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# ***JPRS Report***

# **East Europe**

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# East Europe

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**Czech Interior Minister on Police Reorganization**  
*92CH0884A Prague HOSPODARSKE NOVINY*  
*in Czech 13 Aug 92 p 4*

[Interview with Jan Ruml, interior minister of the Czech Republic, by Jan Klima; place and date not given: "A Policeman—A Personality"]

[Text] [Klima] Mr. Minister, based on your previous assignment, have you identified some areas in the Czech Republic Interior Ministry that you consider need changing immediately?

[Ruml] It is primarily the ministry itself that needs changing. In the past, the statutes of the Interior Ministry as the central organ of state administration were not completely clearly defined, neither was the degree to which it was inherent in the police force of the Czech Republic. The ministry is supposed to administer the police, but is not intended to integrate with its management. It is supposed to exert its influence by creating standards and by devising and controlling the use of budgetary resources. In that respect, I want to reorganize my ministry and make the individual tie-ins, both within the ministry and mainly with respect to the relationship with the police, more transparent.

As far as budgets are concerned, theoretically, the model situation should be one in which the ministry employs a group of analysts, forecasters, people in the area of crime prevention and criminology, who concentrate and evaluate information regarding the security situation. On the basis of those theses and the description of the most varied manifestations in the area of security, the government then either does or does not release financial resources. The ministry thus influences budgetary policy through the police without directly controlling it.

[Klima] Now that you have become familiar with the specific situation, do you not have the impression that you will have to back off from some of your notions?

[Ruml] I do not. Perhaps everything will be a little more difficult than I had thought it would be. There is a great problem, for example, with material technical support for the police. Currently, the so-called main rear services for the police are located at the Interior Ministry. That means that the ministry's officials make decisions regarding all of the material technical support for the police. That does not suit policemen. They criticize the lack of flexibility of the system and want to transfer the main rear services to the police. There are differing views regarding the problem. According to one view, by transferring the main rear services, the police would become far too independent and uncontrollable. A second view goes along with the transfer of the rear services, but only provided a very strong organization comes into being at the ministry, a so-called supervisory body, which would very carefully control management. That is an ancient dispute, which I have already experienced at the Federal Interior Ministry, and which will never be thoroughly solved. It will obviously come to our having to divide the

main rear services, retaining the budgetary and conceptual component at the ministry and transferring the executive component to the police.

[Klima] Have you already thought about the budget for the ministry for next year?

[Ruml] I will try to come up with a good budget. It is largely a matter of utilizing it effectively. I am a little afraid that perhaps this year's budget was not all that bad. But it is not being effectively utilized. I therefore asked Minister of Finance Kocarnik to dispatch some specialists to review the management at our ministry. I am very impatiently waiting for the results of the reviews and I will make my decisions according to them in compiling the new budget. There is a natural tendency to increase budgets. But it is necessary to carefully contemplate the individual chapters of the budget and to aim the budget at certain specific areas. If I justify my budget well and if I describe my requirements, based on the security situation with adequate emphasis, I believe that it will be possible to compile an optimum budget and to then push it through in the CNR [Czech National Council] as well as before the government.

[Klima] The government proclamation states that it is necessary to strengthen the authority of the police. How do you intend to achieve that?

[Ruml] The reputation and the image of the police is very poor in Czechoslovakia. On the one hand, it is due to the past; on the other hand, it is because currently the police are not able to master the enormously increased rate of criminality. It is as though the police were unable to utilize all opportunities presented to them by the present laws; albeit, they are in no way ideal. A number of legal standards do actually make the work of the police more difficult and they need to be reworked. On the other hand, the police are not making the maximum use of all opportunities at their disposal.

In order for the police to be responsible for the security situation, it should have an adequate amount of authority at the lowest levels—that means at the okres directorate level. That is connected with the selection of new types of police directors who prove able to see the police problem from a somewhat different viewpoint. Apart from the fact that they will have to be able to collaborate with all organs who can share in the prevention of criminal acts, the new standing of the police and the effort to decentralize it with full economic and legal subjectivity, the new police director will have to be more like an economist and manager. Naturally, I will not change all okres directors; there is no reason for that. The overwhelming majority of them are capable professionals. From the viewpoint of the longer term, however, the director should be primarily engaged in assuring the operations of the police and should have specialist professionals subordinated to him, which would direct individual teams. As far as the rank and file of the police are concerned, my ideal is to create a policeman as a universal personality, capable of solving essentially all

situations with which he can meet up, a person who has sufficient self-awareness and prestige.

[Klima] Of course, that means to make the police profession more attractive.

[Ruml] If people are going to know that they are entering an environment, which will assure them of a certain degree of social esteem, they will make decisions differently than they are making them today. Of course, much depends on financial stimuli; it is necessary to solve problems involving apartments for young people, the level and concept of police training must change because it is absolutely shocking. We need to recruit young people for the police, graduates of middle schools and advanced schools, and to provide them with special two- and three-month intensive specialized courses either abroad or courses given by foreign specialists or possibly by capable domestic instructors. If we prove capable of offering all that, it will constitute a strong motivation for young people.

[Klima] For the present, however, policemen are tending to leave the service.

[Ruml] They are leaving, for example, because we do not have any housing for them, the work is far more demanding than they thought it would be, and during the era of organized crime, police duty is dangerous even for policemen. However, older policemen are also leaving because the service laws grant them enormous separation pay after 30 years of service—as much as 14 to 15 times their monthly salary, as well as a service bonus for service of up to 60 years. In other words, they are leaving with 150,000 to 200,000 korunas [Kcs] and then draw Kcs4,000-6,000 a month each month in bonus payments. Those are the reasons for the current applications to leave the service and there are several hundred of them already. In that respect, the service laws are overdimensioned and do not particularly differentiate between police work and clerical work. So that a policeman who spent his entire career at a traffic intersection and whose health was ruined is evaluated in the same way as a clerk who engaged in normal office work. I consider that absurd and there must be a change made.

[Klima] How does the government plan to support the program of preventing criminal activity?

[Ruml] There are two methods by which one can prevent criminality. First, there is direct prevention—that is to say, strengthening the police presence on the streets. Second, there exist broadly conceived prevention plans, which must involve the Ministries of Health, Labor, and Social Welfare, as well as okres offices, but also charitable organizations, the church, etc., which will give rise to a sort of center for the prevention of criminal activity at every okres office. This center would very closely collaborate with the Interior Ministry. Consideration is even being given to establishing some kind of councils for prevention at the level of the government of the Czech Republic which would act as a sort of umbrella

organization for this entire problem area. I therefore expect that we might see some positive results in a very short time.

[Klima] There has been talk for a long time about crime in the center of Prague. But it was not until you took office that the first truly energetic and perhaps even effective purge began. Does that mean that you favor radical solutions?

[Ruml] I initiated the action together with the director of the city police in Prague—director Hofman. We became aware of the absolutely untenable situation. These are precisely the sort of things that reduce the credibility of the police, when the police step around clear criminal activities and take no action because they think that the laws do not make it possible for them to do so. We are aware that such an action does not resolve the substance of the problem because negative manifestations are merely pushed out of the center. That is why we are currently creating a comprehensive study designed to increase security in the city of Prague, which is connected with certain legal standards. For example, they involved the idea of amending the small business law which would define prostitution as a concession business and would provide magistrates with the opportunity to set the rules for conducting it.

[Klima] How do you evaluate the degree of criminality in the Czech Republic in comparison with other countries? Do you consider it realistic to reduce it or do you anticipate that it will more likely grow?

[Ruml] In essence, it is possible to keep crime at the level at which it is today. In comparison with other countries, it is not all that threatening. Also, the level of clearing criminal acts is comparable. For our people, however, it was, of course, a shock when they fell into the area of freedom from a police state in which crime existed essentially only under wraps and they were startled primarily by the degree of aggression demonstrated by certain groups of people.

[Klima] In recent times, private security services have multiplied greatly. Do you consider it tolerable for anyone to walk the streets with a pistol?

[Ruml] I have already spoken about this in the CNR. A law on civilian security services should be coming into being this year and would make such work dependent upon obtaining individual licenses assigned to specific persons. Quite another matter is the problem of weapons. Mass arming permits must be done away with and every application to carry a weapon will have to be thoroughly justified. We are interested in seeing the smallest number of Czech citizens carrying weapons. There is a police force and there is no reason for citizens to arm themselves. Other than that, I see the activities of civilian security services as something positive. Many of them are very good and collaborate with the police. And by the way, according to information I have received, there are an unbelievable number of them—

100,000—operating on the territory of the Czech Republic. I consider that excessive.

[Klima] The government proclamation also speaks of creating legislative and financial conditions to combat economic crime.

[Ruml] There are great legislative gaps in this country. We must find some kind of legal standard to cover those areas that are harmful to the economy without, of course, tying the hands of new entrepreneurs. We must create new specialized teams of economists, finance police, and related areas to solve new types of crime, such as misuse of the privatization process, banking crime, laundering dirty money, etc.

[Klima] Where do you intend to find such people?

[Ruml] Of course, they are very hard to find, primarily, they are very hard to pay for. Nevertheless, we have already created the core of such a specialized team at the Police Directorate. It is called the Office for the Protection of the Economic Interests of the Czech Republic (Urad na ochranu ekonomickych zajmu CR), which collects, evaluates, and analyzes information having to do with that highly difficult problem. The office presents the results of its work either to individual economic ministers or directly to organs dealing with criminal proceedings. We intend to expand this office, to provide it with the necessary equipment and authorities. I will be dealing with that during August.

[Klima] In an interview with HOSPODARSKE NOVINY, the director of the office stated that he has worked out a sort of economic doctrine for the Czech Republic. That paper is now said to be at the Czech Republic Interior Ministry and, through your efforts, is to be submitted to the government. Can one expect any kind of significant legislative amendments in that connection?

[Ruml] We cannot intervene in the legislation offered by the economic ministries. However, it is necessary to describe the new manifestations and, after agreement with the appropriate ministers, to decide how to confront them. The doctrine, which you mentioned, is actually lying here and I am working on it at present with specialists. We are considering, for example, merging the Office for the Protection of the Economy with a unit collecting information on the so-called money laundering so that it would be dealing not only with protecting the economy, but also protecting the country against organized crime in the area of drug abuse. However, for the present it is premature to speak of the doctrine as a done deal.

[Klima] Are you preparing for a possible breakup of the CSFR?

[Ruml] All of the problems involved in the constitutional arrangement have shown up over the course of the past years and have been reflected particularly in the collaboration between individual police corps. Nevertheless, in

the event of a partition of the state, Czech policemen will have to collaborate with Slovak police authorities and vice versa because organized crime also knows no boundaries. As far as the Federal Interior Ministry is concerned, in the event of a partition, the federal jurisdictions will be split up among both republic Interior Ministries. However, that will have to be done very carefully and rationally because specialized units, such as, for example, the protection of state borders, the fight against international gangs, all of the foreigner problems, cannot be immediately integrated into the Czech police forces. We would be disrupting them. We must, therefore, leave the federal problems somewhat apart from the Czech police and gradually, over time, incorporate them into that police. Some specialized units (drugs, highly organized crimes connected with foreign countries) would have to remain outside of the so-called general police, although they would be subordinated to the director of the Czech police. I have an advantage in that I actually established and created the federal police corps, so that I know precisely what each unit is doing, how it is supported with respect to rear services, and how to handle it in the event the state splits up.

[Klima] If the state is broken up, even the FBIS [Federal Security and Information Service] would come to an end. Are you considering integrating Czech counterintelligence services into your ministry?

[Ruml] No. Currently, that is politically untenable. It will obviously take a number of years before society becomes accustomed to the phenomenon of counterintelligence and before it will agree for it once more to become a component of the Interior Ministry, as is customary in the majority of nations. Positive intelligence was, for the most part, either the purview of the Ministry of Foreign Affairs, or of the Ministry of Defense, or was directly subordinated to the prime minister. It is anticipated that there will be a law on a Czech Security Information Service and on its transformation to a purposeful image. Counterintelligence will have to operate covertly, it must not be involved in political or public scandals, as was the case in the past, and must provide actual and relevant information to the policymakers, on the basis of which they can make their decisions. The security service must never work on itself nor assign tasks to itself. It must receive absolutely specific tasking from the government; tasks to be solved by a specialized team, which will be disestablished upon conclusion of the work, and a new team will be constituted to handle a new task. That is very demanding in terms of professional staffing, but over the past two years several tens of actual specialists have come into being here, which can be used to establish a modern controllable functioning intelligence service to handle counterintelligence tasks.

**Hungarian Civic Party Sees Centralization Threat**  
*92CH0844A Bratislava SZABAD UJSAG in Hungarian*  
31 Jul 92 pp 1-2

[Unattributed report on the news conference held by Laszlo Gyurovsky, spokesman of the Hungarian Civic

Party, in Bratislava on 30 July 1992: "Unchanged Place-Names Before the Constitutional Court; Pig-in-a-Poke Constitution?"

[Text] *In connection with the Slovak Republic's new draft constitution, party spokesman Laszlo Gyurovszky said at the Hungarian Civic Party's news conference yesterday in Pozsony [Bratislava] that it is the first step toward an extremely centralized system of state authority and the stifling of democracy.*

His reason for that statement was, among other things, the establishment of offices of state secretary with complete authority of ministers, but without parliament's supervision. He said that it is a manifestation of centralization that the constitution can extend the government's authority so that the cabinet could return to the parliament an already approved bill for modifications. Gyurovszky also sees a danger in the prime minister's increased authority, i.e., the fact that should the head of government resign, then the entire cabinet would have to go.

Gyurovszky pointed out that the draft constitution contains several discriminatory elements regarding the national minorities. The minority rights as specified in the fundamental law remain below the European minimum and do not include the right of minorities to preserve their own national identity or to establish their own institutions. The Hungarian Civic Party is concerned that the minority rights regarding the learning of the official language may also be abused. He pointed out that this could lead to an evaluation of the present minority educational system as being inefficient, and that could lead to the introduction of the compulsory use of the Slovak language in instruction.

The MPP [Hungarian Civic Party] considers it an infringement of rights that the Slovak Government rejected the reinstatement of the original historic names of Guta, Tardoskedd, Kobolkut, Parkany, and Hrn-ciarska Ves. Laszlo Gyurovszky stressed that the changes of place-names fall under the authority of local governments, not to mention the changes that were decided in a referendum. The MPP holds that the government's argument that social interests are above local interests is discriminatory. Gyurovszky said that they will appeal the case to the Constitutional Court.

