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# ***Daily Report***

## ***Supplement***

# **East Europe**

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# East Europe SUPPLEMENT

JPRS-EER-93-045-S

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25 May 1993

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**\* Consequences of Slovak-Czech Separation Noted**  
*93CH0601B Bratislava MOSTY in Czech 20 Apr 93 p 8*

[Article by Pavel Hunacek: "Between Canada and Yugoslavia"]

[Text] There are differing opinions about the breakup of Czechoslovakia, as is normal in a democracy. Following the failure of the Havel-Tigrid-Kocab initiative, the government coalition opposed the referendum, maintaining that it would cause chaos and, in an extreme case, even lead to a conflict like the one in Yugoslavia. It is true that the division of Czechoslovakia was completed without such a conflict. On the other hand, the opposition had the right to point out that citizens in a Western democracy express their opinions on constitutional organization by referendum. One needs only to remember Canada. At the same time our state was breaking up, a referendum was held in Canada, which did not cause chaos and in which the government acknowledged the defeat of its proposal for a constitution for Quebec—where the status of the French minority is, to some extent, as sensitive as increasing the visibility of Slovakia. On the whole, the political mentality of post-November Czechoslovakia got stuck somewhere between Canada and Yugoslavia. It was neither able to set up a referendum on the lines of more developed Western democracy, nor did it slide into the more primitive alternative of the Balkan bloodbath.

Sample public opinion polls constantly showed that roughly only one-third of the citizens of Slovakia supported the separation. But the one-third minority succeeded in defeating the more passive majority through uncompromising actions. And, because of that Slovak one-third, the percentage of separatists rose with dizzying speed to one-half in the Czech lands. Perhaps one should be more specific and state that, in Bohemia, especially in Prague, it ultimately exceeded one-half, while in Moravia it was weaker, similar to that between eastern Slovakia and Bratislava.

**Cultural and Economic Ties**

It is advisable to make a distinction between economic and cultural spheres in relations between the Czechs and the Slovaks. Some people in Slovakia will criticize the opinion that economic investments have flowed primarily from the Czech lands to Slovakia since the creation of the CSR [Czechoslovak Republic] in 1918. Nevertheless, Masaryk's republic invested in the tertiary sphere, education and culture, in Slovakia, while, under the communist regime, investments went into the more problematic secondary sphere of industrialization. Whenever the counterargument surfaces—that the golden reserve, accumulated under Tiso's regime, went into the joint treasury of the Czechoslovak state after the war—one point is forgotten: that the Slovak state, without being reincorporated into the CSR, would have been threatened with the fate of the defeated German alliance and would have had to make the appropriate

war reparations. Economic separation, according to the principle "Each to his own," is correct in the sense that it will end the conflicts about who is paying for whom, and that it will make room for the reforms to proceed at different speeds. However, the modern economic trend is the exact opposite. After all, since 1 January 1993, the Czechs and the Slovaks have been setting up customs offices between one another, while the West European democracies proceeded with the Maastricht union and, on the same day, removed the customs barriers.

But cultural ties are more delicate than economic ones because historical tradition has become more deeply rooted in the mentality of the Czechs and the Slovaks. At least for those people who are not downright materialists, separation from the Czech national anthem is more traumatic than the separation of currencies. Considering the similarity in the languages of the Czechs and the Slovaks and their Slav kinship, it would be desirable for a reinforcement of the spiritual bond to neutralize the economic and political separation. As far as method in concerned, one merely needs to refer to the third group of the Helsinki Accords. This means that the Czechs and the Slovaks should uninterruptedly promote the exchange of people, ideas, and information, despite the borders.

**Resisting Separation**

Undoubtedly, T.G. Masaryk remains the integrating personality of both our nations. Therefore, institutions such as the Masaryk Society, the Masaryk Workers Academy, and so forth have a moral mission to spread enlightenment, using spiritual bridges, about the philosophical and political legacy of the first president of the CSR. At the same time, it is necessary to deal with the reservations some Slovaks have in relation to the "Czechoslovakism" of Masaryk because the way he understood it was not only from the emotional aspect but also from that of contemporary rationalism in order to obtain diplomatic recognition for the CSR from the allies. Similarly, it is necessary to popularize the integrating personality of M.R. Stefanik, especially in the Czech lands. That is a prerequisite for the Czechs to be able to contribute to the victory of Stefanik's authority, which is struggling with Tiso's halo among Slovak citizens. A significant amount of publicity could be gained if, regardless of the borders, there were an increase in pilgrimages by Czechs to Bradlo, visits by Slovaks to Lany, and similar cultural exchanges. Although political separation is repeating itself, the powers of Czechoslovak understanding are trying, by means of a spiritual atmosphere, to prevent a renewal of the hostile border that existed between the protectorate and the Slovak State. Admittedly, it is true that the Czech mentality was under German influence and the Slovak one under Hungarian influence, but only diverse cultures are able to enrich one another. Apart from that, both German and Hungarian geopolitical factors will probably exert psychological pressure to ensure that the Czech and the Slovak nations draw closer to each other.

**\* Need for Moravian Nationality Disputed***93CH0601A Bratislava MOSTY in Czech 20 Apr 93 p 5*

[Commentary by L. Vrchovsky: "Does Moravia Needs Its Own Nationality?"]

[Text] Personal liberty includes the right to live in any way one pleases, including such extremes as living under a bridge. The world in which position was handed down from father to son, where families lived in ancestral homes for centuries, a world of very diverse securities was abandoned by mankind, so to speak, with utmost haste. This sudden change, connected with the stormy development of industrial society, caused a crisis in man's identity along with the crisis in world ideology. This is the source for the call for national affiliation and for the creation of national states as cultural and political units. Too much emphasis on delineating cultural and political borders, however, also leads to the creation of economic borders, which are undesirable from the aspect of man's needs in relation to a purposeful life. An international sharing of information, an international market and division of labor are the only answer to the present worldwide recession in outlets. The creation of any kind of border sows the seeds of conflict. The call for national autonomy in any area other than culture is an intrinsic feature of those groups within the population that have difficulties in adapting to conditions in the world today. The call for national autonomy always appears immediately after demonstrations of strong adherence to a nation, to which the citizens are usually incited by individuals with a strong sense of nation, or by individuals pursuing other ends. But what is a nation?

Until recently, language was considered to be the determining factor for a nation. However, there are approximately 8,000 languages in the world, but not nearly as

many nations, and there are only about 200 states in the world. Arnost Gellner, a professor of social anthropology at Cambridge, defines a nation as follows:

1) Two people belong to the same nation if, and only if, they share the same culture, whereby culture means a collection of thoughts and symbols, ideas and manners of behavior, and comprehension.

2) Two people belong to the same nation if, and only if, they recognize one another as belonging to the same nation. In other words, people make nations, and nations are the products of human convictions, loyalty, and solidarity. Therefore, it is the mutual recognition as associates within a nation and not other common traits, whatever they may be, that separate specific societies from others.

In Moravia, we are witness to frequent definitions of some kind of distinction between the citizens living in the historical territories of Moravia and Silesia and those living in the Bohemian part of the state. One can concede this distinction in the cultural sphere, specifically in the ethnographic one, in the sphere of customary idioms and traditions—that is all. Under no circumstances can it be a matter of a national difference, unless the majority of citizens in the Czech lands were to declare it to be so on the basis of specific definitions (such as Professor Gellner's).

The present spread of nationalism is a part of its internal development. We can expect that, economically and culturally, free citizens will themselves induce a decrease in nationalistic ardor and thus diminish the danger of conflicts, both local and global, being generated. However, nationalism as such will never die out. It can develop into a more modern form, through which it may enrich mankind. But that is another story.

**\* Nuclear Materials: Export-Import Licensing**

93CH0592A Budapest *MAGYAR KOZLONY* in  
Hungarian No 41, 7 Apr 93 p 2377

["Government Decree No. 54 of 7 April 1993 Amending  
Council of Ministers Decree No. 2 of 19 January 1986  
Concerning the Licensing of the Exportation and Import-  
ation of Nuclear Materials"]

[Excerpt]

**Paragraph 1**

Paragraph 1 Sections (1) and (2) of Council of Ministers  
Decree No 2 of 19 January 1986, as amended by Gov-  
ernment Decree No. 62 of 4 April 1992 (hereinafter:  
"Decree"), shall be amended by inserting in lieu thereof  
the following:

"Paragraph 1

"Section (1) The provisions of this Decree shall be  
applied when importing products and technologies  
appearing on the Nuclear Product Control List (herein-  
after: 'nuclear imports') as well as when exporting prod-  
ucts and technologies appearing on the Nuclear Product  
Control List and on the Dual Purpose Nuclear Products  
Control List (hereinafter: 'nuclear exports').

"Section (2) The Nuclear Product Control List is con-  
tained in Appendix 1, the Dual Purpose Nuclear Prod-  
ucts Control List is contained in Appendix 2 to this  
Decree."

**Paragraph 2**

Paragraph 2 of the Decree shall be amended by inserting  
in lieu thereof the following:

"Paragraph 2

"Section (1) Nuclear exports may be effected only if the  
state organ having jurisdiction in an importing country  
which does not possess nuclear weapons commits itself  
in writing

"(a) not to utilize the imported goods or duplicates  
thereof for the production of nuclear weapons or other  
nuclear explosive devices, or in uncontrolled activities  
related to the nuclear fuel cycle; and

"(b) not to reexport or transfer the imported goods or  
duplicates thereof to a third party without the written  
concurrence of the Hungarian party.

"Section (2) In cases involving the exportation of prod-  
ucts appearing on the Nuclear Product Control list to  
countries not possessing nuclear weapons, the commit-  
ment mentioned in Section (1) shall extend to prohib-  
iting the use of imported goods as well as the nuclear  
material created by the utilization of the imported goods  
for the production of nuclear weapons and other nuclear  
explosive devices, and that such goods

"(a) will be made the subjects of the safeguards specified  
in the basic charter of the International Atomic Energy  
Agency during the entire life of the goods; and that

"(b) such goods will receive physical protection against  
unauthorized access or use, so that the level of protection  
will not be smaller than the level of protection recom-  
mended by the International Atomic Energy Agency."

**Paragraph 3**

Paragraph 3 Section (1) of the Decree shall be amended  
by inserting in lieu thereof the following:

*In the course of evaluation, it shall be observed whether  
the recipient country's*

"(a) nuclear activities for peaceful purposes are subject  
to control by the International Atomic Energy Agency, if  
that country does not possess nuclear weapons;"

**Paragraph 4**

The Appendix to the Decree shall be amended by  
inserting in lieu thereof the *Appendix* to this Decree.

**Paragraph 5**

(1) Paragraph 1 Section (5) of Government Decree No.  
61 of 1 October 1990 concerning the licensing of the sale  
of certain products and technologies under international  
control, shall be amended by inserting in lieu thereof the  
following:

"Section (5) Regarding products and technologies  
included in Appendix 1 of the Decree, and in Part II of  
the Appendix to Council of Ministers Decree No. 2 of 19  
January 1986 concerning the licensing of nuclear exports  
and imports (Dual Purpose Nuclear Products Control  
List), the verification required in Section (1) shall not be  
required regarding sales defined in Section (3), provided  
that the country of origin does not require such certifi-  
cation. Regarding the position of a country of origin, the  
position of the Export Control Office defined in Para-  
graph 3 shall apply."

(2) This Decree shall take effect on 1 May 1993.

[Signed] Dr. Jozsef Antall, prime minister

[passage omitted]

**\* State Secretary Katona on TV Controversy**

93CH0598A Budapest 168 *ORA* in Hungarian  
13 Apr 93 pp 4-5

[Interview with Tamas Katona, state secretary in the  
Office of the Prime Minister, by Tamas Frei; place and  
date not given: "What Is the Future Course of TV?  
Tamas Katona's Letter; A Classified Government Reso-  
lution Has Been Discovered"]

[Text] *A great upheaval was caused last week by a  
confidential government resolution on financing Duna  
TV, the existence of which was questioned for a few days*

*by the state secretary of the Prime Minister's Office, who is responsible for press affairs. In that connection, Tamas Katona revealed his stand on the freedom and ethics of the press, and his opinion on the changes of personnel that have been implemented in Hungarian Radio and Television. His interview was given to Tamas Frei.*

[Frei] Mr. Katona, you contradicted yourself this week. Earlier in the week you still denied the existence of a confidential government decision on the ways in which Duna Television should be subsidized. However, on Wednesday you acknowledged the existence of such a resolution. What was the reason for that?

[Katona] I received that resolution in the previous afternoon.

[Frei] Do you mean to say that, as secretary of state of the prime minister's office, responsible for press affairs, you did not know about the administration's decision regarding the press, which may very well have been its most significant decision in months?

[Katona] That is not what I mean to say. What I said was that the first time I have seen that resolution was after I have made that statement, i.e., after I have discussed this matter with Gabor Kuncze.

#### **An Administrative Mistake**

[Frei] In other words, does this mean that the press receives a Xerox copy or the original of a government resolution before you do?

[Katona] One receives quite enough written material every day. This resolution was specifically prepared for the ministers.

[Frei] But, then, I repeat, as political state secretary responsible for press affairs, do you draw any conclusions as to why the administration failed to notify you about a decision on a matter of the press?

[Katona] This was not a decision on the press but rather one on financing; it was a search for options. It is clear that 28 February was the resolution's deadline. We are now in April, if I am correct, but the transfer of assets has not yet taken place. It could not take place because that would have only been possible on the basis of the asset management policies. But the 1993 policies have not yet been approved by the National Assembly. And the fact that the decision is now in the hands of the National Assembly also means that all such subsidies, even in view of this administrative mistake, require a public notification and a resolution by the National Assembly.

[Frei] I have counted the number of interviews you have given in the past two months on media issues, and the figure is in excess of 40.

[Katona] Then I must have been asked [to give one] at least 80 times.

[Frei] And, in speaking specifically about [Hungarian] Radio, you repeatedly stated during these interviews that the freedom of the press has been achieved in Radio through setting up the ethical and supervisory committees. Now I would like to ask you, what is the relationship between these two things, i.e., the freedom of the press, and setting up the ethical and supervisory committees?

[Katona] I did not say that this is what freedom of the press meant; rather, I said that public radio and television are, in general, hierarchical organizations everywhere in the world. A hierarchical organization is extremely dangerous in a dictatorship. On the other hand, it functions normally in a democracy because the control mechanisms are built in. I said that this is where an obligation to reconcile interests exists. That is one of the control mechanisms. An existing supervisory committee, whose members are—thank God!—apolitical artists and scientists, is a sure guarantee for independence and objectivity.

[Frei] Would it come to you as a surprise if I told you that no ethical or supervisory committee has been set up yet, nor will be set up, for months to come, in [Hungarian] Radio? For you have just said that their existence is a guarantee for a western type freedom of the press.

[Katona] Well...the situation has been unregulated until now, i.e., these issues have not been equitably and normally regulated in accordance with the rules of democracy. This was a mistake. We lived under the illusion that a media law could be legislated in seconds. For, as far as the basic principles were concerned, there were no disagreements between the coalition parties and the opposition parties.

#### **Is the State Secretary a Censor?**

[Frei] Mr. Katona, how deeply are you involved in the affairs of television? Do you have a say, for instance, in what is heard in a program, what a program director says, what words he uses, etc.? In other words, is that part of your job?

[Katona] I am not a censor. Obviously, one does not interfere. But when one hears some hair-raising stupidity, then one tries to respond. And one does indeed hear such things sometimes.

[Frei] How do you respond?

[Katona] I call the program director and say: "My friend, that is not the way it is." Or, "I would like to tell you my version."

[Frei] This surprises me somewhat because the way I heard, it is not the program director whom you call. Here is a letter, for instance, which you wrote at the end of last year to the president of Television. You wrote that "I felt a certain sadness as I was watching the Esti Egyenleg's [Evening Balance] report on the burning of the Windsor castle. My sadness was caused not only by the fact that

invaluable pieces of art were destroyed, but also by the tone of voice in which the program director commented on the events. The kind of witticism [in those comments] that 'This will not force them to set up home under the bridge' seems to be improper before the queen's imminent 1993 visit to Hungary. Because of international considerations, I feel that I should not let this matter pass." Were you serious?

[Katona] Of course...

[Frei] And do you think this is right?

[Katona] Is it only me not to have the right to write down my opinion? I was state secretary for foreign affairs for two years, and I must think of such considerations.

[Frei] We do not have to go far [to see] whether you respond in every case. Did you object, for instance, when only Jozsef Antall's greetings were mentioned in Television's 2000-hour evening news after Nandor Fa returned a few days ago from his sailing trip around the world and both Jozsef Antall and Arpad Goncz sent him a greeting telegram? For I think that such a thing could cause a deterioration of the rapport between sports enthusiasts and Arpad Goncz, for they would not know that he, too, sent his greetings to Nandor Fa.

[Katona] Obviously, I did not watch that news report, and I had absolutely no idea as to who has, or has not, sent a greeting telegram to Nandor Fa. Thank you for the information, one can always learn something.

#### With MUK [Community of Hungarian Journalists] Toward Democracy

[Frei] You always claim that both Radio and TV, for instance, have been democratized through the recent changes in personnel.

[Katona] That is how I feel.

[Frei] Who were the ones to bring democracy [to these institutions]?

[Katona] The government, by developing these regulations. And the managers of these institutions, by making their own personal decisions—not all of which I agree with.

[Frei] Is it [a sign of] the transition to democracy that none of the new managers responsible for political programs are MUOSZ [National Federation of Hungarian Journalists] members? The only reason for my question is that most of the world of journalism are members of the MUOSZ. No one objects that some members of the staff are MUK members, but perhaps one or two MUOSZ members should also have been appointed.

[Katona] Obviously, but we are generally used to the fact that wherever the world of journalism is present, it is usually the MUOSZ, and not the MUK, that is present. It comes to me as a surprise that this is now the other way

around in TV. But the production manager, for instance, is an SZDSZ [Alliance of Free Democrats] candidate for parliament....

[Frei] Mr. Katona, you have repeatedly stated that Miklos Hajdufy was an SZDSZ candidate for parliament....

[Katona] Was he not?

[Frei] He used to be an SZDSZ candidate for parliament several years ago. A testing of his present political stand and statements would more likely reveal that he is closer to the Hungarian Way Circles than to the free democrats.

[Katona] I have never in my life met Miklos Hajdufy. I mentioned these appointments at Radio and Television only as an example of a kind of sensible search for a compromise....

[Frei] But he is not a free democrat, or rather, he was a free democrat three years ago, which was a long time ago. The actions taken by someone three years ago are not necessarily indications of his present stand.

[Katona] I think, however, that he is a person who had made numerous historical films which I reviewed many times. I wish Television would resume its support of Hungarian film making—but not like during that wonderful [Miklos] Szinetar period. This is why I am happy that Miklos Hajdufy and G. Sandor Szonyi have taken up these issues.

[Frei] You stated that the kind of restructuring process that was initiated by Elemer Hankiss is coming to an end. Is my interpretation of what you meant correct?

[Katona] Yes, for Elemer Hankiss and I talked at that time about the need to create an independent, objective, and nonpartisan television. That is what the government also wanted.

[Frei] But what the new managers want is just the opposite, for L. Mihaly Kocsis said that there will be a 180-degree turn in Television.

[Katona] Can you, Sir, see that 180-degree turn?

[Frei] I cannot see it yet. The way L. Mihaly Kocsis put it: if the captain of a huge tanker gave an order to change course and head to Australia instead of Africa, it would take six months for the ship to turn around. I cannot detect [the turn] in the program schedule ending in midsummer, for that was still prepared by Elemer Hankiss. L. Mihaly Kocsis' answer to that is that the new management will [eventually] implement its ideas, but it is difficult to turn a monstrous thing like television around instantaneously. Do you agree with that?

[Katona] We shall see in what direction they will turn. It is impossible to say in advance that whatever L. Mihaly Kocsis says can only be bad.

[Frei] I am only saying that he is the program manager and that he says the opposite. What he says is not that he

will end the processes initiated by Elemer Hankiss but rather that he will turn them around. On the other hand, Elemer Hankiss wrote recently that Television under Mr. Nahlik wants to return to precisely the structure which he [Hankiss] wanted to abandon because that was his assignment.

[Katona] He did succeed in leading Television into a financial chaos through a senseless system of production and administration. I think I have already said that, according to the rules of democracy, a hierarchical organization works differently in a democracy. Although a hierarchical organization, the BBC poses no threat to British society.

[Frei] Whereas Hungarian Television does?

[Katona] No, that is exactly what I am saying, namely, that these processes are publicly controlled in Hungarian Television, both from within and from without. I will certainly not let it pass if I hear lies or distortions in Television.

[Frei] What will you do?

[Katona] I will write similar letters, and I will continue to pick up the telephone and talk with the news editor or the editor of the [Evening] Balance or any other program. This is my right as a citizen. Anyone who finds those telephone numbers can do it.

[Frei] You have stated recently that what went on until now was anything but a dialogue with the press, and that this [dialogue] is precisely what must be developed. The MDF [Hungarian Democratic Forum] gave Sandor Lezsak the responsibility of overseeing press affairs until the elections. Do you feel that Sandor Lezsak is the right person to develop this dialogue?

[Katona] On the one hand, I feel, of course, that any member of the MDF executive committee would be the right person for the dialogue, because every member of the MDF executive committee is obligated by the resolution, passed at the sixth national MDF convention, to change profile and attitude toward society. And the links to society are radio, television, and the press, and not the top of a barrel. Obviously, the MDF will have a spokesman for the press, who will maintain relations. There is no spokesman at the moment, that is why Lajos Fur is the one to make statements and Sandor Lezsak is the one to maintain relations with the press.

[Frei] But what should we journalists do? When, as a 168 ORA correspondent, I requested an interview from Sandor Lezsak at the sixth national convention you mentioned, he said, "168 ORA? We have not yet sunk that low." How can a dialogue be developed this way?

[Katona] I think that there are a few of us who make statements to the 168 ORA quite regularly, and we do not intend to give up this good habit of ours. Everyone is entitled to his or her personal opinion and assessment, but no one can be required to give an interview. Especially not in the middle of a public debate. A government

official's situation is different: he or she can be subjected to any kind of ordeal. I envy Sandor Lezsak for being able to make a statement such as that. If, say, I were in his shoes, I would not have said that. Not because it is such a pleasure to make statements, but because a dialogue means that two people, who do not understand each other, or may disagree with each other, talk to each other.

[Box, p 4]

State Secretary of the Office of the Prime Minister

To Dr. Elemer Hankiss, President of Hungarian Television Budapest

Dear Mr. President, Dear Friend:

I felt a certain sadness as I was watching the Esti Egyenleg's 21 November 1992 report on the burning of the Windsor castle. My sadness was caused not only by the fact that invaluable pieces of art were destroyed, but also by the tone of voice in which the program director commented on the events. The kind of witticism [in those comments], e.g., "This will not force them to set up home under the bridge," etc., seems to be improper before the queen's imminent 1993 visit to Hungary.

