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INTRABLOC AFFAIRS

Romanian Professor's Attack, Hungarian Defense of Tokes Published

Professor Duicu's Open Letter

90CH0200A Bucharest ROMANIAI MAGYAR SZO
in Hungarian 7 Jun 90 p 3

[Letter by Dr. Serafim Duicu: "We Read It in DEM-INEATA—Open Letter to Reformed Church Bishop Laszlo Tokes"]

[Text] Mr. Tokes!

I am addressing my words to you in layman's language because the issues I intend to raise here are fully outside of the church, just as your opinions are, to which I want to refer.

In the middle of May I learned from an interview you granted to the newspaper ROMANIA LIBERA that you are aware of the fact that on various occasions [people] publicly chanted the watchwords "Down with Tokes!" or "Tokes in the Church, not in politics!" The imperative of those who chanted these watchwords should have made you and your superiors in the church ponder. The church is the home of the Lord, of Truth, of Beauty, and of Love among people, while politics is where Satan resides; it is the home of adversity among men, of pulling apart, and of hatred. Stepping from the church to politics means the same as reaching an agreement with Satan, as debasing oneself to act like the devil, to betray the church. Mr. Bishop, who was it who at one time conversed with Satan betraying Jesus? It seems that that person was Judas, was it not?

From the same interview I learned that with a constrained lack of modesty, you regard yourself as "the hero of the Romanian revolution," and "the herald of the Romanian revolution beyond the seas." Don't you think that you will make God angry with such boasting? The role you played in the December revolution was only to strike the spark, no more. But you abused this fact in the most disgusting manner. I think you will agree with me that the undisputed merit of Temesvar [Timisoara] is that of starting the revolution, but it was Bucharest that brought the revolution to fulfillment by overthrowing the dictatorship. Had Bucharest not risen, Ceausescu would have brought Temesvar to its knees, no doubt about that, with more bloodshed of course. But why belabor this issue; after all, you were not in Temesvar at the time these events took place. Even the people of Temesvar, who came to provide you Christian help in your troubles—most of whom were Romanians—forgot about you and focused their attention against Ceausescu's dictatorship. The people of Bucharest, of Szeben [Sibiu], of Brasso [Brasov] never even heard of you. And then how dare you brag by using the title "the hero of the Romanian revolution"; after all, any honest person is able to understand that only the dead heroes could be the real heroes of the revolution. By

vesting yourself with this title you now not only evoke the curse of the dead, but also expropriate a virtue to which you are not entitled. And theft is punished by every church, every faith. "Do not steal!" one of Moses' ten commandments states, and you should know this better than I do. Don't you blush when you hear youth saying that they have been robbed of their revolution?

In the United States you negotiated with that [country's] president and vice president, when you proposed not to grant Romania the most favored nation status until the Hungarian minority receives its known privileges. You told shameless lies in the American press (THE GLOBE AND MAIL) when you announced that "Hungarians demonstrated peacefully" in Marosvasarhely [Tirgu Mures] (...) "and that Romanian nationalist murderers attacked them," and that the local Vatra Romaneasca association "evokes a paranoid reaction with regard to Transylvania, and that it manipulates with fanatic anti-democratic emotions," etc. Deeply respected father, if the Hungarians of Marosvasarhely "demonstrated peacefully," how could they have murdered six Romanians, inflict severe wounds on four more, brutally beat another, Mihai Cofariu, who lay on the ground, and inflict wounds of varying degrees of severity on 241, while only 21 Hungarians suffered light wounds? And if, once again, the Hungarians "demonstrated peacefully," how could it be that they were the ones who rampaged in the Grand Hotel of Marosvasarhely causing 2 million lei in damages. Reverend, who were the "nationalist murderers"? The Romanians? You lied, father, and misled the honest American people, and you incited the Hungarians in America for anti-Romanian hatred because they proclaimed no less than "the forceful annexation of Transylvania to Romania." Accordingly, that was the issue! But as you well know, it is easier to catch a liar than a limping dog. If you had been imbued with a minimum sense of citizen responsibility, you would not have stated nonsense of this magnitude. And if I were a member of the Vatra Romaneasca, I would file an open suit against you for shameless slander, because this association did not organize anything prior to the events, except a single rally with an audience in a sports arena and two or three folk music presentations. But you had to let loose your anger against someone, if not against all the Romanian people, against a modest Romanian cultural association. This is not a nice thing to do, father, The horse's foot shows under the cloak! It is a shame that the leadership of this association does not reveal the role played by the Democratic Association of Hungarians in Romania [RMDSZ] in the Marosvasarhely events, because your "peaceful Hungarians" were well equipped with piercing, cutting, and other weapons for beating (axes, chains with a ball at the end, sling shots with lead projectiles, knife axes, pieces of reinforced concrete, pointed spears, explosive bottles, etc.), and they were also organized on time for the direct and violent conflict. You may agree with me that weapons similar to those enumerated above cannot be prepared on the spot and on the street.

Speaking of most favored nation status, which the United States would grant to Romania only after the Hungarian minority receives the well-known privileges, you did not ask Mr. George Bush whether he gave a Hungarian university to the Hungarians in the United States. It would be nice to find out whether in the most democratic country of the world, higher education is provided in the language of national minorities that live there, or particularly in the language of the rather sizeable Hungarian minority in the United States. I believe you will agree with me that you used the most favored nation issue to extort [certain benefits] from the Romanian state, and to put the knife at its throat. Thus you betrayed not only the state, but also the December revolution. My dear bishop, who were those who put the knife to the throat of Jesus? It seems that I recall the Pharisees having done that. And who betrayed Jesus at one time for a bowl of silver (even if the benefit amounts to a few million dollars)? It seems that Judas did that. As a member of the Hungarian minority it would have befitted you to attest to wisdom and magnanimity, and as an honest citizen of Romania to speak up in the interest of the country, joining efforts to instill true democracy. I realize that in order to prove your gesture you associated with a native Romanian woman, Doina Cornea. No! It is not appropriate to draw Mrs. Juhasz [Hungarian name] Doina Cornea into this "case," because she should be put on a separate page; her goals are different, they are concealed before us. Just like the ways of the Lord!

I read in the press that not too long ago you were vested with the office of the Diocese in the Kiralyhago area. This is not too beneficial from the standpoint of your parishioners, just as this assignment is not too beneficial for you. According to my belief, the shepherd should be dealing with the souls of people and should stay in the house of the Lord, while politicians have their places in Parliament, in the senate—the places of the devil. Transferring from one of these places to the other carries the price tag of treason, treason and lies; all of these are matters befitting Judas and the Pharisees. And you have told quite a few lies and committed treason a number of times, betraying the country, the Church, and the revolution as well. You even betrayed the Holy Family if we believe the question raised by the Kolozsvar [Cluj] periodical (NU, No. 9, 1990 p. 8) concerning the docket of a criminal proceeding and about your [sense of] "morality" at the time you stayed in Des [Dej]. And this [incident] should not have authorized your superiors to place you in such a high position. The seat of bishops must be the seat of one thing: of the highest moral authority. Mainly because almost simultaneously you were named the honorary chairman of the RMDSZ, an exclusively political organization. And what will happen to you, my dear Reverend, if you do not receive your punishment at this time for the numerous acts of grand treason? What will happen to you at the time of the last judgment?

Duicu's Former Student Replies

90CH0200B Bucharest ROMANIAI MAGYAR SZO
in Hungarian 7 Jun 90 p 3

[Letter by Zsuzsa Kiss: "Is It Still Possible To Meet?"]

[Text] Dear Professor Duicu!

It took some time for me to figure out how to address you, but in the end I took a deep breath and used the adjective that is more appropriate to our past relationship. I read and reread your article published in the 2 June issue of DIMINEATA several times, and I can't believe my eyes and my mind. Now that I have gotten to the end of reading your open letter to Laszlo Tokes who knows how many times, I am ultimately overcome by bitter disbelief or disappointment (?). If your name were not such a rare combination of names, I would be happily inclined to persuade myself: The author is not the same person I know.

This possibility may be ruled out, unfortunately.

I have no intention of dissecting the article sentence by sentence, I have no right to judge your thoughts, and I do not even want to defend or prove the actions of Laszlo Tokes—all these are not my functions. I would like to simply converse with you here in public; you may perhaps take a step in my direction as you recognize me approaching you.

I promise to reveal my thoughts and feelings in the most candid manner. My emotions have flickered away a long time ago, and there is no place here for cynicism. At the same time I will not conceal what hurts me, nor will I hide what may be hurting you. I will be merciful, and will state my view right at the beginning: Your letter does not speak against Laszlo Tokes, but against us, Hungarians; you do not hate (do not dislike?) our bishop, but the Hungarians! I know well: This sentence is ruthless and raw, but telling the truth does not necessarily create joy. But no self-respecting person can or wants to accept so much trash, base accusation, and falsehood (so that I do not use the word lie) you managed to sweep into our souls using Laszlo Tokes as the door.

Professor! Reading your words, which cannot be termed tactful, I am unable to rid myself of the memories of 20 years ago, in which you frequently appear.... That was the summer of 1970, when a large part of Marosvasarhely was under water. We were graduating students at the time, preparing for the then still existing "pedan" [term unknown] state examination when the flooding occurred. On that night and on the following day, between 15 and 20 students majoring in Romanian and Hungarian, including myself, embarked on helping our teachers, and it really was not our fault that in those difficult moments we were incapable of acting. You, Professor Duicu, lived in the Carpati section at the time, where great danger threatened, because people were going around and in between the blocks of houses in boats. From a bird's-eye view we helplessly watched your block which was under water up to about the second

floor. I swear, all of us were with you in our thoughts.... We went on without accomplishing our task. We were treading through water, flood, and mud to reach Professor Tosa's apartment at Libertati street, and then to Professors Bertha's and Vasies' home in the Tudor district, so as to be there if needed. There were no problems around us, thus we only watched from the outside your residences we had known ever since we gave that nighttime serenade....

