five or six months. The government has been working effectively only for five months, and a systematic body of laws have not been passed in any other parliamentary state in this amount of time. A systematic body of laws take 20 years of work. A comprehensive law understands the complexity of relations which have to be regulated in coordination with all draft laws in order not to have collisions and legal confusions between the legal norms.

[Box, p 4]

Today an Emergency Session of the Parliament

Today, at the request of the government of the Republic of Macedonia, the President of the Assembly, Stojan Andov, has called an emergency session of the parliament.

At this session, which is to begin at 10 o'clock, the following proposals will be on the agenda: passing draft laws to supplement the Law on Business Enterprises and the Law on Power Generation.

After the completion of the 57th, the Assembly will continue the discussions concerning the points raised by the 56th session. As is known, the communique of the Information Service of the Assembly of the Republic of Macedonia states that the deputies will find before them, among other things, several legal proposals, among which are the customs law and the amnesty law, the changes in the laws on levels of taxes of the citizens and for the movement and visits of foreigners.

[Box, p 4]

A Patchwork Instead of Systematic Laws

Changes in the permanent tax laws are being examined again by the parliament.

To the extent to which everything is going according to the established agenda at the current fourth extension of the 56th session, the deputies in parliament will have to decide on three proposals for supplementing the permanent laws which regulate the area of taxes. And we remember that the deputies will have to have the proposals of the Ministry of Finances explained by the Macedonian Government for the twentieth increase in

the levels of the taxes of the citizens, as well as for the administrative and communal taxes, which likewise are supposed to be increased by 2,000 percent. Although those who propose these additions to the laws, with the proposed increases in the taxes, apparently only have to match the taxes to the current inflation, it is probably necessary to reconsider some decisions already passed.

Namely, on 29 January of last year, when the government loudly promised that the long proclaimed and awaited reform of the tax system would begin in the Assembly of Macedonia before these same deputies. Instead, new fiscal laws, proposals for changes and additions to the law on levels of the taxes of the citizens again are found on the agenda. At that time the elected representatives of the people discussed this proposal for almost an entire day, and they emphasized that it is not possible to offer inconsistent solutions and any "jerryriggings" of laws, in particular in the sensitive area of taxes, and they "energetically" proposed the new tax system which soon will be passed. Of course, according to all indications, the proposal was accepted!

* Institution of Presidency, Government Structure

93BA0811B Skopje NOVA MAKEDONIJA in
Macedonian 4 Mar 93 p 2

[Article by A. Damovski: "Abuse or Party Politicking"]

[Text] *How the institution of the President of the Republic functions*

Certain opposition parties are not retreating from asserting that when one speaks of President Kiro Gligorov the transgressions are numerous. The SDSM [Social Democratic Alliance of Macedonia] says about this that it is part of the politicking by the national-chauvinistic party block. Savo Klimovski: "It is not a matter of any transgressions of authority, but of not carrying out part of the governmental functions."

When we talk about the organization of authority in the Republic, the constitution of Macedonia provides for a parliamentary mode of authority. Of course, the creators of the constitution themselves at the outset are limited by the purity of the model of the organization of authority and refer to the standards in the transfusion and "borrowing" of elements from one model into the other. In one such transfusion being carried out during the current transition period in which the Republic finds itself, the actual bearer of the institution of President of the Republic is constantly subjected to criticism which primarily comes from the deputies of the opposition parties. The President's election by the deputies and not by the citizens (as the constitution provides because of this transition period) makes even more complicated the already hybrid situation. It also increases the possibilities for a sometimes excessive and quite unnecessary exposure of the person holding presidential authority in the hall of the Assembly. This again most often is a result

of a preliminary, and, probably most often, party politicking by certain deputies when the activities of this institution are being discussed.

In such a situation, combined with the extremely complicated circumstances that have been artificially concerning the question of international recognition of Macedonia, the institution of the President of the Republic is constantly under scrutiny. This party politicking is augmented by the nonfunctioning of other institutions of the system; a fact that only "enriches" the impression concerning the functioning of this institution and the "abuse of constitutional authority." The proponents of the latter view primarily come from the ranks of the parliamentary opposition. For their part, the President of the Republic is accused of "autocracy," of "totalitarianism," of "a new dictatorship...."

Outside of the Constitution

One of the specific examples of overstepping authority took place when the President of the Republic did not adhere to the agreement concerning the division of power after the first multiparty elections when a candidate from VMRO-DPMNE [Internal Macedonian Revolutionary Organization—Democratic Party for Macedonian National Unity] was to be chosen as the Prime Minister, says Dragan Arsov of the VMRO-DPMNE. This represented a suspension of the election results, which showed that the President is not prepared to share governmental authority with a political party with somewhat different political views. Likewise, we have been witnesses to one more such striking example of the President of the Republic exceeding his authority following a vote of lack of confidence in the expert government when he gave the mandate to form a government to the candidate of the SDSM [Social Democratic Alliance of Macedonia] for a second time. On several occasions, both during a session of the Assembly and in his visits throughout the Republic, he openly supported the policy of only one party and opposed the positions of our party. In my opinion, that is contrary to the President's constitutional position.