I know that this is not the most serious, or most important, objection that could be raised against the [Esti] Egyenleg but, because of international considerations, I felt that I should not let this matter pass.

With cordial greetings,

Tamas Katona  
Budapest, 24 November 1992

\* **Elek: MDF's Election Chances Better Without Csurka**

93CH0610A Budapest PESTI HIRLAP in Hungarian  
27 Apr 93 p 1

[Article by Imre Bednarik: "Istvan Csurka Might Leave the MDF"]

[Text] Istvan Csurka, a member of the MDF [Hungarian Democratic Forum] Executive Committee and a deputy of the National Assembly, is denying rumors of his intention to convert The Hungarian Way Circles into a party that would contest the election. Responding to a question put to him by this paper, Csurka explained that, at The Hungarian Way rally in Pecs last weekend, he had merely said he would leave the MDF if he saw unmistakable signs that the largest party within the ruling coalition was forming an election alliance with the liberal parties. He wanted The Hungarian Way to remain a movement, because he valued a strong movement more than a political party.

In the opinion of Istvan Elek, a leading figure of the national liberal [faction within the MDF], Istvan Csurka might as well leave the MDF already now, if his only

worry is that the MDF could form a coalition with the liberal parties. "Before an election, a normal and democratic party cannot declare that cooperation with this or that political force is inconceivable. It is in the MDF's interest to indicate its openness," Elek said. He added that the later the MDF and Csurka went their separate ways, the smaller would be the party's election victory.

On the other hand, Sandor M. Szucs, a member of The Hungarian Way Foundation's board of trustees, emphasized that the MDF without Csurka would be a colorless, odorless and bland political force. In his opinion, a break must not be allowed to occur. The emphasis that Lajos Fur and also Sandor Lezsak have been placing repeatedly on the MDF's need for moderate radicalism supports that conclusion.

**\* Christian Democrats Oppose Privatization Plan**  
*93CH0610B Budapest PESTI HIRLAP in Hungarian*  
*27 Apr 93 pp 1, 3*

[Interview with Laszlo Varga, vice president of the Christian Democratic People's Party, by Karoly Banhidai; place and date not given: "The End of the Coalition?"]

[Text] *At its latest session, the KDNP (Christian Democratic People's Party) Executive Committee adopted a resolution stating the party's demand for the immediate openness and oversight of privatization. According to Laszlo Varga, vice president of the KDNP, the Executive Committee would adapt its decision to the new situation if the party's demands regarding privatization were rejected. He emphasized that the KDNP would not yield on this issue, because the openness of privatization was in the public interest. But it would be too early to speak about serving notice of terminating the coalition. When a spouse is filing for divorce and the couple appears for a reconciliation hearing, anything can happen: The spouses still might continue living together or they could go ahead with the divorce. In the vice president's opinion, they have not yet arrived at the point where a reconciliation hearing is necessary, but that point could easily be reached. The KDNP will not be satisfied with a piece of cheese.*

[Varga] The state is now privatizing the assets—the industries, commercial firms, and hotels—that were confiscated from their owners. The issue of privatization is extremely important from the nation's point of view. After all, Government Decree No. 2050/1951 had nationalized even the carting firm with one horse and wagon. Now the exact opposite of that process is taking place. When these assets are being privatized, therefore, there can be only one primary consideration: What serves the nation's interest? In the West, the sanctity of private ownership is enshrined in a system of institutions that nobody dares to touch. The KDNP believes that in the privatizations to date—in the vegetable-oil industry, for instance, where privatization did not proceed in accordance with the nation's interest—there is suspicion

of possible corruption. That is why our Executive Committee has decided to demand immediate openness and oversight.

[Banhidai] What means are available to you for implementing the resolution?

[Varga] Our deputies are obliged to carry out the Executive Committee's resolution. We will initiate talks with the management of the AVU [State Property Agency] and with the minister concerned. Tamas Szabo, the minister without portfolio who is in charge of privatization, will attend the Wednesday meeting of our Executive Committee. This process of gathering comments and reaching agreement must be completed in a matter of days. If anyone concerned objects in any way to the steps being taken by the KDNP, the National Assembly will have to adopt a resolution on overseeing the procedures. A parliamentary committee has already been formed for that purpose, but it has never taken any action. If it were discharging its function properly, it would have been possible to make public long ago the names of those who have acquired privatized assets, and the considerations on the basis of which the assets were awarded to them.

[Banhidai] Although the managers of the State Property Agency agree with the need for openness, in some instances they cite the need to preserve trade secrets and refuse to disclose information for that reason.

[Varga] The managers of the AVU are mistaken in regarding privatization as a "business" and in handling any information about it as a trade secret. We may speak of trade secrets only when somebody has already started a business. The privatization of assets confiscated under the communist regime is not a business. The bidding for the assets is open to the public. If somebody has more money, he may openly say that he is willing to offer more for an asset. And who has less money will drop out of the bidding. What we ought to be considering now is whether the new owners are acquiring the privatized assets with due consideration for the public interest. Although I do not have any data available, I know that many workers joined the ranks of the unemployed as a result of privatizing Tungsram. Its new owner is cutting back the production of Hungarian goods and is using only the good reputation of the firm's brand name.

[Banhidai] The unsuitable banking system is also hampering the development of an entrepreneurial stratum in Hungary, by preventing citizens from becoming entrepreneurs.

[Varga] That raises a very important question, one that is not receiving sufficient publicity. Indeed, domestic entrepreneurs are not starting with equal opportunity. At the same time, I would like to see also trade union participation in overseeing privatization.

**\* Palotas on Economy, Republican Party's Plans**  
93CH0586A Budapest NEPSZABADSAG in Hungarian  
10 Apr 93 p 13

[Interview with Janos Palotas, independent representative in the National Assembly and president of the Koztarsasag Party, by Lajos Pogonyi; place and date not given: "One Cannot Win With a 400-Pound Person; According to Palotas, an Ingenious Program Is Not Enough"]

[Text] *It is a cliché that economic restructuring goes hand in hand with the increase in unemployment; however, this was invented by unsuccessful politicians, claimed Republican Party Chairman Janos Palotas. He said that parties need more than just ingenious programs, including a good cadre policy. Palotas thinks that one cannot win an election with a person weighing four hundred pounds, because the voters will say that he will be physically unable to withstand the battles.*

[Pogonyi] One can hear often about your party but one can hardly hear about your ventures. Is there something wrong with them that you are trying to keep them secret?

[Palotas] I do not have any secrets but do not want to mix the two activities. I believe that my ventures are successful and running well, but not just because they are my companies. Of course, my social and political commitments do have an effect on my business activity. For instance, I cannot operate a retail outlet which directly serves the public, for I do not even dare imagine what would happen if something was sold without a cash receipt....

[Pogonyi] Are your firms solvent?

[Palotas] We pay both our tax and social security contributions punctually.

[Pogonyi] Are you afraid to be caught?

[Palotas] The point is that life had created situations in which it would have been better to delay our tax payment a month, late payment fees notwithstanding.

[Pogonyi] You may only criticize if you yourself are irreproachable...

[Palotas] Since I have committed myself to strongly oppose, say, the finance minister in Parliament, I cannot allow myself to be negligent about my payments. I can only say that publicizing my social security debts is an unethical and ancillary action if I myself am clean in the matter. In order to have my ventures "outrun" themselves, I had to abandon programs with promising plans.

[Pogonyi] There were several such instances recently, see the firms of Gabor Dicso at...

[Palotas] Yes, but in those instances the issue was not that these firms were developed too rapidly but rather that the social and economic controls did not work as expected. Hungary's economy began lagging behind its

opportunities and possibilities and, thus, difficulties arose in the availability of credit.

[Pogonyi] Is it not unnatural that one can hear almost nothing but downsizing, without replacements with something new?

[Palotas] It is almost a cliché that economic restructuring goes hand in hand with the increase in unemployment. At the University of Economics, where I teach as an associate professor, I always say that such a statement cannot be found in the literature. The above cliché was invented by unsuccessful politicians.

[Pogonyi] As a self-justification...

[Palotas] It is an ear-catching phrase that is not backed by professional substance.

[Pogonyi] Then why does Hungary have to face this phenomenon?

[Palotas] Because, in Hungary, the economy is not being restructured but, rather, what is unprofitable is simply discontinued without any idea of what to replace it with. This is economic restriction, not restructuring. If released capacities in machines, materials, and human labor are not utilized, then, obviously, unemployment will result. But if one can see the direction in which to break out, then a shortage of labor might result.

[Pogonyi] We are still far from that.

[Palotas] We even lack the mere concepts of how to manage the situation. The only reason the present chaos has not exploded is that, during the past years, private entrepreneurs—the new players in the economy—spontaneously created enough jobs that more than compensated for lost jobs.

[Pogonyi] The state sector was the loser....

[Palotas] Yes, and that sector did not have any options and, thus, tremendous unemployment followed, while the private sector has been creating jobs from the very beginning.

[Pogonyi] With the Republican Party's support, Agrarian Union chief Tamas Nagy won in the latest special election in Kunszentmiklos. Does your party have a Tamas Nagy in every one of Hungary's 176 electoral districts?

[Palotas] Many of us were happy about this success, and many of our friends saw that supporting us was worthwhile. There was almost a six-party consensus in that parties outside Parliament have hardly any chance to get a representative into Parliament. Well, we have now succeeded in challenging that notion. Viktor Orban even predicted that we would fall on our face in Kunszentmiklos.... A politician should never make a hasty statement! Some said that special elections are unique events

and that we only won because our candidate was an attractive person in his forties and well known in the world of farming.

[Pogonyi] But you must agree with the latter, I am sure.

[Palotas] Yes, but I also said to them that they are right but not in the way they think they are. For one should not expect any political success if one cannot present in a given electoral district a credible and attractive person with professional expertise. One should not enter politics unless one believes to have 360 credible candidates such as Tamas Nagy nationwide. Wherever we win, our success comes from presenting a candidate who is known in the area and who can also talk about the future.

[Pogonyi] According to well-informed people, about 700 names are listed in your pocketbook. Who are they in terms of occupation and age?

[Palotas] Actually, I do have as many as 700—not merely 360 (the number of parliamentary representatives)—names of persons whom I know and who may potentially be our candidate representative. But I am certain that there may be thousands of others whom I do not know personally. Our candidates will have to reckon with 16-hour work days and will have to endure very hard work; we are mainly considering persons in their forties. Of course, this does not mean that there are no people in their fifties and sixties around me. We must be able to speak to society as a whole.

[Pogonyi] This sounds familiar....

[Palotas] Yes, but we are looking for people for our program, and not the other way around. Our potential candidates include many persons with a liberal arts education. It is difficult today to be successful in the professional sphere without a strong liberal arts background. We must be able to convince our electorate. We must be able to sell our program.

[Pogonyi] It seems that the parties are striving to include in their leadership middle-aged women who can sew and cook....

[Palotas] And drive locomotives.

[Pogonyi] What is the situation in this respect in the Republican Party?

[Palotas] There are many valuable people, but right now we need those who have already been successful. Those who have proven themselves, vicissitudes notwithstanding. Those who, instead of explaining why they went bankrupt, provide proof of being able to solve problems. If they were able to solve their own personal problems, then they can also deal with problems of a larger group. An ingenious program is not enough, a sensible cadre policy, in the good sense, is also needed; it should not be formal, i.e., one that includes in the leadership a woman, an athlete, and a 20-year-old. That will not work. One's vibrations are important. There cannot be wrinkled faces only. One cannot appeal to

people's sense of mission in trying to make them follow a representative into a ditch.

[Pogonyi] What will the focal point of the 1994 election be?

[Palotas] This, what I have just said. No sense of mission! Today one cannot argue anymore like one could four years ago, namely, that everything was caused by the circumstances. People today want to choose not the lesser of evils but a good solution. They want to choose from good things. One cannot win an election with a person weighing four hundred pounds, because people will say that he will be physically unable to withstand the battles.

[Pogonyi] With which parties would you form an alliance?

[Palotas] We do not have any exclusions but two parties are not included in our plans. Our starting point is that ideology is a private matter, and that the state's responsibility is to create the necessary circumstances. After the elections, we will be ready to form alliances with any one of the parties: with the KDNP [Christian-Democratic People's Party], the FIDESZ [Alliance of Young Democrats], the SZDSZ [Alliance of Free Democrats], and even the MSZP [Hungarian Socialist Party], as long as they keep their ideological thoughts at the party level. However, one cannot cooperate with a party in which people are fighting, in which people are expelled, and in which a new party is, or parties are, formed. And it would be unethical to make a party, which had a landslide victory in 1990, part of a coalition just because its 6 percent [of the votes] would be needed in 1994.

**\* IMF Problems Seen Lowering Access to Credit**  
*93CH0591A Budapest NEPSZABADSAG in Hungarian*  
*21 Apr 93 p 1*

[Article by M.M.: "Ivan Szabo's \$700 Million; Will We Get Less Credit?"]

[Text] *It has been a topic for guessing in professional circles, why the figure the finance minister mentioned in connection with the talks with the International Monetary Fund that will resume at the end of the month, was \$700 million. For, on the basis of the three-year agreement, the credit installment that is due amounts to only \$400 million.*

NEPSZABADSAG received information that, as a direct consequence of the IMF agreement's cancellation, the administration is expecting international institutions to provide \$635 million less of the credit available for the Hungarian economy in 1993.

The World Bank's additional credit package of \$175 million as well as an additional credit of \$25 million by the Japanese Exim Bank depend, even if indirectly, on granting the 435 million IMF credit that is due.

Financial experts are afraid that, in case these credits are not granted, it would be difficult to provide resources that are indispensable for financing the country's debt by issuing additional bonds. Moreover, one can also expect that the trust of the international financial world, much of which has already been lost, will further erode prior to the elections and, consequently, the conditions for issuing state bonds will be more difficult.

**\* Forint Devaluations, Foreign Trade Analyzed**

*93CH0599A Budapest HETI VILAGGAZDASAG in Hungarian 3 Apr 93 p 83*

[Article by Katalin Antaloczy: "Artificial Respiration"]

[Text] Together with last week's devaluation of the forint by 2.896 percent, the devaluation of the forint by 4.8 percent so far this year approached last year's total devaluation (5.4 percent). Undoubtedly many people, especially manufacturers, demanded this measure. Justifications included the slackening pace of export growth followed by an absolute decrease in exports, and the drastic deterioration in the profitability of exports, that is to say, a condition commonly called running out of steam. However, the data at our disposal do not necessarily justify this pessimism (or rather, it is not this kind of pessimism they justify), and for this reason one might question whether this method can present a solution for the actual problems.

In 1992, the value of Hungarian exports in dollars rose by 7.3 percent compared to the previous year. This is lower than the export growth of approximately 40 percent in 1991, which can be attributed to unique factors, namely to the change of eastern trade to dollar accounts. However, it shows further growth compared to an already very high basis, and it includes a 1-2 percent quantitative growth, as well. The analysis of monthly data shows that indeed, last year the pace of growth slackened towards the end of the year, and in November and December it was lower than in the same period of the previous year. However, in the last two months of 1991, export growth was huge, and the decrease was in comparison with this elevated basis. If we examine the 1992 exports on the basis of data from the Central Statistical Office, we see that exports were distributed relatively evenly among the quarters, while this does not apply to 1991. Namely, last year 26.3 percent of the yearly export was sold in the fourth quarter, while in the year before, this was 32.4 percent.

The value of imports remained practically the same in dollars, while it increased by approximately 2.6 percent in forints. The trade gap in 1992 was approximately \$360 million, which is only one-third of the 1991 value. The balance of payments exceeded the amount planned by the government by \$800 million. Thus, these figures in themselves do not justify sounding the alarm bells.

About the beginning of this year we know very little. According to data from the Central Statistical Office, in January the amount of exports was 11 percent less than

in the same period of the previous year, and a statement of the ministry of heavy industries, machine industry and metallurgy shows that a trade gap of approximately \$400 million developed in the first two months of the year. But it is too early to draw apocalyptic conclusions from the processes at the beginning of the year. It frequently happened in previous years that a weak beginning was corrected by the results of subsequent months.

However, it does not readily follow either that one can expect a continued steady growth of exports. But the problems are deeper than that they could be solved by devaluing the forint. And, although this sounds perhaps incredible, devaluation hinders real recovery in many respects.

Namely, 1992 data show that there was no notable structural change in Hungarian exports. The share of energy and material products continued to be around 40 percent; the share of the machine industry continued to decrease, and it was just slightly over one-tenth of all exports. The increase of the share of consumer goods in exports was due exclusively to commission work. And in the case of agricultural products, which amount to approximately one-fourth of Hungarian exports, the problems are not merely structural, but rather on the supply side. The decrease of export growth at the end of 1992 was largely due to the structural problems of the agrarian department: troubles in transforming the structure of ownership, the decay of the system of financing and market coordination, and the subsequent lack of supply. This was only compounded by the drought and swine fever.

The devaluation of the forint is not an adequate reaction to the structural problems of the export market. Devaluation will most probably only increase inflation, because the one of the effects of devaluation, cost increases, can most of the time still be passed on today. A devaluation of 2-3 percent primarily heightens the expectation of inflation, because entrepreneurs interpret it as a signal of economic policy. A renewed acceleration of inflation would hinder the decrease of interest rates and the possibility for free capital to be invested in production. And this, in turn, would further postpone the solution of structural problems in production.

Moreover, the surplus profit which exporters can achieve as a consequence of devaluation will soon be dissipated. The increase of exports in the last few years was primarily due to the fact that entrepreneurs put western parts into their products to make them exportable. Due to this fact, according to numerous estimates—we have no new surveys—the industry has become an importer. Thus, devaluation is a factor which increases cost and reduces profit in manufacturing, even in the short term.

The figures at our disposal about the profitability of exports show a dramatic deterioration in 1991, compared to previous years. On the level of the national economy, minimal income was produced by exports (1.99 percent), and in manufacturing, the exports of

every important branch showed a deficit. However, data concerning profitability can easily be manipulated, for instance to avoid paying taxes. Detailed analysis also shows that in 1991 the so-called cover portion of exports (the difference between the return from sales and direct expenditures in proportion to the return from sales) and the profitability of exports became disconnected. The cover portion of exports improved somewhat over last year in the most important exporting branches, but profitability plummeted at the same time. And this shows that manufacturers progressed in managing expenditures directly connected with exports, but the very high overhead expenses amounting to approximately 30 percent could not be accommodated by the return from sales. This is partially due to the fact that the system of budget distribution is virtually unchanged, and unwarrantedly high expenses must be realized through the products (taxes, social insurance), while the overhead of the companies also includes banking fees, default interests, the costs of reorganization, and leasing fees.

It is clear that it is easiest to increase profitability by increasing income. However, the same goal can be achieved a little more circuitously by decreasing costs. This is primarily the task of individual firms, but economic policy should also serve this end. Decreasing taxes and taxlike fees, social insurance, and certain tariffs would improve profitability not only in the short term, but also, by increasing the resources which remain in the companies, would create the foundation for improvements in the interest of structural change. Of course such a change can only be imagined within the budget reform, and thus it is a time-consuming and politically undoubtedly delicate task. But conflicts must be faced for the simple reason that on the long run they cannot be avoided.

#### \* Linking Forint Exchange Rate to Mark Proposed

93CH0597B Budapest FIGYELO in Hungarian  
8 Apr 93 p 9

[Article by Eva Czelnai: "Forint Tied to Mark: Schlesinger Is Recommending, the MNB Is Counting"]

[Text] The Hungarian National Bank [MNB] is looking into the possibility of tying the exchange rate of the forint to the German mark, announced MNB vice president Frigyes Harshegyi last week. The suggestion came in the wake of a visit to our country by Bundesbank president Helmut Schlesinger, who pointed out that like other small countries such as Austria, our country could also benefit from tying our national currency to Germany's stable money.

The change would mean that, instead of the present currency basket, half of which is made up of the US dollar and the ECU [European Currency Unit], and the rest of a weighed ratio of European Community currency rates, the forint's exchange rate would be tied to one or two leading currencies. One possibility is to keep the

ratio of the dollar at 50 percent, and replace the ECU with the mark. Another option would be to scale the dollar back to one-third in favor of the mark, which would give a more accurate reflection of our foreign trade structure. At the bank managerial level the feeling is that it would be even more attractive to tie the forint to the German mark alone.

According to Frigyes Harshegyi the reason why this latter could benefit us is because it would allow the exchange rate of the forint to be more easily calculated. This is an important consideration as an increasingly greater share of our export transactions are conducted in German mark or in currencies tied to it. (Forty percent of our exports go to Germany and Austria.) Also supporting this option, according to Schlesinger, is the fact that the German mark is the core currency of Europe, which sets the direction of the ECU's exchange rate variations. Hungary, in effect, would become tied to the so-called German mark zone, which unites the strongest currencies of the European Monetary System (EMS).

Harshegyi admits that tying the forint to the German mark is a daring economic objective, as in the longer run it would require Hungary's economy to become tied to the countries of the German mark zone. At the same time it would offer no protection against possible devaluation pressures, for in such cases the forint would directly follow the fluctuations of the German mark. Nevertheless this would definitely provide a more expedient foundation than being tied to a weakening conglomerate. Some commercial bankers are of the opinion that adjusting to the mark alone would offer a more secure foundation, for the currency rates in the current basket often move in different directions, making calculations extremely difficult. The dollar can be easily left out of the picture, for the important thing is to have a real indicator.

Istvan Szabolcs, a liquidity expert at the Hungarian Foreign Trade Bank, however, insists that both the composition and the internal ratios of the current basket are favorable, and sees no reason for wanting to abandon it. The presence of the dollar is a positive factor as it helps to cushion against speculative moves, which is an important consideration given the current status of the European currency exchange system.

In Istvan Szabolcs' opinion the replacement of the ECU with the German mark would be a purely technical issue. For during the September currency crisis the MNB had already prepared itself for replacing the fictitious European currency with the mark in the case of another major disturbance in European currency ratios.

In the meantime the MNB's monetary analysts have put the proposal under a microscope. Among the things they will be examining is how the exchange rate of the forint would have evolved over the past five years, for example, had the German mark served as its leading currency. The experts, however, encourage caution: we should think

over carefully whether or not it is really worth breaking with our current exchange rate setting practices.

This in view of the fact that the existing basket has only been in place since the end of 1991, and it is not recommended to switch bases of comparison every year or two. The EMS is indeed a system full of uncertainties, however, a change would only be prudent if the new basis of comparison can be maintained for at least five to 10 years. The exchange rate of the German mark may also change at any time, so the thing we need to consider first and foremost is whether or not becoming tied to the mark is good for us, irrespective of its position at any given time.

**\* Protectionist Approaches, Efforts Described**

*93CH0595A Budapest HETI VILAGGAZDASAG in Hungarian 3 Apr 93 pp 82-85*

[Article by Patricia Molnar: "Market and Industry Protection; A Little Snack From the Home Country"]

[Text] Hungarian industry has gradually come to a point where "it looked around and could not find a place for itself in the homeland," as quoted from the National Anthem the other day by the chairman and president of one of the large pharmaceutical companies, suggesting that Hungarian pharmaceutical manufacturers were being destroyed by the flood of imported products in stores. But import restrictions urged by many would not only be detrimental to consumers due to a reduced choice and shortages, but would also evoke countermeasures on part of our trading partners, creating trade barriers to Hungarian exports.