**Czech Government Views Latent Danger of Deficit**  
*92CH0902A Prague HOSPODARSKE NOVINY*  
*in Czech 13 Aug 92 pp 1-2*

[Article by (jop): "The Latent Danger of a Deficit"]

[Text] *Budgetary management for the first half of 1992 was the central topic of a public meeting of the Czech Government in Prague. According to the deputy prime minister and minister of finance of the Government of the Czech Republic, Ivan Kocarnik, the submitted report was*

*divided into two parts: an analysis of economic developments during the first half and the actual budgetary portion, including an outline of the forecast for the second half.*

Economic development in the Czech Republic [CR] is more favorable in comparison with that of the CSFR. According to I. Kocarnik, its constants include price stability. For the first half, prices in the CR rose by 3.8 percent (in the Slovak Republic, by 1.9 percent); for July, which includes the latest figures, Bohemia recorded the highest index of price increases (by 1.1 percent), which were caused primarily by adjusting the price of rentals, according to I. Kocarnik. I. Kocarnik also attributes the higher rates of growth of prices in the CR, as compared with the Slovak Republic, primarily to the growth of the price of services, particularly in tourism, which is oriented more toward Bohemia and particularly toward Prague. The original government forecast of price developments for 1992 expected a growth rate of 12 to 13 percent; it has now been adjusted to approximately 10 percent. The decline in unemployment is also marked; by the end of June, it only amounted to 2.7 percent in the CR and 5.5 percent on a national level; I. Kocarnik said that "undoubtedly, the current development in employment has to do with revival of the economy." The revival of the economy is also encouraging; the economy has already clearly sent a signal that it is bottoming out. Positive trends were noted even in external relationships. In addition to the stabilized foreign exchange rate, these signals primarily include the balance of trade, which, in six months for all of the CSFR is showing a surplus which is higher than 10 billion korunas [Kcs]; the gross estimate of the share of the CR in this surplus is 80 percent, according to Ivan Kocarnik. Gross indebtedness was decreased from \$9.4 to \$9 billion. Even the private sector is developing dynamically; the latest figure of recorded private entrepreneurs shows that 1.13 million of the credits granted during the first half are ascribed predominantly to the private sector.

The state budget of the CR, including local budgets, had a surplus of Kcs14.4 billion by 30 June; excluding local budgets, the surplus was Kcs6.1 billion. The same is true of developments in July. The government is evaluating this development cautiously and states that some trends are not completely favorable. There exists the latent danger of a deficit, primarily in view of sales tax developments, which are lower by Kcs6 billion than had been anticipated in the budget. There are also shortfalls in other revenues, excluding the tax on wages. An analysis of the sales tax for July of this year shows that, thanks to the adoption of radical measures, it was possible to increase this tax and that the national contribution for July has been the highest (Kcs11.5 billion), even after adjustment for seasonal influences.

Ivan Kocarnik says that it was a warning sign when the Czech National Council approved the budget of the CR without an amount equal to the valorization of pensions, even though it was known that this step would be taken. In this connection, I. Kocarnik criticized the procedure

of his predecessor who allegedly failed to apply some expenditure amounts in the budget, despite the fact that they are mandated by law. For the Czech National Council, the government of the CR is preparing a proposal of a regime of certain measures which would assure the availability of a balanced budget. For the time being, specific measures have not been formulated and will be the object of negotiations by the government. Ivan

Kocarnik further noted that there has been an agreement on close cooperation between the Central Customs Administration and the financial offices, involving restrictions on tax evasion, primarily pertaining to the sales tax. Because false documents and stamps were being used, customs declarations will be changed, as will forms and stamps, and customs records will be used to check on possible past illegal actions.

**Commentary Examines Issues in Small Constitution**  
92EP0625A Warsaw RZECZPOSPOLITA (ECONOMY  
AND LAW supplement) in Polish 13 Aug 92 p VII

[Article by lawyer Piotr Miodowski: "The Small Constitution: Revelatory, Compromising, or a Compromise?"]

[Text] *The complete text of the Constitutional Act of 1 August 1992 on the Relations Between the Legislative and Executive Branches of the Republic of Poland, that is, the so-called Small Constitution, was published on 7 August in this periodical. The legislative processing of that important legal act has not yet been completed, as the Senate and the president have not yet responded to it. The first assessments of the "Small Constitution" were published in RZECZPOSPOLITA on 10 August. Today we are publishing another assessment, authored by a lawyer.*

Those who do not keep track of the happenings in the Sejm day by day have certainly overlooked the fact that the final draft of the Small Constitution, together with the minority's recommendations and the amendments proposed during the debate on 31 July, was completed in the last few days of July and immediately presented for a vote.

Considering the notorious absence of a quorum during some 19 meetings of the Extraordinary Committee, it is conceivable that the text of the draft constitution when it was being voted upon, was known to—let alone understood by—only a small number of deputies.

These are facts which should be known to voters. Another such fact is that Article 6 states, without any false modesty, "The Sejm deputy is a representative of the entire nation, is not bound by any instructions from voters, and may not be recalled." This provision also applies to senators. This raises the question of before whom are deputies and senators accountable, and whom do they represent?

This picture of a Polish parliament that is accountable to history alone is complemented by parliamentary immunity.

Article 7, Paragraph 2, states, "A deputy is immune from criminal prosecution or arrest or detention without the consent of the Sejm as expressed in a definite majority of two-thirds of the votes in the presence of a quorum of at least half of the total number of deputies."

Would it be an exaggeration to say that, under this new constitution, the 560 members of the Parliament can be above the law? Why is the consent of a qualified majority of the Sejm, the same as required for passing or amending the constitution, required to subject a deputy to criminal prosecution or arrest or detention? Is detaining a deputy who drives while intoxicated a problem of the same importance to the state as the passage of a constitution? It looks like that a less important problem is the appointment or recall of the chairman of the Council of Ministers, which requires

only an absolute majority of votes (Articles 59 and 67) or an ordinary majority (Article 61).

It is no accident that I began my analysis of the constitutional act with the provisions concerning the deputies, because they possess unquestioned auctorial rights to this work. But now, in the regular order, I will discuss the Sejm, the Senate, and the government.

### One Step Forward, One Step Back

Article 2, which concerns the deputies, senators, members of the Council of Ministers and other persons holding public office, restricts their possibilities for engaging in business activities that cannot be reconciled with the exercise of their mandates, public offices or duties. At the beginning and at the end of a term of office, or before taking and after leaving office, such persons must provide information about their personal assets (a supplement to this provision is the Law of 25 June 1992, popularly known as the Anticorruption Law). This legal provision deserves every support. Life itself will tell to what extent it is effective. At any rate it would be desirable for the new provisions not to share the fate of the 20 October 1926 executive order of the president of the republic on the structure of joint stock company administration, which had been widely ignored and not observed by members of the parliament during the last two terms of office.

Article 3 introduces "proportionality" as one of the basic rules for elections to the Sejm. This seems to be due to excessive zeal on the part of certain political groupings, because this rule does not deserve mention in a constitution. It is something that should be decided by electoral law instead.

In Article 4, Paragraph 5, the change in the expiration period of the Sejm's term of office is an innovation. Heretofore that term has lasted until the first session of the newly elected Sejm, whereas henceforth it is to end on the day when a Sejm resolution is passed or the president orders the dissolution of the Sejm.

Article 5 states that the validity of elections or the validity of the contested election of a particular deputy is resolved by the Supreme Court. This is undoubtedly a step forward in translating more fully into reality the constitutional principle of a "law-ruled state," considering that at present this is a privilege of the Sejm, which has not as yet resolved the question of two contested elections despite the elapse of already eight months of its term of office.

Article 8 introduces the principle of "incompatibilitas" (the prohibition against holding more than one office). This means that a deputy cannot be at the same time a senator, a justice of the Constitutional Tribunal, the Tribunal of State, or the Supreme Court, or the chairperson of the National Bank of Poland, the Citizens' Rights Spokesperson, the chairperson of the Supreme Chamber of Control, an ambassador, or a voivode. As can be seen from this, however, deputies and senators

still can become, e.g., ministers of state. Moreover, Article 77 suspends the prohibition contained in Article 8 in the case of the deputies and senators who were appointed to their posts prior to the effective date of this constitutional act.

But while the deputy or senator exercises the duties of a minister of state or, say, a voivode, if his parliamentary duties are not to be suspended then at least his parliamentary salary should be suspended. For it is somehow unseemly for a "representative of the entire nation" to receive simultaneously two salaries from the state budget, given the cash-strapped situation of the government and considering that in practice he or she is exercising only one office. Somehow, no law scholar or politician has yet considered the question of the legal responsibility of a minister of state who is simultaneously a Sejm deputy, or of a voivode who is simultaneously a senator. To what extent, e.g., are they affected by the law on the responsibilities and rights of deputies and senators or by the so-called Anticorruption Law?

Article 11 enables the Sejm for the first time to appoint examining committees for investigating particular matters. A committee of this kind will have the right to summon and interrogate people in conformity with the Code of Criminal Procedure. This provision is stirring fears because it contains practically no subjective or objective restrictions; they may be established later by law. Practice shows, as may be exemplified by the so-called portfolio committee, that deputies like committees of this kind; attendance is not a problem there. But problems may arise with the actual utilization of the CCP [Code of Criminal Procedure] and preservation of state secrets, and there is no reason why another examining committee for investigating the performance of that committee should not be appointed.

#### On the Legislative Procedure

Article 15 contains several innovations, but do they merit incorporating in a constitutional act? Paragraph 2 of that article is undoubtedly intended to discipline the legislative actions of the government, by obligating it to accompany the presentation of draft laws with a presentation of their financial consequences. It is a pity that a similar obligation has not been imposed on the deputies, the Senate, and the president. After all, the financial possibilities of the state relate identically to the implementation of any law, regardless of the identity of its author. There are many laws proposed and passed by the Sejm and the Senate without reckoning their feasibility, and this blithe disregard is resulting in their rapid and frequent amendments.

Paragraph 3 of Article 15 admits the possibility of amending draft laws by their authors, deputies, and the government, while they already are being considered by the Sejm. It is a pity that something as obvious as that has to be given the importance of a constitutional provision. But what was the Sejm's purpose in not enabling the president to amend the draft laws under

consideration by the Sejm as well? After all, the possibility of amending draft laws while they are being examined by the Sejm is not in itself some new power, and besides the fate of these amendments would be decided by the parliament, not by the president.

Paragraph 4 of Article 15 states unambiguously that a draft law may be withdrawn by its author at any time just before the completion of its first reading in the Sejm. In December 1991, when the president withdrew his draft of the Small Constitution, it turned out that there was no law clearly regulating the timing of such a move. This gap has now been filled. It is another matter that this kind of problem should instead be regulated by a decree on legislative principles that has remained in the planning stage for years. This comment also may be applied to Article 16, which concerns the legislative procedure in the case of law drafts defined as "urgent." The idea here is to create a special procedure for the passage of express laws by the Sejm. The idea is good, but not at the expense of quality.

Article 17 concerns the legislative procedure in the Senate. It seems that the new version, which concerns the manner in which the Sejm is to vote on the amendments introduced by the Senate, is clearer than the current Article 27, Paragraph 1, which creates the possibility of legislative stalemates. It would be interesting to know the Senate's reaction to this. What is more, under Article 17, the Senate, when proposing amendments, must indicate funding sources whenever such amendments entail encumbrances on the state budget.

#### Professor Miodek Is Needed

Article 25 deals with interpellations and questions asked on the floor. It contains as many as four paragraphs of five sentences each, compared with the current one-sentence article, whereas all this should be specified in the House Rules of the Sejm or in the law governing the responsibilities and rights of deputies and senators. This seems to reflect an excessive concern of the deputies for their own interests and wellbeing, considering that a deputy should be satisfied with the answer given to his interpellation (Article 25, Paragraph 2).

Interpellations and questioning by the deputies are an important instrument for the control of the executive by the parliament, but not the most important one. For some time now they have been resembling a concerto of wishes or a "teletournament," and fairly often they are a source of legal or economic education for the deputies, although such self-education is obviously not their proper purpose. The members of the government who have to answer such parliamentary interpellations and questions are compelled to review the applicable laws concerned and their interpretations, whereas that should be a task for lawyers and legal advisers. All this wastes time, as demonstrated by the low attendance of deputies, and the cost of this is borne by taxpayers.

Articles 5-10 and 12-14 similarly apply to the Senate and senators. But the haste with which they were drafted was

such that no provision naming the body or person who would order elections to the Senate was included. With respect to the Sejm, this question is regulated by Article 4, but that article does not apply to the Senate.

So far only the Speaker of the Sejm could substitute for the president, but now, under the draft (Article 50, Paragraph 2), so can the Speaker of the Senate. This is possible in two situations:

- If the office of the president is vacated.
- If the president temporarily cannot exercise his duties.

The existing Article 32e employs for the first time the fatally sounding locution, "vacating the office." According to legislative experts, there is no more elegant way of defining such a situation in the Polish language; perhaps Professor Miodek of Wroclaw might help the legislators.

The next chapter of the draft law deals with the office of the president of the Republic of Poland, whom Article 1 names as the holding supreme executive power next to the Council of Ministers. From this it might be concluded that the president directs the work of the government, that is, that ours is a purely presidential system. But subsequent articles of this draft clarify this rebus by specifying that, in addition to the president and the Council of Ministers (the government), others vested with powers of their own are the chairman of the Council of Ministers and the individual ministers themselves. Why is it then that they are not enumerated among the organs of executive power?

### Big Words, Little Meaning

Certain questions that directly concern the presidency are regulated in the earlier chapter concerning the Sejm and the Senate.

Article 19, Paragraph 2, Point 2), provides the president with the legal basis for ordering a referendum but requires the Senate's consent as given by an absolute majority of votes in the presence of a quorum of at least half of the total number of senators. Thus this can hardly be a power vested solely in the president, considering that it requires the consent of at least 51 senators.

The amended wording of Article 21, paragraph 4 (the current Article 30, paragraph 2) actually restricts the president's power to dissolve the Senate should the latter fail to pass the budget law within three months. The reason for this restriction may be the provision stating that the draft should meet the requirements for a budget law. The idea is right, but it is certain that the Sejm and not the president will be the one to decide whether the presented draft meets the requirements for a budget law. In other words, the situation is the same as with the referendum; in both cases it will be the Sejm that will ultimately decide whether the premises for its own dissolution exist. In such a situation there arises a great

likelihood that, if faced with the threat of being dissolved, the Sejm will resolve that the budget draft law presented by the government does not meet the requirements for a budget law. What can the president do in such a situation? Who shall resolve this conflict?

In a similar way, the president is deprived of two other possibilities for dissolving the Sejm (the current Article 30, paragraph 2). Namely, the dissolution of the Sejm by the president in the event of the Sejm's failure to form a government within three months has been replaced, so to speak, with the possibility, ensuing from Article 63, that, after four unsuccessful efforts to form a government, the president may face the necessity of forming a provisional government for six months. In practice, the possibilities for the dissolution of the Sejm by the president under Article 63 are purely theoretical; and what is more, they can be translated into reality over periods longer than three months.