All of us were Hungarian students. It did not even occur to us to distinguish between our Romanian and Hungarian teachers. Moreover, if I want to be fully candid, I must confess that the balance of our scale of liking tipped toward the Romanian desk, because you [Romanians] were closer to us in age, and bothered with us more than anyone else. You patiently guided us through the labyrinth of Romanian grammar, you infused in us with love your passion for folklore and literature, and you acknowledged with a forgiving smile our Hungarian, Szekely pronunciation, our imperfections.

Yes, Professor! we liked and respected our Romanian teachers, including you, the always jolly professor Vasies, the stunningly beautiful teacher Sin Silvia with her warm voice, the strict Professor Milesan, and the demanding Professor Tosa. And could it be possible that all of us in the successive graduating classes were mistaken because we also felt that you liked us Hungarian students? After all, you spent long hours with us in bilingual extracurricular classes, listened to our dumb poems and novels, and argued and conversed with us into the evening concerning the editing of the student newspaper ATHENAEUM. True, time has passed since then, but where did your kind smile go, your mischievously pious look which glanced at us from behind your glasses?

At this time, in your letter to Tokes, you are talking about the "prerogatives" demanded by Hungarians. Dear Professor! Would you say that the institution, the peda [term unknown] where most of us students who studied there were Hungarians, and where you taught for a decade and a half—would you say that that institution should be regarded as a privilege? And should I assume that you well prepared Romanian educators, most of whom were armed with doctoral degrees, feel guilty now for massively contributing to the maintenance of an institution which offends the sentiments of the Romanian people?

Do some soul searching, Professor Duicu! When comrade N. C. wiped the peda of Marosvasarhely from the face of this earth, did you not feel as if you were witnessing the death of your child? Because I do not believe that you recognized with joy the disintegration of that institution, the ordeal to which so many outstanding university cadres were subjected, driving them into the dead end streets of teaching in elementary schools or lyceums. Later on you became a member of the faculty at the academy of the performing arts, but as far as I know

the former lecturers of the Romanian faculty were not invited to the Kolozsvar faculty, even though more than one would belong there.

Accordingly, justice was done to us Romanian-Hungarian, Hungarian-history majors, to Romanian and Hungarian groups of students studying at the mathematics, physics, chemistry, and music departments, and also to you, the university professors of Marosvasarhely!

Let me return from my reminiscences to the present. I will not argue with you, professor, let's say about what is allowed or what is not allowed to be stated in a blossoming democracy, or about the question of whether Laszlo Tokes is a hero. (Hungarians should not be heroes, and if they nevertheless are, they should keep quiet so as not to hurt the feelings of others. And most importantly, Hungarians as members of a minority should not have any feelings! It is not appropriate to have feelings!) And otherwise I am convinced that President Bush has his own informers; Tokes will not be the key witness in the "clauza" [word illegible] case. In regard to the corresponding section of your letter I would like to note only this much: Vatra—that "modest Romanian cultural association," as you call it—banned even Hungarian journalists from that folk music parade held in the sports arena some time in mid-February, and already at that time, well before Tokes' meeting with Bush, Vatra was vocal in cursing Tokes' name. And then, statements like "Laszlo Tokes doesn't forget; he wants to skin you alive," and similar chants expressly do not befit "modest" cultural associations, irrespective of the extent to which they have their origins in folklore. And something else: Neither must you forget that the tragedy at Marosvasarhely did not start with us striking back.

Did Hungarians demanding educational "prerogatives and privileges" hurt Romanian feelings, and did they awaken the sleeping lion? Professor, you know better than anyone else that the Bolyai lyceum was ours. Once upon a time my great grandfather served there, my father studied and taught there, and I will certainly state that none of them were separatists. Our educational institution was taken over by the dictator, more accurately under a mixture of false pretenses about Romanian-Hungarian friendship. Separation in January did not succeed, because a flaw slipped into the calculations: The six classes operating at Papiu could not be exchanged for the 14 classes at Bolyai! But if the goal and the essence was friendship, coexistence, and a better mutual acquaintance, why were there not 10 each Romanian and Hungarian classes in both places respectively? In the name of equality and brotherhood!

I will say farewell, Professor. I feel restless and disturbed in closing this letter. Forgive your former student if I offended you, forgive my sins, just as I forgive those who offended us....

"The legend is gone, slowly I am becoming enlightened," I recall the words of Attila Jozsef. And yet, I still struggle with my emotions; my present and former ego are

fiercely struggling inside of me. I could express all the feelings I have now with a single question: Would you join us, Professor Duicu, for the twentieth anniversary of our graduation? And would your former students shake hands with you?

Regards,
Zsuzsa Kiss

P.S. I want to reassure you from here, the capital, that the youth at University Square are accusing neither Laszlo Tokes nor the Hungarians for robbing them of the revolution!

Tokes Defense Lawyer's Analysis of Iliescu, Romanian Situation

25000761A Budapest MAGYAR HIRLAP in Hungarian 29 Jun 90 p 7

[Interview with Elod Kincses, politician and former defense attorney for Laszlo Tokes, by Csaba Poor; place and date not given: "One Cannot Proceed With Clubs Toward Europe"]

[Text] We first heard of Marosvasarhely [Tirgu Mures] attorney Elod Kincses when he agreed to provide legal representation on behalf of Reformed Church minister Laszlo Tokes last fall. After the revolution he became Maros [Mures] County vice chairman of the National Salvation Front and later of the Provisional National Unity Council. But, as he himself wrote, "as the captive of some 200 Romanian demonstrators" he was forced to resign from his office on 19 March, during the Marosvasarhely pogrom. At that time, however, he did not surrender the idea of becoming a member of the new Romanian legislature. The Democratic Association of Hungarians in Romania [RMDSZ] wanted him to run as a senatorial candidate, nevertheless he was deprived of this opportunity as a result of an unjust court decision. He left Marosvasarhely on 24 March, and six days later he left Romania on a tourist passport because it became apparent that the Vatra Romaneasca intended to finish up with him. Since then he has not dared to, cannot return home. At the end of May he wrote a letter from Vienna to President Ion Iliescu urging him to evaluate the bloody events that took place in Marosvasarhely in an impartial manner and to settle his fate as soon as possible. No response has been received thus far to the letter submitted to the head of state by Karoly Kiraly four weeks ago. Since then, Kiraly has been elected vice president of the senate.

[Kincses] It was my thought to return home once an elected senator. I thought that a legitimate power was capable of guaranteeing personal safety to its citizens. I thought that they could not charge me in the framework of a conceptual trial, because on the basis of parliamentary privilege the concurrence of Parliament is needed for such proceedings, and since I am innocent I could not have prevented my extradition [by Parliament to the authorities] by presenting appropriate proof. But the judges, influenced by the Vatra Romaneasca, decided

otherwise. Without any evidentiary proceedings they took me, together with Lady Smaranda Enache, off the list of candidates for representative and for the senate, respectively. Unfortunately, due to the latest events in Romania I once again had to postpone my return home, because it turned out that not only are Hungarians being murdered, but also Romanians, as long as they are of a democratic mind. Bludgeons are Iliescu's and Petre Roman's chief implements in the political struggle. At the same time they stress that they want democracy and would like to proceed toward Europe. But I do not trust their promises. There is a tremendous difference between their words and their actions. Very simply, one cannot proceed toward Europe with bludgeons.

[Poor] In your letter to President Iliescu you mention the threats against you, your persecution, and an order for your arrest. What indications do you have to support these concerns?

[Kincses] Already before I left Romania the most extreme news media of the Vatra Romaneasca demanded that the chief organizers of the Marosvasarhely events be put to justice. One need not be a philosopher to discover that they do not mean the ringleaders of their own organization, they are obviously looking for scapegoats among the ranks of Hungarians. And that this hunch of mine was not unfounded is proven by the fact that since then they have arrested only Hungarians and Gypsies in conjunction with the 19-20 March pogroms in Marosvasarhely. Not too long ago there was a hearing at which 14 Hungarians and seven Gypsies were held to account. Accordingly, the proceedings follow the absurd logic that we beat ourselves to death. After all, the Marosvasarhely murders claimed six Hungarian victims, and the only Romanian who lost his life died a few days later.

I was summoned to the Maros County prosecutor's office. The docket number is 433/P/1990. The fact that I was summoned to the prosecutor's office means that the punishment could be at least five years, otherwise this forum would have no jurisdiction in the case. They "forgot" to indicate on the summons whether they wanted to question me as a defendant or as a witness, of course. But I learned from an absolutely reliable source that the warrant for my arrest has also been drafted. Since this has been revealed they could, of course, say that they wanted to summon me only as a witness. On the other hand, I have no idea what I should say because I did not take part in the fight, I do not know who hit whom at what point. That is, while the street fight went on, that bloody drama, I sat next to the telephone at Unity Council headquarters demanding that the leaders of Romania deploy appropriate force to restore order.

[Poor] Did you learn of the warrant for your arrest from a source inside the prosecutor's office?

[Kincses] I do not believe that it would be appropriate for me to reveal the source, but it is certain that the information is reliable.

[Poor] You have been abroad now for three months, more or less. You have also traveled in West Europe. Did you notice the traces of persecution during your travels? Were you under surveillance while on travel?

[Kincses] No, I did not have the feeling of being threatened in this way either in Hungary or elsewhere.

[Poor] You have been many places since March, you have negotiated in several places....

[Kincses] Yes, I have been to Austria, the Federal Republic of Germany, and I have an invitation from Otto von Habsburg to Strasbourg, to the European Parliament.

[Poor] According to plans you should have left for France already....

[Kincses] Yes, but there were visa problems. I did not get to that on time. But now I have received the visa, and I will request another date for the visit from Otto von Habsburg.

[Poor] After they put down the demonstration on University Square, the West expressed clear condemnation of the government's terror action. It appears, however, that in a manner similar to Ceausescu's days, it is very difficult to exert outside pressure on Romania.