Some peculiar information came from the former GDR the other day. In order to rescue a paper mill that produces toilet paper, and to keep the domestic toilet paper on the market, East German consumers joined employees of the mill in a demonstration. As of today, neither consumers nor producers have organized a demonstration like this in Hungary, but the Ministry of International Economic Relations [NGKM] is being increasingly besieged by manufacturers seeking limitations on the importation of various products. They often invoke consumer interests, even though since the expansion of liberalized imports in 1991, consumers have not had a chance to become accustomed to not having to run to Vienna for freezers and other things, because an ample choice of products is available at the nearest large settlement.

In Hungary, the Hungarian Cement Industry Association was among the first to request the NGKM to establish trade barriers to state subsidized cement shipped from other countries. This request resulted in the assessment of a 90 percent customs duty surcharge, but domestic producers were not satisfied with this measure: Last November they had requested the establishment of a new trade barrier—an import contingent—and the related decision was announced last week. Based on the NGKM decision, between 31 March and the end

of this year a total of 130,000 tons of certain types of cement may be imported from the Czech Republic, the Slovak Republic, Romania, the Community of Independent States, Estonia, Latvia, Lithuania, and Georgia. The impact of last year's one year import restriction on fertilizers involved a similar group of states; the outcome of this measure also demonstrated the diametrically opposite views held by producers, on the one hand, and consumers on the other. Appeals against the decision were filed by several importers and by Nitrokemia, the former seeking an abolition of the contingent, the latter the expansion of the contingent. A decree promulgated jointly by the finance minister and the minister of the external economy last week rejected both petitions. Appeals filed by the Paper Industry Enterprise and Dunapack Corporation suffered the same fate; these firms wanted to extend the paper import contingent established for the period beginning on 1 November 1992 and ending on 31 October 1993, to include the EC countries.

Some verbal battles are being fought in parliament in support of Hungarian manufacturers; the Christian Democrats try to persuade the man on the street to purchase domestic goods. Their slogan: "Hungarian Product, Hungarian Workplace." Consumers may find themselves in troubled situations, however, if they insist on buying Hungarian products at any price, because the question insofar as products are concerned is this: what constitutes Hungarian products? By what criteria should a product be deemed Hungarian? Should a product be manufactured by a Hungarian owner, using Hungarian base materials, Hungarian labor, Hungarian equipment, and Hungarian technology in order to qualify as a Hungarian product, or would it suffice to manufacture only the finished product in Hungary, by a foreign-owned manufacturing firm working with imported materials?

Since everyone defines the criteria for "Hungarian made" differently, most commercial firms dare to make only an approximation when asked about the ratio of Hungarian goods in their total sales. "The ratio of foreign goods has increased, but we cannot provide exact figures, because in addition to our own imports, our department stores sometimes purchase goods of imported origin from limited liability corporations run by a few people, and we cannot keep track of these in our statistical analyses," according to Tibor Galicz, the procurement director of Skala Trade. Similarly, Mrs. Tibor Tirts, the managing director of Clothing Stores Commercial Corporation which operates the Kleider-Bauer stores, was also able to provide data only with respect to approximate changes in ratios. During the past three years the ratio of imported goods sold has increased from 20 percent to 30 percent, she said. Within Keravill's [Retail Trade Enterprise for bicycles, Radios and Electrical Appliances] sales volume the ratio of domestic products was 65 percent in 1989, but only 50 percent in 1992, in part because of the bankrupt Hungarian factories, and in part due to the entry of goods with known,

international trade marks to the market, according to commercial director Gyula Konecsny.

On the basis of ownership criteria alone, a person preventing foreign goods from entering his household, along the pattern of Kossuth's Protective League, would have to fully forgo purchasing certain products. No Hungarian-manufactured supply exists, for example, in the entertainment electronics—except for television sets—or the small household machine markets. On the other hand, refrigeration equipment manufacturing passed into Swedish hands, and a significant number of firms that manufacture goods for everyday use were purchased by foreigners. Thus, for example, "Tomi" laundry detergent believed to be Hungarian-made is manufactured by the German Henkel firm, "Biopont" is made by the Dutch Unilever firm, "Venus" cooking oil belongs to the Italian Feruzzi, "Omnia" coffee comes from the American Douwe Egberts firm, and the Szerencs Chocolate Manufacturing firm belongs to the Swiss Nestle. Even though "Symphonia" cigarettes are heavily advertised as Hungarian cigarettes, from the standpoint of ownership there is no Hungarian cigarette manufacturer, and, in essence, foreign capital also dominates the soft drink, ice cream, and powdered soup industries, as well as the car manufacturing industry proclaimed to be Hungarian.

The "League To Protect Hungarian Industry," a foundation established in July 1992, does not draw distinctions on the basis of the producer firm's owner's nationality when "judging" the Hungarian origin of a product. The League believes that as a result of experience adopted from their parent companies, foreign firms and joint enterprises employing Hungarian labor enhance the development of the Hungarian market more than traditional, pure Hungarian entrepreneurial ventures. The membership of the Foundation established by 17 illustrious leaders of Hungarian industry in private capacities has increased by the end of the year to 35, and the original contribution of 500,000 forints has increased to 1.5 million forints. Private persons and banks—Citibank, under U.S. majority ownership, in addition to the Hungarian Foreign Trade Bank—joined the initiative, and two additional banks have pledged to contribute substantial sums of money to the Foundation, League Secretary Agnes Molnar informed HVG. According to the supporting members of the Foundation, Hungarian enterprises are occasionally squeezed out of the Hungarian market, despite the fact that their goods are competitive, if they are unable to finance the needed advertising campaigns. "Thus, in response to declining sales, technological development withers even before it sprouts, originally competitive products fall into an irreversible whirlpool, and the international competitiveness of Hungarian enterprises also remains an unattainable illusion," they claim. Therefore, by improving the market positions of industry branches capable of developing, they are calling the attention of consumers and buyers to the fact that by purchasing good quality Hungarian-made goods they protect the workplaces of Hungarian employees.

Centrum Ltd. also took a stand to increase the sales volume of good quality Hungarian products last fall when it provided a discount totaling 500 million forints during a three week sales campaign on Hungarian-made goods. In addition, they are offering discount prices on various Hungarian products, with reinforced advertising week after week. "In the course of this campaign we sold sowing seed, synthetic products manufactured by the Hungarian plant of an Austrian firm, Zanussi-Lehel refrigerators, and Videoton television sets at a discount," according to commercial director Laszlo Santa. They plan to call for competitive offers for limited series women's clothing items, in order to increase the present 60 percent share of domestic products in their total volume of sales. Similar ambitions guided the owner of Sulak and Partner, Carpeting Ltd. (unlike Centrum, a privately owned firm), when it was announced that they would sell in their stores only Hungarian-made products. In addition, they would like to see the Sopron Carpet Factory under Hungarian—their—ownership; to support their privatization bid, they have thus far collected 10 million forint nominal value compensation vouchers, redeemed from their customers at 80 percent of the nominal value.

"The liberalization euphoria of three years ago has been replaced by a campaign to protect the market," NGKM Minister Bela Kadar said about the newest efforts at the Hungarian Foreign Trade Association general meeting last week. Over the past weeks, workers from the Eger-based refrigeration and compressor manufacturing Berva Corporation sought protectionist measures from the minister, in addition to the Suzuki Corporation, which only recently entered the Hungarian market. Attacks from the opposite direction must also be fielded by the directors of the economy: For example, at a press conference last week, Unique Transtrade Ltd. regarded the fact that American car engines must be converted to meet European standards before they are allowed to pass engineering tests, as discriminatory from the standpoint of U.S.-made cars.

EC and GATT agreements also provide legitimate opportunities to protect a country's markets and industry, the minister said. But these opportunities are limited: Prohibitions can be established to prevent importers from selling goods at dumping prices, against state-subsidized foreign shippers, and in order to protect nascent branches of industry, but only by establishing customs duties, and only for a maximum five years. The NGKM has recently consulted with the EC delegation concerning increased customs duties on 18 Hungarian products, claiming that such protection was available to nascent or transforming branches of industry. For the time being, the debate is centering on whether these industries are truly "newborn industries requiring incubators," while others believe that most of the products on this list are threatened not by Western, but by Eastern competition.

In any event, the miserable situation of a firm in itself does not authorize a state to provide any protection

whatsoever. This would be a double-edged sword anyway, because although it would protect domestic manufacturers and workplaces for a while, countermeasures would soon be imposed: Sooner or later the gates would be shut to Hungarian exports, too. An agreement with the opposite results, of mutual benefit to both parties, has been reached last week with the Austrians. Both parties made concessions: Hungary agreed to permit the direct importation of Austrian bakery and pastry products, beer, and nonalcoholic beverages, while our neighbors removed quantitative restrictions on Hungarian goose, duck, and salami exports.

Export-oriented economies can hardly permit themselves to support protectionist measures, which, sooner or later exert a retarding effect on exports, particularly because increased exports protect the interests of domestic manufacturers at least as much, if not more, than restrictions imposed to encourage the consumption of good products domestically. This is particularly true in countries having internal markets like Hungary. On top, citizens need to be protected not only in their capacities as employees, but also as consumers, by providing them a choice of goods of various qualities and standards.

#### Foreign Trade and Retail Sales

	Exports		Imports		Retail Sales Minus Foreign Tourism	Imported Consumer Goods as a Percentage of Total Retail Sales
	Total	Consumer Goods Only	Total	Consumer Goods Only		
1990	615	122	556	82	942	8.7
1991	764	172	855	185	1,161	15.9
1992	843	220*	878	194*	1,340	14.5

\* Preliminary data

Source: NGKM, KSH [Central Statistical Office]

[Box, p 84]

#### They Have Reached the Ceiling

By the end of January, a merchant would have applied in vain at the NGKM for import licenses covering footwear, durable industrial goods, used cars, candies, outerwear, underwear, or used clothing, because by then, the so-called global import quotas for the first half of 1993 announced barely a month before were already exhausted. Within the next two weeks, quotas established for household detergents, alcoholic beverages, bakery products, wine, champagne, beer, tobacco, butter, cheese, dairy cream, margarin, other clothing, and textile piece goods were also exhausted.

The essence of the quota system, which replaced the earlier, mostly individually licensed import system in 1990, is that the NGKM, with the concurrence of other specialized ministries, prescribes the total value of permissible imports regarding nonliberalized consumer goods. In addition, they also reconcile the value of imports tied to quotas with the IMF. On this basis, a total of \$750 million worth of consumer goods may be imported in 1993; in addition to that, the volume of cars to be imported is specified in terms of the number of cars authorized. (During the first half of the year import permits for 40,000 cars will be granted.) In 1992, imported consumer goods subject to quotas amounted to 7-7.5 percent of all imports. This system was adopted by the EC, with the proviso that the EC countries must deliver their share of imports, as provided for in the signed agreement.

This year merchants probably expected to make the largest profits on imported shoes: As compared to the \$26 million quota established for the first six months of the year, permits for the importation of five times as many shoes were requested. This volume of shoes could probably not be sold at the Hungarian market, but the oversized request was not primarily due to an inappropriate market assessment, but to the fact that merchants have figured out the weak points of the quota system and found that they had to inflate the requested volume from the outset in order to obtain import permits for the actually intended volumes. In the end, the applicants received permits for 40 percent of the volume of shoes requested, (in other words, the quota was substantially exceeded), HVG was told by NGKM division chief Mrs. Kaufman, Katalin Szirmai. Granting a lower proportion of the requested permits could have rendered the proposed business transactions impossible, because a fee representing 1 percent of the permit request had to be paid in advance. Like shoes, imported household detergents, tobacco, used cars, and used clothing remain the top hits. At the same time, there is still room within the quotas for new cars, mineral water, soft drinks, jewelry and fine metals; i.e., the values of import permit requests in these categories have not yet reached the preestablished ceilings.

As compared to the previous practice, the advantage of the global quota system, introduced to protect the market and industry, and temporarily accepted by GATT, is that every merchant who submits his request on time can count with certainty on his ability to import. But merchants dealing with seasonal goods criticize the

system because they must request permits well in advance for the products they want to sell. Thus, for example, orders for imported clothing to be sold this spring had to be placed last year, at which time they should already have had import permits in their hands. "The complaint is valid, but it applies primarily to imports from the Far East and from overseas countries; deliveries from Europe can be effected in a much shorter period of time," according to the NGKM division director.

Many complain that the Ministry does not filter out those who have no intention to import anything, and request import permits only to sell the permits at high prices on the black market of quotas. "It is hard to prove whether a merchant has transferred permits based on speculation from the outset, or if his market and business conditions have deteriorated since the receipt of the permit," NGKM officials assert when rejecting the criticism.

#### \* Privatization Deputy Expresses Concerns

93CH0596B Budapest FIGYELO in Hungarian  
8 Apr 93 pp 18-19

[Interview with Bertalan Diczhazi, vice chairman of the State Property Agency board of directors, by Gabor Karsai; place and date not given: "Aversions and Illusions"]

[Text] *Government Chief Counsellor Bertalan Diczhazi, the vice chairman of the AVU [State Property Agency] board of directors is worried.*

[Karsai] Even the title of the interview you gave to FIGYELO a year ago (No. 11, 1992), "Private Property, at Any Price," expressed your privatization philosophy. To what extent has this philosophy prevailed in practice?

[Diczhazi] Unfortunately, politicians, and even professionals, foster illusions in favor of communal property, and these illusions have perceptively gained strength during the past year. The enterprises that belong to the state in part or in whole, but in the long term, i.e. the enterprises under the AVRt [State Property Management Corporation], produce 25-30 percent of the GDP. About 400 enterprises, including real property managers, construction firms, movie theaters, gardening firms, and public baths, were transferred under local government ownership. This would present no problem, if local governments strove to privatize, but in general, they are not even willing to sell the stores on the ground floors of rental buildings in which they have already sold the apartments to the residents.

A certain way of thinking is gaining strength; it is based on the premise that the financial problems of various institutions can be solved as a result of transferring state assets free of charge. This mentality was also evident in a decision made by parliament two years ago, requiring the AVU to transfer state property valued at 300 billion forints to social security. I believe that this decision

should be reconsidered; it was based on a spontaneous proposal by an individual representative, not on a government decision.

Meanwhile the AVU is experiencing increasing pressure to transfer state property free of charge to educational, cultural and health care foundations. According to a most recent, very serious proposal, even the problems of MAV [Hungarian State Railroads] should be alleviated by transferring state property with a good income potential. Some huge illusions exist regarding returns to be produced by state assets, whereas last year, based on the 1991 profits of enterprises, the AVU recorded only 4.5 billion forints in dividend income.

These initiatives are more or less characteristic of every party—e.g., the transfer of assets to social security was agreed to by a 95 percent parliamentary majority—and could derail economic development into a dead-end street. Lacking the motivation of owners, enterprise competitiveness and profit making ability is not going to improve, at the same time, however, we must count on the evolution of new, bureaucratic staffs preoccupied with property management. Accordingly, I continue to maintain the view I expressed a year ago: "Private property, at any price!"

On the other hand, the private sector is expanding despite all the above trends; it produced 40-42 percent of the GDP last year, according to my calculations. My estimate for 1991 was 25 percent, but that did not include the 7 percent share of the GDP produced by cooperatives transferred into the private sector after issuing deeds for property. Accordingly, the actual GDP increment in 1992 over 1991 was about 8 percent. Proprietary firms produced 20 percent of the GDP in 1992, while foreign-owned firms produced 8-9 percent of the GDP after adjustments to reflect their actual share of ownership. Domestic corporations produced 6 percent of the GDP—also after adjustments to reflect actual ownership ratios.

[Karsai] In the interview a year ago you said that it would be necessary to attract \$3 billion in operating funds annually. How much of this was realized?

[Diczhazi] We received the same amount in 1992 as in 1991, i.e. \$1.7 billion, or 1.9 billion, if we consider direct borrowings by foreign firms for investment purposes. This includes the "green field" investments [zold mezos beruhazasok] in addition to privatization. Hungary continues to play the lead role in the region, even though its lead is diminishing. Only \$0.8 billion and \$0.6 billion were invested last year in Poland and the Czech Republic, respectively. Much larger figures were occasionally reported by the press; these, however, included various statements of intent. One should only compare actual figures in order to see the correct picture. Thus far about \$5 billion have been invested in Hungary, \$2 billion in the Czech Republic, and \$1.5 billion in Poland. Insofar as Hungary is concerned, we could, realistically, expect \$1.5 billion in investments in 1993.

[Karsai] Last year it was already visible that foreign interest in investing in Hungary has declined, due, in part to the diminishing number of well-functioning enterprises ready for privatization, but even more so, due to the political uncertainty in our neighborhood. This suggests to me a need to develop a strategy to increase our attractiveness. Instead of developing such a strategy, sentiments opposed to foreign capital have gained strength, and privatization techniques not preferring foreigners prevailed.

[Diczhazi] This is unfortunately true: Many people object to foreign capital and to AVU selling property to foreigners....

[Karsai] And these attacks come primarily from the rows in parliament occupied by ruling party representatives.

[Diczhazi] I cannot deny that either. Even though entire branches of industry, such as the paper industry and the building materials industry, would have experienced critical situations had those \$4.3 billion not been invested in Hungary. These branches of industry were rescued by privatization and as a result of increasing their capital. But I could also mention Tungram, which might not exist at all, had GE not purchased it. I am aware of only one enterprise that was temporarily shut down after privatization: the Szolnok Paper Mill.

At the same time we must stress that the AVU supports purchases by Hungarians in every possible way. AVU's positive attitude was also required to accomplish the transfer of, e.g., the Nagykanizsa Brewery or MASPED [Hungarian General Shipping Enterprise] under Hungarian ownership, and I could go on with a list of such enterprises.

I could also mention the Vegetable Oil Industry Enterprise. Have the critics of this sale made a \$100 million offer to buy? As of more recent date, certain Hungarian business groups seek to obtain state property worth huge amounts of money virtually free of charge; indications are that they are able to enlist the support of certain parties and newspapers by voicing an ideology seeking support for domestic capital and the domestic market. This is taking place at a time when the Vegetable Oil Industry Enterprise has been paying cash to producers, and its exports have increased by 50 percent. At the same time, the domestic edible oil market is experiencing import competition.

It is sad to see certain entrepreneurs, who, on top of everything, have accumulated significant amounts of debt, identifying themselves with the national interest. It should be made clear that the purchase price, and resources for development and investment cannot be substituted by press campaigns and lobbying. It is an unfortunate fact that an increasing part of the working hours is spent by the AVU staff on responding to unfair attacks and on preparing reports to justify its actions.

[Karsai] The evolution of a propertied Hungarian middle class, even if by artificial means, is regarded by

the new privatization policies as a goal in itself that takes precedence over economic considerations. Does this not provide grounds for suspicion?

[Diczhazi] Political considerations come as natural to any government. The economic aspect of achieving this goal is that steps must be taken to bring closer to each other the demand for privatization and the available supply of property to be privatized. A one-sided approach prevails today in this regard: They talk about measures to stimulate domestic demand. The truth is that establishing rational prices for the property offered, and providing support to foreign investors would be at least as important.

I interpret the latter as an encouragement for the AVU to assume some of the enterprises' outstanding debts, if we find technically prepared prospective buyers with markets, willing to pay cash for an enterprise that produces competitive products, and if, from a practical standpoint, the enterprise cannot be privatized due to its indebtedness. But the AVU has no resources for such purposes. This kind of situation prevented the privatization of the Rekar Machine Works of Gyor, for example, and by now, the firm has become the subject of liquidation proceedings. Such proceedings seldom have a happy ending. Incidentally, Alcoa's investment in Szekesfehervar would not have come about either, had it not been for AVU assuming some of the indebtedness of the Szekesfehervar Light Metal Works in the course of its privatization. As a basis of comparison I would mention that the German property agency used all of its revenues plus 250 billion German marks [DM] for privatization purposes.

At present the E-Loan [Existential, Small Business Loan], the MRP [Employee Stockholder Program], Leasing, and installment payment plans serve to stimulate Hungarian solvent demand. From a practical standpoint this means that preferences are being provided to the workers and managers of the enterprise to be privatized, as well as to investors. This is unfair from the standpoint of other social strata, but Hungary has failed to resolve this matter by using coupons.

[Karsai] Is it not the greater problem that these benefits can be obtained at relatively low risk, which then entices people to use clever tactics, and these techniques do not cure the shortage of capital experienced by the privatized enterprises?

[Diczhazi] The fact is that an enterprise worth 1 billion forints can be purchased with 75 million forints in cash today. The current terms for the E-Loan require 150 million forints from the investor's own resources, but since this requirement can be satisfied in the form of compensation vouchers, the actual cost of the cash needed is only half the required amount. It is equally true that the future of firms bought on credit is uncertain, because in these firms, capital is being withdrawn, rather than added, whenever loans are repaid.

Partly because of this, and partly because the revised 1993 Property Policy Guidelines, along with the given privatization policy, increased the already excessive amount of projected privatization revenues from 47 billion forints to 70 billion forints, the AVU is endeavoring to consummate cash sales whenever possible. Short of cash offers, we consider sales financed by E-Loans. We enable leasing and installment payment arrangements only if a previous privatization tender produced no results.

In practice, however, an exclusionary effect prevails. Hungarian buyers do not want to pay cash, even if they have the cash. They take out an E-Loan if they really want to buy an enterprise offered for sale. Someone else could take out an E-Loan and buy the enterprise if they waited until the process permitted the even more favorable leasing arrangement.

The situation that evolved regarding the privatization of the Centrum Department Stores is interesting. Ten offers were received before even issuing a tender invitation, and without having a new privatization strategy. The AVU regards the development of the Exchange, the evolution of the Hungarian stock market as a priority. We would like to develop a method by which the controlling ownership share in any enterprise could be bought on the basis of competitive bidding, and we would primarily prefer offers by Hungarians to purchase for cash, while offering 30-40 percent of the stock in the form of a public, preferred stock to Hungarian small investors. Perhaps in exchange for privatization credit certificates, if there is going to be such a thing. Our investigations indicate that aside from Centrum, only a few enterprises are ready to be introduced at the Exchange, enterprises whose stock could be sold to the public on attractive terms.

[Karsai] If I understand you correctly, you are bringing up the example of Centrum to show that the stimulation of privatization demand has already been so successful, that, paradoxically, the AVU must now fight for the reduction of benefits and to establish the supply.

[Diczhazi] Unfortunately, there is truth to that. The AVU board of directors has authority to establish certain conditions for the sale of enterprises. But it is not easy to make the right decisions because of the many conflicting considerations and requirements.