The impression of overstepping authority in assuming the constitutional responsibilities of the President is also a result of focusing on the ever more frequent dissatisfaction of the workers with the personality of the President of the Republic, even while they expect him to be decisive. In addition to this, there is the fact that, although this institution very often is not the proper one to do so, national defense is directed precisely by him because of a certain amount of inertia [elsewhere]. This generally accepted political modus vivendi is the result of the specific political situation in the Republic with its incomplete constitutional and legal system and the nonfunctioning of the greater part of the institutions of the system. In addition, taking account of the authority established in public, and according to the numerous polls of public opinion, the great degree of confidence in the President of the Republic is based on the fact that he is the sole bearer of authority. This, again, coincides with

the criticism directed toward him which, according to Laze Kitanovski, a member of SDSM is most often made by the national chauvinist block and has an exclusively political background.

Political Marketing

We are still in a period when the body politic does not know precisely what the tasks of the legislative and executive bodies are. In such a situation, we are witnesses to numerous criticism made against the President of the Republic. This criticism reflects, in part, party politicking. The President's authority is questioned in general formulations without presenting specific cases or the precise interpretation of the constitutional regulations to determine when and where authority was exceeded. It is necessary to know that the legislative body, as the highest organ of the citizens, confirms the general policy framework for the nation, and the tasks of the executive organs are to carry out those public policies in the political environment. That is why there is this executive political function in parliamentary democracies. Kitanovski says that when a decision is made taking account of the available information and influencing factors, it is up to the executive body to determine in what way the policy confirmed by the legislative body will be carried out.

The intertwining of the parliamentary and presidential systems, and the constitutional regulations concerning the responsibility of the President, especially in the situation in which the Republic finds itself, truly leaves room for the possibility of concealing an individual's personal authority under the guise of democracy. From this situation, potential autocracy could begin. This is particularly the case when the degree of functioning of the other institutions of the system is known, especially that of the judicial body. According to the Dean of the Law Department in Skopje, Savo Klimovski, the constitution gives the President of the Republic many great powers, and at the same time, it ensures his independent position in the overall system. According to the constitution, the President of the Republic may delay the proclamation of laws passed in the Assembly during wartime if the Assembly cannot meet regularly; the President of the Republic can name a government and choose and name officials whose choice and naming is the responsibility of the Assembly; he has the right to make decisions concerning the proclamation of emergency conditions if the Assembly cannot meet regularly; the President also has the right to name two judges of the Constitutional Court of the Republic and two members of the Republic Judicial Council, and to name three members of the Council for Interethnic Relations and Security....

Such a situation of having a solitary Chief of the State in the political system opens the danger of avoiding responsibility and making room for the reestablishment of personal authority. However, when we speak of the actual bearer of the presidential function in our country, I think that, in fact, there can be no question of exceeding authority. We can talk about nonimplementation of their functions by specific members of the government or by the entire government, and that nonimplementation in those areas where the President of the Republic has a certain amount of authority, Klimovski says.

This phenomenon of an exclusively black-and-white view of the conditions in the Republic, its shading depending the two dominant parties in the political sky of Macedonia, is known in social psychology. It is common in moments of crisis to seek the person guilty for the circumstances which have arisen, or to find a leader in order to get out of this situation. The transitional period in which we find ourselves leaves room for both phenomena, of course when we are talking about the tendency to see things as black or white. The actual situation, obviously, is somewhat different.

* Gypsy Party Holds News Conference

93BA0886E Skopje VECER in Macedonian 26 Mar 93
p 6

[Article by B.G.: "News Conference Given by the DP-PRM: 'Gypsies Are Being Experimented With'"]

[Text] The Democratic-Progressive Party of Romanies in Macedonia [DP-PRM] has asked the World Union of Romanies to consider the socioeconomic situation of that ethnic group in the Republic, for it believes that it is being experimented with. This was stated at yesterday's party news conference at which the main topic under discussion was that of the reintegration of the Gypsies in accordance with the governmental agreement reached with North Rhine Westphalia. It was said that other than some 100 people whose problem had been resolved, the rest had been left to fend for themselves, without work or other means of existence.

The DP-PRM asked the government to take into consideration the situation of the Gypsies in the conversion of publicly owned enterprises for, most frequently, they are the first to be treated as technological surplus labor. The speakers also expressed discontent caused by the treatment of the Gypsy editors on Macedonian television. It was stated that the DP-PRM demands optional rather than regular instruction in the Romany language and cautioned against the danger of repeating the Debarska Zupa events at the 26 Juli School.

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