[Kincses] Unfortunately, the reflexes of today's Romanian leadership clearly conjure up the spirit of Ceausescu. They are able to talk only about foreign influence, mobs, and hooligans. Quite naturally, when it comes to atrocities in Bucharest they are unable to claim Hungarian influence, but even now they have tried to draw a parallel between the carnage in Bucharest and the latest demonstration in Csikszereda [Mieciurea Ciuc]. In Csikszereda a mass demonstration protested the fact that the bilingual sign of the local police was exchanged for one written in Romanian only, while that is against the law. Even Ceausescu's constitution prescribed the use of a Hungarian language sign, and the National Unity Council has a resolution to that effect. But it seems that this authority does not even respect its own laws.

[Poor] The fact that despite this you wrote a letter to Ion Iliescu on 26 May attests to no small optimism. In it you urged the objective investigation of the Marosvasarhely events. What gives you confidence? Do you believe that this letter will have an effect?

[Kincses] I am not sufficiently naive to believe that this would happen: I do not believe that Iliescu will improve if I write to him. But dialogue cannot be avoided under any circumstances. Dialogue must be maintained with whatever leadership prevails in Romania.

[Poor] But in this instance one may rule out dialogue. At best some parallel monologues are going on.

[Kincses] Indeed, these monologues go on side by side, parallel to one another. But still, one must provide at least an opportunity for them to respond to what I have

to say, if they want to respond. The things I want to say—I am convinced of their truth. I feel that I must make the president of the country aware of my thoughts. Even more so because by now Iliescu has become legitimate, he is the elected head of state who should not be this scared of the Vatra Romaneasca. As it has turned out, this extremely aggressive political force has a much smaller base than they claimed in order to mislead or to manipulate public opinion.

[Poor] Do you think that Iliescu is scared of the Vatra Romaneasca? Just a few days before the 20 March elections Karoly Kiraly made a statement saying that this nationalist, fascist organization was actually helped in coming into being by the National Salvation Front and personally by the president.

[Kincses] I do not know what role Iliescu played in the establishment of the Vatra Romaneasca. The Vatra was established on 27 December, supposedly independent from Iliescu, as the organization of the nationalist Romanian intelligentsia which was concerned about losing power. But it was Iliescu who tolerated, even supported, the strengthening of the Vatra. And the gravity of responsibility that burdens the head of state and Prime Minister Petre Roman is proven by the fact that although after the February anti-Gypsy pogrom and the attack on the RMDSZ headquarters in Szaszregen [Reghin Mur] we demanded that they take a stand against violence, they did nothing. Even though the bloody events at Marosvasarhely would not have occurred had they taken firm action at that time. Moreover, Andras Suto would still see with his eye, and the rest of the victims could have been saved had the authorities tried to establish order immediately after the start of the Marosvasarhely atrocities. The police and the military had four or five hours to intervene, after all. But the Romanian leadership did not intervene appropriately, even on the 20th.... Even though we received a promise to that effect in response to our firm demand! But they did not abide by their promise! I don't believe they even intended to fulfill their promise. The Marosvasarhely tragedy presented an excellent opportunity to restore the Securitate to its function, and to begin a return to the old system. This is not even a coincidence: The Securitate people and the dismissed party leaders received pay for their old merits until 20 March (for three months). They wanted to become useful once again.

[Poor] As long as the subject of our conversation is the return to the old system and the Securitate: In Romania and in the Western press one hears views with increasing frequency which hold that the December revolution was actually in part an artificially organized excellent disguise for part of the party elite to take power. Do you share this view?

[Kincses] The people on the streets waged a revolution. The demonstrators in Temesvar [Timisoara], Bucharest, Szeben [Sibiu], Brasso [Brasov], and Marosvasarhely who stood up against the force with their bare hands

definitely wanted a revolution, a change in the system. Iliescu's people were clever and provided leadership to this revolution, at a time when Ceausescu was actually dead in a political sense. And within moments they rendered him dead in a physical sense, precisely because they did not want Ceausescu to remove baptismal water in the course of a possible public trial from those who had salvaged power. Pursuant to the constitution, a public trial like this would have to be conducted before the Greater National Assembly, and from this standpoint, from the standpoint of law, the dictator's defense was fully appropriate. It is likely that he could have mentioned very many compromising facts about the present leaders, about their past roles. A characteristic example: In the trials of former highest-level party and state leaders only those crimes are examined which occurred since 17 December. Accordingly, prior to that date "everything was wonderful" in Romania. So that I am fully convinced: Iliescu, Petre Roman, and their associates did not create a revolution. They freed the country from Ceausescu, or at least were accomplices in this regard.

[Poor] So then, what do you think came first? A conspiracy to overthrow Ceausescu for which they organized a mass movement, or a revolution, and those involved in the coup were riding the waves of that revolution?

[Kincses] It was a coup at the top level, preceded by a loose, not overly courageous organizing effort, while at the lower level it was a revolution, which came just on time [for the top level] to assume power.

[Poor] What next? What perspective do you see for Romania? Not too long ago Laszlo Tokes, for example, talked about the need for a new revolutionary movement.

[Kincses] Those who risked their lives to get rid of Ceausescu and his system do not want communism, they do not want a return to the old system. This is why there were demonstrations in Bucharest and in Temesvar, and this is why there will be more demonstrations in Romania. But it will be very difficult to accomplish anything as long as the Securitate stands behind Iliescu as one man. This is because the Securitate consists of forces organized in an outstanding manner; there are very many of them, all of whom are the beneficiaries of the old system. They know well that they will not be saved in a possible new revolutionary movement.

[Poor] The fact that the peasants from Hodak [Romanian name unknown] or the miners from the Zsil Valley [Romanian name unknown] supposedly hated Ceausescu the same way in those days as the Hungarians from Marosvasarhely or the university students in Bucharest seems like a contradiction. And yet, at this time they picked up their bludgeons in order to salvage Ceausescu's system, and against those who fought for democracy.

[Kincses] They do not recognize this. They do not understand that what is at issue is the salvaging of the old

system, because Iliescu and his people talk about democracy and the liquidation of communism. They are manipulating public opinion. For example, the Romanian populace could not even see the way the miners hurt the students in Bucharest, the way the peasants beat the Hungarians in Marosvasarhely. To see that one had to turn on the television set in Budapest or in Paris. The pictures of the Marosvasarhely pogrom were edited in such a manner that one could not tell who was beating whom, and after that the press explained that naturally it was the "Asian Huns" who were dishing it out to "the poor Romanian peasants who were peacefully visiting with relatives."

[Poor] You have not dared, you have not been able to return home for months now. In your view, when will you have an opportunity to once again set foot on Romanian soil?

[Kincses] I will return home as soon as there exists consolidated power in Romania, as soon as they are able to guarantee my personal safety. Unfortunately, one can rule this out in the current situation. Another person beaten to death would not make any difference to this power which has compromised itself already.

[Poor] Would you be arrested at the border station if you were to return now?

[Kincses] I am not certain that they would arrest me, but one cannot at all rule out the possibility that by "accident" they would cause severe harm to me, or perhaps would beat me to death. I am most concerned about illegal means. I am not afraid of the law, because very simply, there is no proof against me because I have done nothing illegal. For example, they want to pin on me the charge of having organized the spontaneous Hungarian demonstration of 20 March. But I left Marosvasarhely on the eve of 19 March, because I received a telephone call saying that Ion Iliescu would come to Marosvasarhely accompanied by Karoly Kiraly, and that he would like to meet with me [as published]. But the truth does not matter to the Vatra people; they treat facts in a "very flexible" way.

[Poor] What do you mean by a consolidated situation? Would you feel secure, for instance, in a Romania whose president is Ion Iliescu?

[Kincses] I do not believe that Iliescu constitutes a personal threat to me. Even more so because he knows perfectly well that my role is not what the Vatra Romanasca says it is. Moreover, on 19 March, when I was relieved of my duties and talked to him on the telephone, he expressed his sincere regrets for having fallen victim to such an excess. Or at least he said that he regrets what happened. At the same time he did not accept the responsibility of speaking to the people on the 20th, even though he must have known that much depended on him. We desperately fought to avoid an ethnic clash, because we knew well that only we can be the losers in such a clash. Only the majority can win when force is used, when violence prevails.

[Poor] After all this, do you believe that Iliescu's regrets were sincere?

[Kincses] I heard much good about Iliescu before he came to power, but I cannot comment favorably about things he has done since he took power.... [end interview]

Letter to President Ion Iliescu

Dear Mr. President!

I, the undersigned, Elod Kincses, ask you to investigate the predicament in which I find myself as a result of "local hostilities" that were artificially incited by the Vatra Romaneasca.

I ask you to have this country's chief prosecutor order that the investigators dealing with the Marosvasarhely events and with my role [in those events] be relieved of their duties, and that the case be transferred. A similar request was submitted more than six weeks ago by the Maros County organization of the RMDSZ by way of chairman Andras Suto. It was supported by 60 attachments, but the chief prosecutor failed to sustain this just and legitimate request.

As the attachment demonstrates, most Marosvasarhely policemen and prosecutors are members of the Vatra, accordingly, under law, they have no right to examine events in which the Vatra Romaneasca was a direct participant....

...The fact that the requirements of criminal law were not observed in the course of investigating the 21 December 1989 events in Marosvasarhely, when a volley fired by soldiers and the militia extinguished the lives of six people, and the 20 March 1990 murders (also six deaths) can be established. The situation is the same with regard to violent acts committed on the above-mentioned days, as well as on 19 March 1990.

The persons responsible for issuing orders to fire and to assault the anti-Ceausescu demonstrator were not held to account. (These are: local commanding General Cojocaru Ioan and Colonel Gambrea Gheorghe, the commander of the county militia and police.)

These persons are responsible for not separating appropriately the two groups of demonstrators, and for failing to prevent armed peasants from attacking the peaceful populace of Marosvasarhely and Ernye [Romanian name unknown].

It is well known that Colonel Gambrea Gheorghe received an order from Interior Minister General Chitac to appropriately separate the demonstrators and to prevent a new assault by armed Romanian peasants transported to the scene from villages 60 km away from Marosvasarhely. Since Colonel Gambrea failed to abide by the order, he is criminally liable for the bloodbath of 20 March 1990, yet he has not even been relieved of his duties!...

...In my view the establishment of the government committee has very essential legal consequences, specifically:

The findings of the committee are mandatory with respect to criminal investigative organs insofar as such findings establish the guilt or innocence of persons subject to investigation.