[Box, p 19]

Bertalan Diczhazi views the privatization of the food industry as follows: The AVU is prepared to sell enterprises to agricultural cooperatives in exchange for compensation vouchers. The problem is that these enterprises do not have operating capital to buy the base materials, at the same time they receive hardly any credit, or no credit at all, because the banks do not trust them. Accordingly, in these cases privatization accompanied by an increase in capital is needed, short of that, not even the producers are able to deal with these firms. At present, mostly foreign investors are capable of

increasing capital, Hungarian investors in general are not. Quite naturally, many agricultural plants are also aware of this; they do not want to buy processing plants for their compensation vouchers, but want to sell these for cash instead, money which they can use for financial reorganization purposes.

A desire on part of producers to own food industry enterprises exists mostly in political rhetoric only. Whenever a private person asserts himself claiming to represent some producer interest group, such assertion must not be confused with written offers made by cooperatives, guaranteeing the transfer of their compensation vouchers, even if such transfer is promised to take place at a later date.

Claims to the effect that the food industry is being "sold out" are not valid, because hardly any unit of the grain, dairy, and meat packing industries has been sold. These represent roughly half of the food economy. Enabling producers and Hungarian investors to play a significant role in food industry privatization is important. Some of AVU's privatization revenues could be used for the financial reorganization of food industry enterprises, if these revenues were not withdrawn from AVU.

\* **Industry, Commerce Minister Latorcai on Tasks**  
*93CH0597A Budapest HETI MAGYARORSZAG in Hungarian 16 Apr 93 pp 4-5*

[Interview with Janos Latorcai, minister of industry and commerce, by Andras Revay; place and date not given: "Walk the Road of Creation...; Janos Latorcai in the Riveted Armchair"]

[Text] [Revay] He was born in Bekes county and is known as an accommodating man. He was put at the helm of the Ministry of Industry and Commerce only a month ago, and already he is faced with the threat of a national strike. He has been an engineer, university lecturer and general manager. But how has Dr. Janos Latorcai become a minister?

[Latorcai] This has not been my life aspiration. I might say that I have gotten caught up in it like "Pilate in the Credo." An enormous challenge had presented itself which I was deemed qualified to undertake, and I had to decide whether or not I wanted to accept it. I had a weekend to think it over. The Prime Minister and the Economic Committee accepted my plans. This was what convinced me that I could handle the job.

[Revay] What did your family think about it?

[Latorcai] They reacted with mixed emotions. They felt a great sense of joy, for this is quite an honor, but they also expressed some concerns. Mainly about the fact that the already limited amount of time we have been able to spend together would be further curtailed in the future. My family has always been tremendously helpful to me. I can tell you that my wife has been virtually the sole bearer of all my life's burdens. She is a mother, she holds

a job, and she is one of my most competent professional assistants. She is an economist, with whom I can discuss my troubles even during the late night hours. I have two sons: one is a 17-year-old high school student in Pannonhalma, and the younger one is 13. They are my greatest critics. We live in an honest and open family atmosphere, where no question is too sensitive to discuss. They, too, are looking at the challenges facing me with great expectations and anxiety. As someone once put it, this ministerial chair is a very riveted one; meeting the challenges that come with it will not be easy.

[Revay] You are indeed facing serious problems as the country's economy is on a don't-kill course. To what do you attribute the economic recession of the past five years?

[Latorcai] First of all, to the antiquated state of the structure of Hungarian industry. To the antiquity not only of our technology but also of our enterprise structure, market conditions, and beliefs. We have had no real proprietorship, vested interest or market activity to speak of. Missing in the past was a sense of inner strength in our leaders which at the crucial moment could have given them that necessary extra burst of energy. We had all gotten used to living with a kind of stable "economic policy." Orders had to be fulfilled, and everyone knew exactly what was expected of him and what he would get in return.

[Revay] There were predictions and promises around 1990, that the first signs of economic recovery would begin to show around 1993. Now we are being told that these signs will not be seen until 1996. What are the chances and possibilities of improving the performance of Hungarian industry?

[Latorcai] The data that we had access to three years ago led us to this conclusion. No one really had a clear idea about the magnitude of the crisis, the difficulties that would befall us. The CEMA was still functioning, and we could not have predicted that this market would completely disappear. Since then we have witnessed the collapse of an entire political system, and the resulting uncertainties continue to paralyze the economy. I still maintain that economic trends are partially predictable and that by 1994-95, we can break out of our present stagnant situation. The conditions necessary for this to happen are not clearly in place yet. Most of our largest markets continue to be uncertain. The West itself has been beset with economic crises. Austria this year has experienced a wave of bankruptcies comparable in magnitude to ours. Everywhere we look we see signs of recession. Still I am convinced that we have reason to be hopeful. Our economic performance may fluctuate even within a single year. Last year, for example, nine months of decline was followed by an upswing during the last quarter.

[Revay] There are those who attribute our problems to an overheated and hasty privatization drive. Others

assert that the process has been too slow. What kind of problems and accomplishments is this change of ownership expected to entail?

[Latorcai] This is a very sensitive area. Depending on which school of economics an observer may represent we hear different assessments. For one who proceeds from the assumption that no matter what the cost, the first and most important thing to do is to transform our proprietary structure, privatization has not been fast enough; if, on the other hand, one believes that we need to introduce certain values into the economy that will become a part of our long term concepts, then we must move very carefully in this area, too. This kind of thinking puts emphasis on sensible judgement. In my opinion privatization is a tool, and, as such, it can only serve one purpose. Namely, to help the economy get back on its feet and give an impetus to the processes of recovery. And for this to happen it is vital that, on the one hand, the enterprises be placed in the hands of proprietors who make long-term calculations, and on the other, that this change of ownership occur within a well-established set of conditions in a carefully planned manner. Planning is not the same as delaying. Rather it is a process of determining what the realistic sale price is and what kinds of guarantees can be offered, e.g., for development and structural change. Only this can help prevent new proprietors driven by speculative motives or solely by a desire to find new markets from coming to this country; what we need are owners who are genuinely interested in generating value here.

[Revay] A few days ago this very same expression—generation of value—was used by Dr. Peter Vadasz in connection with the privatization of the Centrum Department Store chain.

[Latorcai] I am following this case with special interest, for trade is an area where privatization has progressed the most and, consequently, where we have the most bitter experiences. Basic problems have arisen here that may also have an impact on Hungarian industry. The reason is that department store chains owned by foreigners often lack the interest, the incentives and contractual obligations to buy Hungarian products. Those going to our stores today are witnessing the disappearance of Hungarian products that have been of acceptable quality and met important demands.

Centrum is the largest department store chain in Hungary, and at the same time is also an important domestic customer of Hungarian industry. On the basis of its characteristics, improving economic results and its active efforts in the area of trade aimed at promoting Hungarian products it would definitely be to our advantage if it were operated primarily by Hungarian owners. Therefore the ministry has recommended that the State Property Office look into the possibility of issuing shares for purchase by small investors, define the conditions of purchase, and limit the ratio of professional and foreign investors to 40 percent.

We support all enterprise initiatives that also employ commercial methods in marketing the products of Hungarian industry. In addition to attaching great importance to competing with imported products, we believe that it is in everyone's interest to see to it that the buyer has access to more Hungarian products in our stores as this will boost industrial production and reduce unemployment.

[Revay] People are expected to be severely affected by the planned increase in energy prices and the impending elimination of certain allowances. The negotiations with the miners have also not been completely resolved. Do you see any solutions here?

[Latorcai] Under circumstances characterized by economic problems and inflation prices require regular adjustments. Everywhere in the world the granting of allowances is a matter between the owner and his workers; the state has no say in it. In the past the shaping of consumer prices in our country was a means of social policy. Allowances were granted at the expense of large consumers. Things would be easier today if we had a functioning industry, bustling trade and a growing economy. Investors, however, will only be willing to put money into necessary improvements if they can profit from them. You cannot compel private entrepreneurs to abide by sociopolitical considerations. On the other side of the scale we have the tolerance of the populace to consider. The poorer strata have already reached the limits of their tolerance, although it is also true that they have no more real estate that may be at risk, and they have already scaled back their standard of living. Therefore we would like to establish a system of tariffs that aims to make surplus consumption more expensive. We would set the limit at 3000 kilowatt hours per year, which the average small consumer usually never reaches. We hope that this will also encourage energy conservation. (Incidentally, we are planning to take this tariff modification plan before the Interest Reconciliation Council still during its preparatory phase.) This is also dictated by necessity. Our petroleum and natural gas supplies come from economically extremely volatile regions in the east. We do not have the option of shifting to different suppliers. All that connects us with the Western countries is a 440 kiloVolt transmission line, and we still have no natural gas line connections. The Adriatic oil pipeline has been out of commission for over a year now. We must win people over to support our new energy policy. This is what the popular hearings currently being organized aim to accomplish. A new power plant, for example, can only be built with the consent of those living around it.

[Revay] There can be no economic development without strong support for research and development. These days we also have problems in this area.

[Latorcai] According to our industrial policy the state determines the main directions of research and development hence it cannot exempt itself from helping to finance it. Unfortunately, in recent years the "resourcing

aspect" of this commitment has collapsed. The enterprises have not functioned, have not paid the taxes necessary for development, hence the state has been unable to lay the necessary foundations for this purpose in the budget. First of all we need to strengthen the position of our research institutions and university research. At its own expense, the ministry has ordered an evaluation of the operation of all industrial research institutions under its supervision. Parallel efforts have been revealed, meaning that several institutions have been performing the same work. This will enable us to consolidate, rationalize and innovate. In other parts of the world research universities have begun to dominate more and more. We should also be making better use of the extraordinary intellectual capital we have accumulated. The recently established Zoltan Bay Foundation is intended to promote such a system and also to play a role in further development. Our academic research institutions are currently in a period of renewal. As one of the conditional guarantees of privatization we need to specify the development obligations of investors, for otherwise the future of the institution will be questionable.

All of this is a part of a system of strategies geared toward guiding our economy in the desired direction of development by the end of the millennium. It needs to bring about qualitative changes that will establish the industrial and technological conditions we need to have in place in order to be able to join the rest of Europe. Large-scale state intervention today is not feasible. Nor would such intervention be desirable as we could quickly end up being in the same place where we had started from. We need also to have a properly regulated marketplace for we do not want to have to go through the capital accumulation phase of early capitalism.

This is not an easy task. I am convinced that the only way we can hope to achieve the results we hope for is by establishing a stable background structure, showing the right amount of tolerance and working with relentless vigor. We must be flexible and ready to compromise, while at the same time taking care not to become entangled in irrational policies designed to yield temporary successes. To me the standard is best defined in one of Szechenyi's statements: "If you walk the road of creation and not the road of denial, then you are following the correct course." We must create. From a shattered industry we must create a functioning one, from shattered souls we must build a new country with a more emancipated spirit.

#### \* Criminal Code Amendments on Economic Crimes

93CH0596A Budapest FIGYELO in Hungarian  
8 Apr 93 p 10

[Article by Tibor Krecz: "Series of Criminal Code Amendments: Money Laundry—Closed Due to Five Years in Prison"]

[Text] Criminal Code provisions will catch up with the changed economic conditions this summer, at last.

Today, a Hungarian copycat of Osztap Bender may still get away with telling good things about his hoof and horn collecting firm in order to persuade unsuspecting people to invest. Criminal Code provisions still in force do not clearly define sanctionable elements of crime based on conduct that lures another person to invest or to increase his investment, by spreading false information or by concealing true facts. The Ministry of Justice has drafted a legislative proposal to fill this void; it is awaiting to be adopted by parliament.

The economic chapter of the Criminal Code of Laws, already purged of rules reflecting plan-directed economic management, has been the focal point of political interest ever since 1991. Both the ruling parties and the opposition have recognized how well off the gentlemen of fortune have been in the economy, by balancing legal loopholes and dissimilar rules. Intentions expressed by various sources, chastising those who "salvaged power" and squandered state property, urging the development and protection of appropriate market conditions and conformance with EC legal standards, also contributed to the fact that the still continuing revision of a series of rules began in early 1992.

Since April 1992, the failure to perform obligations spelled out in, or based on the accounting law has been a crime. A person commits a bankruptcy crime if, after becoming insolvent, he acts to fully or partly prevent his creditors from obtaining their funds, or provides advantages to one creditor, to the detriment of another. The 2 March enactment of the Criminal Code amendments could be one of the greatest achievements of the National Assembly this year. Illegal trade involving COCOM items, and violating social security, tax, health care insurance, pension and unemployment rules are punishable beginning on 15 May 1993, but the legislative proposal to fully recodify the economic crimes has still to be debated by parliament.

The Ministry of Justice submitted the material to the National Assembly the other day, after receiving the cabinet's nod of approval. The fact that the elements of economic crimes are contained in a new chapter entitled "Crimes in violation of management obligations and of the order business management" shows the level of sophistication of this comprehensive revision. The proposal is based on the premise that the potential "to influence the economy through criminal sanctions substantially declines under market economy conditions," nevertheless, there is a need for criminal law protection in consolidated market economies.

Money laundering is one of the new elements of crime in the legislative proposal. A person commits this crime if he conceals, places, or utilizes pecuniary values derived from acts of terror, narcotics transactions, or arms smuggling performed by others. Once the law takes force, awareness and failure to report to the authorities a

specific money laundering scheme also becomes a punishable act. (The only question is how a person could identify a large bundle of hundred mark bills as having originated from arms smuggling.) Misleading the public regarding the essential features of a product no longer counts as a mere advertising trick, it, too, constitutes a new element of crime. Credit fraud is a separate item. Establishing the true value of capital contributions to business organizations is encouraged by criminal sanctions for assigning false values to in-kind contributions. As we approach the millennium, it comes as no surprise that computer fraud, bank card counterfeiting, and the abuse of bank cards are also part of the legislative proposal.

If parliamentary debate does not extend beyond the average length of debate, the new provisions may be expected to take force in the third quarter of the year. From a practical standpoint, it took three years to prepare Criminal Code Provisions responsive to the transformation, and to the new social and economic order. Three years does not seem to be too much time in terms of history. Aware of the rhapsodic performance of the government in submitting legislative proposals to parliament, and of the fluctuating intensity of parliamentary performance, it is safe to say, however, that Ministry of Justice politicians could have accomplished this at a faster pace.

#### [Box, p 10]

#### The New Elements of Economic Crimes

##### I. Legal Provisions Based on Law No. 24 of 1992, in Effect Since 1 April 1992

- Violations of accounting discipline
- Bankruptcy crimes
- Unwarranted advantages to creditors

##### II. Adopted by the National Assembly on 2 March 1993, Awaiting Proclamation

- The unauthorized handling of data
- Violations regarding the sale of products and technologies under international control
- Undue economic advantage
- Tax and social security fraud
- Violations involving the failure to make employer and employee contributions to the unemployment solidarity fund
- Violations involving the failure to make social security insurance, health care insurance, of pension insurance payments

##### III. The Justice Ministry's Most Recent Plan

- Consumer deception

- Credit fraud
- The declaration of false values
- Unauthorized financial institution activities
- Failure to provide business data
- Failure to make capital investment
- Computer fraud
- Money laundering
- Counterfeit promissory notes, bank cards; abuse of bank cards

**\* Campaign Starts Against Illegal Workers**

93CH0591C Budapest NEPSZABADSAG in Hungarian  
21 Apr 93 p 3

[Unattributed report: "Raids Against Illegal Workers in Borsod County; A Coordinated Shakedown"]

[Text] (From our correspondent). There is a coordinated effort to stop illegal workers and the illegal employment of foreigners in Borsod-Abauj-Zemplen County. County officials of social security, the police, the tax office, and the labor safety commission, and the county employment center struck an agreement in this matter on Tuesday.

According to that agreement, a joint control will be carried out by the above-mentioned organizations which will also inform each other about the results of their own investigating activity.

Many irregularities and violations have already been detected in the county. Most foreigners that find illegal employment in the country are Slovaks, Ukrainians, and Romanians. During a recent joint investigation, the illegal employment of 80 Romanian citizens was uncovered in the Tokaj-Hegyalja region, and a limited partnership on Miskolc's Buza Square market hired several unemployed persons as sales clerks. Of course, these illegal employers used cash for paying wages in order to save on taxes, social security contributions, and other financial obligations.

The joint action is directed not so much against illegal workers but, rather, against illegal employers. Just last year, unemployment contributions deducted from the pay of illegal workers, and the fines levied against illegal employers amounted to 6.5 million forints which were deposited in the solidarity fund and the employment fund. Entrepreneurs have also been caught for using job-creating subsidies for illegal jobs. Their subsidies were subsequently terminated.

**\* Spring Agricultural Work Progress Report**

93CH0596C Budapest FIGYELO in Hungarian  
15 Apr 93 p 9

[Ministry of Agriculture report: "Spring Work Delayed"]

[Text] Spring agricultural activities began with a 10-to-15-day delay, the most recent summary of the Ministry of Agriculture states. Spring soil cultivation work and the sowing of seeds began all of a sudden in response to the favorable weather in March, but work came to a halt in the final days of the months due to cooler weather. In addition, a lack of precipitation since December also continued in March.

In response to a 1,500 forint per hectare of land subsidy, the area in which grains were sown in the fall continued to increase even in December. Thus the area in which wheat is sown slightly exceeds 1 million hectares. Rye is sown on 74,000 hectares, fall barley on 193,000 hectares. All in all, the situation has improved by almost 10 percent as compared to the previous year, and corresponds with the annual averages of the past three years.

Cabbage colza [kaposztarepce] planted in the fall on 40,000 hectares was almost totally destroyed in the Plains and in the Northern areas by freezing temperatures in January. Spring barley has been planted in an area of roughly the same size as last year; this area is somewhat larger than 250,000 hectares, but in about half that area the seeds were sown late. The area seeded with oat could still increase mainly in private farms and in the Plains. The area in which seed peas were sown should be smaller than before mainly because of the depressed prices paid; the area in which green peas were sown should be smaller due to the financial problems of processing plants. The planting of sugar beat has begun. Sugar beat is expected to be planted on approximately 108,000 hectares, roughly the same land area as last year. Rice growing has shrunk to an area of 4,000 hectares.

**Quality of Grains Sown  
(in percentages and in  
1,000 hectares of land)**

	Good	Medium	Weak	Hectares
Wheat	40	37	23	1,000
Rye	39	45	16	74
Barley	45	39	16	193

Source: Ministry of Agriculture

**\* Impact of 'Global Consumption Quota' Viewed**

93CH0597B Budapest FIGYELO in Hungarian  
15 Apr 93 p 20

[Article by Robert Becsky: "Global Consumption Quota: What and Whom Does It Restrain?"]

[Text] In its annual report on trade barriers, the American government's Commerce Department has spoken critically about our import quotas on consumer goods as a means to protect domestic (Hungarian) producers.

According to statistical data pertaining to the first two months of the year, compared with the same period in 1992, there has been a considerably smaller decline in

imports compared with exports. The greatest discrepancy has been in the area of consumer goods where compared with last year, imports have actually increased while exports have drastically declined. Clearly it is difficult to draw far-reaching conclusions from all of this on the basis of two months worth of data. (According to the figures of the Central Statistical Office, for example, for the first time in many years there was less of a decline in domestic sales during the first two months than in exports during the same period. Which could actually be a sign of recovery.) Should this trend continue, however, we may end up with a significant foreign trade deficit by the end of the year. And this is when in the past they used to start formulating concepts designed to restrict imports. In today's Hungarian economy, with more than 90 percent of all imports freed of restrictions, this cannot even be considered an option. It may, however, provide new ammunition for the already increasingly vocal proponents of market and industrial protectionism.

One of the means that is still available to the government is the imposition of a global quota on consumer goods; for the second half of 1993, they are currently in the process of laying down the conditions for another—more precisely, the sixth—round of competitive bidding. Of Hungary's total imports, barely 30 percent of a total of 2 billion dollars worth consumer goods fall into this category. For different reasons but with equal intensity, the producers and merchants effected have all sharply criticized the system.

The producers, primarily those involved in the light and food industries, have been critical of the so-called exclusionary effect of imports which they feel the quota system fails to address. According to data provided by the Ministry of Industry and Trade, in 1991 this exclusionary effect—i.e., the rise of the ratio of imports in total sales—amounts to about 4 to 5 percent on the average; in the case of textile and garment products and footwear, however, the figure has been as high as 38 percent and 44 percent, respectively. Merchants, on the other hand, claim that the problem is not that imports have increased, but that domestic demand had declined. In fact, what we hear merchants complain about mostly these days is that they are only getting permission to bring in 30 to 40 percent of the total amount of goods allowed by the quota. The fact that the competitive bid announced for the second half of 1993 establishes separate quantitative value quotas for three regions—EC, EFTA [European Free Trade Association], and CEFTA [Central European Free Trade Association]—on the basis of trade agreements with those blocks, the permits for which cannot be used in other regions, is already seen by many as an effort to make the system more strict.

The head of the NGKM [Ministry of international Economic Relations] main department for licensing Mrs. Katalin Szirmai-Kaufman unequivocally denies that there has been an attempt to tighten the licensing system in any way. It is true, however, that in contrast with the liberal practice employed in 1990-91, the quantitative quotas given in the form of total value are being

more strictly observed. There are categories of products, in other words, where only 20 percent of all request are approved due to the excessive number of applications. The concept of licensing, incidentally, is not unknown even in the developed market economies. It does, however, make one wonder, looking at the table below, why it is that in 1991-92, 60 percent of the licenses issued were not taken advantage of. One must question whether or not our merchants have the necessary information about how much solvent demand there is out there.

The general secretary of the National Trade Association Gyorgy Vamos has a slightly different assessment of the situation. He does not dispute the need for quantitative quotas in certain product categories to protect domestic producers. In his opinion these include some basic food stuffs which account for about 40 percent of our total retail trade. Moreover, these are products that, occasional seasonal problems notwithstanding, domestic producers can meet the needs of the domestic market themselves. The situation is different in the area of industrial goods. He does not believe that the narrow quota imposed on a limited number of industrial products can truly protect industry as a whole. What this amounts to instead is a deal with the EC, where in return for limits on Hungarian textile and textile garment exports, the 12 member states of the EC have—temporarily—agreed to limit their own exports. When it comes to the domestic market, this is more of an administrative limit than a restriction with teeth. When it comes to clothing goods Gyorgy Vamos feels that there are two main reasons why it does not make sense to limit imports. First of all, Hungarian industry is unable to meet the needs of the domestic market either in terms of quality, or selection or delivery. Secondly, the underutilization of the quotas have already proven that given our limited strength of our domestic purchasing power there is no need for them. On the other hand, in his opinion, the import quotas are to blame for the economically inexplicable phenomenon that while for years the consumption of clothing goods has shown the greatest rate of decline, the price of these same products has increased the most rapidly.

The main problem with regulating the consumer product quota is that it is unmanageable, and for the above-mentioned reasons, is also much more costly to everyone concerned—owing to an excessive number of license permit requests which according to all indications significantly exceed current market demands. It would be prudent to consider moving the licensing period ahead and issuing annual limits. presumably this would give Hungarian firms a stronger—and less costly—negotiating position.

The wave of excess license requests could be eased if before the period in question importers could be granted an import permit for a whole year in accordance with their actual procurement during in the previous year.