The new constitutional act totally deprives the president of the possibility of dissolving the Sejm if the latter passes or undertakes a resolution making it impossible for the president to exercise his constitutional powers concerning: adherence to the Constitution, military and political alliances, watching over national sovereignty and security and the inviolability and inseparability of national territory (Article 30, paragraph 2, of the Constitution). This sanctions, as it were, the Sejm's violation of the fundamental prerogatives of the president inscribed in Article 32 of the Constitution. That article has been incorporated word for word in Article 29 of the draft constitution, except that sanctions were left out. Thus now it contains big words with little meaning, since it lacks teeth.

What is more, this is going to upset the existing balance, as it were, between the president and the Sejm, consisting in that the president can dissolve the Sejm if the latter violates his powers, while the president himself may be impeached and removed from office by the State Tribunal if he himself violates the law.

Now a legal possibility has arisen for impeaching the president before the State Tribunal (Article 51), but the president himself has been deprived of any legal resource against the Sejm, even if the latter violates the powers of the president. That is why the aforementioned Article 29 is in practice not enforceable in any way whatsoever.

Article 30, a nearly literal copy of Article 32a of the Constitution, was somewhat expanded with provisions contained in electoral law.

Article 31 similarly copies the language of Article 32c of the Constitution, on merely somewhat amending the wording of the oath, by adding at the end the words, "So help me God."

Article 32, a new one, introduces the prohibition against combining the office of the president with any other office as well as with the mandate of a deputy or a senator. A similar prohibition regarding deputies and

senators is contained in the aforementioned Article 8, except that this latter provision is partially suspended by Article 77, whereas this has not been done with regard to the president. It may be that the Senate will take notice of this imbalance and propose deleting Article 77. Ultimately, the provisions of Article 32 should be evaluated positively.

#### A Powerless President

Article 33, paragraphs 1 and 3, is new, except that its normative worth is the diametrical opposite of its substantive worth. Paragraph 1 states, "The president exercises overall leadership in the field of foreign relations." But to understand the real meaning of these words, they have to be compared with the following provisions: Article 33, paragraph 3, Article 34, Article 48, Article 52, Article 53, Paragraph 2, Point 7, Article 56, paragraph 1, Article 57, and Article 62.

What can the provision stating that the president exercises overall leadership in the field of foreign relations mean, considering that:

- The president's contacts with other countries and Polish diplomatic missions abroad must be mediated by the minister of foreign affairs, while similar contacts as regards other officers of the state, deputies, and senators do not have to be mediated by the minister of foreign affairs (Article 33, Paragraph 3).
- The president is obligated to inform the Sejm and the Senate on the ratification and cancelation of international agreements (Article 34, paragraph 1); this relieves the deputies and senators of the obligation of reading *DZIENNIK USTAW* [Legislative Record] and restricts the traditional powers of the president, because this is a new requirement. Article 34, paragraph 2, expands further the list of international agreements whose ratification or cancelation requires authorization by the Sejm, by adding agreements on national boundaries and defensive alliances. Such authorization must be in the form of a law, and therefore in practice the Senate must also express its consent through this procedure, whereas at present (Article 32g, paragraph 2) only the Sejm's consent is required.
- Under Article 48 all ratifications and cancelations of international agreements require the countersignature of a minister or the chairman of the Council of Ministers.
- The Council of Ministers conducts the domestic and foreign policy of the Republic of Poland and directs the whole of the state administration (Article 52).
- The Council of Ministers maintains relations and concludes agreements with the governments of other countries and with international organizations (Article 53, Paragraph 2, Point 7).

—The chairman of the Council of Ministers directs the work of this council and coordinates and controls the work of individual ministers (Article 56, Paragraph 1), including the minister of foreign affairs.

—A minister of state directs a particular branch of state administration. The minister's scope of activities is defined in Article 57, paragraph 1. This also applies, of course, to the minister of foreign affairs.

To round out the picture, the above provisions should be compared with the existing provisions defining the legal-institutional status of the minister of foreign affairs. The pertinent Law of 29 May 1974 (DZ.U., item 115) states in Article 1: "the Minister of Foreign Affairs is the chief officer of the state administration in the field of foreign policy," and the Executive Order of the Council of Ministers of 31 May 1974 on the same subject (DZ.U., No. 21, item 121) specifies, "The Minister of Foreign Affairs conducts the foreign policy of the Polish People's Republic and coordinates and supervises the whole of foreign relations and their consonance with the general policy line of the State."

What then will happen to these two legal acts once the Small Constitution becomes binding? How do they relate to the content of that constitutional act? More such questions could be asked, also with regard to other mandatory legal acts. Something should be done about them if they conflict or are not completely compatible with the new constitutional act. Here the general interpretation rule that all lower-ranking acts must be consonant with the constitutional act will not suffice. What if they are not?

To sum up, how can any realistic presidential powers and competences be found in this patchwork of conflicting provisions, declarations, and slogans?

It is only Article 33, paragraph 2, and Article 62 that vest the president with even a modicum of powers and competences. The former is identical with Article 32f, paragraph 1, points 2 and 3, of the present Constitution, except that the appointment and recall of plenipotentiary representatives of the Republic of Poland in other countries will require a countersignature. In return for this, as it were, Article 62 provides for the duty of consulting the president when appointing ministers of foreign affairs, national defense, and the interior. But that is not quite a novel provision, since the current Constitution (Article 37, paragraph 1), too, specifies that the chairman of the Council of Ministers presents the composition of that council to the Sejm upon first consulting the president.

#### A Message to the Sejm, but Not to the Nation

Article 35 states that the president exercises overall leadership over foreign and domestic national security, with the National Security Council serving as an advisory body in this respect. Substantively speaking, this is a new provision, but it introduces nothing new from the standpoint of presidential powers and competences. On

the contrary, its comparison with Article 32f, paragraph 1, point 5, of the current Constitution points to a restriction of presidential powers, since it eliminates the National Defense Committee, within which the president exercised constitutionally guaranteed leadership. That committee is to be replaced with the National Security Council, which in comparison is merely an advisory body, that is, its powers are smaller than those of the National Defense Committee.

In Article 36, Paragraph 1, one word was added, meaning that henceforth the president is to be the "supreme" commander in chief of the Armed Forces of the Republic of Poland, with the remaining text of this paragraph being identical with the present Article 32f, paragraph 1, point 4, of the Constitution. In paragraph 2 of that article is incorporated a provision (which was heretofore contained in the Law on the General Duty of Defense, but with one modification) to the effect that the president appoints and recalls the Chief of the General Staff of the Polish Army in consultation with the minister of national defense, but not upon the latter's recommendation, unlike the present law. Paragraph 3 of Article 36 empowers the president to appoint the Supreme Commander of the Armed Forces in time of war. Under Article 26, paragraph 2, of the present Constitution this power at present belongs to the Sejm except that when the Sejm is not in session this power reverts to the president.

In Article 38, paragraph 1, the Senate is deprived of the possibility to express its consent to the extension of a state of emergency for another three months; this consent is to be expressed by the Sejm itself.

Article 39, paragraph 1, imposes on the chairman of the Council of Ministers the obligation of notifying the president about the principal problems on which the government is working. Formally this obligation has not previously existed in writing, although this was done in practice by the prime ministers.

Article 40 introduces the new institution of a "message" or address which the president may deliver to the Sejm or the Senate. The message is not to be the subject of a debate. No provision was made for the president to deliver a message to the nation.

Article 32f, paragraph 2, of the present Constitution required passing a law that would define the president's legal acts that are of major importance and require countersigning by the chairman of the Council of Ministers. In contrast, the countersigning requirement proposed in Article 47 of the Small Constitution is completely different, because it adopts the general principle that any legal act of the president requires such countersigning to become valid, with the exceptions specified in Article 48. The requirement for countersigning the president's legal acts is not subject to discussion, but the scope of that countersigning and language adopted in the Little Constitution are bound to elicit grave apprehensions. It seems that, under the influence of political

emotions and the intransigence of certain deputies, what can be said to be the presidential prerogatives, which by their very nature, do not require countersigning, were completely overlooked, save for the list of exceptions in Article 48. The concept "the legal acts of the president" was endowed with such a broad connotation that it practically embraces all the actions and measures taken by the president on the basis of legal regulations. A unique oddity has thus been created, which may deprive the president of his powers and paralyze the work of the presidential chancellery. Yet the constitution should merely provide for the general principle of countersigning, whereas the specifics and procedure should be governed by a separate law.

Article 49, paragraph 1, appears to be an obvious error, since it states that ministers of state are to represent the president only in matters concerning the convening of the first session of newly elected Sejm and Senate, the dissolution of the Sejm, the ordering of elections to the Sejm and the Senate, legislative initiative, and the signing of laws or refusal to sign them. It may be that the matters enumerated above were to represent the list of exceptions concerning which ministers of state may not represent the president; this would be the correct interpretation. The applicable provisions of Article 33, paragraph 1, of the present Constitution is better and should be retained.

#### Complications With the Government

The most serious changes of all are introduced by the Small Constitution in the procedure for forming a government. At present (Article 32f, Paragraph 1, Point 6) the president recommends to the Senate the appointment or recall of the chairman of the Council of Ministers. Next, the chairman of the Council of Ministers, in consultation with the president, recommends to the Sejm the appointment or recall of a government. The Sejm may also recall the government on its own initiative.

The Small Constitution greatly complicates and formalizes the procedure for forming a government, by presupposing as it were a weak parliament and conflict with the president. In other words, this is an alternative to the current political situation. It provides for five different successive ways of forming a government by alternately endowing the president and the Sejm with the initiative in this matter. It also provides that any government formed on the president's initiative must be given a vote of confidence by the Sejm, while any government formed on the Sejm's initiative is appointed and sworn in by the president. In the last, fifth variant, the president forms a provisional government for six months, which can be extended indefinitely if the Sejm passes a vote of confidence (Article 63). The first variant of the formation of a government by the president (Article 58) can in practice be implemented only in three situations, namely:

- Following elections to the Sejm.
- Upon the resignation of a government.

—If the Sejm is unable to formulate a constructive vote of no confidence (Article 67, paragraphs 4 and 5).

In our actual political life we are most likely to deal with the scenario of Article 67, paragraph 4, and Article 59, meaning a case in which the Sejm passes the so-called constructive vote of no confidence in the government, consisting in the recall of the government and the election of a new chairman and new members of the Council of Ministers. In such a situation it merely remains for the president to form the thus selected government and swear it in. The president's participation in such a scenario is totally symbolic but veiled because it is he who supposedly forms the government. Such a scenario may recur repeatedly, from elections to elections. I give no credence to fears that a fragmented and bickering Sejm will find it difficult to get together the absolute majority of votes needed to pass a constructive vote of no confidence, because it is in the interest of the Sejm itself not to surrender to the president the initiative for forming a government or to become dissolved itself by the president. True enough, occasional breakdowns in the coalitions of forces may occur solely with the object of recalling a government and forming a new one. Were parliamentary practice to get consolidated in that direction, Articles 58, 60, 61, and 63 would remain on paper only.

Article 53, paragraph 1, introduces the principle that the Council of Ministers is competent in any matters that have not been reserved for the jurisdiction of other bodies.

Article 55, paragraph 2, restores the institution of so-called autonomous resolutions, criticized as it has been in the past. Similarly, in Article 46, paragraph 2, the president is enabled to issue executive orders concerning the execution of his legal powers.

But perhaps the greatest change consists in endowing the Council of Ministers with broader lawmaking powers, competitive with the Sejm. Article 23 makes it possible for that Council to issue executive orders having the power of laws, or of legal acts equal to laws. But that is only a potential power, because first a law defining more precisely the scope of these orders has to be passed. Thus, the Sejm and the Senate will have to vote yet again before the Council of Ministers is granted the honor of issuing executive orders having the power of laws. This matter has a history of its own: A year has passed since the president announced publicly that it would be good if the government could issue decrees. This was to be an antidote to the legislative impotence of the Sejm. The very idea of broadening the lawmaking powers of the government has met with extensive criticism and was viewed as violating or whittling down the powers of the Sejm, which in this matter behaves like the proverbial gardener's toothless dog which jealously guards its bone. On analyzing the intricate language of Article 23 it appears that there is no reason for the Sejm to envy the government, because this merely means more work for the government rather than surrendering some powers

thereto. Time will show whether this is or is not a good idea, for there is no proof that legal acts passed by parliaments, that is by legislative bodies of several hundred members each, are superior to laws created by a small group of experts; on the contrary, certain executive orders of the president from the interwar period remain binding to this day, which proves something!

#### Instead of a Conclusion

When starting this analysis of the Small Constitution I wanted to find answers to several questions.

First, does it accomplish the goal outlined by the framer in its preamble? That is, can it streamline the activities of the chief branches of the government? Secondly, who will be the winner and who the loser owing to the passage of that law? Other questions can be asked once the answers to these two are known.

My answer to the first question is a resounding no. Even if the new law elucidates some matters, it complicates others even more. It was difficult anyhow to expect a different result considering that most of the provisions of the new law are literal or altered copies of the provisions of the Constitution of 1952. In addition, narrowly conceived partisan interests prevailed over strategic interests of the state and the nation. Article 1, which assumes the division of powers among the three branches of the government, merely proposes a concept which the other chapters of the law do not elaborate. The Sejm, the president, and the government are treated as enemies, each of which intransigently defends its own turf. The elimination of the provision, "The Sejm of the Republic of Poland is the supreme organ of state power" changes nothing, because it is not followed by a new division of powers. That is, the former model is retained and the Sejm remains the sole, supreme, infallible, omniscient, and omnipotent (even in the sense of having the power of passing resolutions that conflict with law) body, while the government remains a "whipping boy" which can be ordered about by means of resolutions and kept under constant control. As for the president, he is the successor of the Council of State, or more exactly of its chairman, meaning that he fits this system of society like a flower in the buttonhole. The Sejm retains the power of passing laws and adopting resolutions in complete disregard of the fiscal reality and unconcernedly passing them on for implementation to the government and thereupon monitoring that implementation.

As for the second question, the answer is that Poland is the loser, because another six months of stagnation, political infighting, and papering over of real differences have passed. Politicians have lost in authority, the nation has lost hope, confidence, opportunities, and patience, and the world's belief that Poles do not know how to avail themselves rationally of freedom and democracy has become strengthened. These reflections are bitter but appear to be increasingly justified.

In view of this I have grave doubts as to whether this parliament is capable of drafting and passing a new

constitution, considering how poorly it has coped with a much simpler task. I wish that the president would be aware of these doubts once he faces the task of signing the Law of 23 April 1992 on the Procedure for the Drafting and Passage of the Constitution of the Republic of Poland, a law concerning which the Sejm and the Senate reserved for themselves the monopoly on editing the new constitution.

One more thing: Article 78, which states, "the Constitution of the Republic of Poland of 22 July 1952 is hereby revoked," is solely of propaganda value, because that hated legal act will actually cease to be binding only after all of its provisions are waived or replaced with a new constitution.