The chairmanship of the government committee should be entrusted once again to Mr. Gelu Voican Voiculescu, who was unfairly attacked by the Vatra for his objective conduct.

Mr. Ion Manzatu, who became an election ally of the Vatra Romaneasca, has come into a conflict of interest under prevailing law, i.e. under no circumstances could he fill the office of the chairman of the government committee.

The fact that persons who organized the 19 and 20 March Marosvasarhely terror attacks, the persons who took part in those attacks, and those who did not prevent the repetition of such attacks were not investigated and not presented to a court of law is illegal, and serves to further increase tensions....

...In contrast, I, who have done everything humanly possible to prevent bloodshed, am being slandered, attacked, and investigated everywhere, moreover, they have even ordered my arrest!

I remind you of the fact that on 19 March 1990, as a captive of some 200 Romanian demonstrators, I was coerced to resign, and I most firmly objected to the idea that a Hungarian counterdemonstration be organized. I enjoyed the full support of the RMDSZ county leadership in this regard, headed by writer Andras Suto. The "payment" the famous writer received is well known....

...Still on the same day (the 19th) I travelled to Szekelyudvarhely where I had a meeting on the following day, Tuesday 20 March 1990. I took part at three popular rallies in Szekelyudvarhely; on each occasion I pacified the inhabitants of that municipality because they were very excited about the grave attacks on Andras Suto and on the peaceful population of Marosvasarhely....

...Even though I was not in Marosvasarhely, they are spreading the falsehood that I organized the 20 March 1990 demonstration.

Upon my return to Marosvasarhely at 1600 hours I realized that you did not come to Marosvasarhely. I called you on the telephone and requested that you come to our city where 10,000 demonstrators were waiting for you. You replied that you had no intention of traveling to Marosvasarhely in such a tense situation....

...I asked you to take appropriate action, so that they would not slander me, as I am innocent, and so that they would not convict me, contrary to the law (or that "unknown persons" would not kill me).

I trust that you, as the elected president of every citizen, will not tolerate the continuation of violations of law in Marosvasarhely, a place where the victims of pogroms are

being harmed by investigators, are convicted while innocent, and where the truly guilty are glorified and are made popular as the "heroes of the nation."

This practice carries the seeds of new pogroms which would draw grave consequences.

Our country does not need these!

*Respectfully,
Elod Kincses
Vienna, 26 May 1990*

P.S. The police [dominated by the] Vatra holds my family hostage in Marosvasarhely. For two months they have refused to issue a tourist passport for my wife and my two daughters.

BULGARIA

Bulgarian Embassy in Washington Obstructs Voting by Bulgarians in U.S.

*90BA0201A Sofia DEMOKRATSIYA in Bulgarian
14 Jun 90 p 4*

[Article by Zheko Stoyanov: "Elections Communist Style"]

[Text] Washington, 13 Jun. Special to DEMOKRATSIYA—On the basis of the rules of logic and ordinary decency, 10 June should have been a memorable and happy day not only for voters in Bulgaria but also for the tens of thousands of voluntary or involuntary Bulgarian emigres in the United States. The members of the Bulgarian colony in Washington had hoped that on that day they would be able to exercise the right to vote guaranteed by the Bulgarian Constitution and support with their ballots the efforts of their compatriots in their homeland to peacefully put an end to the 45-year political nightmare, and for Bulgaria to return to the family of civilized nations and follow a course toward a new and happy future....

Unfortunately, this hope was suppressed with a series of deliberate machinations, manipulations, and tactical steps taken by the newly hatched "freedom lovers" and "democrats" in Sofia, who used for this purpose their loyal subjects in the Washington embassy headed by Ambassador Velichko Velichkov. Knowing that the tactics of threats, intimidation, insinuations, and gross physical and psychological terror would have been not only absurd but also punishable in a free, democratic, and civilized society, the "new" government in Sofia used other, more refined, methods to deprive at least 90 percent of Bulgarians living in the United States of the opportunity to cast their absentee ballots in the first seemingly "free" elections in Bulgaria.

What were these methods? Above all, the electoral law was drafted in a way that made it difficult, if not impossible, to register potential voters living abroad. Furthermore, the Central Electoral Commission

imposed additional restrictions concerning voter registration, while the Bulgarian Embassy in Washington deliberately suppressed the information that, according to Radi Slavov, a noted emigre personality, had been sent by the Central Electoral Commission as early as 17 May. Mr. Slavov's attempts to obtain reliable information from the Bulgarian Embassy on the procedure for the registration of voters, made on 18, 23, 25, and 28 May and 2 June, were met with verbal temporizing, equivocations, and misleading statements, including some by Ambassador Velichkov.

The embassy's efforts to prevent voter registration or reduce it to a minimum included such "pearls" of gross disinformation as the assertion that people with dual citizenship would lose their American citizenship by voting in Bulgarian elections.... Again, according to Mr. Slavov, embassy personnel rejected the plenary powers given by opposition forces for membership in the section electoral commissions but did not hesitate to set up such a commission for Washington, consisting exclusively of communists whose plenary powers had been written on ordinary pieces of paper instead of on party forms. It was perhaps for the sake of appearances that the Bulgarian Embassy issued a brief announcement that was published only in THE WASHINGTON POST, despite the fact that the Bulgarian colony in Washington numbers no more than some hundred families, while tens of thousands of Bulgarians live in the States of New York, Pennsylvania, Ohio, Michigan, Illinois, Indiana and, above all, California. At this point, let us note that electoral sections had been organized only in Washington and New York City.

The Bulgarian Embassy had at its disposal numerous ways of informing potential voters in the United States about registration requirements and procedures. If it wished, it could have issued announcements and instructions in the bulletins of the numerous Bulgarian Eastern Orthodox churches, including those not under the domination of the Holy Synod in Sofia, in the various emigre periodicals and newspapers, and, above all, in RODOLYUBIE, the propaganda periodical that is so zealously disseminated abroad.

Disgusted and feeling helpless in the face of such communist tactics as disinformation, suppression of information, misleading statements, and equivocal reports, on election day a group of Bulgarians from Washington and vicinity held a peaceful demonstration of protest in front of the Bulgarian Embassy, where the section electoral commission was located. Father Mikhaylov, the priest from Saint George Bulgarian Orthodox Church, celebrated a brief requiem mass for the known and unknown victims of the communist regimes in Bulgaria, while Radi Slavov read a long list of cases of manipulation and attempts on the part of the embassy to hinder or prevent the registration of potential voters. At the end of election day, the section electoral commission, consisting of Ivan Velev Maksimov, chairman, Anastasiya G.M. Dimitrova, deputy chairman, Chavdar Ivanov Stoychev, secretary, and Rositsa Ilieva Simeonova and

Vasil Nikolov Zlatarski, members, signed the protocol on the election results: Alternate Socialist Union, 2; Alternate Socialist Party, 1; Bulgarian Socialist Party, 46; Union of Democratic Forces, 21.

Also included in the protocol are the following remarks entered by Anastasiya G.M. Dimitrova-Mozer and Vasil Nikolov Zlatarski:

1. Insufficient publicity in the United States about the elections. Only one small-print announcement was published in THE WASHINGTON POST.
2. Failure to set up electoral sections outside Washington and New York, thus restricting the access of Bulgarian voters to the ballot boxes.
3. Failure on the part of the authorized representatives of the BSP [Bulgarian Socialist Party] to present properly executed credentials, something that was demanded of the representatives of the Union of Democratic Forces [UDF].
4. Rejection of some of the properly executed credentials of the representatives of the UDF for membership in the electoral commission.

Looking at this string of preelectoral communist abuses and manipulations, unwittingly one asks himself: Who needed this, and why?! The answer is clear and unequivocal: There is diversity among the Bulgarian emigres in the United States, reflecting all shades of the political spectrum. The rulers in Sofia could not know for whom the emigres would have voted, but knew with absolute clarity for whom they *would not vote!*

CZECHOSLOVAKIA

Separation of Slovakia Discussed

90CH0239A Bratislava BRATISLAVSKE LISTY
in Slovak May 90 pp 21-23

[Article by Ivan Hoffman: "Nationality Problem as Problem of Liberty"]

[Text] Following the concert at the Jonas-Club meeting in Prague on 7 Apr of this year where I performed in conclusion of the whole program and where I received an extraordinarily cordial reception, two young men came to see me in my dressing room. With tears in their eyes they asked me, and themselves as well, "Was it for what goes on today that we suffered two years of beatings and jail?" I realized then that there is a difference in the attitude toward freedom between those who had sacrificed for it, and those just landed in a free society without any great personal merit. The national problem which troubled those young people seemed to me, measured against the problem of freedom too easily gained, as merely a misunderstanding due to insufficient mutual information. I had tried to write about nationalism objectively and emphasized that now when we have managed to free ourselves jointly it would be in my

opinion rather silly to "free" ourselves from each other. After the embarrassing squabble in the Federal Assembly and the subsequent tasteless demonstration in Bratislava, I am however encountering a growing distrust in Bohemia and Moravia in regard to whether what goes on in Slovakia should be actually viewed as no more than isolated and negligible expressions of separatism. From what they saw on television my Prague friends, whom I have known for years as wise and objective folks, gained the impression that the desire to revive the Slovak State is shared by the vast majority of Slovaks.

Despite the fact that separatism (initially fanned by patriots abroad and by the State Security) was gradually disavowed by Slovak politicians as well as the Slovak Foundation [Matica slovenska] and the presidium of the Slovak Academy of Sciences, the handful of Slovak separatists found succor early last May from the Czech writer Ludvik Vaculik, whose LITERARNI NOVINY article constitutes for a change a sophisticated example of Czech separatism.

The article which in Slovakia met with a virtually unequivocal rejection and in the the Czech lands with a virtually unequivocal approval, rates special attention precisely because its author Ludvik Vaculik represented for the past few decades among the personalities of Czech cultural life the exemplar of lively interest in Slovakia and Slovak literature, was a personal friend of many Slovak writers. Today he masks his bitterness over what is in his view going on in Slovakia by doughty proposals for Czech self-determination.