The head of the NGKM main department is not suggesting that all restrictions are bound to result in anomalies. Still such a system would be better and more clear-cut than individual licensing. They are still looking for ways, however, of solving the problems that stem from announcing bids twice a year.

In his opinion the textile agreement between the EC and Hungary mutually ensures both side's access to markets in a product category where export interests and import restrictions have paralleled and complemented each other quite effectively. In accordance with the EC agreement, in the global consumer quota bid announcement for the first half of 1993, textile products were already listed in HS (by

custom tariff number). This requires more careful preparation and more thorough product knowledge on the part of international exporters and importers, as well as more circumspect preparatory work. This is perhaps why of the 17,000 applications submitted in response to the announcement for the first six months, 40 percent contained various formal errors. In the bid announcement for the second half of the year, all industrial products will be listed by custom tariff number.

We hope to be able to announce the competitive bid for the second half of the year by the end of April, so that the license applications can be submitted by the beginning of June, and that by June importers can already have their licenses, that will be valid as of 1 July, with which they can start negotiating their contracts early.

Table 1

Global Consumer Product Quota in Jan-Dec 1992

Item	Allocation (in Thousand Dollars)	Implementation as a Percentage of the Allocation	Permits
Household detergents	18,000	131	79
Footwear	50,000	115	60
Undergarments	60,000*	62	55
Outer garments	70,000	73	52
Used clothing	18,000	75	54
Other clothing and textile industry products	50,000	46	43
Small wares	10,000*	22	42
Textile goods	40,000*	66	65
Canned fruits and mushrooms	10,000	34	42
Fish and canned fish	15,000	87	50
Other preserved goods	7,000	130	71
Baked goods	6,000	74	51
Confectionery goods	34,000	82	46
Spirits	10,000	87	61
Wine and champagne	2,000	82	46
Beer	23,000	45	33
Mineral water and soft drinks	15,000	14	41
Butter and cheese	3,000	72	48
Sugar	—	—	—
Cooking oil and margarine	9,000	74	64
Tropical fruits	60,000	82	50
Tobacco products	15,000	22	25
Jewelry and precious metals	20,000	27	30
Other manufactured products	75,000	5	63
TOTAL	620,000	62	52
Passenger cars (number)	140,000	62	61
New	—	—	55
Used	—	—	65

\*For the first half of the year, it was announced as a different industrial product.

**\* Compensation Proposed for Meat Embargo Losses**

93CH0591B Budapest NEPSZABADSAG in Hungarian  
21 Apr 93 p 3

[Article by R.A.: "Compensation for Sheep"]

[Text] *A proposal was prepared by the Ministry of Agriculture's [MA] Office of Farming Regulations [OFR] for compensating sheep breeders and exporters for the losses they have suffered because of the meat embargo.*

According to the writers of the draft proposal, Hungary now has 280,000 lambs to be sold in countries that are not EC members—mainly in Arab countries. Laszlo Rieger, an MA official, informed us that, to this end, the OFR will provide a 20-percent export subsidy. This subsidy will be given to exporters who pay for the animals at least 88 forints per kilo. In addition, the ministry will reimburse the exporters for deposit fees paid during the first and second quarters.

Laszlo Rieger said that the government will not discuss this draft proposal; since there are still a few issues to clarify with the council of sheep products, only a brief reconciliation is expected at the regulatory meeting.

According to information given by the MA, the prolonged EC embargo prompted the National Assembly to soon resume the discussion on the intervention fund.

**\* Inexpensive Hotels, Cafeterias Planned for Expo**  
93CH0591D Budapest NEPSZABADSAG in Hungarian  
21 Apr 93 p 3

[Article by R.A.: "Inexpensive Hotels for the Expo"]

[Text] Minister of Industry Janos Latorczai informed us that special emphasis is put in the administration's concept of industrial policy, which is under preparation, on building inexpensive quality hotel chains, in special view of the World Expo.

In Latorczai's opinion, Eravis Hotel and Catering Corp. would be able to meet this challenge. Through the National Tourist Office, the ministry will offer financial and professional assistance to Eravis. Eravis CEO Gyorgy Karikas said that the company has been converting its former workers' bunkhouses into two-star hotels, hospices, and student dormitories for years. The company is now planning to build a fast-food cold buffet chain, specifically at the sites of the 1996 Expo. Eravis executives expect visitors already during the construction at Lagymanyos.

[Box, p 3]

The 1996 Budapest Expo's financial plan will be completed and its site will be prepared yet this year. In his presentation at the Balatonfured tourist academy, in which he described the various phases of the preparations, Laszlo Herko, director of the Visitors' Department of the World Expo Program Office, said that admission tickets to the World Expo will cost 11 dollars. According to the plans, the Expo will open on 11 May and close on 4 October 1996.

**\* Belarusian-Russian Defense Alliance Upsets Poles**

93EP0251A Warsaw TYGODNIK SOLIDARNOSC in Polish No 17, 23 Apr 93 p 11

[Article by Wlodzimierz Sochacki: "To Empire via Minsk"]

[Text] *Ukraine's attitude will be very important to Poland's geopolitical situation, given Belarus's decision to renew its close relationship with Moscow.*

*The Belarus parliament has passed a resolution to enter into a defense alliance with Russia. It is true that the text of the resolution contains a formulation confirming "the Belarus Republic's aspiration to achieve the status of a neutral country," but Piotr Kravchenko, foreign affairs minister, recently stated that it took 150 years for Switzerland to build its neutrality, and the process could take Belarus as long.*

In practical terms, the Belarus parliament's decision means that a pro-Moscow position has won the day in Minsk, that the country has rejected the ambition to strike out on behalf of full sovereignty, and that it is moving back under Russia's protective wing.

That fact places Poland in a new geopolitical situation. We can no longer count on Belarus to be a buffer between Russia and us. The defense alliance under the auspices of the CIS is a clear step leading to a rebirth of the empire.

People in our country have often observed that independent Belarus is often guided more by wishful thinking than by an analysis of the realities. Meanwhile, Belarus is the most Russified and Sovietized of the countries that became independent when the Soviet Union broke up. A decided majority of Belarusians do not know the Belarusian language, and efforts made several years ago to bring back the language were unsuccessful. There is no Belarusian culture, save folklore that is dying out, and only a small group of authors writing in Belarusian, almost solely for their friends and acquaintances. Statues of Lenin stand in thousands of villages and hamlets and in town squares. The communist *nomenklatura* has full control and occupies 90 percent of the seats in the parliament. The national democratic opposition has been effectively marginalized.

The Belarusian *nomenklatura* decided in the summer of 1991 to announce independence not because it suddenly found the idea of the Soviet Union repugnant but because it was afraid of the democratic changes in Moscow. It wanted to maintain its position, and, to this end, it needed to separate itself from the democratic storm in the East. This operation was presented to the nation as a spontaneous break for independence. Now the postcommunist Belarusians feel that the wind blowing from Moscow is becoming more and more to their liking. They have discovered that the mystique of

independence is no longer necessary, inasmuch as they have more and more allies in Moscow that count.

Those allies do not hide the fact that they want to rebuild Russian power, which was weakened with the disintegration of the USSR. After the shock created by the collapse of the Soviet empire, Russian politicians are thinking intensely about consolidating what they can from the former USSR. Belarus is of great strategic significance to Russia because it serves as a wedge between the Baltic republics and Ukraine, on the one hand, and a corridor to Poland, on the other.

That desire to reactivate the empire is visible in Moscow not only among the "orphans of the former USSR" and the nationalist groups but also on Yeltsin's team, which does not want to be outdone by the postcommunists and the nationalists in terms of "Russian patriotism." That is why President Yeltsin has advanced the idea of both creating a defensive alliance under the leadership of Russia and transforming the CIS into a confederation—that is, a structure that is somewhat centralized, directed from Moscow.

Alongside Russia and Belarus, the defense alliance is to include Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan, and Armenia. Fear of Islamic fundamentalism and mutual conflict is a very important factor for those five republics. At one time, Russia incited ethnic conflicts in Central Asia, on behalf of its own imperialist interests, but now it wants to be the sole arbiter and mediator.

Ukraine's attitude will be of key significance to Poland's geopolitical situation now that Belarus has decided to renew its close ties to Moscow. If Ukraine were also to become subject to Moscow, we would be dealing with the regeneration of the Russian Empire on our Eastern borders. That threat is all the greater because of the systematic increase in Moscow's pressure on the three Baltic republics of Lithuania, Latvia, and Estonia. Russia has put off withdrawal of its armies from these countries, under the pretext of defending the Russian minority residing there. It has also refused to withdraw its divisions from Georgia and Moldova.

Russia will never regain its imperialist position without Ukraine, however. It is not enough to merely absorb Belarus.

**\* Main Goals of Foreign Policy Outlined**

93EP0251B Warsaw RZECZPOSPOLITA in Polish 28 Apr 93 p 7

[Article by Ryszard Malik: "Polish Foreign Policy; Continuation Is a Force"]

[Text] *Asked whether efforts were being made to obtain a seat on the International Court of Justice in The Hague, the minister of foreign affairs said: "I will not answer that question." That statement came during a news conference following the Council of Ministers session on Polish foreign policy.*

In speaking about the document entitled "Directions of Polish Foreign Policy in 1993," which was presented to the Council of Ministers, Minister Skubiszewski said that there had been no major reservations about its merits, but the discussion had been a creative one and had led to changes in some of the points in the document. In all, from what the minister said, one could conclude that there was consensus within the heart of the government coalition as to the direction Polish foreign policy should take.

When asked whether changes had been made in foreign policy, Minister Skubiszewski said: "Continuity is the strength of that policy, and it is that very continuity, effectiveness in implementation, and professional skill for which we are esteemed in both the West and the East, but continuity does not mean standing still. We are reacting to changes in an active way. We are adapting to situations," the minister added. "We are trying to be dynamic."

The priorities of our foreign policy are as follows:

- Maintain and accelerate integration into the European Community—we already have an agreement of association—and NATO, whenever it opens up in our direction.
- Strengthen Polish security.
- Have good cooperation with all of our neighbors, including a very active policy toward the East.
- Develop cooperation with Central Europe, under the auspices of regional groups (the Visegrad Group).

"Poland wants to be a bridge between East and West, or West and East, if you like," the minister said, "but that is not a question of overused ideas and empty words. The idea goes back to when the Soviet Union existed and even was partially implemented with the help of the EEC. Thus, the Polish president's idea about helping Russia via the Visegrad Group is very timely." The minister said that the United States was not ruling out such a solution.

The president, who attended the government session, said that it is absolutely essential to develop a vision of Polish foreign policy. "A sound forward-looking policy can protect us from many dangers. This is the time for a serious concept for this policy, one I hope to work out with Madame Prime Minister," the president said.

#### \* Opinion Poll on Future of Suchocka's Government

93EP0256C Warsaw GAZETA WYBORCZA in Polish  
30 Apr-3 May 93 p 3

[Article by (szczyp): "The Public Is Split Evenly; The CBOS on the Government"]

[Text] A third of the Poles do not like the government, but, at the same time, a third of the Poles do like it. The number of opponents of the government keeps growing, but Prime Minister Suchocka remains very popular. The

number of supporters of new parliamentary elections keeps growing. Those are the findings of the April poll conducted by the CBOS (Public Opinion Survey Center).

The increase in the number of those dissatisfied with the government occurred chiefly among blue-collar workers, especially the skilled ones, and, in the number of those satisfied, chiefly among people with the highest incomes. As before, the government finds the most support among private entrepreneurs, the intelligentsia, and managerial personnel.

The Cabinet of Hanna Suchocka stirs no great emotions; nearly one-half of the respondents would not be upset by its resignation.

Every third respondent (compared with 22 percent last February) favors proclaiming new parliamentary elections, although most support the idea of a partial alteration of the current government.

New elections are desired chiefly by the electorates of the SdRP (Social Democracy of the Republic of Poland) (42 percent), the Labor Union (42 percent), Party "X" (40 percent), the Confederation for an Independent Poland (37 percent), the Movement for the Republic (37 percent), the Liberal-Democratic Congress (36 percent), and the Polish Peasant Party (32 percent).

New elections are desired by 26 percent of sympathizers of the Democratic Union, 21 percent of sympathizers of Solidarity, and only 12 percent of sympathizers of the Christian-National Union.

Fewer respondents than in the past linked their hopes for an end of the crisis to the government's economic policy, and they are very mistrustful toward the information on the economic and political situation provided by the members of the government.

What should be done about the government?	
	(percent)
Announce new parliamentary elections	29
No opinion	5
There should be no change	6
Certain ministers should be replaced	38
A new government should be formed from among both the currently ruling parties and those in the opposition	14
A presidential government should be formed	6

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NOTE: The poll was conducted between 15 and 18 April on a 1,077-member random sample of the adult population of Poland.

**\* Poll on Postcommunist Left Participation in Government**

93EP0256B Warsaw RZECZPOSPOLITA in Polish  
12 May 93 p 3

[Article by M.D.Z.: "The Growing Popularity of the Left: CBOS Poll"]

[Text] The SdRP, or Social Democracy of the Polish Republic, should join the government—that is the opinion voiced by 42 percent of Poles. Of the opposite opinion are 24 percent of the people polled by the Public Opinion Research Center [CBOS].

The supporters of the SdRP's participation in the government tend to respect the present political system rather than belong to that party's electorate. While agreeing on the need to include the SdRP in the government, the respondents do not believe that that would lead to any marked changes in the political situation. Still, the number of economic scandals would change, and the quality of the cooperation between the government and the president and the parliament would be different. In addition, the inclusion of the Social Democrats in the government would alter the scope of influence of the former *nomenklatura*.

Worth noting is the gradual—since 1991—decline in the number of people who define their views as rightist and the increase in the number of those who identify themselves with the left. Still, about one-third of the respondents, as before, remained undecided in that respect. Those viewing themselves as leftist included the inhabitants of medium-sized cities, white-collar and white-and-blue-collar workers, and, interestingly enough, respondents in the highest income categories.

Rightist views were declared by inhabitants of big cities, executives, the intelligentsia, and students—people who generally viewed positively their material conditions and the orientation of changes in this country.

Should parliamentary elections be held in the near future, 32 percent of the respondents would not know which party to support, and 24 percent would not participate in the elections. About 12 percent of the respondents would vote for a leftist party, 15 percent for a centrist one, and 17 percent for a rightist one.

At the same time, one-third of the respondents were unable to answer the question of which of the political parties operating in Poland are rightist and which are leftist. The remainder named, among other parties, the SdRP, Party "X," the PSL [Polish Peasant Party], and Labor Union as leftist groupings, and the ZChN [Christian-National Union], the KPN [Confederation for an Independent Poland], NSZZ Solidarity, the KLD [Liberal-Democratic Congress], and the RdR [Movement for the Republic] as rightist ones. The Democratic Union is rather viewed as rightist, while the PC [Center Accord] and the PL [Peasant Accord] are viewed as centrist.

It appears that the lack of clarity about the division into rightist and leftist parties is due not only to the still scanty political awareness of the public but also to the duality of criteria. After all, there exist parties with decidedly rightist views, whose views to the economy are close to those of the left (for example, the ZChN), as well as left-leaning parties, which espouse a rightist economic program (for example, the KLD). In general, the CBOS respondents associate the right with the groupings currently in the governing coalition and the left with the previous system of society—socialism and communism.

Should the SdRP be included in the government?

	(percent)
Hard to say	34
Yes	42
No	24

CBOS data

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NOTE: The CBOS poll was conducted between 15 and 18 April 1993 on a 1,077-member representative random sample of the adult population of Poland.

**\* Walesa Supports Informal Solidarity Structure 'Siec'**

93EP0251C Warsaw SPOTKANIA in Polish No 14,  
8-14 Apr 93 p 8

[Article by Marek Sarjusz-Wolski: "The Political Scene: The President's Fishermen; Nonstatutory 'Siec' or Belweder Party"]

[Text] The "Network (Siec) of Solidarity Plant Organizations of the Leading Places of Employment" was created on 17 March 1981 at the Warsaw Steel Mill. Jerzy Milewski and Jacek Merkel were among the facilitators of Siec, and Leszek Balcerowicz was an economic adviser. Siec activists prepared an economic reform draft. One of the pillars of the reform was the employee self-government. Jerzy Milewski did not succeed in turning Siec into a "Polish Workers Party," but the self-government idea sank deep into the minds of the Siec activists.

Back before martial law was imposed, it was possible to hold democratic elections in several factories, in which Solidarity candidates won. Plant activists developed by Siec began to place their names in candidacy again for positions on the employee councils in 1984, despite the fact that they did not have the backing of the underground Solidarity leaders. Two years later, in self-government elections for the next term, more and more opposition people who had begun to seek each other out and support each other won, usually without directly referring to the ideas of Siec. They came together officially for the first time in September 1988 at the First Forum of the Working Forces' Self-Government. At the next three congresses, they unashamedly attacked the

governments of both Rakowski and Mazowiecki. The successive governments were unable to grasp the idea of a self-governing enterprise with a banner bearing the slogan of the employee stockholders, but the self-government leaders became the subject of interest from all sorts of political forces. At that time, the idea of reactivating Siec came into being. This would be a Siec with direct support in Solidarity plant commissions. It would be an independent force. As Jerzy Borowczak, head of Solidarity at the Gdansk Shipyards, says: "This was a reaction to the boot Mazowiecki's ministers presented at the beginning of July 1990 at the BHP [occupational health and safety] hall."

On 24 July 1990, six plant commissions (the Gdansk and Gdynia Shipyards, the Sendzimir Steel Mill, the Cegielski Plants, the Warsaw Steel Mill, and Linodrut in Sosnowiec) joined the National Agreement of Solidarity Plant Commissions. Today, the new Siec includes about 300 commissions. The national commission called Siec a nonstatutory body. Siec in turn accused the commission of "cutting itself off from the grass roots and of having lofty political ambitions." Siec activists claim that they are a sound, authentic pillar of the union.

From the very beginning, Siec leaders—Jerzy Borowczak of the Gdansk Shipyards, Wladyslaw Kielana of the Sendzimir Steel Mill, and Zygfryd Rogulski of the Warsaw Steel Mill are usually the people named—did not hide their support for Lech Walesa. They supported his candidacy for president back in August 1990, when the candidate himself had not yet begun his election campaign. Despite the fact that the president had not kept his promise (100 million for each person), on 24 April 1991, Siec organized a demonstration of tens of thousands in Warsaw against the government, in support of the Belweder. In January 1993, Siec took a harsh stand against the "handful of political bankrupts" (Parys, Kaczynski, Glapinski) who had organized the march on the Belweder. The Siec people repeat that they want to be the army of the president, who, they claim, must have a National Guard and be commander in chief of the Army. There are also Siec people who talk about the need to change the Constitution to increase the prerogatives of the president. Jerzy Borowczak does not hide the fact that Walesa is a man of Providence. "If it were not for the Belweder, many plants would have been closed and sold for the proverbial dollar."

"Wherever the president is, that is where Siec will be," Zygfryd Rogulski said at the beginning of March. He probably had something more in mind than accompanying Lech Walesa on his trips to the large industrial centers. The president paid him back by supporting the alternative privatization program Siec had presented (300 million for each person), which put Minister Janusz Lewandowski and others in hot water.

Although the Siec leaders always had very easy access to the Belweder, a fact that made it possible to handle many matters informally, up until recently, the president did not eagerly seek the support of the large-industrial

working class, with whose aspirations Siec has been trying to identify. There has been a great change recently. On 26 March, Lech Walesa went to Zdzeszowice, where an open meeting of Siec plant commissions was being held. Commentators immediately noted the fact that the union activists there created a "Nonparty Forum for Reform" and considered it to be a giant step toward crystallizing the ideas of the president's party. The president made this comment at Zdzeszowice: "The press will probably say that I have manipulated things and created a presidential party for myself, but let me say clearly that it is I who am joining you; take advantage of that fact."

**Deputy Minister Comments on Trade With EC**  
*93EP0257B Warsaw GAZETA BANKOWA in Polish*  
*No 18, 30 Apr 93 p 15*

[Interview with Andrzej Byrt, deputy minister for foreign economic relations, by Maria Dunin-Wasowicz; place and date not given: "Dilemmas at the Table"]

[Text] [Dunin-Wasowicz] It was a big gaffe to make public the secret figures of the Main Statistical Administration on the foreign trade deficit.

[Byrt] Whose gaffe?

[Dunin-Wasowicz] Yours.

[Byrt] This is the first time I have heard that such information is secret. Had it really been secret, I would not have been able to present it to our EC partners during the March talks at a session of the Joint Poland-EC Committee. We would not have been able, either, to analyze the course of Poland's foreign trade with the EC during the first year of validity of the agreement.

[Dunin-Wasowicz] So you did not act in a, say, careless manner?

[Byrt] I would have made a big mistake had I made public figures that would later have proved to be false. (Such information is no accident.)

[Dunin-Wasowicz] Econometric simulations presupposed Poland's deficit in its trade with EC countries, at least initially.

[Byrt] Indeed, the condition of that trade—its volume and structure—reflects the condition of the national economy.

[Dunin-Wasowicz] True, but Polish producers encounter problems in selling to the EC relatively unprocessed steel products.

[Byrt] Above all, the situation is the opposite because, while good sales of steel to the EC prompted the EC's own steel industry to ask the Commission of the EC to institute antidumping proceedings against certain Polish products, at the same time permissible duty-free export

ceilings were established for more than 80 Polish products and, although in 50 percent of such cases Polish producers greatly exceeded those ceilings, the EC Commission did not levy duties on their exports.

[Dunin-Wasowicz] Is it because de facto 40 percent of Poland's exports to the EC is meeting with some tariff barriers?

[Byrt] In the other cases, the duty-free ceilings remained underutilized. As for steel, the Polish administration is generally opposed to a return to a situation that had been eliminated, thanks to the European agreement—namely, to the imposition of quotas on exports of Polish steel to the EC. It is conceivable, however, that, in view of the current conflict, Polish producers themselves may decide to regulate their exports more thoroughly.

[Dunin-Wasowicz] Is there a chance of countering the Western steel lobby, which is influencing the EC authorities?

[Byrt] During our talks with Sir L. Brittan, we protested against the application of the principle of collective responsibility. The EC Commission has, for example, imposed an antidumping duty of 10.8 percent on our exports of seamless pipe and an even higher duty on exports from other countries of Central Europe. That was done on the grounds that Central European exports were hurting the products of the West European steel industry. I see no reason that Poland should be held responsible for damage to the EC market that may have been caused solely by Hungary or the Czech Republic. The perpetrator of the damage has to be identified. Polish producers do not feel responsible for it.

We also proposed that the EC consider the fact that Poland has already adopted a program for restructuring its steel industry, which will be, in view of the size of our country and the scale of the changes involved, the largest operation of its kind since World War II.

[Dunin-Wasowicz] Will the Polish point of view be accepted?

[Byrt] We have to wait for the reply.

[Dunin-Wasowicz] Negotiations are under way to modify the trade section of the agreement.