### Assessment of Claims Filed Against Iraq

92EP0648A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 27 Aug 92 p 8

[Article by Maria Olszewska: "Waiting for the Iraqi Payments"]

[Excerpts] Polservice Warsaw, Dromex, Chemadex Krakow, Polcement, Mostostal Zabrze, Bipronaft, Budimex, Polimex-Cekop, Construction Implementation and Coordination Enterprise of Krakow, Hydrocop, Elektromontaz, Bipromasz... Such is the list of the largest Polish firms harmed by the Iraqi war.

The final losses have not yet been calculated, but estimates comprising all Polish claims, both those of individuals and those of companies and the state, indicate that an amount of much more than \$2 billion is involved.

This is not a particularly large amount against the background of the estimated total of \$150-200 billion in international claims against Iraq due to its invasion of Kuwait. The 4,500 Poles affected by the consequences of that war seem a small number compared with the several hundred thousand Egyptians and several dozen thousand Pakistanis or Filipinos. [passage omitted]

### Conclusions Ensur

Under the timetable determined in Geneva, the deadline for filing claims by individuals which will be given priority is July 1993. The Polish office has accordingly been sending previously prepared materials at successive intervals to Geneva. This is essential considering the precarious financial status of the Compensation Fund: The earlier the claims are filed, the better the chances for receiving priority in getting the first payments, even if only advance ones.

According to Regina Szafrankowska, who is responsible for the Personal Claims Section, so far more than 2,000 personal claims have been filed with the Polish office. They were sent in collectively by the Polish companies rendering services in Iraq and Kuwait, but some applicants filed them on their own, and there also are others

who had direct contracts concluded with Near Eastern employers. This concerns especially the Poles in Kuwait, many of whom held prominent positions under longtime contracts, for example, as managers in large companies or as government advisers.

What can they expect? The United Nations mechanism for claim compensation divides claims into four categories:

—Category A: Regular claims, with eligibility for anyone who had to leave Iraq or Kuwait owing to the war while still under an employment contract or simply as a tourist and sustained any attendant losses. The individual claims may be for \$2,500. If the claimant was accompanied by his family, the total may be increased to \$5,000. It is estimated that an overwhelming majority of Polish claims (about 90 percent) lie in this category.

—Category B: This concerns persons whose health was impaired, for example, who were held as hostages. In this category the compensation varies, but the maximum does not exceed \$30,000 for the employee, or, if accompanied by family, \$60,000.

—Category C: Property losses, up to \$100,000.

—Category D: Restitution of lost property worth upward of \$100,000. This concerns a small group, and in the Polish case probably several persons from among those holding longtime personal contracts with Kuwait.

Claims for restitution of lost property are accepted if particularly solid documentation is provided. No such claims have yet been received by the fund office—that is, the Polish Office of the United Nations Compensation Fund, established last may at the Ministry of Foreign Economic Cooperation. In all likelihood, the claimants are still using specialized law firms to prepare the documentation, which, however, will thereupon have to be processed by the Polish office of the Fund as the sole mediator acknowledged by the Geneva Qualifying Commission for the Compensation Fund.

### The "Company Blend"

Another section at the Polish office handles claims by legal entities. The losses of the Polish companies are much greater than their possibilities for filing for compensation. That is because payments from the fund are to be made only to victims of wartime activities and do not apply to, that is, losses incurred by obeying the rules of the embargo imposed on contacts with Iraq or the assets illegally requisitioned by the Iraqi government after the war, as was painfully experienced recently by Dromex.

The situation of the Polish enterprises holding contracts with Iraq is a special one. For years, that was one of our most important markets for the shipments of investment goods and provision of construction services. Moreover,

Iraq has not paid the money it owes for the services performed there. Sooner or later, after all, the conflict between the international community and that country has to be resolved, and then we would like to maintain an open road for resuming the economic cooperation advantageous to both Poland and Iraq.

Polish companies are at present reckoning the losses incurred by Iraqi adventurism. On the initiative of the Polish fund office and the Ministry of Foreign Affairs, a seminar has recently been held for claimants to provide them with the expertise needed to prepare proper documentation and legal rationales.

Lastly, one other type of claims admitted by the Compensation Fund is worth mentioning: claims for forfeited earnings. These may be filed by persons who signed a contract directly with an Iraqi or Kuwaiti company and lost their jobs before the expiration of the contract.

A sizable majority of Poles, however, were employed by Polish companies providing specific services in these countries. Thus, they can be compensated only through their companies—after these receive compensation payments. But that is something far off, as can be seen from the timetable for claim payments, and principally from the condition of the fund's coffers.

#### **Economic Performance for 1993 Projected**

92EP0635C Warsaw RZECZPOSPOLITA  
(ECONOMY AND LAW supplement) in Polish  
3 Aug 92 p V

[Article by P.A.: "Central Planning Administration Projects 30 Percent Inflation in 1993"]

[Text] We have already reported some of the elements of the Central Planning Administration's forecast for Poland for the next 12 months. Today we are publishing more information on this subject.

#### **Industry**

The changes that occurred in the second quarter seem to increase the chances that the forecast of a slowdown in the recession in industrial production will be correct (see details in table). The effect of the drought will be felt particularly strongly in the food industry in the first half of 1993. But at the same time, a continuation of the general growth trend should produce a 4.5 percent growth in industrial production in the first half of 1993, compared with the same period in 1992.

The demand for fuels and energy in 1992 will total 142 million tons of standard fuel and will not exceed last year's amount. In the first half of 1993, this would amount to 71 million tons of standard fuel and would be one million tons more than in the first half of 1992. Extraction of hard coal in 1992 and up to the middle of 1993 will not exceed the levels of 1991 and of the first half of this year. Extraction of brown coal will remain at the present level. Extraction of domestic natural gas will

increase 7 percent this year. Crude oil processing this year will be the same as in 1991, and will be slightly higher in the first half of 1993 than in the first half of 1992. The forecast on electrical energy consumption projects a decline of slightly under 3 percent in 1992 and a growth, also 3 percent, in the first half of next year.

#### **Construction**

The volume of production in construction-assembly enterprises will exceed the 1991 amount by 2 percent. It is also envisaged that the drop in completion of investment jobs will be compensated by a growth in repair-adaptation works. Figures on housing construction will fall from 137,000 dwelling units completed in 1991 to 100,000-120,000 this year.

#### **Foreign Trade**

Receipts from export in 1992 should total \$14 billion and be almost 10 percent higher than a year ago. Payments for import will fall by not quite 6 percent to \$12 billion. In the case of an expected economic revitalization in connection with the elimination of the dividend, the "above-norm-wage-growth" tax, and a reduction in the interest rate, export may grow to \$14.5 billion and import to \$13 billion. In this case, the growth of import in the second half of the year would be about 10 percent and would apply to producer goods and investments.

#### **Investments**

The 3 percent anticipated drop in investment outlays will be attributed to the fact that investment demand is not growing due to inflation, the bad financial condition of enterprises, and the fact that foreign capital is not very interested in investing in Poland.

#### **Communications**

In 1992 the number of subscribers will grow by about 370,000, compared with last year's growth of 272,000. In 1993 progress in the telephone field will be even greater (cellular telephones, the Polpak system, better quality service). In the first six months of 1993 the number of subscribers will be more than 20 percent higher than in the first half of this year.

#### **Gross Domestic Product**

A drop of 2 percent in the GDP is envisaged for 1992.

#### **Inflation, Wages**

The dynamics of wages in the second half of the year will be affected mainly by higher prices of energy (an increase went into effect on 1 August) and the drought, which can have a considerable impact on the growth of food prices. Price growth in 1992 (December 1992 to December 1991) will be 37 percent, and at midyear 45 percent. The cumulative growth of farm production costs in the fourth quarter of this year may have an effect on the amount of inflation in 1993, which is estimated at about 30 percent, and the growth of prices in the first six months will be

more rapid than in the second six months. Also, it should be noted that grain prices on the world market have a declining tendency, which may mean that their import will become competitive. Nevertheless, for 1993, the German institute, IFO, predicts a 4 percent growth of consumption raw material prices on the world market (energy raw material growth is predicted to be 9 percent, industrial raw material growth 10 percent).

The predicted 4 percent drop in real wages in 1992 will occur despite the anticipated change in the rules for remunerating workers in the public sector.

#### Retail Sales

Forecasts indicate that in 1992 as well as in the first half of 1993 the volume of retail sales may be 3 percent higher than the previous year.

#### Unemployment

The number of registered jobless at the end of 1992 will total 2.6-2.9 million. But these figures do not include the number of unemployed persons who are not registered, which cannot be estimated. The forecast of 2.9 million unemployed was obtained by assuming a growth of unemployment in the second half year similar to the average in previous years.

It is now estimated that hidden unemployment in industry has dropped recently from 0.9 to 0.7 million. However, it is likely that hidden unemployment in the countryside has increased.

#### What Others Say About Eastern Europe

An April IMF forecast talks about a 1 percent drop in GDP in five Eastern European countries in 1992 (Bulgaria, Romania, Czechoslovakia, Hungary and Poland) and a 3.9 percent growth in 1993.

An OECD forecast (June 1992) predicts a 4 percent drop in GDP in 1992.

According to estimates by the WIWF institute in Vienna, the GDP drop in the five countries this year will be 5 percent. In Bulgaria and Romania it will be 10 percent, in Czechoslovakia 7 percent, in Hungary 2 percent, and in Poland 1 percent. According to the institute's experts, the "triangle" countries have already seen the bottom of the recession.

The results of the first months tend to make us believe that the forecasts are too optimistic. For example, Hungarian forecasts (May 1992) talk about an 8-9 percent decline in industrial production in 1992, a 10 percent drop in farm production, and a 5 percent drop in GDP.

But a pessimistic variant is possible, one in which the drought will produce a whole chain of events: a drop in crop yields, a rise in grain prices and their import, a growth in food prices, increased expenditures for food, and weakening demand for industrial articles. In the pessimistic variant, the economic situation will be affected primarily by the bad situation of state enterprises, the growing strike tensions, and the depreciation of national assets due to the decline of investment activity.

#### Basic Economic Indicators and Forecast After the First Half of 1992

[all information as published]

Item	Preceding year = 100			
	1991	1992		1993
		I-VI	I-XII	
	Performance		Forecast	
Gross domestic product generated	Below 93		98	
Income from sale of industrial products and services <sup>1</sup>	88.1	97.0	100	104.5
In specific industries:				
—Fuels and energy	91.7	99.5	101	103
—Metallurgical	77.6	86.1	91	103
—Electrical machinery	77.7	90.4	96.5	107
—Chemical industry	86.5	97.1	101	106
—Mineral industry	97.5	100.6	103	106
—Wood-paper industry	98.6	108.4	108	109
—Light industry	87.0	89.9	98	106
—Food industry	100.8	104.5	105.5	102
Total agricultural production	99.1	—	89	—
—Plant	97.2	—	83	—
—Animal	101.0	—	94	—

**Basic Economic Indicators and Forecast  
After the First Half of 1992 (Continued)**

[all information as published]

Item	Preceding year = 100			
	1991	1992		1993
Receipts from sales of basic products in construction-assembly enterprises <sup>1</sup>	104.8	105.2	102	102
Completed housing	101.9	118.5	73-88	—
Investment outlays	95.6	—	97	—
Retail prices of consumer goods and services	170.3	140.9	145	—
End of period in relation to Dec 1991	160.4	122.4	137	130 <sup>2</sup>
Average net wages in six sectors (including payments from profits) <sup>3</sup>				
—Nominal	173.1	134.7	139	—
—Real	101.5	95.6	96	—

<sup>1</sup>Dynamics during I-VI period apply to organizations employing over five persons

<sup>2</sup>Over the period of a year

<sup>3</sup>Dynamics for forecast apply to gross formulations

**Foreign Trade, Unemployment**

[all information as published]

Item	1991		1992	
			I-VI	I-XII
	Performance		Forecast	
Commodity payments in convertible currencies in billions of dollars				
—Receipts from exports 12,760	6,091	6,855	14	—
—Payments for imports 12,709	6,423	5,909	12	—
—Balance	0.051	- 0.332	0.946	2
Number of registered jobless in millions (at end of period)	2.2	1.6	2.3	2.9
Unemployment rate—percentage of job seekers (at end of period)	11.8	8.6	12.6	16

**Finance Official on Importance of Wage Tax**

92EP0637A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 6 Aug 92 p VIII

[Article by Katarzyna Jedrzejewska: "What the New Regulations Are About. Zbigniew Boniuszko, Adviser to the Minister of Finance, Explains the Most Important Amendments Adopted by the Sejm on Saturday"]

[Text]

- Associations have been added to units to which the law does not apply. This change was coupled with yet another one, which exempts from the PPWW [tax on above-the-plan growth of wages] the educational and training activities of foundations and associations (for example, the Solidarity Foundation, the Professional Skill Improvement Enterprises, the NOT [Chief Technical Organization], the Association of Polish Accountants, and so forth). So

far, foundations and associations established for operations of this type were unable to stand up to competition from private units, frequently from natural persons who provided similar services on which the PPWW is not due. This is why, with a view to providing equal opportunity, wages paid by public, professional, and political organizations, foundations, and associations in conjunction with educational economic activities in the area of science, education, and culture, health care and social welfare, as well as environmental protection, are also not subject to the effect of the law.

- The PPWW law was extended to so-called partnerships of partnerships. Previously, if two single-person partnerships of the State Treasury set up a third company, likewise wholly owned by the state, the law did not apply to the third company. This followed from the letter of the law rather than from the intent of the legislature. This provision has now been made stricter.

- Water management, sewage treatment, and land reclamation and irrigation companies and their associations will be exempt from the PPWW with regard to the above operations, as well cultural and cinematography establishments (theaters, cinemas, philharmonics, operas, movie studios, and so on).
- The following have been added to remunerations exempt from the PPWW:

—At the request of the minister of environmental protection, remunerations paid by virtue of participation in actions aimed at counteracting and cleaning up after natural disasters.

—Payments from enterprise bonus funds; this applies mainly to research and development units which accumulate enterprise bonus funds rather than funds of bonuses from profits.

- The rate of withholdings has been increased: for the social fund, to three times the basic withholding (previously, two times) and, for the housing fund, to six times the basic withholding (previously, four times).
- All sums previously excluded from the two funds are still excluded. Thus, the following are not counted as payments from the social funds: monies transferred to maintain and operate recreation centers and camps, resorts, sanatoriums, garden plots, nurseries, day care centers, and subsidies for individual vouchers for the organized recreation of children and young people. The following are not counted as payments from the housing fund:

—Monies, including loans, allocated for enterprise-sponsored housing construction and for housing cooperatives, in addition to housing contributions, and for purchasing residential buildings or dwellings from entities which have erected the buildings within the framework of their economic activities.

—Loans, along with interest, paid back during the fiscal year.