Although Czechoslovakia still exists as a fact and its integrity continues to be affirmed by enough citizens so that there is no need to split it apart, divergent views of our main problem, that is the future of democracy, have become reality. While in Slovakia the perception is that Prague centralism (as well as Bratislava centralism in the Slovak context) acts as a brake on democracy, in the Czech lands and especially in Prague it is Slovak nationalism which is perceived as putting a brake on the pursuit of democratic reforms. The remarkable aspect of this misunderstanding is that in Slovakia separatism has become a plank of the politically bankrupt, while in the Czech lands it is becoming (as I now see it) a program of the elite. And it is just on the basis of this fact that I am increasingly tempted to say that the Slovak part of Czechoslovakia is better equipped to enter Europe than the Czech.

The overall picture of the problem is of course blurred in no small measure by the general inability of most citizens, already noted above, to take a responsible stand on the freedom which we have gained. Those who have not embraced this freedom as a gift that we have not won by struggling with our own forces but rather were mysteriously bestowed by God's grace, are unlikely ever to realize that they are responsible for the way in which they make use of this gift. Those who do not receive freedom as a responsibility will naturally fail to enjoy the fact that they have been freed to work hard, to think

strenuously, to have endless patience, to exercise unpopular tolerance. Most of us resist such an uncomfortable freedom; we try to delay the moment when we will be forced to recognize that the cause of our catastrophe lies in ourselves—in our stupidity, our laziness, our intolerance.

The easiest way of resisting freedom's demands is to pretend that we have not yet won freedom, to prolong the fight for liberation, to find yet other enemies who can be blamed for the unsatisfactory condition which we would otherwise have to ascribe to ourselves. The need to find a substitute enemy in case that we have actually got rid of the hated totalitarian regime is expressed by primitive generalization such as, "What do those Czechs think?," "What do those Slovaks really want?," "Don't those Hungarians have a nerve?" There is a strange unwillingness to recognize that in each nation there are alongside each other an honest man and a dishonest one, wise and foolish, hardworking and lazybone... There is this irresistible urge instead of looking at the multifaceted reality of human life to point to "the others," to people different in language, race, or creed. This is concrete proof of our persisting in unliberated totalitarian thinking.

If we say that the cause of our present day problems is yesterday's totalitarian system, we ought to recognize what its essence was: Centralism that gave all power to a small group of people who grew accustomed to calling themselves the state. The only way to come to terms with the totalitarian past is to radically weaken the state, that is, the power of politicians and politics. It is not enough to replace the hated centralism with a "functioning" centralism, it is not enough to replace the hated tyrant with a beloved ruler. If it is not our intention to change from disenfranchised slaves to voluntary ones, we must learn to live with the freedom we intuitively demanded in the squares of our towns. It turns out that in order for every one of us to act freely in our place, we must create a system in which we are left with no other choice but to be free citizens. Only in such a system will we be able to learn civic liberty.

It is absurd that in comparison with the prosperous, industrious citizens of capitalist countries we should place such outsized reliance on our government ministers or the president, rather than showing interest in whether the factory which employs us or our community is led by capable people. When will this become of interest to us? It will be the moment when our pay, our living environment will depend on it. Then it will not matter of what nationality is the manager who sees to it that our labor is not wasted. Then the board of directors will quickly get rid of the incompetent executive, regardless of the decal he may put on the state license plate of his car.

To the question of whose bill we were footing in Czechoslovakia and for whom we worked, we replied until recently that we were footing the bill for one extremely cunning ideological utopia and working for a bunch of

Mafiosi cynically hiding behind this utopia. Today the latter-day national awakeners (frequently yesterday's CPCZ members) are straining to persuade us that footing the bill for each other are Czechs and Slovaks, Slovaks and Hungarians, or possibly that Moravians are footing the bill for everyone.

The sooner we recognize that today all of us are footing the biggest bill (spiritual as well as material) for those intolerantly true-blue nativist "national awakeners" who together with the politicians are solicitously shielding us from the freedom for which some people had suffered beatings and prison—the sooner will we reach the "tragedy" without which we cannot save ourselves: that we take our affairs into our own hands and begin learning how to handle them. With God's help.

Czech Ignorance of Slovak Affairs Criticized

90CH0265A Bratislava LITERARNY TYZDENNIK
in Slovak 4 May 90 p 11

[Article by Zdenek Eis: "On Czech Indifference and What's Connected With It"]

[Text] A colleague from way back whom I had not seen for over twenty years sent me a letter from Bratislava. In it he described how he, together with the Czech poet Josef Simon and also with Lubomir Felded and Peter Zajac, "owing to indifference on the Czech side" spent two years trying unsuccessfully to found a "federal" journal for Slovak and Czech culture and literature. For twenty years I have not seen this colleague, but his words about Czech indifference addressed me with urgency.

Yes, Czech indifference is a phenomenon we must discuss together—Czechs and Slovaks and the other way around. Without embellishment and sweettalking as used to be done in public writing, history, literary science and the other humanities on important occasions and "round-number" jubilees. One used to write about the "fraternity" and "unity" of Czech and Slovak culture and literature. Let us finally put an end to this verbal junk and face the truth squarely, so that we may not one day stand on the ruins of long-existing good relations and perhaps even the statehood built by our ancestors. Even though an open word may hurt us here or there, some things we may find disturbing, but the result will be clear.

Among other things, an issue between Czechs and Slovaks is also a "detail"—a clean slate.

Czech indifference must inevitably affect Slovaks; being unconcerned, insensitive, and cold toward the other—that's something which may not pay off either in individual relations or in the life of a nation. Another colleague wrote me about his trip to America and noted how a Czech writer was persistently introducing him as a "Czech" and was quite embarrassed over the possibility that in the introductions he could also be a "Slovak". You may object that these are small things, let's drop it. Perhaps. If only matters stopped at these small things. Of

much greater importance is the fact that on the Czech side we are ignorant of Slovak problems, uninformed about them whether as citizens or as a nation—and we have not even established adequate scientific institutions, periodical or publishing projects, which would bridge this ignorance and exercise a function in society which we would expect from them. It is precisely in this ignorance that a great deal of the Czech indifference is rooted.

An example? Try today to offer a book or study on a Slovak topic to one of the Prague publishing houses. They will receive you with understanding, but very politely turn you down. The overriding argument for rejection will be—as is the style nowadays—economic reasons.

If this goes on, our mutual ignorance will grow and ultimately we will be left no other choice than approaching sponsors abroad in this matter and asking them to set up a foundation for Czech-Slovak understanding.

On the other hand, when we Czechs want we can be very attentive. In the United States and all over the world Slovaks have an old emigration history and some of these emigrants are well-to-do, even rich. Yet to this day Slovaks do not have a publishing house of importance abroad that would sponsor Slovak literature until recently banned for publication. And so it was Czechs who have helped in the past twenty years. Where? In Czech exile publishing houses. At great financial and other sacrifice. Otherwise Tatarka's "Tales" [Navravacky] and his other works, just as Hana Ponicka's "Lukavice Notebooks" [Lukavicke zapisky] would have never been published as books.

Not only Slovaks have the right to speak of Czech indifference. We too, here on the Czech side, have our justified complaints. During the Husak-Bilak-Jakes normalization important positions at the decisionmaking center were given to Slovaks who, were they not Slovaks, would be unable to hold posts offered them often only for their nationality, party membership, but not for their expert qualifications. And this even in areas which under the old regime were not regarded as central, for instance in the health administration, social services, and so on. Moreover, many Czechs had the impression that during the past twenty years life in Slovakia was simpler, that persecution there was not as rigid and dull-witted as in the Czech provinces, that the state budget was "mindful" of Slovakia more than of Bohemia and Moravia. To this day the view in the Czech provinces is that under Husak the Slovaks somehow managed to see to their interests, and not infrequently to Czech detriment. I write openly about what the Czechs think; I don't mean to suggest that they are right in all these matters.

Anyway, this is already the past so let's have historians—as is now the fashion—take a look at it. It may happen they will find that those who were the rulers had an interest in a silent, creeping tension between Czechs and

Slovaks and that increased interest in mutual ignorance and rancor between Czechs and Slovaks exists even today. Surely all of us know that in an artificially provoked tension it is easier to rule than in an atmosphere of agreement and understanding.

That which is past is past. Our interest today is in what will be. When we are already on the subject of Czech indifference, we may find it worthwhile to ask: What is the Slovaks' share of responsibility for the Czech indifference toward them? I would say that it is by no means small. Slovaks who used to come to Prague—that is, to the center—to take care of "their affairs" always were inclined to rely on Czech nomenklatura cadres, those officials through whom they wanted press for this or that. All too often Slovaks placed their bets on the rulers, rather than Czechs who had for many years shown interest in Slovak problems. And let me say more: Among Czechs who did show themselves interested, Slovaks failed to systematically educate "their" allies in the field of science, journalism, culture and the like. All, or nearly all, was entrusted to "officialdom"; nothing was built from below, from the ground up. Why from the ground up? Because only minute, small-scale work from Czech to Slovak and back can help us. It is because the goal is attainment of a greater and broader understanding for Slovak and Czech affairs on the basis of a democratic federation of Czechs and Slovaks.

The Slovak side should abandon the purely official approach. Prague (not to mention Bohemia and Moravia) gets little of the Slovak press. A Czech, indeed a Slovak, living in Prague thus has limited opportunities in this area. And what is the consequence of this? Ultimately we arrived at the conclusion which read in an article by Ondrej A. Sekora in LN No. 16 titled: "How Far Is Bratislava?" He wrote that even today if someone in Bohemia wants to get good and objective information on Slovakia, he listens to Radio Free Europe. From my own experience I can only confirm his finding. In "Slovak affairs," if I want to be well informed on them, I too turn to this radio. For a radio broadcaster this is a supreme compliment, but it is a shame for the Czech publicist. If the Czech indifference toward Slovak problems caused primarily by the Czechs' poor information is going to continue being fed by the Slovak absence of a concept and inactive waiting for what will come and will be, things will not be good for us. Tell me: What does a Czech know today about Slovak-Hungarian relations and problems? What does he know about the Bratislava polygraphy industry and its condition? And what does he know...(you fill it in)? If our energies become consumed in dispute over whether there should or should not be a hyphen in our country's name, it would be a small thing indeed and neither side has yet matured up to the democratic opportunities of the time in which we live. And, in particular: We will leave ourselves no time for a constructive dialogue which would benefit the people of both nations and all nationalities living on CSFR territory.