[Byrt] Not exactly negotiations. Poland has already twice proposed that the commissions take the political decision of abolishing by the EC on 1 January 1994 all customs duties and restrictions on Polish goods—other than steel and textiles. That is the maximalist postulate.

[Dunin-Wasowicz] Is it not also a political postulate?

[Byrt] Yes, also. Perhaps the most important rapid concession by the EC side would be to raise the ceilings and quotas on exports of a number of our industrial and agricultural commodities and abolish restrictions on exports of goods subjected to so-called final processing,

which has taken strong root in Poland. The restrictions on steel and textile exports would be abolished somewhat later.

[Dunin-Wasowicz] Hungary wants to exclude from its agreement 18 commodities by raising the duties levied on them. What is the Polish proposal to the commission?

[Byrt] Poland has proposed applying a restructuring clause (which means the possibility of raising duties) to the telecommunications sector and the Polish industry of utility vehicles.

[Dunin-Wasowicz] Isn't making proposals of this kind barely one and one-half years after the signing of the agreement a sign of political naivete or slyness?

[Byrt] Sir L. Brittan believes that, despite the huge problems with the EC steel industry, a markedly accelerated abolition of tariffs and a broadening of quotas on many products is conceivable. Let us hope that the final decisions will be presented during the Copenhagen summit.

[Dunin-Wasowicz] Is it perhaps that, in attempting to modify the trade section of the association agreement, the Ministry for Foreign Economic Relations intends to show that it is high time to consider substantive assistance for exporters?

[Byrt] Any possible immediate and, as you say, substantive assistance for exporters should be viewed as a myth. There is no money for it. But much can be accomplished, instead, by applying a rational currency, fiscal, and customs policy. The sole means of enhancing our export competitiveness—namely, the restructuring of production—is not something that can be done overnight.

[Dunin-Wasowicz] Recently, the government has been applying many forms of market protection. That began with the introduction of a 6-percent tax on imports.

[Byrt] That tax was imposed because of the need to protect the balance of payments.

[Dunin-Wasowicz] Further, import quotas are being reimposed.

[Byrt] To a very limited extent and, as a lesser evil—for example, with the idea of assuring fair conditions of competition on the Polish market between EC and Polish producers, as in the case of the quota on electronic components.

[Dunin-Wasowicz] Then there is the extensive protection of the fuel market.

[Byrt] Fuel imports have been so huge that fears exist about the domestic salability of Polish fuel.

[Dunin-Wasowicz] There will be equalization fees. Such market protection is not viewed favorably within GATT.

[Byrt] During a review of the instruments of Polish trade policy in Geneva, paradoxically enough, that particular issue was not basically criticized.

[Dunin-Wasowicz] If not basically, how?

[Byrt] Under the provisions of GATT and the European treaty, Poland can introduce equalization fees—precisely in its agriculture, at that.

[Dunin-Wasowicz] That means reverting to the application of concessions. There are as many as 45 different kinds of concessions.

[Byrt] I agree. Recently, regulations were tightened, although their time periods are limited and they chiefly concern agricultural commodities and foodstuffs, which are also subject to various ceilings on foreign markets. That is a delayed reaction to the opening of the Polish market to foreign competition several years ago. Such an opening was relevant and necessary because, speaking in general, it forced enterprises to change their attitude and finally understand that they must adapt themselves to the free market.

[Dunin-Wasowicz] Since 1991, Poland has been a GATT member. But it is only now that it is deciding to adopt corresponding customs duty rates.

[Byrt] A country that joins GATT must perform unilateral cuts in its duty rates. It must also pledge itself not to exceed specified duty ceilings, except in several particular cases, such as troubles with the balance of payments or demonstrated damage to Polish industry owing to excessive imports. Until now, Poland has not been applying GATT clauses. But now we want to behave like a normal country.

[Dunin-Wasowicz] "Suspended" duties will be introduced. Why?

[Byrt] In the event that something may happen "en route" to the Polish economy. Then they can be imposed without having to commensurately reduce duties on other merchandise. What matters is that a consistent and clear customs policy be adopted.

[Dunin-Wasowicz] Until now, Poland has been accused of changing that policy too often.

[Byrt] That is not a just accusation. The revisions in that policy were intended to introduce tariffs comparable to international standards. The final shape of the customs policy and, hence, the tariff levels will soon be determined. And "tying" it to GATT will finally make it impervious to attempts of manipulators to exploit its revisions in order to solve their own problems. Customs duties have to be, once and for all, linked to GATT rules and no longer changed every two weeks.

[Dunin-Wasowicz] So as to, for example, avoid the problems relating to the association agreement.

[Byrt] Regardless of its criticisms, the agreement has resulted in stabilizing macroeconomic parameters, such as customs duties, and making them more predictable.

[Dunin-Wasowicz] Polish producers are claiming that tying them to GATT rules is a one-sided solution.

[Byrt] Sanctioning the GATT status and signing agreements with the EC, EFTA [European Free Trade Association], and CEFTA [Central European Free Trade Association] does not leave Polish producers defenseless; it provides them with instruments they have so far not applied. Their problems are those of a guest at the table: If he wants to eat, he must use the proper knife and fork.

**\* Opposition Ambivalent About Toppling Meciar**

93CH0604A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 27 Apr 93 p 14

[Article by Berthold Kohler: "No Wonder in Slovakia: In Pressburg, the Opposition Is Glad Not To Have To Govern"]

[Text] Pressburg, Apr—In Pressburg (Bratislava), power lies in the street, but no one wants to stoop and pick it up. For weeks, the Slovak head of government, Meciar, has no longer commanded a solid majority in parliament, but no one thus far has tried to oust him. His adversaries would find enough reasons to push Meciar's "Movement for a Democratic Slovakia" (HZDS) from the positions of power: former Prime Minister Carnogursky, because he and Meciar are entangled in a personal feud—the chairman of the "Party of the Democratic Left" (SDL), Weiss, because he regards the government as having no concept and being incapable of dealing with the demands on it; and the former No. 2 of the HZDS, Milan Knazko, because Meciar pushed him out of the party leadership and the government. That no one with full conviction is preparing for regicide has to do with the fact that all three do not have a good answer to the same question: Then what?

To topple Meciar would be an easy thing, since the "Slovak National Party" (SNS) has withdrawn from its silent partner role in the government and since dismissed Foreign Minister Knazko lost the power struggle with the HZDS chairman, but in turn took seven deputies from the HZDS parliamentary group with him into "independence." With that, the government base in parliament shrank to 66 mandates (out of 150 seats). It would be considerably more difficult—some say "actually impossible"—however, to form a politically competent coalition from the mathematical majority of the now five opposition parties in the Slovak parliament. But in the end, the political power ambitions and rancors of Meciar's adversaries have completely cooled in view of the tasks that await a coalition however put together. For governing in Slovakia, which is thoroughly shaken by a serious economic crisis, is anything but a picnic.

Unlike a few blinded nationalists predicted, the independence of the state, you see, has not solved all the problems of the country, but rather has further deepened many difficulties—and added quite a few. What has to be accounted for now is the fact that the Slovaks, under the imprint of the decades-long tutelage of the Czechs, last year, under Meciar's leadership, carelessly set out on a course that led to a faster, but above all more radical separation from the Czech economy than most people could imagine and, what is more, wanted. In the eagerness of national self-discovery, moreover, people were too preoccupied with negotiating at last with the Czechs on the basis of equality about the new configuration of the mutual relations, than to make preparations for the foundation of their own state. That Slovakia was in

many respects insufficiently prepared for independence is in the meantime being conceded by the government.

Good news from the young republic has therefore become rare; instead there is a succession of bad news. In his statement of government policy last Thursday, Meciar had to observe that the Slovak economy finds itself in the worst recession since the 1930's. Still heavily ravaged by the wrong decisions made at the federal level, such as the abrupt prohibition of weapons exports, the economy with its enterprises for the most part still in state ownership is not recovering. Previously one-sidedly oriented as suppliers for Czech end production, the Slovak producers, after deep slumps in Czech-Slovak trade, are finding it very difficult to locate new customers. The markets in Russia and Ukraine have by far not lived up to the expectations of the people in Pressburg. Production and productivity continue to decline; indebtedness and unemployment are increasing. Enterprises have switched to commodity exchange among each other, and many no longer pay any taxes at all. In January and February, according to a parliamentary statistic, the state took in only half as much as planned because of refusal to pay taxes and tax evasion. If this continues, Meciar says, it will not be possible to pay the police in three months. In the health care and school system the precarious financial situation of the state is now making itself felt.

For this reason one finds nothing of the awakening mood that had seized Slovakia especially after Meciar's election victory in June of the past year and once again, already in subdued form, after the proclamation of the Slovak state in January. Instead, general apathy and disappointment about unfulfilled promises are spreading. The first large-scale demonstration since the celebration of independence in Pressburg was organized by 4,500 miners, who hissed the economic and wage policy of the government.

In view of the general crisis mood, it is, therefore, no wonder that none of the opposition parties feels called upon to assume the responsibility of governing—at least not yet. The SDL, with 29 deputies the second-strongest force in the Pressburg parliament, is intent upon supporting the government from case to case in its reform undertaking. However, for obvious reasons, the successor organization of the Slovak communists, which is transforming itself toward social democracy, refuses to enter into a two-party coalition with the HZDS, as offered by Meciar: There is no desire to share either responsibility or fate of a Meciar government that is becoming increasingly unpopular. As an opposition majority procurer, the SDL, whose top leadership offers a conspicuous intellectual contrast to that of the HZDS, has command of the better position and holds all trump cards in its hands.

Thus the SDL now sees itself in the position to force "at long last" the Meciar government into a well conceptualized economic policy. The SDL chairman and deputy parliamentary president Weiss says that the HZDS must

understand that its own membership basis is not sufficient for this. Many members of the opposition, including also the "defectors" around Knazko, voice criticism to the effect that state officials are selected not on the basis of their competence, but on the basis of their obedience vis-a-vis the HZDS. The SDL is now offering its own specialists to the government; it is especially interested in the takeover of control functions.

Weiss, as it is, does not perceive the main problem in the person of the prime minister. The Slovak outward appearance would look better with a less emotionally determined man at the top, but, so goes the argument, it is wrong to personify the difficulties and to "demonize" Meciar. The crisis in Slovakia, in Weiss' view, is that of a weak state and a weak economy, having the same features as in the other reform countries. People were only able to live longer from the economic reserves that had been accumulated under communism.

But the Slovak opposition politicians shrink from toppling Meciar or from a further political destabilization not only because of ideological differences among themselves, because of jeopardizing the, as it is, not especially good international reputation of the country, and because of the creation of insecurity among their own citizens. Meciar's apprehension, expressed in an interview, that if there is a further deterioration of the situation, there could be "social explosions" and subsequently a dictatorship, surrounds his political adversaries as well. A failure of the democratization tendencies in Russia could also have repercussions in Slovakia, it is said. The conjecture that after the overthrow of Meciar there is the threat of a "hard-line government" is not without foundation, it is argued. Thus the Slovak opposition certainly wants to continue to bark at the government, but not to actually bite it.

**\* Leader of New Right Party Explains Its Program**

93CH0603A Bratislava SLOBODNY PIATOK in Slovak  
23 Apr 93 p 5

[Interview with Pavol Hagyar, chairman of the Party of Conservative Democrats, by Peter Brhlovic; place and date not given: "A Renaissance of Values Without Any Illusions"]

[Text] *In conjunction with the shop-worn cliché "our tender democracy," the terms coined for the threats that allegedly have been hanging over it nonstop since November 1989 sound at least more original. One term used after the Easter meeting of the HZDS [Movement for a Democratic Slovakia] with the SDL [Slovak Democratic Left] is "the threat of right-wing extremism." We were curious about how Pavol Hagyar, doctor of law and chairman of the recently founded Party of Conservative Democrats, would interpret this politological invention and other phenomena in Slovak politics.*

[SLOBODNY PIATOK] Mr. Chairman, you are still young, yet you, as a "right-wing threat," were able to

gather quite a few experiences during the days of the regime in force before November 1989. Do you feel you are posing a threat even now, or are you aware of any such threat?

[Hagyari] Actually, in Slovakia we have no party of far-out right extremism. Everyone knows full well that no right-wing extremism can endanger us because the HZDS holds all of the most important positions in the state. The chairmen of the two most powerful parties in the parliament, V. Meciar and P. Weiss, made some statements about the threat of right-wing extremism that may be explained as mere attempts to discredit the right-of-center parties that have nothing to do with extremism. Obviously, V. Meciar and P. Weiss realize that their left-wing politics cannot resolve Slovakia's current problems, and, therefore, they are looking for a scarecrow to distract the people's attention from the critical situation in which our country will find itself because of their policies.

[SLOBODNY PIATOK] After November 1989, you were one of the few successful individuals engaged in entrepreneurship not in the commercial but in the production sphere, yet you switched to a political career. What was your motivation?

[Hagyari] It is clear to me that, if we want to join European economic, political, and security structures, Slovakia must follow in the same way other countries of the European Community have done. After our most recent election, I was not only disappointed but also literally distressed because I felt that the incompetence of the right-wing politicians had brought Slovakia to a stage in which it may again become socialist or even communist, at least from the viewpoint of the Western world. I do not think we can initiate any truly advantageous relations with the developed world while we are being governed by former communists.

[SLOBODNY PIATOK] Where do you see the main shortcomings of the right-wing politicians?

[Hagyari] I am convinced, and history is proving me right, that everywhere in the world the pragmatic politicians set the direction of events. I feel considerable respect for people with extraordinary intellectual talents; I am convinced that they have a place in politics, but our experience from our recent election has shown that such individuals should not have determined the orientation of developments.

[SLOBODNY PIATOK] Our Mr. Prime Minister likes to point out that it was our former coalition government that brought Slovakia to a such disadvantageous position, and, moreover, that, if the current government lacks success, the former government should be blamed for it, too. He may use that charge against your newly organized party, in which certain members of the previous government have joined....

[Hagyari] With his smears, Mr. Meciar succeeded in stirring up in our public a really strong aversion to the

KDH [Christian Democratic Movement] and the ODU [Civic Democratic Union]. Nevertheless, the actual achievements of the government led by those parties were not so bad. Last year, the banking system was working, credit was available, social security was running smoothly, and inflation was essentially at a standstill. People who are not blind will be sure to admit that last year there still existed opportunities for a relatively good life and entrepreneurship, and the privatization program was under way. Today, nothing works. You can take one area of life after another. I see the trouble in the fact that, while the previous administration failed to get any political credit for its relatively good achievements, the HZDS's politics initiated the breakup of the CSFR but was unprepared for its ramifications, and, so now, it tries to conceal them or blame others for them.

As far as we are concerned, Ivan Miklos is the only one from the previous government who is on our executive board. I regard him as our top macroeconomist. What a pity he is not serving Slovakia in a governmental office at this stage.

[SLOBODNY PIATOK] What values will you advocate and promote in order to win enough voters?

[Hagyari] We shall proceed from those values to which Slovakia, as a typical conservative country, has traditionally adhered—namely, Christian values and respect for one's family, for our traditions, and for land as property. They are a good foundation.

[SLOBODNY PIATOK] Haven't those values become terribly warped over the past years—for instance, by a certain typical family with many branches, which always keeps a fascist, a communist, a member of Public Against Violence, or a follower of Meciar in his proper place?

[Hagyari] It is obvious that we must overcome 40 years of socialism, during which period some of those values were twisted. We are more interested in a renaissance of those values, and I think we shall gradually succeed.

[SLOBODNY PIATOK] The stratification initiated within the HZDS has led to speculations about the possibility of an early election. Are you prepared for such an eventuality?

[Hagyari] It takes longer than a year to build up a strong right-wing party. Our party will probably merge with the ODSS [Civic Democratic Party of Slovakia], and it is certain that, if the Democratic Party folds, its voters will soon find that we are ready to defend their interests, also. We already have representatives in every district and are beginning to set up local organizations in smaller towns. We will try to win supporters in every community so that we can get involved first in local politics and, after a while, also in policymaking in the parliament. We have no illusions about an early election, and, if we see before then that our position is not strong enough, I think we will come to some agreement on a coalition with parties that are most congenial to ours.

[SLOBODNY PIATOK] Certain news media reported that you have already initiated certain political contacts with Mr. Knazko. Wasn't that report premature?

[Hagyari] Yes, it was premature.

[SLOBODNY PIATOK] Have you assembled an appropriate base of experts able to draft a first-rate program, particularly for the economy?

[Hagyari] I dare say that top economic and legal experts have already joined us. They are no theoreticians or pipe-dreamers but, rather, pragmatists with practical experience, who can present our concepts in ways the people can understand. It may be said that, as far as our experts are concerned, we intend to become a strong party but never an elitist one, unable to convince people.

[SLOBODNY PIATOK] What is your opinion about parties organized for specific occupational groups—farmers, entrepreneurs, and so forth?

[Hagyari] That would splinter forces aiming at the same goal. As for myself, I think that, even though the entrepreneurs party may be all right, we in Slovakia should not look for a particular program that has not succeeded anywhere in the world.

[SLOBODNY PIATOK] The priorities of your political program, calling for a prompt completion of our economic transformation and a resumption of the initial tempo of privatization are already well known. Nevertheless, modern conservatism or neoconservatism, which you promote, includes such concepts as solidarity, social networking, and social tolerance....

[Hagyari] Funds for our social programs must first be earned so that we can afford such policies. State enterprises that are constantly in need of subsidies cannot produce enough funds to afford those programs. If privatization goes hand in hand with support for business opportunities, the conditions for such ventures at the same time help create new jobs. In the current situation, that is the best policy. Only then, in other words, only when we are can earn enough to afford it, can we speak of a social market economy, such as in Germany.

[SLOBODNY PIATOK] However, tax relief for entrepreneurs encourages entrepreneurship and also reduces revenues and the state budget....

[Hagyari] If tax rates were cut today from 45 to 39 percent, and if the write-off for social purposes were raised from 2 percent to 10 percent, our entrepreneurs would find that more acceptable than the current conditions. Any fair-minded entrepreneur always likes to contribute more generously to a specific social cause than to support state bureaucrats. However, those matters cannot be resolved by a parliament that regards entrepreneurs mostly as commensals. It makes no difference to any normal person whether I am a conservative or a liberal; all he wants is to live well. In conclusion, I should like to reemphasize that we are able to improve our people's living standard as well as to gradually convince people that our program is correct.

## Macedonia

### \* Slovenian Ambassador Jelovsec Discusses Ties

93BA0972A Skopje VECER in Macedonian  
10-11 Apr 93 pp 6-7

[Interview with Boris Jelovsec, interim Slovenian ambassador to Macedonia, by Tale Sotirovski; place and date not given: "Macedonia Holds an Excellent Position in the Balkans"]

[Text] *Who are the official foreign representatives and what is their view of Macedonia: Boris Jelovsec, interim ambassador of the Republic of Slovenia*

For the time being, only one embassy stands out among the several consulates general representing foreign countries in the Republic of Macedonia. It is the embassy of the Republic of Slovenia, which, like its consulate, is located in the very center of Skopje, on Partizanski Odredi Boulevard. The embassy was opened sometime in the middle of 1992.

Until the naming of an ambassador, which is expected to take place very soon, the interim ambassador is Mr. Boris Jelovsec. We visited him in the middle of the week or, to be specific, on Wednesday. He was in a great hurry.

"I have just been summoned by the Foreign Affairs Ministry of my country to Ljubljana," he said. "I shall be leaving this afternoon. I recently held meetings and discussions with your leaders and with several ministers and heard a number of proposals. I hope that I shall come back with answers which will improve and strengthen even further relations between our two countries."

#### A Similar Fate

According to Mr. Jelovsec, relations between Macedonia and Slovenia have always been as friendly and traditionally good as they are today. Established in the distant past, among others, they have included the steady support of the Slovene people in their effort to gain its independence. Actually, in a number of areas our fate has been similar, including the present similarities in seeking ways for the development of democratic processes.

"The Republic of Slovenia and the Republic of Macedonia," he says, "are following the right path to the establishment of a parliamentary democracy and to becoming truly law-governed socially oriented states. Differences in this case are normal. The Republic of Slovenia, for example, does not have such clearly manifested problems in the area of interethnic relations. It is true that in our Republic there is a certain population mixture but its share is much smaller compared to Macedonia where it is substantially higher. That is precisely why Macedonia must show much greater sensitivity in the matter of rights demanded by the members of the different ethnic groups. In that respect, your

present government has indicated that it is following the right path in the resolution of such problems. In the eyes of the international community, this indicates that Macedonia is following the right path to democracy."

However, good and friendly relations among countries are also the result of good economic and other cooperation. We asked Mr. Jelovsec whether this also applied to cooperation between our two countries, his opinion on the matter, and whether he was satisfied with the level already reached.

"I can say that I came to Macedonia with several proposals for the reestablishment and formalizing of our relations and cooperation," he answered. "As two sovereign and independent countries, actually, we can conclude a number of treaties between governments in the areas of culture, science, and education, as well as economic cooperation. However, we took such steps somewhat slowly. Naturally, this was the result of some objective difficulties as well. Let us remember that, meanwhile, new elections were held in Slovenia and communications were interrupted. It was difficult to restore even telephone contacts, not to mention to organize transportation. This was reflected mostly on the level of economic cooperation in which, under such difficult circumstances, there were major problems, although I can say that whatever was planned for 1992 was carried out. The only thing which remained unresolved was the issue of settling commercial accounts. Today I shall be going to Slovenia with a proposal submitted by the Macedonian side on holding a new meeting by the respective institutions to review this agreement. More specifically, it will be necessary to change some things. This would enable us to revive that agreement and further intensify economic cooperation. However, having mentioned such proposals, I must say that they do not apply to such cooperation only. On the contrary, I am also taking with me proposals on expanding contacts in other areas of life, such as culture, science, education, and political relations. As is already known, I shall also be taking an invitation issued by Prime Minister Crvenkovski to Drnovsec to visit Macedonia, and an invitation issued by chairman Andov for a visit to our assembly by a high level parliamentary delegation and for organizing relations on that level as well. Briefly, the visits and encounters of such delegations would make it possible to clear and resolve existing issues, and a number of new suggestions would broaden and intensify reciprocal cooperation."

#### In the Heart

Mr. Jelovsec, who is a 40-year-old diplomat, is a lawyer by training. He has spent his entire career in the field of diplomacy. As a lawyer, he was employed at the former federal secretariat for relations with foreign countries of the former and already nonexistent SFRJ [Socialist Federal Republic of Yugoslavia]. He has worked in Belgrade and held diplomatic posts in Bonn and Berlin from where he returned to the Slovenian Ministry of Foreign Affairs. He is very familiar with Macedonia and with the

overall situation in the southern part of the Balkans, for which reason we asked him to give us his views on the current situation and the situation of our state.