- Loans from the housing fund will be included in payments from this fund. This amounts to a refinement of the legislative provisions to date. To be sure, even the 15 February 1992 amendment to the PPWW law increased the volume of the housing fund by the loans repaid, including interest; however, this provision turned out to be unclear. Therefore, this has now been refined: The loans are counted toward six times the amount of withholding, but the repayment of loans together with interest during the fiscal year is not.
- One of the most essential amendments affects Article 5. In the law to date, an amount resulting from the multiplication of the percentage rate of growth of prices for consumer goods and services by an adjustment coefficient was added to the standard tax-exempt amount.

The amendment abandons direct indexation. The monthly standard of average wages will amount to the standard amount from the previous month plus an amount resulting from the multiplication of the standard amount from the previous month by the percentage rate of growth of wages.

Before the 15th day of the first month of a quarter, the Council of Ministers will establish the monthly percentage increments of remunerations that are exempt from the PPWW.

It should be added that this regulation will only take effect on the day of publication. Therefore, the monthly standard rate of average wages will most likely be established in August in keeping with the guidelines in effect to date.

Article 6, paragraph 2 refers to newly established units which do not hire employees as staff, but rather on the basis of service contracts. Despite the fact that these individuals were not included in the labor force, remunerations paid to them have so far been covered by the PPWW law. Treasury offices will now be able to set a standard quota of remuneration for the first month of operation of these units. The treasury offices will receive detailed guidelines.

Relief due in conjunction with staff reductions (but not mass layoffs), which was introduced as early as last year by executive order No. 33 of the minister of finance, and replicated this year in executive order No. 5 of the same minister, has been shifted to Article 8 of the law. As far as the Ministry of Finance is aware, about 20 percent of enterprises have already taken advantage of such relief.

As is known, only units which settle their obligations to the state budget on time may take advantage of such relief. However, small delays of one to several days have occurred, on occasion through no fault of the enterprises (for example, because of bank operations taking a long time). The amendment says that treasury chambers may consider the condition of on-time settlements met in case of justified small delays.

In 1992, virtually no enterprise could take advantage of the provision of Article 9, which refers to an efficiency method. It makes it possible to increase the tax-exempt wage fund on the condition that this will not result in the reduction of the wage-to-profit ratio. In January, wages were converted to the gross basis, thus becoming incomparable with last year's net salaries. This is why, for the purposes of calculating the ratio in 1992, wages counted toward costs incurred in 1991 are increased by 25 percent of such wages.

A change in Article 12 allows for the advanced payment of bonuses and awards from profits in 1992 only in the form of shares. The opportunity to make payments in the form of bonds has been omitted.

The exemption of anniversary and retirement awards from the PPWW is a very substantial change. In some

cases, those were considerable amounts for enterprises because they resulted from the accumulation of many payments of this kind over time.

Yet another very significant change involves reducing the rate of tax progression, and in particular the last threshold. So far, depending on the degree to which the standard amount was exceeded, the PPWW rate came to 100, 200, and 500 percent. It will now be 100, 200, and 400 percent. In 1993, it will be flattened to the level of 100, 200, and 300 percent, the last threshold being raised from "more than 5 percent" to "more than 6 percent."

Different taxation arrangements were introduced for bonuses from profits due for 1992 and paid in 1993. So far, it has been 8.5 percent, and everything above this was taxed at a rate of 500 percent. There will be a new scale for the 1992 bonuses from profits paid in 1993.

Beginning on 1 January 1993, there will be no restrictions on the volume of the additional tax-exempt amount. So far, presently, it cannot exceed 1.5 times the average monthly wage.

Article 17 refers to ways to gain exemptions from the PPWW next year. An amendment in Article 9, which also takes effect on 1 January 1993, is directly associated with this. If the ratio of wages, in combination with payments from the social and housing funds, to profit is maintained over the entire year, that is, is no less than the same ratio last year, the taxpayer will be able to avoid the PPWW—however, only on the condition that the ratio is maintained over the year. If the taxpayer fails to meet one or both conditions during a fiscal year (it is also necessary to settle obligations to the budget on time), he will have to calculate and pay the tax for the period from the beginning until the end of the fiscal year. To protect the taxpayer from paying interest at penalty rates, the following provision was inserted into the law: "Taxes become due and payable as of the moment of a failure to meet conditions which give title to tax exemptions."

A different method for gaining exemptions from the PPWW is set forth in Article 17, letter c. This is the so-called principle of conciliation. From 1 January 1993 on, an enterprise will be able to sign something akin to a pact with a treasury office in which it will specify how it will set its wages in the course of the year. For enterprises, this will be the first test of adaptation to the conditions of wage negotiations, which should become the final method in the future.

Article 2 is very important for exporters. It grants them relief on a "one for one" basis from 1 August 1992 on. For example, if exports account for 20 percent of the volume of total sales, the prepayment of the tax will be reduced by 20 percent. This form of relief applies to tax settlements beginning on 1 August of this year. The Ministry of Finance is against the introduction of such relief because a similar method has already been introduced before and has not proven itself. The Ministry of Finance believes that exports should be regulated by means of exchange-rate, foreign exchange, and customs

policies rather than the fiscal policy. The introduction of this form of relief gives rise to many doubts, among other things: What is going to happen in cases of cooperation, or who is going to be exempt from the PPWW—producers of exported goods or foreign trade organizations?

#### [Box, p VIII]

#### Negotiations Instead of the Tax

At present, three methods for regulating wages are used in the world. The first is the liberal approach to wages (for example, in the United States and Canada). The second, the tax method, which is currently in effect in Poland, is the worst arrangement but is still the only effective one under our conditions. The third is the method of parity commissions, in which three parties are represented: an employer union, a union of hired labor (or our current trade unions), and the government as a mediator. The parity commissions meet twice a year: in the fall, in order to set wages for the next year, and in the spring, in order to assess the implementation of last year's arrangements. We are striving for this model. However, it cannot be introduced overnight. This must be preceded by amending many laws, especially those on trade unions, on collective disputes, on self-government, on state enterprises, and even provisions of the civil and penal codes.

For the purposes of the latest amendment of the law on taxing the growth of remunerations, it was assumed that the last months of this year and next year will be a period of transition to the negotiation-based method of setting wages. Despite a critical assessment of the tax, the deputies did not opt for a scenario eliminating the PPWW as early as the middle of the next year. Finance Minister Jerzy Osiatynski also persuaded them to do so, assuring them that the PPWW will cease to apply as soon as the negotiation-based method is implemented.

This will occur on the condition that the aforementioned legislative effort is completed. As of the moment the use of the new method begins, the PPWW law would be suspended "rather than repealed," as representatives of the Finance Ministry stress. In their opinion, some arrangement should exist which will enforce compliance with guidelines for setting wages. If someone fails to comply with negotiated terms, he will be subject to the PPWW again.

#### Privatization by Sale of Stocks Unpromising

92EP0633D Warsaw RZECZPOSPOLITA  
(ECONOMY AND LAW supplement) in Polish  
14-16 Aug 92 p III

[Article by A.K.K.: "The Future of Privatization: The Spring Is Dry"]

[Text] "The spring is dry," said Minister Janusz Lewandowski when queried about the future of enterprise privatization through a public offering of the sale of

stock. After the Bank for Export Development, which is a proposal outside the primary current of privatization, this route was projected primarily for industrial enterprises. No other candidate is apparent at the present time.

At the same time, public offerings to date indicate that the market is absorptive and that it should be systematically strengthened by new stocks of privatized firms. For this reason it was decided that the acceleration of long-term preparations for the next public offering will be possible only after a consolidation of forces. It has been preliminarily agreed that a joint commission of representatives from the Ministry of Privatization, the Securities Commission and the Securities Exchange is to be created. This commission will have as its task the selection of candidates as quickly as possible.

On the other hand, the issue of sector privatization has been revived. As Minister Lewandowski informs, at this time work is continuing in the paper sector which, like work in household chemicals, may be treated as a model. Work in the meat and shipyard sector is in a very advanced stage.

The following conclusions have been drawn from experiences to date: since a sector analysis takes a long time, we should not wait for the results for the entire sector but should sell those enterprises individually which are more advanced in preparations. The meat industry may serve as an example of such action. Last week, a control package of 5.5 percent of the stock of the Meat Industry Enterprise in the Opole Corporation was sold for \$3.2 million. The purchaser is Austriak, the proprietor of the firm Penetex Export-Import GmbH.

The constant battles in the past with the Ministry of Industry and Trade over deciding who should determine the fate of individual branches have led to another approach. Now the talk is about the need for close cooperation between the two ministries.

#### **New Import Regulations To Be Introduced**

*92EP0633B Warsaw RYNKI ZAGRANICZNE in Polish No 100, 20 Aug 92 p 2*

[Article by (G.K.): "Electronics, Cigarettes and Alcohol: Import With Restrictions"]

[Text] Concrete efforts are already being made to regulate the import of electronics. In the last few days, customs officers have received lists of the minimum prices already in effect for electronics products among Western producers. Customs duties will be calculated on the basis of these prices.

In the opinion of the producers and the importers involved in the process of regulating the import of electronics products into Poland, the results of rejecting invoices priced below the minimum should be evident soon.

In addition, a draft decree on establishing specialized points of entry authorized to grant customs clearances for equipment used for general consumption has already been submitted to the MWGzZ [Ministry of Foreign Economic Cooperation]. This draft has been accepted preliminarily by the GUC [Main Customs Office] and the minister of foreign economic cooperation will make the decision on this matter after consulting with the proper ministries. The draft provides for designating six such points of entry, four directly on the border—Swiecko, Cieszyn, Terespol, and Malaszewicze—and two within the country—the container port in Gdynia and Warsaw-Okecie.

In addition, it has been proposed that alcoholic products and cigarettes likewise should be cleared only at strictly defined points of entry. A proposal for limiting the number of points of entry for these products came from GUC, and not from producers and importers, as in the case of electronics.

Revisions in the import tariff with regard to certain rates for raw materials and semifinished products for the pharmaceuticals, paper and electronics industries most likely will be introduced in September. This would comply with the interests of producers, who often note the lack of consistency in the tariff, since a tariff for imported subassemblies or semifinished products may be higher than a tariff for finished products.

The date for introducing the securing of cigarettes and alcohol with a banderole continues to be deferred. At present the planned date for this is 1 January 1993. The use of a banderole seems to be an indispensable move, given that the current battle against the smuggling of cigarettes and alcohol clearly is not having significant results. The presence of a banderole on a bottle or on a pack of cigarettes will be evidence that an item has entered Poland legally and that the appropriate tariff and taxes have been paid on it.

#### **Aviation Industry Financial Condition Worsening**

*92EP0633A Warsaw RYNKI ZAGRANICZNE in Polish No 98-99, 15-18 Aug 92 p 8*

[Commentary by Ryszard Cukierman, Swidnik Corporation PZL trade director, special to RZECZPOSPOLITA, recorded by Marek Slawatyniec: "The Aeronautical Industry Awaits a Restructuring Program"]

[Text] The financial situation of Polish manufacturers of aeronautical equipment is continuing to worsen. The production capacities of plants are being used less and less, export is on the decline, and domestic consumers are purchasing minimal amounts of equipment due to a lack of funds.

In many factories such as the Swidnik PZL [Polish Aviation Plant] WSK [Transportation Equipment Section], another round of group layoffs has been announced. Due to the growing debt, practically all enterprises in the aeronautical industry branch are on

the verge of bankruptcy. Meanwhile, there is still no comprehensive program for restructuring the aeronautical industry in Poland.

RZECZPOSPOLITA asked Ryszard Cukierman, trade director of the Swidnik PZL Corp., to comment on this situation. Some of the remarks made by this member of the board of one of the two largest aeronautics enterprises in Poland follow:

"I have no doubt that time is working in favor of the Polish aeronautics industry. For this reason, decisions regarding the future of the aeronautics industry in Poland should be made by the government as soon as possible. I cannot imagine that the Polish aeronautics industry should be liquidated. That would block tremendous potential, both in terms of the production base and in terms of the qualifications of personnel, not to mention the costs to society.

"In time the need for helicopters and airplanes will surely increase. The current recession on the world aeronautical equipment market will also end. This will open up new possibilities for procurement. That is why we must do everything in our power to make it possible for the aeronautics industry, which is feeling the effects of the breakdown in trade with the East and the shortage of funds for investment among the most important domestic consumers, to emerge from its current difficulties and then to open up promarket restructuring.

"The minimal program is to define the future place of aeronautics in the national economy. Then at least we would know what to expect. We should also consider how to support aeronautics enterprises without burdening the budget, for example, with regard to government orders.

"We cannot have the sort of situation we had in the case of the purchase of helicopters for the pope's visit when the Bella was selected although our plant offered the Sokol, which was significantly less expensive and in many respects was not inferior to the American helicopter. This sort of thing is not done in any Western country and it would be unthinkable in the United States. I believe that our aeronautics industry should be given such preferences, especially since the Sokol is one of the few technologically advanced Polish products of this sort which can be sold in the West.

"Our industry also should be granted such preferences because otherwise another branch of our domestic industry will vanish from the face of the earth. We as a country do not want to become only a supplier of raw materials, of unprocessed food products and of simple industrial articles."

#### Effects of Interest Rates on Propensity To Save

92EP0634B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 3 Aug 92 p 1

[Article by Pawel Jablonski: "Will We Keep Money in the Bank?"]

[Text] When the interest rate on refinanced loans was lowered by two points to 38 percent on July 1 1992, the banks responded by lowering interest rates on loans and deposits. However, the change has not been uniform. Whereas the interest rate on loans for the best customers has been lowered by 1 or 2 percent, the interest on six-month deposits has been lowered by 1 to 5 percent. In the first six months of this year, the interest rate on this type of deposits was usually slightly higher than the interest on refinanced loans, that is, more than 40 percent.

It is possible that another change of the interest rate on some deposits will take place soon. One can infer that from the July 7, 1992 decree of the NBP [Polish National Bank] chairman, regulating the obligatory reserves transferred by the banks to NBP. Until now they were supposed to transfer 10 percent of the value of the fixed date deposits (money deposited for at least three months) and 25 percent of deposits "a vista." Since the beginning of August, the new definition of the fixed date deposits is in force (while the percentage of the obligatory reserves remains the same). The fixed term deposits are to be determined now by individual agreements between banks and their customers. Until recently the banks would very rarely accept deposits for less than three months. If such deposits were accepted, the interest rate on them was very low. Therefore, there is a chance that the short-term savings deposits would become more common.

The lowering of the interest rate vis-a-vis the inflation index can deter people from depositing their savings in the banks. They may turn to other forms of investing, for example buying shares or Treasury bonds, currently even more popular. It can also happen that people would simply spend some part of their income, which until now they have been saving. Each of these variants has advantages and disadvantages for economy, but all are bad for the banks themselves. The Social Research Laboratory has sent a questionnaire to 1,043 persons with a question: "The current interest rate on the fixed date savings accounts is approximately 40-50 percent yearly. Would you still be saving money in the banks if the interest rate were lowered to approximately 25 percent?"