If Czechs and Slovaks fail to reach a sensible agreement, we will end up with nationalist passions. And if we are burdened with a nationalist rubbish no one in Europe will welcome us with very open arms. This mainly because Europe today is full of nationalist tensions, frictions, and passions. In this respect not only will we not be applauded by anyone, but we will lose also the most important legacy of 17 November: The attention and understanding of Europe's and the world's public.

Well then, where do we go from here?

Twenty years ago on the pages of REPORTER I, with our other colleagues, we supported a federative arrangement of the republic, emphasizing at the same time the democratization process. It was our hope that the process of democratization would accompany that of federalization. We were of the opinion that without democracy and freedom, federation is not possible. And already then we ran up against misunderstanding.... Extremists rose up among us, Slovaks as well as Czechs, who later turned out to be normalizers and they wanted federation under any circumstances, even without a democratic order. We already have a federative floor plan for the country. Now let us go on discussing agreement on the details of a democratic life together.

Twenty years ago I opposed federalization without democracy, and I oppose it today as well. We knew that without democratic ideals, without the ideals of a civic society and freedom even a federal arrangement can wither, become formal or misused.

Twenty years ago the Czech philosopher Kosik wrote these memorable words: "The Czech question is a world question, but the practical test of this worldliness is the Slovak question. In a certain way we can even say that the Slovak question constitutes the essence of the Czech question." It is precisely this concept we were pursuing twenty years ago in Czech public writing and especially on the pages of REPORTER.

Today, just as twenty years ago, after all that happened and what we experienced, we are facing the same issue. How we Czechs come to terms with Slovak problems, how we will understand them and grapple with them in the practice of the new, democratic and federative state. Slovaks, in my opinion, are today facing the issue of a consequent and democratic ordering of Slovakia and its problems.

We Czechs, if we want to, know how to be generous and we have an empathy for the European vision. According to "fixated" federalist principles, Czechs are today, regarding representation in top state offices, actually in a minority. Only the president is a Czech; the Federal Assembly chairman and the Federal Government's prime minister are Slovaks. Does it matter? I believe that it does not bother anyone in the Czech provinces. Up to this time both Slovak representatives mentioned above enjoy a good reputation among Czechs and also have done much to ensure that both nations and all nationalities in our country live in peace and amicable relations.

What we want is to have in the Czech provinces the right kind of experts qualified to speak about Slovakia and Slovak issues. And vice versa: To have in Slovakia enough experts knowledgeable about Czech issues and knowing enough to be able to render qualified opinions on them. This is easy to write but today, just as twenty years ago, rather difficult to put in effect. The fact as of today is that Slovaks have more experts on Czech problems than the other way around.

Hence it seems to me particularly urgent—and for the Federal, Czech, and Slovak Governments essential—to bring these problems into harmony with the demands of the time. At the same time I see it as challenge for every citizen, whether engaged in economics, science, education, public health, social affairs and, naturally, last but not least culture. Qualified Czech eyes looking at Slovakia's social issues will benefit a balanced life of both the nations and the state. If we can contribute something to today's Europe, it may be precisely in this regard.

As a Czech whose given name carries a diacritical mark over an "e" I believe that I have a right to talk about Czech indifference and what is connected with it, and perhaps also about the sources of this phenomenon.

POLAND

Diplomatic Triangle: Relations Between France, Germany, Poland

90EP0654A Warsaw POLITYKA in Polish No 21, 26 May 90 p 9

[Article by Ryszard Wojna: "Isosceles Triangle?"]

[Text] In defining anew its place on the international arena, Poland must reappraise the till now existing functions of the German problem relative to Polish-French relations. The fact that Poland and France are situated on both sides of Germany is no longer the source of joint geostrategic conclusions similar to those that lay at the basis of the 1921 alliance and the decision to declare war on the Third Reich by France on 3 September 1939. Present-day France finds itself in a far-advanced stage of uniting with Germany in a joint economic body. The consequences of this—and, at the same time, the program motivating force—is the dynamic process of growing common political interests of both countries which are becoming ever more clearly the driving force behind decisions accelerating the integration of Western Europe.

The awareness of this state of affairs is not widespread in Poland. The view that the "centuries-old hostility" of the French and the Germans cannot be overcome in several dozen years has become deeply imbedded in our society. The conviction remains that if we were to scratch the surface a little more deeply, we would continue to find the living matter of age-old conflicts.

The truth is much more complex. To arrive at it, we would have to fall back to the years following World War

I and to the popularity of the Pan-European movement among the French elite—a movement based on French-German reconciliation. Without this, it is impossible to understand the French defeat of 1940 when entire divisions threw down their arms and allowed the Germans to pass through without a struggle. Without this, it is impossible to understand the phenomenon of Marshal Petain and the Vichy government, which had the genuine support of millions of Frenchmen during the first period of its existence until the moment of the German invasion into the *zone libre*. Collaboration was a phenomenon there of greater social scope than in any other European country. I was an eyewitness to this.

The significance of these phenomena was not disputed in the renaissance of patriotism which occurred in the struggle for regaining independence and the rise on this wave of a powerful Gaullist movement. Does this not lead one to think that this de Gaulle made a radical change in his strategy toward the German issue at the end of the 1950's when he was already aware that France would not regain its prewar imperial position? From an adversary of the European Defense Community, whose creation was foiled by the French parliament, he became the architect of a program intended to bring about a French-German union.

In 1963, de Gaulle and Adenauer knelt down to pray together in the cathedral at Reims. The choice of the location was not accidental. This was a reference to the legacy of Charles the Great and by the same token to the common Germanic ancestry; to the prehistory held in common. Most assuredly, the general and the chancellor did not pray for the same thing but I also found arguments in the Paris right-wing press of that time with which I was familiar from the Vichy period. I believe that in Poland we underestimate the influence of common pre-Germanic myths on certain intellectual French spheres.

Yes, de Gaulle opened the way for the reconciliation and unity of French-German interests holding in his hand a trump card that assured him a special position in this union and one that reminded the Germans that France is not just a nominal member of the four powers "responsible for Germany." This trump was the possession of a *force de frappe*—atomic "impact power."

It so happened in my life that I lived in both countries for many years. Knowing the sensitivity of the French to the problem of Alsace, I had told myself already a long time ago that the test of French-German reconciliation will have to be sought there. For a long time, I even collected clippings from the German and French press on this subject with the idea of writing a book since there was the question of whether this reconciliation would not trip over Alsace because of its German-speaking population and old animosities.

If I were to approach writing such a book today, I would begin with polemics containing similar opinions as those

from a quarter of a century ago. Something of unparalleled significance for Europe has been carried out. From a million killed in action at Verdun (including many Kaczmareks from the Poznan region...), a pacifist awareness has come about of the absurdity of war which undermined the will of the French to fight in 1940 and 25 years later, has led victorious France and defeated Germany onto the road of overcoming hostility and eliminating mutual distrust and prejudice.

This historical cause has already, to a large degree, become reality. Let not the echoes of French concern, which return from time to time in the French press (the Germans do not allow themselves this) because of these or other occurrences in the FRG mislead us. Normal relations between two countries closely and productively cooperating with each other do not, at all, have to be expressed in passionate affection for each other.

Differences of interest have and continue to exist not only between the two nations but also between two regions independent of national boundaries. We already know today that the integrated Western Europe of the future will be a coalition of regions shaped by the unity of interests. There is already sufficient data to currently draw a map of these regions. For example, a large part of Alsace leans toward *regio basiliensis* which forms its own industrial and communication infrastructure encompassing areas at the junction of three nations: France, Germany, and Switzerland.

Meanwhile, Polish journalism has concentrated for many years, above all, on French-German conflicts—they do, in fact, exist—and not on the growing common trunk of future French-German history. And this is one of the reasons why our public opinion is not fully aware of how far the irreversible processes have already gone on both sides of the Rhine.

Recent months should have brought us the opportunity to become aware of this and more specifically, the period beginning with the bursting of the dam between the two German states represented by the wall dividing Berlin and the widespread spilling out of processes leading to the unification of Germany and Germans without the possibility of opposition to this from anyone.

These phenomena caused anxiety in France. In many newspapers, articles raising alarm appeared. Some commentators reached for an abundance of unpleasant reminiscences from the past. Much space was devoted to the, at the time, evasive stand of Chancellor Kohl toward the formal recognition of the irreversible character of the existing Polish-German border.

However, the principal reasons for French concern pertained to three complex issues: the economic-political effects of the enormous reinforcement of Germany's position in a united Europe to the disadvantage of French interests; the probable weakening of German interest in Western European integration in the event of the revival of national priorities behind the Rhine; the possibility of the drifting of the main interests of

German politics toward Eastern Europe and particularly toward close cooperation with the USSR.

All of this became overlapped with President Mitterrand's undisguised irritation. Chancellor Kohl stimulated the unification processes in Germany without consulting with Paris beforehand. He disclosed to the world how weak France's influence on Germany's decisions is—decisions that are radically changing the international conditions in Europe. At the end of December, beginning of January, the Federal Republic stepped out in a new role: as an independent entity that does not rely on its allies nor on its Common Market partners in its national policies. The only capital which Bonn really took into account was Washington.

In this situation, the March visit of Poland's highest ranking representatives was to the advantage of the Elysee Palace host. It enabled him to display cautionary discontent with Kohl along with concurrent full support for Polish postulates on the Oder-Neisse issue. Besides, with regard to this issue, France represents an unchangeable—I would say Gaullist—policy.

We greatly value this support but it should not blind us to the fact that the foundation of relations between Poland, France, and Germany has changed.