"The Balkans," he said, "historically have been a very restless area. It will take a great deal of time before relations can be stabilized in it. However, the very position of Macedonia which, unfortunately, does not have access to any sea and is landlocked by four neighboring countries, is good, for it is situated precisely in the heart of the Balkans. Today, when we know the significance of the North-South axis and when a new East-West line is opening, Macedonia will assume an even stronger position. This must be realized by the world and utilized, particularly since it is rare for any country to establish its independence and sovereignty without war and, as such, to become a member of the United Nations and gain the trust of all countries, in the Balkans and beyond. In other words, with its policy of balance and maintaining an equidistance between it and all its immediate and more distant neighbors it should strengthen this position even further and become the center of broader Balkan collaboration. I say center and I am thinking of a global trade center. This should be developed immediately, without delay. It is normal that the positions held in the future and circumstances will determine the development of such a Balkan and even broader cooperation. However, I hope that you will be able to resolve all of these problems which currently exist and that the Balkans, with all its countries, will be able to join the European home as equal members, in which we shall be able to live freely, to trade, and have a free flow of capital, goods, and services. In that context, I believe that the problem that now exists with Greece will be resolved as well. I believe that it is absolutely necessary for all neighboring countries to abandon some of the historical stereotypes that have become an intrinsic part of their propaganda machines. Thus, I believe that cooperation with Greece as well is possible and absolutely beneficial."

#### The Sun Belongs to You

We said that Mr. Jelovsec is familiar with Macedonia. He has visited it, and prior to his appointment as interim ambassador he held various meetings and has a number of acquaintances and friends. He added, incidentally, that he was even surprised as to how many people he knew. For this reason we were interested whether his present stay had turned a new and so far fresh page about our country.

"Still," he answered, "I was not familiar with Macedonian culture and its accomplishments in their entire range. Especially, let me emphasize your music, your folklore. When people listen to it, one can truly feel the entire sensitivity that comes from the heart. Furthermore, I did not know about your emblem of the sun that today is being attacked so fiercely. I am surprised that no one has mentioned the fact that, for all practical purposes, you have had on your seal this 16-sided sun ever since the archaeologists discovered it in Greece. This is a very important fact. When today one looks at a state

symbol or seal one would clearly notice that this is a 16-sided sun. You have clearly visible eight rays duplicated in the lower half. No one can now claim that you have invented it recently. On the contrary, you had it long before it was discovered by the Greeks. You had something which was later discovered by others."

[Box, p 6]

#### Wife From Kumanovo

In the course of our discussion, quite accidentally, Mr. Boris Jelovsec informed us of an interesting detail: His wife is from Kumanovo. We asked him about his leisure time, how much of it he had and how he used it. He said that he does not have sufficient free time, for work at the embassy has kept him quite busy. He then said:

"However, the free time at my disposal I dedicate to my family. Our children are still small (my daughter is four and my son is two) and we want to be with them. We frequently go to Kumanovo. We take the children to visit their grandfather and grandmother. You see, my wife is from Kumanovo and, to a certain extent, I feel at home there."

[Box, p 7]

#### Languages

Diplomatic work is inconceivable without a knowledge of foreign languages. Mr. Jelovsec as well is one of those diplomats who speaks several of them.

"I am fluent in English, French, and German," he said. "However, languages are a living thing and contacts are needed in order to retain their knowledge. For the time being, I do not have such contacts to the required extent and, to a certain extent, I feel some difficulties in communicating with the other foreign representatives in Macedonia."

#### \* Government Report on Civil Disturbances

93BA0947A *Skopje NOVA MAKEDONIJA in*  
*Macedonian 15 Apr 93 p 4*

[Article by K. Cangova and M. Anastasova: "The Police Did Not Overstep Their Authority"]

[Text] Before the protests in Djorce Petrov occurred, there were several warnings from the residents that they would prevent the facility's construction; crime and an illegal trade in drugs, weapons, cigarettes, and alcohol reigned at the Bit Pazar; in the village of Radolista, several people possessed enormous amounts of weapons and explosives.

The long-awaited reports that the government was supposed to prepare for examination at the 56th session—on the events in the Skopje development of Djorce Petrov (in February 1993), in Bit Pazar (in November 1992), and in the village of Radolista (last March)—were distributed yesterday to the Assembly deputies. This

fulfilled the conditions for scheduling a continuation of this session, which began and was interrupted last month. After they were considered, there was a discussion of the interpellations concerning two ministers and members of the government, Ljubomir Frckovski and Antoni Pesev, which were withdrawn by the proposers with the explanation that the interpellations were associated with the foregoing cases.

What do the government reports actually contain? After an extensive explanation of how activities proceeded in connection with the selection of the site for building the camp for Bosnia-Herzegovina refugees in the Djorce Petrov II development, the reports' drafters dwell on the actual course of events. Before the protest occurred, there were several warnings from residents that if construction of the facility at the "Defense Industry" location began, they "would prevent the facility's construction through various forms of passive and active resistance," according to the report. In spite of this, the construction nevertheless started on 18 February 1993, for which 200 policemen from the Skopje GUVR [City Internal Affairs Administration] were employed to guard the construction work. That led about 200 residents of the development to gather immediately afterward; at first they expressed their indignation without major incidents, demanding talks with city officials.

#### Citizens Incited by "Guerrillas"

As the report further states, the protest escalated during the afternoon of the same day, and an attempt was made to destroy what had been built so far. It was prevented by the formation of a police cordon. The course of events from then on is well known: Traffic was blocked by containers and by physical presence on the Djorce Petrov, Raduska, and Crnogorska streets, up until midnight. The protest continued the next day with a mass rally, renewed blocking of traffic, and aggressive and uncontrolled behavior accompanied by shouts against the government and the police, and an attempt was made again to stop the construction work. The report emphasizes that the citizens were incited by a group of so-called guerrillas, who, riding in a vehicle, used a megaphone to shout slogans, and, representing themselves as members of the Committee of Local Communities in that area, demanded the presence of and talks with the government and the city leadership.

On the third day of the events, tensions did not relax. A group of citizens, through a megaphone, encouraged a mass rally, which was followed by an attempt to block traffic across the Saraj bridge, but the police intervened, as it is stated, without using force, even though there were provocations and attacks against their members. Five citizens were detained, but released after questioning. Later on the situation deteriorated, and about 150 citizens protested in front of the district police station because of the individuals allegedly detained and held. There was also a break-in at the construction site, where the construction workers were physically attacked,

and one of them was slightly injured. The police intervened here for the first time, using rubber clubs against two of the more aggressive people. Somewhat later tear gas was also used, and in the course of the night eight individuals were brought into the police station for questioning, but were released later. On the last day of the weekend, the crowd of protesters grew to about 5,000. That was used as an opportunity to break through the police cordon protecting the construction site. In those moments, there was a clash in which citizens attacked with stones and other objects and blocked transportation again, and in response, members of the Internal Affairs Ministry retaliated with chemical weapons (about 20) and with water cannon from a fire truck. The incident escalated when two deputies from opposition parties appeared among the citizens, and incited further resistance and aggressive behavior toward the police.

During those few days, the government's report emphasized, seven policemen and two firemen were injured, and three fire trucks and two police emergency vehicles were damaged. Otherwise, the citizens did not complain about bodily injuries, except for being angry about the use of chemical weapons. According to what is stated in the report, the police did not overstep their authority.

#### The Crowd Was Demolishing Everything in Front of It

Proceeding from the knowledge that crime and the illicit trade in drugs, weapons, foreign exchange, cigarettes, alcohol, etc., were constantly growing in the Bit Pazar area, the MVR [Ministry of Internal Affairs] organized several operations to prevent such phenomena. It was induced to do this because, of the total of over 12 kilograms of drugs confiscated in Skopje, half was found in this area; of the seven cases discovered of illegal weapons possession, three were in Bit Pazar (two automatic pistols and rifles apiece, five pistols, and a large amount of ammunition). There were 372 charges of foreign exchange violations filed against 398 individuals, and furthermore 240,990 Deutschmarks, U.S. \$51,245, 284,290 Swiss francs, and other currencies were confiscated. With respect to the illegal trade in cigarettes, four criminal complaints and 21 misdemeanor ones were submitted, and 528,000 boxes of cigarettes were confiscated.

One such operation, carried out on 6 November 1992, ended tragically. Four people lost their lives: Safet Sejfulai (32 years old), Ibraimi Semsedin (38), Memis Sulejman (22), participants in the demonstrations, and Viktorija Gesovska (63), who died in her home. Everything started at noon when 20 dealers in various goods, whose activity had been prevented by the police, went to protest in front of the Republic Assembly building. The immediate cause of the serious incident, as the report emphasizes, was "the police's action toward a person who was selling cigarettes in Bit Pazar." Actually, two policemen observed an individual who was carrying a suitcase full of packs of cigarettes and offering them for sale. Upon their attempt to identify him, another person

appeared, who was later determined to be the minor Ali Sejdiu (15) (from Skopje), who took the suitcase and tried to escape. In the vicinity of the Bit Pazar polyclinic, the policemen overtook Sejdiu, who offered resistance and because of that received a blow with a club in the area of the back. He tried to escape again, but fell, and since he complained about his injuries, he was carried into the polyclinic. The incident was observed by about 200 citizens who started to gather around the police. After 10 minutes, the number doubled. A van arrived on the scene with three policemen, who were attacked, and Sejdiu was pulled back by the crowd.

The number of people assembled increased in a short time to 3,000 people, who destroyed the windows of the polyclinic and neighboring shops. Another 10 MVR employees were called for help; they did not even resist the crowd, which was moving toward the Old Marketplace, demolishing everything in front of it. The police intervention began with a warning, and since the crowd did not disperse, chemical weapons, tear gas and smoke bombs, were used. The people assembled later divided into smaller groups and withdrew into alleys. There they made barricades, from which bullets were fired from automatic weapons and pistols. At that moment, the report emphasizes, part of the special assignments unit intervened, using one armored transport to remove the barricades. From it, automatic weapons were fired in the air as a warning. There were also shots from other barricades, and two demonstrators and Gesovska were hit. There was also shooting around midnight on Jugoslavija Boulevard, where the police were fired upon from two houses. Firearms were also used by the other side. That is where the third of the demonstrators died.

According to the MVR's information, there were 26 people injured in the demonstrations, of whom four were charged and convicted of crimes against property and illegal trading. Likewise, 15 policemen were injured, one of them seriously, and during the events there were also physical attacks against random passersby and travelers in the demolished JSP [expansion not given] buses. A total of 128 people were arrested, and 32 were already known to the police previously. Charges were filed against 84, and they were sentenced by the Opstina Misdemeanor Court to 30 days in jail; four minors were sentenced to a monetary fine of 15,000 denars. Criminal charges were filed against 28 people.

#### Armed Resistance in Radolista

Let us recall that the Radolista case resulted from the MVR's attempt to confirm the information that there were individuals in that Struga village who were in illegal possession of large amounts of weapons and explosives. Consequently, according to the report, as part of the measures organized, on 15 June 1992 a search was made in 16 buildings, 13 of which were in Radolista, two in Struga, and one in the Feriste development. At the entrance to the village, when the policemen were entering, one shot was fired by an individual so far unidentified, who fled. The beginning of the search was

accompanied by resistance—armed resistance from two buildings, and in the others, the individuals refused to open the door. Active resistance with weapons was offered from the house of Labunisti Kadri and Murtisi Uskin. The police responded with the use of two armored vehicles, chemical weapons, police dogs, and shots fired in the air. An attempt to offer armed resistance was also made by Zija Lena, but he was overcome. After these incidents, the planned search was carried out and the police left the village. There were 33 individuals arrested from Radolista, including three women. Three are Albanian citizens who crossed the border illegally. Five criminal charges were filed against 13, and misdemeanor charges against five, while the Albanian citizens were returned to their country. Those who are facing criminal prosecution were jailed.

Labanisti Belu, Memedi Sultan, and Murtisi Djemal Kaim are being held accountable for offering armed resistance, illegal arms possession, and also procuring and carrying weapons.

[Box, p 4]

#### The Investor's Proposal

The original proposal for building the refugee camp in Djorce Petrov, presented by representatives of the government of North Rhine-Westphalia, was for a housing development in which 800 to 1,000 refugees from Bosnia-Herzegovina would be taken care of, while after their departure it would be used to house socially endangered Macedonian citizens. Later on, a protocol determined that the republic would make land available in Skopje, and it would exempt from taxes the establishment of the infrastructure and the issuance of permits, while the investor, at its own expense, was to build the development, for which Macedonian firms would be employed. With the delivery of the keys, the Macedonian government would become the owner of the facilities, which would later be used as student dormitories.

[Box, p 4]

#### Foreign Citizens

The participants in the Bit Pazar incident (in addition to individuals from Skopje, Tetovo, and Gostivar) also included 16 foreign citizens from Kosovo. They were present in the crowd of demonstrators. Because of their aggressive behavior and the demolition of vehicles and shops in the Old Marketplace, misdemeanor charges were filed against Abazi Enver, from the village of Ojcani in Pristina, Bajrami Isuf from Urosevac, and Kadrija Avni and Salji Gazmi from Prizren, and they were sentenced by the Municipal Court to 30 days in jail. The other participants were released.

[Box, p 4]

#### Favorable Location

In finding a favorable location for the camp, the competent ministry asked the rectorate of the Cyril and Methodius University and the Ministry of Defense to offer solutions. Originally, they were planning on the construction of new student facilities (solid construction) in one of the student dormitories, but the investor did not accept the proposal, citing the upcoming winter which required urgently setting up prefabricated buildings.

The German side was also offered completion of a building already begun in the Topaansko Pole development, as well as adapting and completing buildings in the Radusa mine development. That was also rejected, because of the distance from the city.

[Box, p 4]

#### Weapons Found

The result of the searches in Radolista is as follows: 11 rifles, one rifle with a sniper scope, machine guns, 11 pistols, one air pistol, five knives, nine gas masks, a Molotov cocktail, 16 pieces of dynamite, two radio sets, detonator cartridges (37 items), 14 detonators with slow-burning fuses, three ammunition pouches, 72 fire-crackers [petardi], two sets of brass knuckles, 625 pistol bullets, and 340 rifle bullets. Also found was propaganda material: lists of village guards and their distribution, assignments, and invitations for assignments, certificates for a voluntary contribution for the needs of the Assembly of Political-Territorial Autonomy, a list of adults qualified to be village guards, faked video cassettes and photographs sent to the forum on human rights with the aim of showing an individual who suffered in a traffic accident, who allegedly received his injuries from the police intervention, maps showing the borders of "Iliriada," more than 50 maps of Greater Albania, over 500 annual calendars from Albania with nationalistic insignia, and literature on military strategy and combat tactics and on reading topographic maps, and on setting up radio communications and relay posts.

#### Armed Forces Celebrate Anniversary

93BA0973C Skopje NOVA MAKEDONIJA in  
Macedonian 16 Apr 93 p 2

[Unattributed report: "Historic Hours in the Barracks"]

[Text] On the occasion of the first anniversary of the establishment of an independent defense of the Republic of Macedonia and the arrival of the first recruits in the barracks in Skopje, Bitola, Stip, and Ohrid, this historical event was celebrated yesterday in the Ilinden Barracks in Skopje. The tradition of freedom in our country and the accomplishments of the ARM [Army of the Republic of Macedonia] so far, were the topics of a

speech by Lieutenant Colonel Djordji Djurovski, commanding officer of the Ilinden Barracks, who addressed soldiers and commanders stationed in the barracks, as well as civilians.

"Although one year is too short a time for detailed analytical assessments, we must point out that enviable results have been achieved in the training of soldiers, NCO's and command personnel," Commandant Djurovski stressed among others.

The anniversary of the independence of the Army of the Republic of Macedonia was also properly celebrated at the Stiv Naumov Barracks in Bitola. On this occasion a historical meeting was held, addressed by Commander Toso Ampevski, who said that it was precisely the Bitola Barracks, together with the barracks in Skopje, Stip, and Ohrid, that was among the first, one year ago, to accept young recruits in the ranks of the Macedonian Army. He also stressed that the Army of the Republic of Macedonia is a loyal defender of the peace and of our traditions of struggle and freedom.

On the occasion of the anniversary of the founding of the Macedonian Army, there was a parade by army units in Gevgelija. Commandant Naser Seidini presented awards to the best soldiers. At the celebration which was held, both soldiers and the numerous guests were greeted by Djordji Atanasov, the chairman of the Gevgelija Township Assembly.

On the occasion of the first anniversary of the establishment of the ARM a historic celebration took place at the Delcevo Garrison for soldiers and ranking personnel. The first anniversary of the establishment of our state and army was noted also among the border troops of all patrols in the area covered by the garrison.

[Box, p 2]

#### Andov Congratulates Bocinov

On the occasion of the anniversary of the establishment of an independent defense of the Republic of Macedonia, Stojan Andov, chairman of the Assembly of the Republic of Macedonia, sent a telegram to General Lieutenant Colonel Dragoljub Bocinov, chief of general staff of the Army of Macedonia, which read as follows:

"On the occasion of the anniversary of the establishment of an independent defense of the Republic of Macedonia, on behalf of the Assembly of the Republic of Macedonia and on my own behalf, I address to you and, through you, to the command personnel and the soldiers of the Army of Macedonia, warm greetings." This was reported, among other news, by the Information Service of the Assembly of the Republic of Macedonia.

**\* Chairman of Military Commanders  
Organization Interviewed**

*93BA0973B Skopje NOVA MAKEDONIJA in  
Macedonian 7 Apr 93 p 5*

[Interview with Jordan Spaseski, chairman of the Military Commanders Organization, by Z. Petrov; place and date not given: "The State Does Not Dare To Neglect Reserve Officers"]

[Text] *All professionals dealing with military issues agree that wars are in fact fought by reservists and not by the active members of the armed forces. That is precisely why one is puzzled by the passive attitude of the state toward the Organization of Military Commanders with its 50,000 members, whose status has still not been defined by law, according to Spaseski.*

At all republic conferences of Macedonian officers the speakers stress the prime importance of institutionalizing this organization and making it part of the Law on Defense. The need for definitively regulating the status of the Military Officers Organization is all the more necessary for, as is constantly being stressed, it is a question of an institution of a special social interest that is currently being almost entirely neglected by the state. It was precisely for that reason that we had a discussion with Dr. Jordan Spaseski, chairman of the OVSRM [Organization of Military Commanders of the Republic of Macedonia] RK [Republic Conference] who is also the most active promoter of the idea of the legal and systematic inclusion of the Organization of Military Commanders in all segments of society and, especially, in the defense system.

**Part of the Defense System**

In a situation in which the Republic is struggling for the international acceptance of its status as a state and for organizing all of its state institutions, the question of defense ranks among the first. That is precisely why, he says, many people in responsible positions in the state believe that they know and can discuss defense issues and even single out what should be accomplished in that area. However, they are simply unaware of the fact that such problems, in themselves, are exceptionally complex and demand a high degree of competence. In addition to science and scientific knowledge of defense phenomena, the chairman of the Republic Conference of the OVSRM stresses, officers and military command cadres, as well as the members of our organization, objectively constitute a significant factor in developing the concept and strategy of defense and, to an even greater extent, its practical implementation. So far, Spaseski emphasized, the OVSRM insisted on making an active contribution in all those areas. However, the fact that its status remains undefined, either with the Law on Defense or any other legal act, creates objective difficulties in terms of encouraging the activities of the membership, financing the organization, and the implementation of specific programs. By this token our state, that has and must have a tremendous interest in the strengthening of

its defense and, in general, its stability, to a certain extent neglects and ignores this tremendous human, professional, and cadre potential, for it is a known fact that we are speaking of an imposing number of over 50,000 commanders, one-third of whom are officer-school graduates.

In the situation in which we find ourselves as an organization, Jordan Spaseski stresses, we should compare it with the other civil societies and their attitude toward reserve commanders. These countries not only take into consideration their cadres in the field of defense but also assign them responsible civil functions in other areas and even in the economy. Here the logic is quite simple: if an officer can organize, lead, and command 500 or 1,000 people, he would be equally successful in leading and managing any kind of company, for he has the ability to organize the work and to demand order, discipline, and responsibility, and to achieve results. In this connection, our interlocutor is categorical: the belief predominates that no one has the right to exclude the command personnel from the system of defense and, whatever the reason, to turn them into passive individuals, for defense is a state function but also is always related to the human factor and to the motivation for organized defense.

**The Reservists Bear the Burden**

Certain criteria exists in the world on what forces are necessary to defend the country, Spaseski says, adding that it is usually a question of about one percent of the population that is part of the regular armed structure of the armed forces. In our country, he says, the regular troops account for between 0.6 and 0.8 percent of the population, but we must also be aware that under circumstances preceding a war and during the war itself no less than 10 percent of the able-bodied population goes into active service. In other words, if the ARM [Army of the Republic of Macedonia] has currently about 10,000 troops and commanders, in case of war it would need no less than 100,000. The difference between these two numbers, as Jordan Spaseski stresses, actually includes the entire command cadre of the Organization of Military Commanders of Macedonia, which includes officers and noncommissioned officers trained to function in virtually all branches and types of armed forces. According to our interlocutor, military professionals agree that a war is in fact waged by the reservists and not by the active peacetime forces, whose main objective is exclusively to amortize the first strike. On the other hand, the experience gained in the battles in Slovenia, Croatia, and now Bosnia-Herzegovina, has emphasized the role of the command personnel and their training, ability and skill in fighting, organizing, and commanding, and it is they, actually, regardless of whether they are active or members of the reserve, who assume the main burden of the war. That is precisely why in the case of an eventual war in Macedonia, the main burden will fall on our members, the reserve officers and NCO's.

According to the chairman of the OVSRM Republic Conference, for those reasons the way society treats that

organization will determine the way the organization will respond to its tasks. A feeling of general disappointment has already developed and the response of younger people has weakened. In a number of areas, this is a very worrisome situation, Spaseski stressed, adding that the organization of military commanders, as a nonpolitical organization, is one of the rare entities in which membership is not based on individual interests but on a significant and vital social interest, such as the defense of the land. That is precisely why the state cannot afford to ignore the organization of military commanders, since it must know that here it is a question of a tremendous potential which could be of valuable assistance in building and protecting the overall stability of the country and not only in the area of defense. Furthermore, it should not let such people be lost, the chairman of the Republic Conference of the Organization of Military Commanders of the Republic of Macedonia, Jordan Spaseski says.

#### **Civil Defense Law, Organization Viewed**

*93BA0973A Skopje NOVA MAKEDONIJA in Macedonian 7 Apr 93 p 2*

[Article by Stojan Kuzev: "Support Rather Than Defense Forces"]

[Text] *How strong is civil defense in war and peace? Coordination is necessary in taking defense and rescue measures.*

According to the Law on the Defense of the Republic of Macedonia, "a civil defense system must be organized and trained in order to protect and rescue the population and material goods from destructions and other dangers caused by military activities, natural difficulties, and other misfortunes caused by war and for eliminating the consequences of the same." Such is the purpose of an organized and trained civil defense as part of the defense of the Republic.

Protection from natural disasters and technical and chemical catastrophes, and information systems in peacetime, according to the same law, is based on the laws and other regulations governing the activities of the respective authorities.