More than a half of the sample group (63 percent) answered that this question did not concern them because they did not have anything to save in the first place. One out of ten said that he/she would still save money in the banks even after such a drastic decrease of the interest rate. Eight percent of respondents would save less money, while one out of five would stop saving altogether.

The questionnaire has revealed that women have less money to save than men. The lack of any saving possibilities has been reported by the oldest respondents—above 59-years old (73 percent), people from the low income families—with less than 700,000 zlotys [Z] per capita monthly (80.5 percent), those with only primary education (69 percent), unemployed (77 percent),

retirees and invalids (68 percent), those who neither worked nor were looking for work (65 percent), and those employed in the state enterprises (62 percent).

Interestingly, many people who are not able to save are also indecisive politically; they neither want to nor can decide to support any political party (63 percent). If they support some party, it is usually PSL [Polish Peasant Party], SLD [Democratic Left Alliance] and Solidarity. In contrast, only 54 percent of those who save money do not voice political options.

The banks will now watch carefully people who most often deposit money on savings accounts. The following are groups in which more than a half of respondents save money in the banks: people with the per capita income above [Z]1.6 million monthly (63 percent of them save money in the banks), people with college education (61 percent), employees of private companies (51 percent), managers and professionals (53 percent), as well as private businessmen (52 percent). Interestingly, those who are able to save money support most often the Center Alliance [PC] and the Liberal Democratic Congress [KLD]. About a half of respondents who currently save money would cease doing so if the interest rate were lowered to 25 percent. Only approximately one third would continue saving. The richer they are, the more determined they are to keep on saving. One could conclude on the basis of this questionnaire that if the interest rates are lowered, this will discourage people from this form of investment, or perhaps from saving money altogether. However, it may not be so painful for the banks, after all, because they would lose only the poorest customers—the small-time savers.

#### **Introduction of Discount Credit Card Described**

*92EP0633C Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 14-16 Aug 92 p 1*

[Article by Pawel Jablonski: "Club S Rebate Cards: Promotion Is the Most Important Thing"]

[Text] For some time now in Poland attempts have been made to introduce rebate cards, that is, cards that authorize the holder to purchase in some stores with a percentage of rebate. However, these are initiatives which are naturally quite limited in number. Meanwhile, the issuing of rebate cards is truly profitable when a large number of clients use them. For this reason, the issuance of a new card must be preceded by a broad ad campaign. This is particularly the case when the plan is to introduce these cards into such a "virginal" market as is Poland.

The Club S International Corporation is a limited liability joint venture company with 40 million zlotys [Z] in capital invested entirely by Canadian private individuals. They decided to introduce a Club S rebate card in September of this year. On Thursday, a press conference was held to announce this. In September, up to 7 million persons living in cities will be sent information on the possibilities of purchasing the card. It is anticipated that

half of the income received from purchase of the cards will be designated for advertisement. Approximately \$1 million has already been invested in the National Accounting Center which is being set up in Starachowice. Every transaction conducted with the use of the Club S card will be registered in this center.

A client who purchases items and uses the rebate card in the purchase receives a 5-percent reduction. However, the client must pay an annual membership fee for the card, which is at present Z298,000. If another family member also orders such a card, that family member pays only Z198,000. Pensioners and annuitants will pay only Z128,000 this year. Until the end of October 1992, promotional prices of Z199,000, Z149,000, and Z89,000 respectively will be in effect. It may readily be calculated that it pays for the average Pole to be a member of the club, if he can purchase goods valued at more than Z6 million per year in stores which honor his card. A store which belongs to the club, that is, one which honors its card, pays the club each week 3 percent of the value of a transaction made using the card. In exchange the store gains the possibility of purchasing in wholesale stores that likewise belong to the club, at prices with a rebate of not less than 3 percent. The basic advantage, however, for a store that belongs to the club is "loyal" cardholders who try to make purchases only in Club S stores.

To date, contracts to honor the cards have been signed with several thousand stores in various parts of the Poland. For the present, the stores are not having problems signing up for the club. However, if the campaign succeeds and if the planned 5 million club members are brought into the club by the end of the year, there may be problems with obtaining membership. It is planned that only 30 percent of stores of a given branch may belong to the club in a given area.

There is a chance that in a year, some holders of club rebate cards will be able to exchange them for Club S rebate-credit cards.

#### **Draft Wage Bargaining Provisions Discussed**

*92EP0630B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 7 Aug 92 p 1*

[Article by A.W.: "Legislation Scheduled for August: The Pact on Enterprises"]

[Text] Labor Minister Kuron identified focusing on the policy of his own ministry alone and the limited public involvement in the implementation of government programs for restructuring the system as basic mistakes made during his previous term of office. A turnaround is now to be achieved by the pact on enterprises, on which agreement has been reached among various ministries.

At a press conference Minister Kuron declared that the social program accompanying that pact will be more open to the public. The pact itself includes a formula for

the participation of workforces in the privatization process. In the minister's opinion it is precisely the enterprise workforces that are most disoriented and feel discriminated against in this respect.

Drafts of seven laws conditioning the implementation of this pact will be presented for consultation to trade unions as early as in August. Wage negotiations will commence in September. All talks will be held with the trade unions to which more than half of the workforce belongs. At plants at which no trade union has attained this majority, the workforce will pick its own representatives. This mechanism is, in the minister's opinion, a "life belt" for trade unions, which must rebuild their greatly undermined authority.

The period of the negotiations will take up most of the time needed to implement the assumptions of the pact. According to some ministries, these negotiations will take as long as 6 months. Negotiations within the enterprises will begin in November. Minister Kuron voiced the hope that by the time they are completed, the institution of the State Treasury, which will take over state enterprises, shall be established.

The priorities recently adopted by the government also include a program for the social protection of citizens.

According to Minister Kuron, determining the basket of basic services is a major problem. This is also linked to the need to turn the ZUS [Social Security Administration] into a legal entity and to unify discrete (retirement, illness, occupational) insurance systems. Work is also underway on amending the Labor Law Code, and it should be finalized this coming fall.

Furthermore, Deputy Minister Michal Boni announced a return to last year's programs for establishing zones of social protection and special enterprise zones in the regions threatened by special unemployment. The first region to be granted such rights is Mielec. Minister Kuron added that certain investment decisions are being prepared for Mielec.

In view of the present situation at workplaces nationwide, the minister of labor did not preclude the possibility of a widening of strikes. Even so, the government shall not abandon its institutional solutions. The presentation of five priority programs may be the grounds for the government's request to the Parliament for emergency powers, but according to Jacek Kuron the so-called fast lane of legislation should instead suffice for an efficient implementation of these programs.

#### **Description of Railway Operation Deficits**

*92EP0584B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 14 Jul 92 p III*

[Article by Mariusz Pawlowski: "First of All, Management"]

[Text] According to official experts, the deficit of the Polish State Railroads [PKP] is in large part the result of the unprofitability of passenger transportation and the result of insufficient intervention on the part of the state, which rejects significant subsidies for the railroads. However, another source of monetary depletion, as the inspection of the NIK [Supreme Chamber of Control] showed, is neglect in accounting for and settling debts from freight shipments.

Income from the transport of goods is the PKP's basic source of income and to a significant extent influences its financial condition. In 1991 revenues from this category amounted to 19.3 trillion zlotys [Z] and made up 65 percent of the railroad's overall income (with subsidies). Profits closed out at Z4.9 trillion. (At the same time losses for passenger traffic amounted to Z9.3 trillion.) The PKP's overall return in 1991 amounted to minus 11.3 percent.

#### **Troubles With Regulations**

The main subjects of the accounts the PKP keeps for its clients are payments for transport services and payments for the use of and possible damage to railcars remaining at the disposal of contracting parties. Another large group of accounts is composed of penalties for not complying with transportation agreements.

The basis of accounting for the PKP and its clients is the transportation law, dated 15 November 1984, and the executive regulations associated with it. The accounting directive for shipping offices regulates the accounting-clearing procedure for transportation and the related documentation. It should be noted that these are highly restrictive (especially with respect to the clients of the PKP), and because of that they do not suit the contemporary market, in which truckers (who do not observe the range of regulations, particularly those concerning the conditions of transportation and penalties) constitute stiff competition.

#### **Billions Are Draining Away**

As was demonstrated by the NIK's inspection, which embraced the activity of 51 organizational units of the PKP in 1990-91, the railroad "did not take proper care of its income from transport operations."

Irregular accounting for amounts due for services, the surrender of financial discipline, and insufficient supervision and control of accounts with contracting parties were widespread.

According to the calculations of the NIK, budgetary shortfalls from irregularities amounted to about Z115 billion in 1991.

Among the fundamental negligent acts of the PKP, the NIK inspectors counted the following:

—Irregular billing for the shipment of goods, which on average reduced the amount due for the transport of one shipment by Z87,300, or the groundless collection

of overpayments in the sum of Z97,000 per shipment. (Overpayments that were covered by the contracting party had to be refunded with interest). This was caused by the employees' lack of familiarity with the Tariffs on Goods and by insufficient supervision by inspectors.

- Tardy collection of amounts due for transports and the wrongly organized circulation of the documents that constitute the basis of calculating charges (invoices usually took about a month).
- Faults in acquisitions. The PKP's imprecise statement of the shipping volume and the shipping distance caused services to be rendered without justification. Methods of accounting for the profitability of granting tariff exemptions (in 1991 exemptions constituted about 12 percent of income from shipments of goods) have also not been worked out.
- Improper calculation of charges for the time rolling stock was at the disposal of the client and irregular calculation of penalties for keeping the rolling stock too long or damaging it. (About 20 percent of all calculations of this type contained errors). These led to untrustworthy examinations of documents and the improper application of civil code regulations (which is contrary to Art. 61 of the Transportation Law).
- Inaccuracies in the accounts for nontransportation services, such as switching yard work, putting out and taking away railcars, washing the rolling stock. More than half of the invoices examined raised the value of services (by about Z1 billion).

The weak point in enterprise management is that there is insufficient coordination of the operations of the individual units of the PKP's General Administration. This has caused decisions concerning accounting with clients to be implemented late and to be carried out ineffectively.

The NIK's inspection showed that the railroad's supervisory organs are highly efficient in comparison. Unfortunately, the efficient collection of the shortfalls that were revealed as a result of the long-term process of reassessing invoices (it gives no basis for calculating interest on the unpaid sums) did not help.

In its general conclusions, the NIK demands that the Transportation Law and its executive regulations be amended and adapted to the new realities of a market economy. Greater flexibility in the regulations would contribute to the improvement of the profitability of the railroad.

#### The American Diagnosis

In 1991, the American organization Citizens Democracy Corps [CDC], which put together a report on the Polish rail system, drew attention to the flawed organization of its management, its financial and economic planning of shipments, and its omission of activities designed to

encourage savings. Considered urgent was the implementation of the recommendations of consultants (the World Bank and the European Bank for Development granted the PKP a US government loan that is not to be repaid for this purpose), marketing advice, and the restructuring of the services offered, adapting them to new needs. According to the CDC, freight and passenger transportation on long-distance tracks should generate revenues. Only the urban network may run a deficit. The entire process of transforming the PKP and extricating it from recession is projected to last 10 years; however, only a year is needed, according to the Americans, to improve cost controls and to make the collection of transportation fees more efficient.

#### The PKP Plans To Save

The herald of change at the railroad is the activity of the Chief Office of Commerce and Passengers (part of the General Administration of the PKP since March 1991) which is examining the market from the perspective of transportation needs. Changes have also taken place in the system of management: Middle structures between the stations and the district headquarters, the so-called transport regions, have been eliminated. This has allowed for greater control of shipping. Greater importance is also being attached to the punctual settlement of accounts with clients—as much as the system of transferring information and documents allows.

The fall in profitability has brought unemployment with it. Last year 47,500 persons (8 percent) left. This year another 25,000 will depart. There are plans to close unnecessary locomotive plants, railcar facilities, supplementary workplaces (construction units, energy units, and so forth), and automation service plants, and to reorganize the switching yards. Repairs to the infrastructure have been limited considerably (last year by 50 to 80 percent). These beginnings are in accordance with the expectations of the World Bank, which is granting loans to restructure the rail system.

#### Restructuring Before the Signal

In the Ministry of Transportation and Maritime Economy various plans for transforming the rail system are being developed. The most far-reaching of them calls for a change in the railroad law. According to this plan, the state budget would support the rail system and spend money on modernization and rebuilding. For use of the tracks, the PKP would make regular payments to the budget. Taking into consideration the financial capabilities of the PKP, this would mean in practice an increase in state subsidies (to approximately Z17 trillion annually). The Ministry of Finance has not expressed agreement to this.

Another plan spoke of limiting transportation lines to 12,000 to 14,000 kilometers, mainly freight lines. Passenger transportation would be entrusted to a new company, Intercity. (Its losses would be covered by the state.)

There has also been talk of creating many independent enterprises, chiefly involved in serving metropolitan passenger lines (something like the prewar Warsaw Commuter Lines. Local budgets, for example, could cover their inevitable deficit. Freight transportation would remain in the state's control, but it would be subjected to greater control, particularly as concerns the settlement of debts with clients.

In the end neither of these visions was accepted. Comprehensive reform came to a standstill.

Partial transformation of the Polish rail system, supported by the World Bank, is also encountering difficulties. One condition of giving credit to the PKP, along with liquidating unprofitable lines and reducing employment, is the improvement of the indicators of profitability, which is impossible without statutory measures that will change the systemic approach to transportation.

**[Box, p III]**

According to plans, subsidies in support of the PKP will amount to 1.32 percent of the state budget (5,350 billion), in other words about 13.6 percent of the railroad's income.

According to the PKP's calculations, the state, in order to cover the railroad's losses, should allot it subsidies of Z17 trillion in 1992.

By way of example, the Italian railroads are subsidized by the state 67.7 percent; Belgian railroads, 61.7 percent; Spanish, 46.8 percent; French, 27.8 percent; and British, 17.7 percent.

Subsidies for the rail system are in accordance with the EEC directive of July 1991 which enumerates the high-priority directions for the development of the transportation infrastructure.

**[Box, p III]**

Polish railroads have been in existence for 150 years. They have at their disposal the largest—in terms of length (24,000 kilometers)—network in Europe. In the course of the last five years, traffic has been suspended on 1,544 kilometers of the network. In 1992, there are plans for another 6,000 kilometers to be excluded from use.

The American company Union Pacific employs a length of track comparable to that of the PKP. The difference between them, however, is such that 30,000 people work for UP, while 281,000 work for the PKP. In 1991, UP earned one million dollars, while the PKP lost about one million dollars.

In 1991 the PKP transported freight and passengers for Z22,551 billion.