In commenting on the Polish visit, Seweryn Blumstein wrote from Paris in *GAZETA WYBORCZA*: "Both sides were very careful not to create the impression of some sort of new anti-German pact. And yet, in observing the Paris meeting, one had the impression that together with the dissolution of the Yalta agreement, Europe is returning to centuries-old rules of diplomacy." At the very outset of his interview for the *LE MONDE* daily, Tadeusz Mazowiecki said: "This is a rule already set in history: When the German problem gathers importance, France and Poland want to be together."

Indeed, Poland's turn toward Paris was practically a natural reflex. We are pleased that in the coming days, the visit of our premier in Paris will be a continuation of the increasingly frequent dialogue. Everything that strengthens ties between both our countries works on behalf of strengthening Poland's relations with the West. However, the basis for this is no longer in reference to the German threat.

At a recent May summit of the European Community's leaders held in Dublin, what was self-evident was the common line of the Kohl-Mitterrand tandem. The tone of French commentators toward the ongoing process of the reunification of Germany also changed. Efforts are being made to find the good aspects of this.

This does not mean, however, that we should give up the notion of the influence of the German factor on Polish-French relations. We should, above all, thoroughly analyze how the constructive changes between France and Germany have come about and make use of the conclusions derived from this in Polish-German relations. Until recently, this would have been impossible because

of the political system conflict, the differences in the goals and values of the two German states and, above all, because of the FRG's ambiguous position toward our western border. Today, we are building the structure of Polish-German understanding on a qualitatively new foundation and the experiences of the French are extremely valuable to us. All the more, that just as for France the road to an integrated Europe has led from the beginning through Germany so also for Poland, there is no way to Europe other than through Germany and with the Germans.

We have hope that we are heading toward times in which relations between the countries of our continent will not be dependent on force and violence. The question arises, in that case, how much sense is there in the thus far held assumptions of the "politics of stability" so dear to the European statesmen since the time of Metternich? Instead, economic and civilizational considerations will gain significance. And if such will be the case, then the role and influence of Germany in and on Europe will be greater than ever before. Being at odds with this developing new reality would be unwise. It is necessary to work in harmony with it and draw advantages from this.

Our friendly relations with France, bound in such a close alliance with Germany, should help us in this. By the same token, the German problem is changing its functions for Polish-French relations.

Wielowieyski on Christian Traditions, Need for Unity

90EP0681A Katowice GOSC NIEDZIELNY in Polish No 17, 29 Apr 90 p 5

[Article by Andrzej Wielowieyski: "The Citizens Movement and Christian Inspiration"]

[Text] Two weeks ago, GOSC gave out incorrect information. It made note of the creation of a Christian-democratic group by some of the members of the Citizens Parliamentary Club, but added the comment that this is a symptom of the decay of that club. Were this statement true, it would mean a serious political crisis, because the government is based on the OKP [Citizens Parliamentary Club], which is in turn supported by the citizens movement in our country. However, it is obvious that this government, which has undertaken a task—one of the most difficult in our history—must be assured of not only wide social support, but also of an organization which ensures it contact with society, a sort of reflexive connection, through which the government and society mutually control and mutually influence one another. The new parties, although there are many of them (more than 60), have so far not been able to attain greater influence. Each of them numbers a few hundred or a few thousand members, and all together, the old and the new parties, they have a chance to receive at most 10 to 20 percent of the electoral votes.

The Citizens Parliamentary Club, at the very least, is not falling apart. It in no way forms a tightly compact

organization. Rather, it should be said that it is developing internally. A few months ago, the Farmers Circle arose within its framework. Later, supporters of self-management proclaimed their existence, as did a group which has defined itself as "Labor Solidarity." And more recently 44 members of the OKP formed a Christian-democratic group. The declaration made by this group defines it as a decidedly liberal, free-market group and one that avoids all self-management and worker references.

Leanings of a more "leftist" or "rightist" nature have existed in the OKP from the beginning. Thus, they are nothing new. Each of the groups mentioned numbers 30 to 50 persons, and aside from that, a considerable portion of the 257 members of the Club have taken a more centrist position, wishing to reconcile their origins in Solidarity with the tasks of reform. They understand that currently these tasks can be realized by sticking together in one club.

What will be the future of the OKP? Will it stay together as a political coalition or will it break apart and give rise to two or three powerful (in contrast to the weak parties) political groups? The coming months will tell. Today, I would like to write a few comments on the Christian-democratic traits of the OKP and the whole citizens committee movement.

What is the essence of the broad and multifarious phenomenon that Christian-democratic and Christian-social parties constitute? There is in it a broad spectrum of political and social views, ranging from the moderate right to the very moderate left with the frequent preponderance of the center. There are also ambitions to represent various social environments, from the so-called middle class to farmers to worker circles.

As far as ideological assumptions are concerned, a characteristic balance of basic values has appeared in this political tradition through the nearly 100 years of its development. On the one hand, these were values such as freedom (the motto of the Italian Christian-Democrats) and property; on the other, labor and community solidarity. Since the time of Leo XIII, all of these values have been, and continue to be, emphasized in the Church's social teachings. The value which unites and welds this Christian ideology and transmits its characteristically centrist traits is the principle of justice. But this is not justice conceived as the levelling of all equally, or even of all a little bit, but rather justice conceived as the respect which belongs to all as people (and thus social subjects) and not merely as objects of the ruthless play of the free market. Only such a principle can be the basis of true political democracy and the principle of healthy social coexistence.

This is closely connected to the harsh opposition of Church teachings and the dominant Catholic tradition to collectivism, which suppresses human freedom, questions the right to property, and transgresses the "principle of affiliation" (in other words, of preferring where

possible individuals as well as small groups and organizations) which is key in Catholic social thinking. But this is also connected to opposition to the individualistic ethic and connected to the criticism of the abuse of economic advantage leading to human wrong, which is typical of capitalism. Both of these threads, the anticollectivist and the anti-individualistic, are always present in the teachings of the Pope as well as in the programs of Christian-democratic parties.

Social movements, which developed out of Christian inspiration and which have created their own, specific procedure of activity, usually possessed the strong support of the wealthier segment of the population and traditionally and conservatively disposed social circles. Simultaneously, they were also supported in many countries (for example, Italy, the Benelux countries, and the FRG) by workers' and employees' circles. This particularly concerned the strong, union circles from the headquarters of the Christian-inspired trade unions. It is obvious that those social environments in particular, aside from explicitly defending worker rights and interests, were also propagators of the principle of worker participation in the ownership and management of large enterprises, a principle promoted by the Church from Pius XI to John Paul II and confirmed in the resolutions of the Second Vatican Council. The principles of worker shareholding and worker self-management, which are so important to us today, have long had support in Catholic social thinking.

It was the Polish pope who gave us the synthesis of Catholic teachings on the meaning of human labor and emphasized its ethical primacy over capital. But 100 years ago Leo XIII, on the basis of the experiences of Christian workers' movements on both sides of the Atlantic, called for the creation of trade unions not only for the defense of economic interests, but also as human, spiritual and social communities. Hence, from the dawn of the Christian political movements at the end of the last century, an integral principle has also been the association of people in connection to the defense of the poorest and weakest, which Leo XIII resolutely commended.

The Christian-democratic and the Christian-social tradition and way of thinking have a great significance and a great value for the citizens movement in Poland and for the OKP. However, in a much wider range, this is explicitly presented by the rightist declaration of the Group of Christian Democrats, which was formed in the OKP and which emphasizes above all the value of a free market. It is that way due to two causes above all. First of all, we are a movement which emerged from Solidarity, the millionth liberation movement of working people which drew its power not only from social discontent, but above all from the tradition of national resistance to coercion and from Christian inspiration. Who knows whether it was not precisely the defense of the weakest workers' group and the restoration of their sense of dignity that was the most socially valuable

achievement of what we call the Solidarity ethos. Second, we are a social movement which undertook radical reform of the state and the economy under unusually difficult conditions which demanded great effort and sacrifice from society—and which especially demanded confidence. This confidence and faith in a better future can be maintained, if the ethos of Solidarity—in other words, the ethos of human solidarity—is maintained in the nation. We need hope, but we also need a sense of indispensable social security.

There is no doubt that we must quickly create a new middle class: thousands of lively entrepreneurs and modern managers. Without this, we will not be able to return to Europe and assure ourselves of a good place among other nations. But there is also no doubt that the ideas of creating a middle class and Polish capital are in fact attractive only to a minority of society. For 11 million to 12 million wage employees, they will perhaps be convincing only in the future. At the same time, these people are aware that they will be the ones who, above all, will have to bear the burden and pay the costs of

reconstructing the economy, and they will reap the advantages of the free market to a limited extent. The lack of enthusiasm appears not only because things are going poorly for Balcerowicz and Paszynski, but also because the long-range perspective is not enticing.

Thus arises the need for the wider platform of a Christian-social program, which should be undertaken and realized by the citizens-solidarity movement in Poland. This program should result from our identity, which was formed above all by the history of recent years and by our Christianity. This is not a third road between communism and capitalism. The economy must be good, efficient, and effective. But society must be self-ruling and possess solidarity. People must feel at one and at the same time feel that they can count on others. I believe that the vision of John Paul II, which he outlined in his solidarity encyclical on human labor in 1981, can help us. This is a vision in which society is made up of free, independent producers and self-managing, responsible employees.

HUNGARY

Soviet Army Spokesman Explains Burlakov's Statements

25000751B Budapest NEPSZABADSAG in Hungarian
23 Jun 90 p 3

[Interview with unidentified spokesman for the Soviet Army Southern Command by V.P. on 22 June; place not given: "The Spokesman for the Army Southern Command: 'The Pace Will Not Slow Down, but...'"—first and last paragraphs are NEPSZABADSAG commentary]

[Text] The Friday issue of this newspaper contained Gabor Demszky's report on behalf of the ad hoc committee that oversees Soviet troop withdrawal, concerning the visit with General Burlakov. As Demszky said, at the time of the visit the commander of the army's Southern Command stressed that failure to reach an urgent agreement with regard to real and other property left behind may have an unfavorable effect on the pace of troop withdrawals.

[V.P.] Just exactly what does this reference mean relative to the pace of troop withdrawals?