#### **Defense and Civil Defense Forces**

Regardless of whether it is the question of civil defense applied in war or protection in times of peace, civil defense must have its own forces. At this point, it would be logical to ask the following: What kind of forces does civil defense have in times of war, what kind of forces are available for defense in peace time, and are they one and the same?

Defense forces in times of peace are the forces organized by enterprises, public establishments and services, local self-governments, and state authorities, with a view to protecting their personnel and material goods in the course of their normal functioning, and protecting all

such entities (workers and property) in the case of basic disasters and other technical catastrophes.

In war, the civil defense forces are the same forces used for defense in times of peace and the special civil defense forces organized by the Republic for that purpose. Naturally, in war the civil defense forces also include forces which enterprises, public establishments and services, local self-governments, and state authorities organize and train to meet their own needs, in accordance with their own assessments and decisions.

Hence the answer to the second part of the question: the defense forces in peace and the forces of civil defense in war are not one and the same. The latter are larger and specifically organized to respond to a certain social condition. This applies to a state of war, for the purpose of which, actually, the defense system itself is organized. In such cases, the need for military and civilian defense by soldiers and civilians is much greater. That is why, to this effect special "extra" forces for civil defense are organized. They are part of the civil defense units and staffs. Otherwise, protection and rescue, as a function of the state and society, has its own tasks which are carried out by the civil defense system on a regular basis. Coordination must exist in taking steps for protection and rescue and in organizing the forces for the implementation of that function.

Specifically, civil defense as a nonprofessional force (a force which is organized and equipped to perform specific tasks) must be organized only for protection and rescue measures for which the professional authorities and organizations (state, economic, social) neither have nor could have the possibility of carrying out protective and rescue tasks. This makes possible the more efficient and more economical organization of civil defense, thus avoiding duplication in preparations for protective and rescue measures and organizing the forces which must provide such protection and rescue.

This means that the main force in defense and rescue are the regular forces and facilities and that civil defense is a force that, if needed, is added to the normal activities. This means that civil protection should not be considered a separate and independent organizational structure but a force which is added to the main forces used in protection and rescue, for defense and rescue purposes.

#### **Use of Civil Defense**

The professional authorities or civil defense staffs must be in charge of the professional daily management of defense and rescue operations involving the regular activities and forces of civil defense. Naturally, in the case of natural and other extensive disasters and in order to include in the protection and rescue the high social potential, the leading authorities of the Republic must play an important role in the local self-defense units and in the local self-government and enterprises, with a view to ensuring the overall implementation of the decisions and regulations issued by the expert authorities.

Civil defense is organized in case of a state of war. Its preparations, including organizational measures, take place during peace time. The following is asked: When must civil defense be used and how?

Civil defense is used in both war and peace conditions.

Under circumstances in which the legislator unequivocally defines a state of war and declares it (Article 124 of the Constitution of the Republic of Macedonia), the use of civil defense is unquestionable. Therefore, civil defense is activated the moment a state of war is declared, and its further use is determined by the specific situation and the operative-planned decisions drafted in times of peace. There are no legal obstacles to the use of civil defense in peace time. The basis prerequisite to this effect is the declaration of a state of emergency (Article 125 of the Constitution), on the basis of which the executive branch, in this specific case the government of the Republic of Macedonia, must pass a resolution on the use of civil defense in peace time (Article 16, Item 5, Paragraph 3, and Article 109 of the Law on Defense).

After the lengthy drought experienced by the Republic of Macedonia in the second half of 1992, on the very eve of the new year 1993 or, more specifically, during the New Year's holiday's, there was heavy snow precipitation throughout the virtually entire Republic. It brought joy and pleasure to the children but concern and helplessness to others. Throughout the Republic, the respective authorities and organizations and the citizens dealt with the snow quite successfully. This particularly applied to the respective authorities and organizations in the area of transportation. Despite the abundant snow precipitation they prevented virtually any blocking of interurban transportation. Briefly said, they acted promptly and steadily and, naturally, efficiently.

Meanwhile, Skopje, the main city of the Republic of Macedonia, found itself in a very difficult situation. A state of paralysis developed. Transportation was not functioning. If transportation was not functioning, one had to worry about supplies to the population, providing health care, keeping schools open, and so on.

A number of activities and areas of life stopped functioning, for the respective authorities and organizations, whose duty it was to handle such situation, such as Republic, city and township authorities in Skopje, virtually stopped functioning themselves. They probably shifted duties from one organization to another, or perhaps simply waited for the snow to melt. The snow, however, stubbornly kept falling.

What happened then?

The various civil defense staffs entered the scene: Republic, city, operative, etc., and acted truly as "staffs." They launched appeals, issued recommendations, and so on. In that situation no other actions were possible, for no decision had been made to use the civil defense forces. A resolution was not passed to this effect because no state of emergency had been declared.

The civil defense staffs assumed responsibility for the problems caused by the peacefully falling snow, while the respective authorities and organizations (the professional ones) "stood" aside. That should be instructive, should it not!

#### \* New Bank Notes, Coins Issued

93BA0971A Skopje VECER in Macedonian  
10-11 Apr 93 pp 8-9

[Article by Vesna M. Bozinovska: "How the Macedonian Denar Is Minted"]

[Text] Money, money, nothing but money is the integral part of the daily life of about 10 employees at the 11 Oktomvri [11 October] printing plant in Prilep, at which the first Macedonian national currency has been turned out day and night for two months now.

Something not of daily occurrence and unusual for ordinary people takes place in what seems to be a small shop of the printing plant, with bars on the windows and doors and hidden cameras, at a constant temperature of 22 degrees and air humidity of 55 percent. Thousands upon thousands of a wide variety of bank notes pass through the skilled hands of these people without interruption, 24 hours a day, with the latest equipment and technology used. This is money in new clothing, which is expected to be placed in circulation in a few days as the new Macedonian payment means, replacing the current "cellotape" coupons. It is confidently stated that the new bills will be on a par with the Austrian shilling, the German mark, and the [British] pound, both in appearance and design (many Macedonian cultural and historical monuments are perfectly reproduced). What is most important is that the bank notes are of a quality guaranteeing their serviceability for at least five years and as many as 4,000 foldings.

#### The Smell of Money

A visit to this small shop allows a person to savor the alluring odor of the ink of freshly printed money, which is lying around everywhere. The sheets, rolls, bills by the thousands of different denominations, are in the eyes of the employees only ordinary printed matter. As the workers put it, they have money everywhere around them, but they behave toward it like eunuchs in a harem full of women, keeping their hands off because the money is not theirs. It cannot be otherwise because, as we were told by Saso Zafirovski, director of the printing plant, this group of 10 people is made up of true professionals, masters of their craft, who can be confidently and without reservation entrusted with the entire process of turning out this "power paper." Their skilled hands have produced around 60 million bank notes in only two months.

"This is really difficult and painstaking work. Over the last two months this shop has been a second home to us, since everyone works as many as 12 hours a day. But we are proud of the fact that our work and skill are making

a contribution to Macedonia's acquiring one of the characteristics of a nation in the near future by having a currency of its own," according to Stevan and Dragica Stevanovski, who add that if people just knew how difficult and complicated this work is, they would have an entirely different attitude toward money and would respect and protect it more.

They would do this especially when the fact is added that, in addition to the complicated work these people do, the entire operation simply of replacing money is costly and, according to initial estimates, the government will make no more and no less than 7.5 billion denars for us. The total costs already run to millions of marks.

But it would not be right to visit the printing plant and fail to mention the names of Biorce Todoroski and Zoran Damcevski, two young people who were the first to produce the money. They have drawn and designed every part of it. They also do electronic photomontage, naturally using the latest equipment (color printer, computer, monitors), and have done this continuously 15 hours a day over the last two months.

"We produced a total of 50 design concepts over this brief period, at a truly murderous pace. From among all these proposals of ours, the ones that were selected are what we are currently working on and which are depicted on the new paper money. Every minor detail, every nuance, and every minute part of the bill passes through my hands. This is really a daily experience," according to Todoroski.

#### Coins by the Shovelful

And while bills are being printed around the clock in the fortress under the Markov Towers, the first Macedonian minted money is being produced at the same time only about 40 kilometers away at the Suvenir factory in Samokov. This mint, which ranks as the eleventh in Europe in technological sophistication, turns out 800,000 coins a day, or 750 pieces a minute.

In this large factory building, in a true forge-like atmosphere, where the ringing of coins is heard constantly, where the coins glitter like ducats in large barrels, a lengthy process takes place, in which in only a few hours beautiful coins are turned out on which images of the Sar Planina hound, the lynx, the trout, and the Ohrid seagull are engraved.

The minting of coins takes place in several complex stages. A strip consisting of an alloy of copper, zinc, and nickel is fed into a special machine, where it is cut into disks of different sizes and weights. Then comes a thermochemical stage in which degreasing is carried out. The disks then go to a machine in which they are edged. In only one minute 900 to 2,400 metal disks are produced which are then heated to a temperature of 500 degrees so that an image can be imprinted on them. Engraving of coins already produced is performed with a special Schuler machine. A stream of 755 coins flows

from the machine's "faucet" in a single minute. According to Dobri Mickovski, director of the vault facility of the National Bank of Macedonia, under whose watchful eye the entire process takes place, the quality of the coins guarantees their unlimited use. Their only enemy is inflation.

"The complete technology for manufacturing the first Macedonian minted money is that of a factory with a long tradition in this truly impressive craft (there was also a forge on this site 250 years ago). Consequently, there has been no doubt that the coins would be of really high quality," says Dimitar Trendafilovski, production director of the Suvenir factory.

The minting of coins has now been completed, and the printing of bills is nearing completion. The results of the several months of labor by this group will become apparent in a few days. And this really cannot be measured in terms of money, considering what these people have given of themselves, their work, love, knowledge, and skill. And, of course, the dedication cannot be repaid even with the product they themselves turn out.

[Box, p 8]

#### Quality

The paper on which bank notes are printed is 100 percent cotton. It is also impregnated, meaning that it resists damage by various chemicals and by laundering. A bank note has a protective red thread, as well as fluorescent fibers and a watermark. All the other elements, from the color and the design to the protective features to thwart counterfeiters, are applied by means of electronic technology. Every bill has a fluorescent thread that is visible with the naked eye and that turns black when counterfeited. A map of Macedonia with the names of the major cities is also printed on the money, but this map cannot be seen with the naked eye.

[Box, p 9]

#### Denominations

To be placed in circulation are 300 tons of coins or 30 million pieces (one coin weighs 6 to 7 grams on the average) and around 100 tons of paper money or 25 million individual bills of different denominations.

Bank notes are issued in denominations of 10, 20, 50, 100, and 500 denars, and coins in denominations of 1, 2, and 5 denars and 50 deni as the smallest Macedonian currency unit. All bills are of the same size and weight; they differ in color and motif.

[Box, p 9]

#### Coins

Coins are made with an alloy of copper, zinc, and nickel. Coins in 1, 2, and 5 denar denominations consist of 80 percent copper, 17 percent zinc, and 3 percent nickel and

are light yellow in color, while the 50 deni coin consists of 80 percent copper and 20 percent zinc and is darker yellow in color.

The Sar-Planina hound is engraved on the one-denar coin, the Ohrid trout on the two-denar, and the Macedonian mountain lynx on the five-denar coin, while the Ohrid seagull is represented on the smallest, 50-deni, coin.

[Box, p 9]

#### Temporary Markings

The new Macedonian money, which is to be placed in circulation in the near future, is a transitional currency. Because the markings on the currency units were produced at the direction of the National Bank, the definitive markings will be determined by open competition that is now in progress and will continue until 15 April.

Authorities at the NBM [National Bank of Macedonia] state that the procedure for developing the markings is a very long one, lasting one to two years on the average, because the optimum solutions may not be reached in the competition. In this event the markings are produced again on commission, and this prolongs the procedure. Inasmuch as the period for use of the current vouchers expires at the end of this month, the NBM had to take this step and place the currency with the temporary markings in circulation.

[Box, p 9]

#### Color and Motifs

On the obverse of the 10-denar bill, on which the color blue predominates, the Krusevo "Makedonium" is depicted, while the Krusevo motif appears on the reverse. The Daut Pasha Turkish Bath is shown on the front of the 20-denar bill and the Clock Tower in the Bit Bazaar on the back, while the predominant color of this bill is dark red. Crimson predominates on the 50-denar bill, on which the old National Bank of Macedonia building is shown on the obverse and the Saint Panteleimon Church on the reverse. Lastly, the 100-denar bill, on which light brown is the predominant color, has an Ohrid motif on its back and the Saint Sofia Church on the obverse. The 500-denar note has the Saint Jovan Kaneo Church on the obverse and the Samoilov Fortress on the reverse.

Two motifs have been adopted for the watermark, the "Makedonium" for the 10, 20, 50, and 100-denar denominations and the Saint Jovan Kaneo Church on the 500-denar note.

#### \* Albanian Party Protests Designs on Bank Notes

93BA0971B Skopje NOVA MAKEDONIJA in  
Macedonian 6 Apr 93 p 4

[Unattributed article: "Discrimination in New Money as Well"]

[Text] Along with the Macedonian national government, army, police, and television as the context for "equal rights" and "coexistence," a "Macedonian religious" Orthodox currency is also offered, as medium of payment in a "democratic" Macedonia "with equal rights." This allegation is made in a PDP [Party for Democratic Prosperity] communique.

The communique goes on to state that this is a strange interpretation of equality of rights. Now adherents of both the Orthodox and the Islamic religions as "democratic" citizens will have to carry monasteries and crosses in their pockets and keep them at home.

This act denies in the grossest possible manner everything in Macedonia that is not Orthodox and insults the more than one million Muslim citizens. Along with the effort to set up Macedonia as a country of the Macedonian people, an attempt is now being made to present Macedonia as an Orthodox country.

In conclusion, the communique states that the PDP appeals to government agencies and the institutions concerned to prevent this dangerous action in the interests of the stability of Macedonia and coexistence.

#### Vojvodina

#### \* Hungarian Paper, Organization at Odds

##### \* Agoston's Letter

93BA0977A Novi Sad MAGYAR SZO in Hungarian  
11-12 Apr 93 p 11

[Open letter by Andras Agoston, president of the Democratic Community of Hungarians in Vojvodina, to Sandor Balint, editor in chief of MAGYAR SZO: "To Avoid Any Misunderstanding; To Mr. Sandor Balint, editor in chief of MAGYAR SZO, Ujvidek (Novi Sad)"]

[Text] Dear Mr. Editor in Chief:

I was dumbfounded when I saw the journalistic method employed by the journalist in his interview with Sandor Csoori, published in MAGYAR SZO's 6 April, Tuesday, issue. Instead of supporting her comment with documents of the VMDK [Democratic Community of Hungarians in Vojvodina], since the issue was a political organization, Zsuzsa Farkas quoted "certain members" of the VMDK, who think that the staff of the MAGYAR SZO are bad Hungarians just because they want to preserve their identity, instead of being the mouthpiece of the VMDK. These "certain members" of the VMDK claim that "we (i.e., MAGYAR SZO) are working for Milosevic."

Mr. Editor in Chief, I am convinced that you care about the political credibility of your paper and about correct journalistic practices at least as much as I myself care about preserving the VMDK's moral credibility. In the common interest of Hungarians in Vajdasag [Vojvodina]

and in order to avoid any misunderstanding, the journalist who wrote the interview should name just one VMDK member who voiced the opinion presented in her comment. If there is indeed a VMDK member and it is established that he made such a statement, then the VMDK Council certainly would, in accordance with the statutes of the VMDK, distance itself from that statement. Moreover, again in order to avoid any misunderstanding, it would be good if you would publish in the MAGYAR SZO my letter and the enclosed documents which I wrote as VMDK chairman and in which I offered to temporarily take over from the MAGYAR SZO its founder's rights. This would make it possible not only for Zsuzsa Farkas to learn about the VMDK's official view regarding this matter, but also—and this is not insignificant—for the democratic public to form, on the basis of authentic documents, an opinion on this important issue.

I am certain that you will agree that it is in our common interest to avoid any misunderstanding and that this entire matter must be clarified in public for our edification.

Looking forward to your public reply, I am sincerely yours,

Andras Agoston VMDK Chairman

P.S. Since I do not want to circumvent the real issue, I hereby state that the VMDK has only one problem with the MAGYAR SZO, a big one at that, namely, that it does not support the concept of autonomy that has already been endorsed several times by Hungarians in Vajdasag. I would like to hope, however, that this shortcoming, too, can be corrected through mutual goodwill and that, in our dire situation, everyone will do whatever he or she must do in his or her position. For we all know very well that this exodus that we see, which is at the verge of panic, cannot be halted without autonomy.

Editor's note: In accordance with the press law, we will be able to publish our reply to the letter above in our next Sunday issue.

#### \* Balint's Reply

93BA0977B Novi Sad MAGYAR SZO in Hungarian  
18 Apr 93 p 11

[Open letter by Sandor Balint, editor in chief of MAGYAR SZO, to Andras Agoston, president of the Democratic Community of Hungarians in Vojvodina: "Let Us Prevent Misunderstandings!; Reply to VMDK Chairman Andras Agoston"]

[Text] Dear Andras:

It would not be easy to adequately clarify some years from now how the discord between the MAGYAR SZO and the VMDK began. Of course, it probably happened when one of the parties struck back.... All of us are in despair because of the present state of the world around

us. We are edgy and impatient toward ourselves and each other. This is probably the explanation for the fact that the journalists and editors of the MAGYAR SZO are also at fault in not always taking the wisest response to side blows and comments that we consider undeserved. And there are many of these, as you know. Even certain parties—some in power, others in opposition—consider the MAGYAR SZO a black sheep. However, I regret to have to say that certain members of the VMDK, which represents the interests of Hungarians in Vajdasag, view the MAGYAR SZO the same way as Sleeping Beauty is viewed by her stepsisters. I am thinking here primarily of (sometimes hastily made) statements at the Open Door programs, of statements published in the press abroad (e.g., in the BRASSOI LAPOK [Brasov Pages]), and of opinions of us, voiced before members and chairmen of various foundations.

Mere responses to such statements appeared in recent times in the columns of the MAGYAR SZO, but I am convinced that these pro and con statements benefit neither the VMDK nor the MAGYAR SZO. We must clarify our misunderstandings together. Personal conflicts and sympathies must not determine the relations between the MAGYAR SZO and the VMDK.

Every employee of the MAGYAR SZO, and every member of the VMDK decides for himself what kind of a relationship he wants to have with the other party, but no personal relationship may cast a shadow on the relations between the MAGYAR SZO and the VMDK. Both parties should observe this. I believe that you as VMDK chairman and I as the editor in chief of the MAGYAR SZO can make great contributions to normalized relations between the two parties.

In the conviction that you, too, want to normalize and further develop our relations in a similar way, I send you my greetings as a friend,

Sandor Balint, Editor in Chief of MAGYAR SZO

P.S. Regarding the issue in your postscript, I think it is important for me to tell you that it is indeed true that the MAGYAR SZO is not a political organization and does not influence public opinion as such but, as the only daily paper Hungarians in Vajdasag have, we feel an obligation to support any democratic initiative that could help in finding a satisfactory solution for the plight of this community. On our part, we support such endeavors by any legitimate political, cultural, and social organization in Yugoslavia. We think that the VMDK's idea of autonomy is one of such initiatives, focused on finding answers, in a European manner, in the spirit of the Helsinki Accords, and through peaceful talks, to the open questions regarding the fate of Serbia's minorities.

#### \* Hungarian County To Aid With Medicines

93BA0978A Novi Sad MAGYAR SZO in Hungarian  
11 Apr 93 p 1

[Interview with Ferenc Csabela, representative of the Serbian parliament, by Anna Friedrich; place and date

not given: "Medicines to Vajdasag; Ferenc Csubela, Representative of the Serbian Parliament, on the Intentions of the Bacs-Kiskun County Government"]

[Text] *The message of Bacs-Kiskun County [in Hungary] officials that they want to renew the earlier cooperation with Vajdasag [Vojvodina] and, as a first step, they will help with shipments of medicines, is almost like a ray of Easter hope for chronically ill persons suffering because of a shortage of medicines.*

*Ferenc Csubela, VMDK [Democratic Community of Hungarians in Vojvodina] representative of the Serbian parliament, Antal Kiss, Presbyterian dean of Moravica, and Pal Ador, director of the Artists' Colony of Topolya, met in Bacsalmás and Melykut with county government officials on Thursday. Participants of the meeting were: Dr. Laszlo Balog, chairman of the Bacs-Kiskun County council, Sandor Hajdu, secretary of minority relations, and Sandor Csekey, head of the Department of Education and Culture, and Bacsalmás Mayor Arpad Toth, Melykut Mayor Akos Kis Csepregi, and Nagybaracska Mayor Sandor Kiraly. It was decided at this meeting that Representative Ferenc Csubela will try to renew earlier relations with the Vajdasag government, parliament, and the responsible Serbian ministry. County officials want to renew relations primarily in the form of providing assistance, for they are aware that Vajdasag's entire population is in need of help because of the sanctions.*

*Will concrete help be arriving soon? We asked Ferenc Csubela, representative of the Serbian parliament, in view of the above.*

[Csubela] A sizable shipment of medicines will be arriving at Topolya and Moravica within two weeks, but even after that, other kinds of assistance may be expected. A list of needed medicines, primarily for people suffering from cardiac and vascular diseases, diabetes, and other chronic diseases, was prepared by Moravica health specialists. It may be a mere coincidence, but the data that 13 more deaths occurred in Moravica in three months this year than in six months

last year may be connected with the shortage of medicines and are an indication of the importance of such help.

[Friedrich] How can the recipients obtain [the medicines]?

[Csubela] Bacs-Kiskun County is willing to help every town in Vajdasag, regardless of the nationalities that live there, for the assistance is directed to the [entire] people of Vajdasag. It would be good if individual towns would get in touch with each other. It would be desirable if those towns which earlier had sister towns in Hungary would come forward in this matter. For example, Szilagyí and Bezdan are already expected to get in contact with Nagybaracska and Bacsalmás, respectively.

[Friedrich] I assume that your willingness to help is not limited to shipments of medicines....

[Csubela] Current educational issues, help to families (including other than Hungarian) which moved to Hungary and, not the least, the Bacsalmás initiative to make permanent the temporary border crossing which is open only on holidays, were discussed at the meeting. The border crossing between Bacsalmás and Bajmok will now be open from Catholic Easter to Eastern Orthodox Easter, for two weeks actually. We want keep this crossing open permanently, and I took upon myself the task of lobbying for this cause in the responsible ministries in Vajdasag and Serbia.

[Friedrich] Were you able at such a meeting to circumvent politics in the present tense political atmosphere?

[Csubela] This was an apolitical meeting, involving mainly humanitarian issues. As far as we were concerned, we did not hide our great need for help. We stressed that we did not want to beg but expected friendly help instead. The way I see it, the renewal of cooperation between the local governments of the two countries would expand direct personal relations, and the concrete initiatives would make the relations between Vajdasag and the Hungarian county ever more meaningful. This is the way for Vajdasag not to become isolated and to open up toward the world.

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