It spent Z31,085 billion (40 percent of this figure comprised salaries) on operations, and 3.5 trillion for investments. By virtue of the tax on above-the-plan growth of wages the PKP paid Z450 billion in 1991 (of the 3.6 trillion calculated by the state treasury).

Revenues from the transport of 650 million passengers (15 percent less than in 1990, 31 percent less than in 1989, and 34 percent less than in 1988) amounted to Z3 trillion, but the associated costs amounted to Z15 trillion.

State subsidies covered 24 percent of the costs; 59.7 percent created the greater part of the railroad's deficit.

In the best year, 1977, the PKP transported 1,142 million passengers.

In 1992 it is projected that the costs of passenger traffic will amount to Z14 trillion. Income from tickets is projected at a level of Z4 trillion, 2.6 trillion of which will come from subsidies.

The PKP's deficit from passenger transportation this year will most likely amount to Z7.4 trillion.

The PKP's losses in 1991 (along with the Z4 trillion tax on above-the-plan growth of wages) amounted to Z8 trillion. Accounts payable in this period reached 13 trillion, but accounts receivable Z4 trillion.

The railroad's debtors are state industries, foreign railway administrations, and the Soviet Army. The PKP owes, as of the end of last year, Z2.5 trillion.

According to the PKP's modernization program, which was developed by the transportation department, \$700 million would have to be spent for the modernization of the infrastructure, and \$800 million for the modernization of rolling stock.

Due to the unprofitability of the lines and the wear and tear on equipment in 1991, 30,000 railcars and 200 locomotives were withdrawn from service. At this time, 47,000 employees were laid off. Currently 281,000 people work for the PKP.

Projected revenues in 1992 will amount to about Z25 trillion or, including subsidies, Z31 trillion. Costs for transportation services are estimated at Z38 trillion.

According to projections, the Z10 to Z17 trillion subsidy from the State Treasury would eliminate the PKP's deficit (counting investment needs).

**Status of Former Yugoslav Citizens in Macedonia**

92BA1362A *Skopje NOVA MAKEDONIJA*  
in *Macedonian* 22 Aug 92 p 14

[Article by Katica Cangova: "Instant Foreigners or Semi-foreigners for One Year"]

[Text] *The parliament must decide whether to accept the resolution of the government granting the citizens of the former Socialist Federal Republic of Yugoslavia all of the necessary means to acquire citizenship, as is the case in the other republics; otherwise, the regulations governing foreigners will apply to all of them.*

Slowly but definitely, independent and sovereign Macedonia is advancing toward its real independence as a state. The path is not easy and the obstacles innumerable. However, the struggle to surmount all of them is worthwhile. One of the latest, the law on citizenship, cannot be surmounted. Because of a number of postponements pertaining to this legal document, caused by the uncoordinated use of the parties in parliament on being pressed for a decision and, for tactical purposes, calling for the law to be debated in the presence of all of the representatives, after it became clear that the Albanian coalition had decided to boycott the final act of the adoption of the law (they demanded that the period of uninterrupted residency be reduced from 15 years to 5 or, in general, not taken into consideration), stagnation has once again resulted. Actually, this is mostly the fault of the author of the law, who belatedly reacted to a newly passed amendment adopted by the Assembly, which states essentially that citizens of the former republics of Yugoslavia who happen to live in Macedonia and who have not accepted Macedonian citizenship be proclaimed foreigners.

**Transitional Period—Yes or No**

Ljubomir Frckovski, the minister of internal affairs, viewed the new decision as rigid and precedent-setting compared to the familiar laws governing citizenship in the other republics, which call for a special transitional period rather than immediately declaring such individuals foreigners. This implies that the law has no continuity because anyone who had legal residence in the Republic would be granted the same civil rights as other citizens. The transitional period, which, depending on the individual republics within Yugoslavia, is in some areas six months and in others a year, should never be construed as a kind of concession toward anyone. It is precisely for such reasons that citizens who did not settle the matter of their citizenship become semiforeigners, a status they will retain until the procedure has been established. No one forces them to do so inasmuch as citizenship is based on personal request. As semiforeigners, such individuals will lack the rights and freedoms of the citizens of the Republic. However, it will be easier for them to acquire citizenship because they will not be asked to meet the conditions foreigners must meet. The author, in interpreting what in fact the assemblymen

adopted, concentrates on the treatment of stateless citizens within the Republic, while, at the same time, warns that Macedonia could seriously be attacked by the Commission on the Succession of Yugoslavia, which is precisely the body that will deal with the issue of the status of citizenship.

The session came to an end without resolving this important and confused situation after the representative of the government asked for a preliminary vote on the basic resolution on the law that requires a one-year wait before a request for Macedonian citizenship may be filed by residents of the former Yugoslavia. The answer to this question will probably be provided soon—this week. The government, which was subject to a vote of no-confidence by the parliament, suggested as an amendment to the initial text the stipulation that citizens of other republics who have legally resided in Macedonia could become Macedonian citizens if they request such citizenship within one year of the passage of the law. The prerequisites for this will be to have a steady income, be an adult, and have uninterrupted legal residence in Macedonia for no fewer than 15 years.

**Conditions for Foreigners**

There is no difference between the two solutions submitted by a group of assemblymen concerning foreigners and the proposal of the government to have a transitional period because the status of "foreigners" will be found in both the moment the law is passed, stresses Pavle Trajanov, deputy secretary at the Ministry of Internal Affairs. What distinguishes them and makes them different from each other is the transitional period. As long as the Assembly does not pass by a majority vote the government's amendment and retain the "coarser" decision, nothing of any substance will change in terms of people who were previously citizens of other republics relative to the procedure for acquiring Macedonian citizenship. Thus, instead of a specific time period, requests for statehood could be settled the moment the law is passed. Such individuals would be able to request citizenship status in accordance with the other stipulations of the law as it pertains to foreigners. Regardless of what happens, the government does not intend to withdraw the proposed law.

According to Ljupco Popovski, chairman of the registration commission for domestic policy and the United Nations, such conditions are listed in Article 7 of the law that allows the acquisition of citizenship by naturalization. This requires legal age and uninterrupted legal residence in Macedonia for no less than five years, assured support and a steady source of income, a clean record in the country whose citizen he is, fluency in the Macedonian language, and a pledge that the individual will not threaten the security of the state and will renounce his former citizenship. Fluency in the Macedonian language must be confirmed by a special governmental commission. The renouncing of foreign citizenship is considered accomplished if an individual is

stateless; on occasion, it may be required that a person officially reject his previous citizenship.

#### Other Legal Possibilities

Other possibilities for the acquiring of citizenship by foreigners are stipulated in Article 9. A foreigner married for no less than three years to a citizen of the Republic or who has resided on Macedonian territory continuously for no less than one year is entitled to become a naturalized citizen. In such a case, he does not have to be fluent in Macedonian or give up his other citizenship. Another stipulation is that a foreigner of legal age may acquire Macedonian citizenship if he is of special scientific, economic, cultural, national, or any other value to the Republic of Macedonia, without having to meet the other criteria. It is the Republic's government that makes the decision in such cases of special interest.

Therefore, a number of possibilities exist regardless of the final decision on the debated amendment. However, we must bear in mind that it is not only Albanian nationals that are not considered foreigners but also Serbs, Croats, and all nationalities that have not determined their own statehood. At this point, no one can say how many people this affects. The eventual outcome of the law on citizenship will not be final, the more so because the only criterion concerning all citizens of the former Yugoslavia will be determined at the conference on Yugoslavia. This decision will have to be made, if it has not yet been made, with each individual citizenship law of the countries of the former Yugoslavia. Whatever the outcome, it is a fact that the citizens of the Republic of Macedonia are, at the present time, citizens without citizenship—neither Macedonian nor Yugoslav.

#### Vlachs Hold World Congress in Macedonia

92BA1367A *Skopje NOVA MAKEDONIJA*  
in *Macedonian* 16 Aug 92 p 4

[Article by A.D.: "International Vlach League Formed at Krusevo Congress"]

[Text] *A statute for the league was accepted, and a declaration and memoranda on Vlach cultural autonomy were adopted. Prof. Dr. Gjorgje Kozarevic from Belgrade was elected league president.*

Krusevo, 15 August—In the presence of a large number of delegates and delegations of Vlach associations from Romania, Serbia, and Australia, as well as Vlach associations from the Republic, the "International Vlach League" was founded today in the Congress Hall of the Montana Hotel in Krusevo. This Vlach minicongress was opened by Mitko Kostov, chairman of the Macedonian Vlach League. He stated that this is a historical day of great importance to the Vlachs throughout the world, a day in which they unite within the newly founded international league, the purpose of which will be to revitalize all problems in the areas of culture, education, and the church, without political ambitions or aspirations.

The host, Toma Kardula, chairman of the Nikola Bacarija Vlach Association, greeted the congress and welcomed all participants. A paper on the inevitability and need for founding an International Vlach League was presented by Dr. Niko Popnikola, a member of the Presidency of the Macedonian Vlach League.

The statute of the International Vlach League was adopted unanimously, and a special resolution declared 23 May to be International Vlach Day. The anthem of the Vlachs will be "Message of the Ancestors," and the flag will be red, with a yellow sun with eight rays in the center.

The Vlach congress also adopted a declaration on authorizing the organs of the international league to represent their people in the various institutions of the EC, the Conference on Security and Cooperation in Europe, the United Nations, and so forth. At the same time, a memorandum was submitted on the cultural autonomy of Vlachs throughout the world. The "International Vlach League" was therefore founded. Its Presidency will consist of three members per country member of the league, and one member per Vlach association in Bitola, Stip, and Krusevo. Dr. Gjorgje Kozarevic, a professor at the medical school in Belgrade, was elected league president, and Zoran Plavkovic, a political expert from Belgrade, was named secretary. For the next two years, Belgrade will be the league's headquarters.

#### Macedonian Political Culture, Party System

92BA1368A *Skopje PULS in Macedonian* 13 Aug 92  
pp 10-11

[Article by Gane Todorovski: "Macedonia Is What the Macedonians Make It!"]

[Text] *In other words, could there be a good Macedonia with bad Macedonians? Or could a strong Macedonia be shaped by weak Macedonians? Or, further, could there be a Macedonia with second-rate Macedonians? There can be no clean Macedonia with dirty Macedonians, and it is only an improvised Macedonia that can be developed with accidental Macedonians!*

The sense of the aphorism in the title of this article lies in the following question: Who will be leading the Republic of Macedonia, created if not by the theatrical then at least by the pathetic gesture made by Petar Gosev, who was entrusted with the mandate to form a new government, a gesture that, actually, is proof of a certain individual morality and that leads us to thoughts on the political present and to anticipate an immediate crisis to which the leading parties are displaying an excessively light-handed attitude?

Our modest thinking is very close to the views expressed at the press conference held two days ago by Ivan Petreski, the president of the newly established Republican Party of Macedonia (RPM). In that sense, this

comment constitutes an expansion of the issues related to the current political situation in the Republic of Macedonia.

Above all, I agree with the view that Petar Gosev's step was expected and logical! Let me immediately explain the reason.

The party of the old Macedonian communists (SKM [League of Communists of Macedonia]) has either been transformed or changed its name to the Social Democratic Alliance of Macedonia [SDSM]. Viewed by the Macedonian common man, it is only a shadow of yesterday's formidable social force, which is rating its currently modest real possibilities on the basis of what it was and the way it was, rather than on what it is and what it should be in the future! This means that the SDSM is a loose column of travelers who live with the memories of the familiar past, whose reputation was too bad to be considered a credit or an advantage for the future. The fact that efforts are being made to achieve a general renovation of cadres within the party hardly contributes to any eventual reputation. Furthermore, the fact that the SDSM is the second-strongest political party in terms of the number of representatives in the Macedonian parliament does not prove anything. This is a fact exclusively pertinent in terms of the president of the Republic of Macedonia, who, according to the Macedonian Constitution, must assign to that party the mandate to form the new government, considering that the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] declined the request.

The relative authority of that political party in Macedonian political reality is mainly the result of its being synonymous with a rejected unpleasant past. This is not the place to analyze how and why the candidates of that party were able to triumph in the first pluralistic elections. However, this is the right time to ask ourselves: Why is it that clearly, morally and purely, historically emphatically, and politically correctly the new leaders of that party failed to distance themselves from the compromising names of the decades of yesterday's Macedonian state and the political reality and, above all, of Lazar Panev Kolisevski and the close circle of his loyal assistants? None of that was mentioned. Such a shallow trick could not fail to have a negative reaction among the ordinary people. Furthermore, there were the views expressed by that party in parliament immediately before last year's referendum on independent Macedonia, when it diabolically, stubbornly insisted on adding the provocative addendum "with the right to a second unification of Yugoslavia" (precisely thus!), an addendum that was most likely concocted in the political kitchen of the crypto-Kolisevski-ites, the purpose of which was to cause mental paralysis in the Macedonian people.

Hence, the possibility of making new guesses concerning the indirect obstructions on the path to Macedonian independence. Hence, the right to openly ask: Can there

be a good Macedonia with bad Macedonians (a paraphrase of the aphorism "Macedonia is what the Macedonians are.") This syllogism is logical. Furthermore, it is necessary if we are to understand the situation. Petar Gosev's morality expresses a deep depression that will affect many of the current leaders of that party.

The unequivocal conclusion, therefore, is quite clear: There neither is nor could be (nor should there be) a healthy Macedonia (read a Macedonian future) shaped by sick Macedonians!

It is our modest view that condemning the period of rule by Kolisevski as the sole master of Macedonia has the broader dimension of a moral problem also because of the terribly repulsive fact that this extortionist did not leave Macedonia any alternatives, acting together with his devil's apprentices, noted among whom are the clever Voden foothill brothers-in-law (D. Popovski and Lj. Stavrev). The task of the latter was to make impossible any normal communication between Macedonia and its neighbors, particularly along the East-West axis (Turkey, Bulgaria, Albania). Suffice it to include in the list of their obvious evil deeds (in addition to the tyrannical interruption of the FENI [expansion unknown]) the absurd defeat of the law on laying a railroad line between Drac and Varna! There are some people in the Directorate of Railroads in Skopje who could say more on this subject. What matters to us is merely to mention this example in the context of the long-prepared, strategically thought-out, and extensively worked efforts to prevent Macedonian independence, which was not an original thought expressed by Kolisevski and company but an instruction that came from the Macedonian North. This was an ingenious bright idea of Serbocommunist.

The set way of thinking, centered on Belgrade, has not been cured among the current rank-and-file SDSM leaders. The nice and conscientious Petar Gosev, as a swarthy go-getter, was apparently cast in the role of a "white crow" as long as a mechanism for immunobiological resistance to demagoguery and hypocrisy had not begun to work.

Macedonia is having fits facing the inconvenience of an overall lack of preparedness for full independence. Here is another idea based on the aphorism of the title: There can be no clean Macedonia with dirty Macedonians!

In the interest of truth, however, we must add that, included in the parties that describe themselves as leftist (SDSM, reform liberals, and socialist), although holding on to power, there are also good Macedonians, splendid individuals who are capable and worthwhile (unlike those substitutes of Macedonianism who are considered the elect of the people in the so-called pluralistic parliament of ours and who are part of the crowd of the DPMNE (VMRO), and whose names should not be mentioned so as to keep this writing clean).... However, there are Macedonians who are strong of heart and sure of themselves (or, as Nikola Kljusev would describe

them unofficially, husky fellows), or supercharger Macedonians! (The supercharger of automobiles, which enables them to achieve higher speeds. Figuratively, this means a special situation—that is, they become involved only when necessary or when things get sticky and we are asked to do something!) Otherwise, within the limits of sensible speeds in the development of the Macedonian society, such good people operate exclusively with the help of the ordinary carburetor, which means that they behave as decent citizens—considerately, sensibly, happily, industriously, properly, tolerantly, and without racial prejudice.

In commenting on the fact that Petar Gosev rejected the mandate, Ivan Petreski described it as an “entirely expected step....”

However, Petreski also made another public statement worth commenting on:

“Familiar with the mentality of the VMRO-DPMNE leaders and their effort to establish a new national dictatorship and maintain that party on the level of its ideological leader Dragan Bogdanovski, nothing else could have been expected of that party.”

As the most heavily represented political party in the Macedonian parliament, the VMRO-DPMNE, as well, did not undertake to form a government. It did not gain the support of the other parties in parliament. That makes possible the use of a new variation of the aphorism in the title: It is only an improvised Macedonia that can be established with accidental Macedonians!

The Macedonians who belong to the VMRO-DPMNE, the VMRO-DP [Internal Macedonian Revolutionary Organization-Democratic Party], MAAK [Movement for All-Macedonian Action], and the Democratic Alliance-Agrarian Party are self-satisfied and self-convinced Macedonians who are pleased with themselves. These and no others are the true patriots, the sons of the fatherland, the people of March, leaders, sailors, supporters of Khristo Uzunov, Metodi Patcev, Pavel Satev, Pitu Gulev, and Goce Delcev, and, in Australia, the United States, and Canada, the strong heirs of Alexander the Great and his unnamed descendants!

It is not at all accidental that no party in the Republic of Macedonia wants to collaborate with the VMRO-DPMNE (except for those disgusting, politically drugged people surrounding Galev and Nedelkovski, the chairman and the deputy chairman!). All of these fools think they hold the monopoly on Macedonianism and even on the harsh condemnation of the peaceful path of development of Macedonian society, demanding a greater use of revolutionary ways and means in the struggle for independence, and blood sacrifices on the altar of independence and sovereignty. They are completely convinced that right cannot be achieved without wrong, and they hypnotize their young followers with incantations, witchcraft, and nonsense about the strength of the Macedonian fist and the sharpness of the Macedonian blade. They are still believed by some

stupid people. Their greatest difficulty will be to find Macedonian mothers (particularly those with a single child) who will give them their children as sacrifice for the slaughter. If the scatterbrains mold Macedonia, Macedonia will be blowing in the wind! What else?

Therefore, the step the VMRO-DPMNE took was expected and logical. It did not wish to form a cabinet! This proves the illusion that, if one keeps silent, one can still prevail. Such diseases of weakness affect Dragan Bogdanovski and a few tavern keepers in Berlin, who are his contributors, and that political complainer Stojce Naumov, the Canadian counselor on universal macro-Macedonian projects. God help any country that has such people, whatever it may be. If we add to him Cele, from Prilep—we are referring to representative Cvetan Jovcevski—and the charming Mitko, the refugee from Idrizovo, our thoughts turn to the vampire expert of the Macedonian parliament, and we can clearly see why Ljupco Georgievski did not grab the major chance of taking over Macedonia in a month and a day!

It is clear that there can be no stable Macedonia with weak creators and molders!

Then, what social force will there be to assume the full responsibility of the Macedonian executive power?

In all likelihood, such an acute headache afflicting the president of the Republic of Macedonia will cause him a great deal of difficulty. However, the puzzlement is such that an entire army of wise men will not help to resolve it. This is a hypothesis.

To Mr. Kiro Gligorov, the self-described expert, a government headed by Nikola Kljusev was a kind of *tertium datur* [a play on the Latin expression *tertium non datur*, meaning no third choice]. The trouble is that that Macedonian ruler did not think to extend his mandate from two years to four! Unfortunately, politics and knowledge of statehood are not a television quiz, although politicians and statesmen (Macedonian) frequently become television stars.

It is not difficult to anticipate who will be given the mandate after the two refusals by the leading Macedonian parties most heavily represented in parliament. By choosing compromised Macedonians, we will have nothing but a compromised Macedonia! The extent to which the president of the Republic of Macedonia dares to make a drastic gesture will have a known outcome: a new election in the Republic of Macedonia. This is no suggestion. It is most ordinary logic. We need a restructuring, and the sooner the better! That is because we saw the result of the Macedonian hasty march toward democracy and independence. There is a good old saying: A bitch in haste whelps blind puppies!

**Model for Defense of Macedonia Sought**

92BA1363A Skopje NOVA MAKEDONIJA  
in Macedonian 14, 15 Aug 92

[Article in two installments by Milko Kotovchevski:  
"The National Defense Strategy"]

[14 Aug p 2]

[Text] *Which model of defense is best suited to Macedonia?*

*With the application of the doctrine of the people's war in different strategic situations, there is an enormous and inexhaustible possibility for a versatile choice of forces, facilities, and models for their use. The antistructural model of confrontation creates spatial conditions in which the aggressor would be perceived as a foreign body in a healthy organism.*

Threatening the integral security of small and undeveloped countries, and, in this context, of the Republic of Macedonia, is a regular occurrence in the modern world, which primarily results from its essential characteristics and contradictions. The strategy of the people's war, which makes complete involvement of the defensive power in all aspects of social power, from the economic and technical through the political to the military, as its radical form, possible is an optimal model for integrated defense of small countries. The strategy of the people's war a priori is superior to any aggressive strategy. As opposed to other strategies, in fact it always can count on the greatest share of forces and resources of the country and of the people.

**Basic Characteristics of Integrated Defense**

The strategy (in the text below referred to as "the doctrine") of the people's war in past military practice, not only in ours, has proved to be superior to the now classical doctrine of "Blitzkrieg" and to all of its contemporary modalities. In that sense, it represents an optimal answer to all essential questions of defense that are significant for our Republic. This doctrine currently is gaining universal significance for small and undeveloped countries. The anticolonial revolution, which has made radical changes in the picture of the modern world, has given extra impetus to the general acceptance of the theory and the doctrine of the people's (general people's or general people's defensive) war. The disintegration of the enormous colonial empire was a product of all of its defeats in the battle against the doctrine and the forces of the people's war of the small and undeveloped countries and nations.

To answer the question of why are we prescribing the doctrine of the people's war as the most acceptable for the defense of the Republic, it is necessary to make a comparison—that is, to sketch out the known strategic concepts and systems known today in the modern world. In the most general sense, the modern strategic concepts

today may be divided into two basic groups: traditional military strategies (doctrines) and strategies (doctrines) of the people's war.

The traditional military strategy exclusively considers the effects of military power in realizing its goals, which is one of the fundamental differences between the traditional (classical) strategy and the doctrine of the people's war. The structure of the power of the classical doctrine, for the most part, reduces to military power taken in the narrower sense, and it is possible to measure, analyze, and evaluate it empirically, almost exactly.

**Components of the People's War**

As opposed to this, the structure of power, in particular of its manifestation in the doctrine of the people's war, consists of more equal components: military, political, economic, cultural, diplomatic (whence our proposal for a doctrine of integrated defense), and others. With the application of this doctrine in different strategic situations, there is an enormous and inexhaustible possibility for a versatile choice of forces, facilities, and models for their use. In accordance with its numerous characteristics, the doctrine of the people's war may be characterized both as a direct and an indirect doctrine. The direct doctrine is when the decision to begin military conflict involves a direct military conflict, while the indirect doctrine means postponing the decision to begin the war on a military plane, but all military and nonmilitary means are used to weaken the military power of the aggressor, to force him to give up trying to achieve his intentions in order to accomplish the goals.

The principles from the sphere of military leadership, which must be presented in order to confirm our decision to accept the doctrine of the people's war as the only possible alternative for the Republic of Macedonia, also are identical as a function of the preceding discussion. In the history of military leadership, there are two basic concepts of confrontation between the aggressor and the defender, which can be defined as monostructural confrontation and antistructural confrontation.

Monostructural (parity) confrontation means a frontal engagement of the two sides in accordance with the principle of equivalent formations—that is, soldier against soldier, weapon against weapon, training against training, and so forth. This makes it possible to make a quantitative and qualitative prediction of the victory, which is in favor of the country with a greater number of such comparable values. The antistructural model of confrontation involves a nonparity conflict of different quantitative and qualitative values, in the event of which the duration of the conflict is uncertain, and the prediction is always for the country of the defender. This model of confrontation is most suited to our Republic because it makes possible resistance not only with our armed forces, equipment, and combat facilities, but also with an entirely new quality of confrontation, and that is with space and time.

Confrontation in space means that all natural and created features of our area, together with the population, must be an "unfriendly environment," "bastion," and "unconquerable fortress" for the forces of the aggressor in any part of our space—that is, the entirety of the space will represent a complex that would resist any type of aggression in an organized and successful way.

This means creating spatial conditions in which the aggressor will feel like a foreign body in a healthy organism, which has mobilized all its defense mechanisms with which it surrounds and attacks this body, which, with the passage of time, becomes isolated and harmless, destroying its ability to exist in these conditions.

[15 Aug p 2]

[Text] *Inclusion of social subjects: Which model of defense is best suited to Macedonia?*

*The most compatible and most exemplary strategy for the doctrine of the people's war is the combination strategy because of its greater advantages.*

A strict spatial relationship—that is, a classical "frontal" division into "occupied" and "not occupied" ("captured," "not captured") parts of the Republic with respect to the sphere of action—is not suited to the territory of Macedonia. This model of military utilization of the territory is outmoded and unproductive, is not compatible with our antistructural (nonparity) model of combat confrontation, and is unsuitable because of its unsatisfactory total size. For a well-fortified and secured front, it is necessary to have a much greater depth of the rear, which would be beyond the range of the modern combat facilities, than what we have at our disposal. The natural (geomorphological) properties of the territory, more than 70 percent of which is hilly or mountainous, with naturally oriented communication corridors and with a high degree of natural dissection (deep river valleys, high ridges, steep drops, often unstable rocks, ridges, and so forth) support this assertion.

If the nonparity way of confrontation represents the most productive doctrine of the version of conducting a people's war, then the models of military use of the territory must be viewed from this means of confrontation, which, in essence, represents an elastic and continuous contact with the enemy without "generally" and "firmly" expressed battle lines.

#### **What Is the Most Acceptible Strategic Maneuver?**

It is important to update the choice of the optimal model of a strategic maneuver that is used to accomplish the goals of the doctrine and, with this, also the goals of the war. At the present time, there are three possible models for using forces—that is, three forms of strategic maneuver: the annihilation maneuver (rational dynamics), the exhaustion maneuver, and the maneuver that combines the preceding two forms. The first two forms

of maneuver represent two opposite strategic poles, which differ significantly from one another.

The strategic model that is third in order (but not in significance) represents a combination strategy, which is much more complex and complicated than the above-mentioned two traditional models, which also have their contemporary modalities. It not only combines the military elements of the annihilation and exhaustion strategies, but also this strategic concept combines many elements of unarmed combat and support (from civil defense).

The combination strategy is most compatible and most exemplary for the doctrine of the people's war because its values—that is, its advantages—are greater. Among other things, it facilitates optimal use of all positive characteristics of the other two strategies, but in a higher order synthesis, and it also facilitates maximum utilization of all comparative advantages of the defensive-protective system, based on all the elements of power of the society. This strategy likewise makes it possible for the country not to lose political independence and its integrity, in spite of the occupation of part of the territory by the aggressor. On the other hand, it makes it possible to preserve the continuity of the territory as an operational base. Continuity of armed conflict in the discontinuity of the front without any time limitations.

All the known factors of the strategy—that is, of the war—to a great degree acquire their quantity and quality from the way in which the entire social power acquires the sense of a special defensive power. For its part, it is understood as meaning taking the first strategic strike of the aggressor (which is strongest and hardest to withstand), but avoiding decisive battles (operations) while the ratio of forces is more favorable for the forces of the aggressor. This is a most delicate and a most serious question about which the General Staff of the ARM [Army of the Republic of Macedonia] has to discover the most optimal versions for different military situations. The course and the outcome of the war (especially for the initial period) to a great degree may depend on the answer to this question. The combined strategy offers enormous possibilities from the inclusion of many different elements of power in the defensive power, and this in different aspects of military science: military, political, diplomatic, economic, and psychological.

#### **Combination of the Operational and the Territorial Component**

Various forms of combat and support are combined in the people's war (integrated defense) in all spheres and areas of human and social activity (agriculture, education, culture, science, politics, and so forth). A combination of most battles and combat operations weakens the offensive and combat power of the aggressor and passes the strategic initiative to the side of the attacked country. Once more it should be emphasized that it is necessary (and it is particularly significant for Macedonia and for

its Armed Forces) to continue a time and space dimension of the war to the required (reasonable) degree, by means of a great ability (which is learned) to postpone decisive battles until that moment when objective conditions for conducting them are created.

Different forms of military organization are combined in this strategy. In the first place, this concerns the combined structure of the Armed Forces in operational and territorial components (earlier) and, in accordance with the new Law for the Defense of the Republic of Macedonia, the permanent and reserve contingents. This is the most optimal form of military organization for the doctrine of the people's war. There are possibilities for combining the activities of the other organized forces of the society, the civil defense forces, and it is possible to combine many various and different armed activities, combat activities, and their forms and contents. In the first place, this concerns a combination of the frontal and partisan activities (this means the most optimal model of strategic activities is the combined model). The actions

should be carried out within the front (only in special situations and selectively), in one's own rear area, and in the enemy's rear area.

The factors of the war—human, material-technical, and space-time—are combined in a particular way. The doctrine of the people's war in all conditions considers the human factor to be primary. This is brought about by combining the combat activities on land, on the lakes, and in the airspace, in their offensive-defensive way of execution. The doctrine of the people's war has to remain open to the new dimensions of warfare. It is necessary that this be not only a classical doctrine of the people's war but also a modern doctrine of the people's war, an integrated defense doctrine.

In conclusion, we may state that the doctrine of the people's war in the truest sense of the word is a doctrine (strategy) of combination. This doctrine has to be contemporary, with enormous flexibility and elasticity, and be a contemporary expression of the valuable arts of the rich Macedonian and world treasure house of defensive and liberation wars.

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