[Spokesman] Under no circumstances do we want to slow down the pace of troop withdrawals. We want to maintain the plan that calls for five or six trainloads per day. At issue is the fact that at the time we agreed upon

the 30 June 1991 deadline we counted on not having to move 260 trainloads to the Soviet Union, because the Hungarian side was to purchase certain goods. Indeed, interest is being expressed for fuel—gasoline and crude oil—but we do not know what the fate of building materials, container tanks, and furniture will be, even though in our view there would be a need as well as buyers for these items. But we cannot sell directly to Hungarian businesses, we can do so only through the Hungarian Honved Forces.

[V.P.] And to what did Colonel General Burlakov's finding refer—also quoted in the report—when he said that in case of disputed issues the Soviet side would leave guards behind until the financial demands are settled?

[Spokesman] This could have referred only to the possibility that if they are unable to transfer furniture and building materials to the Hungarian organs, they will have to be gathered in one or two buildings, and that they will have to be guarded.

Defense Ministry spokesman Colonel Gyorgy Keleti added the following remark: A high-level decision is expected to be reached in the near future which may alleviate Soviet concerns about sales mentioned in the interview, as that can be foreseen. The stay of Soviet guard units after 30 June 1991 is impossible, because that would conflict with the spirit and the letter of the intergovernmental agreement.

CZECHOSLOVAKIA

Delays in Joining World Economy Viewed

90CH0241C Prague HOSPODARSKE NOVINY
in Czech 13 Jun 90 pp 1, 4

[Article by Prof. Eng. Miroslav Tucek, candidate of science, director general of Investment Bank, Prague: "Open Up to the World"]

[Text] In his initial announcement of the program to the Federal Assembly on 19 December, the premier of the Federal Government, M. Calfa, stated that the key prerequisite for a radical economic reform is a "real opening up of the Czechoslovak economy to the world around us." What the openness of an economy means, was most precisely stated in the Rome Agreements of 1956, by which the European Economic Community (EEC) was founded: free movement of goods, capital, and work force. The countries of the EEC are, of course, going to such an openness only gradually and to this day not all the obstacles in all the countries have been entirely removed. We must also aim for such an opening of our economy in the long run.

The Czechoslovak economy has never been entirely closed, an autarky. In a small industrial country, which moreover dependent on the import of raw materials, that is not even possible. But today in question is a functional opening, interconnecting markets. Functionally our economy was in fact an autarky, producers as well as consumers were protected from the fluctuations in foreign markets, international movement of capital and credits was centrally directed, international movement of the work force was limited to the "import" of workers from Poland, Vietnam, Mongolia, and Cuba. The "export" of a not very large number of specialists (fitters) was organized by foreign trade organizations and the Polytechna in particular, whose activities were regulated by foreign policy interests. This, therefore, was not a market openness.

Today nobody needs to be convinced that it is necessary to increase imports substantially, and therefore also the export of goods and services, particularly in relation to countries with convertible currencies. But the need to link our economy with the world not only with streams

of goods, but also with capital, by combining domestic and foreign capital, does not meet with understanding. Enterprises as well as the economic ministries demand credits in convertible currencies, but the idea of opening themselves up to direct foreign investments does not find understanding, even in some party programs.

Direct foreign investments mean the participation of foreign entities in the Czechoslovak economy. And here we hear the slogan that we shall not sell our economy. For example, the CPCZ program states: "We are on principle against selling our national wealth and natural resources, and against returning key industrial branches, banks, and the insurance to private hands, either domestic or foreign... We are against putting the Republic in debt, against her excessive dependence on foreign capital." But how does that square with the demands in the labor, social, ecological area? The program is styled as a program of unconstructive opposition.

The argument against "selling the economy," against dependence on foreign capital, is basically economic nationalism, same as the functional economic autarky. Was not the acceptance of foreign credits which previous government carried out an expression of dependence on all: military, political, economic, ecological, in science and culture, even in health care?

In question is not only increased dependence, but also its projection into the rational and economically most advantageous form, and not being dependent on one large country, but evenly on all so that the risks are spread out. And the point also is that others should be dependent on our economy as well, that the dependence workd both ways.

This requirement is best answered by a linkage of capital in our economy with the world, particularly by direct investments by foreigners in the CSFR and ours abroad. We cannot do without foreign financial injections, a partial change in our internal economic mechanism by itself will not overcome the consequences of the economic lag since the beginning of the fifties. A table reprinted from the Financial Times shows the lag of only some aspect of the standard of living. It does not show the lag in technology, education, science, and the state of the environment.

Comparable Indicators of the Standard of Living

	Car per Person	Telephone per 1,000	TV per 1,000	Patients per One General Practitioner	Infant Mortality per 1,000 Live Births
Bulgaria	120	200	96	280	15
Czechoslovakia	173	226	122	280	13
GDR	209	211	119	440	9
Hungary	145	134	275	310	17
Poland	105	118	85	490	18
Romania	11	130	Unknown	570	25
Yugoslavia	125	122	175	550	25

Comparable Indicators of the Standard of Living (Continued)

	Car per Person	Telephone per 1,000	TV per 1,000	Patients per One General Practitioner	Infant Mortality per 1,000 Live Births
USSR	42	115	300	480	25
FRG	446	641	377	380	8
Japan	235	535	250	660	6
USA	572	650	621	470	10
Brazil	76	90	184	1,080	63
Korea	16	294	Unknown	1,170	25
Ireland	206	235	181	680	7

Taking on more foreign credits is a road to bankruptcy, the paying of interest on interest. Those who give credit are not bound to the economic results of the enterprise that gets it. We are at the borderline of a manageable foreign indebtedness and foreign banks are becoming more careful, because the examples of Bulgaria, Hungary, and at the beginning of the eighties also Poland, North Korea, and Latin America are a warning. Delays Increase Misgivings

Our economy can be helped only by direct foreign investments, but in that connection a number of questions arise, particularly what we must do so that there is a willingness (courage) to invest in the CSFR, and also whether we are able to manage (allocate) large foreign investments at all.

The condition for giving foreign investors an incentive to invest here is for the CSFR to accept a number of recommendations which are at present being prepared by experts from the International Monetary Fund and the World Bank, and which will be mostly identical with the aims of the basic economic reform planned by the Federal Government:

1. Implement a policy of internal and external equilibrium and ensure social tranquility in the land.
2. Quickly create a market system—that is, free the movement of prices, interest, and currency rates, and abolish the system of central directive planning.
3. Privatize the national economy—that is, make certain that enterprises behave as private producers of goods and do not wait for help and protection from the state.

According to my experiences from holding talks with tens of foreign banks and potential investors, all serious foreign partners are watching the preparations of the reform steps leading in this direction. Delays increase their misgiving as to whether the Czechoslovak political parties actually want to reform the economy radically. Without the certainty that a stable, developed market system will exist in the CSFR, it is very difficult for them to make investments, especially for those who are not interested in managing some Czechoslovak enterprise or branch. Such investors could be primarily various investment funds and trusts. Representatives of industrial capital in particular are willing to take greater risks,

at the present time mainly various hotel chains and construction firms, who often are interested not only in profit but also in managing some central area in the Czechoslovak economy. Nevertheless, no joint ventures of any great significance have been established with Czechoslovak industrial enterprises as yet.

In this connection, obviously, the new provision of the foreign currency law which categorically prohibits foreigners to buy real estate in the CSFR was not thought through well enough. I am not talking about such instances when a foreign investor (for example, Mr. Bata) would like to build himself a house in the CSFR where he would live part of the year or during business trips. This provision makes it impossible for a foreign firm to get buildings other than by renting. But a rental increases its financial risk, because rents can change substantially. It has to get around that provision and establish a domestic foreign currency entity, which then will be allowed to buy buildings and can use land, as all Czechoslovak subjects, without cost.

To improve the Czechoslovak negotiating position in talks about direct investment of foreign capital it will be necessary to carry out a basic reform of accounting and restructure enterprise balance sheets in a way that would make the structure of debits and credits not only comprehensible but would express the economic "health" of the enterprise. It cannot be published without it. If some foreign trade organization has Kcs120 million of its own capital (original capital) and Kcs12 billion of commitments and claims, it cannot under normal market conditions be given supplier credit from a foreign partner, and if it does, then only because it is silently assumed that its obligations are de facto guaranteed by the state or by the Czechoslovak State Bank.

Are We Able To Upvalue Capital?

And is our economy able to absorb large foreign direct investments? Here it is not only a matter of wanting but of a method that would guarantee that it becomes highly profitable. Given the amount of risk which still exists for investments in Czechoslovakia in comparison with, for example, Portugal or Spain, the foreign investors must obviously expect a profit of about 15 percent a year (in DM). But how many well thought-out and really large

restructuring projects, which would guarantee such profitability, do we have, particularly with the existing tax on enterprise profits? According to my only partial knowledge, very few. Moreover, the foreign investors would like to have a guarantee that they will be able to repatriate such profits. The doubts about the ability to take on foreign investments expressed even in the annual report of the UN Economic Commission for Europe in evaluating the situation in Eastern Europe. The key task therefore is to work out such projects in which foreign investors could share. If they are effective for them, they will be a substantial benefit for us too.

At the same time it is necessary to plan Czechoslovak investment abroad. Especially those Czechoslovak enterprises which work primarily for export would thoughtfully invest part of their foreign currency abroad, in order to create for themselves conditions for a more efficient export or a cheaper import of raw materials. In the future, the point will be not only the creation of marketing affiliations, but also capital investment in firms with which we shall make strategic alliances for joint activities in the development of third markets. They can be financially supported by, for example, mutual capital participation and mutual representation in management or supervisory boards.

Direct foreign investments in the CSFR will undoubtedly help the development of a Czechoslovak capital market, which will give an investor the possibility to sell the investment or a part of it (that is, sell his stock in CSFR to another interested party). Interest in stocks that are not on the stock exchange is always lower. Therefore in forming large joint enterprises, it will be necessary to consider the possibility of their being quoted on some foreign stock exchange. That concerns also Czechoslovak capital participation abroad.

Hundreds of foreign entrepreneurs, bankers, and various potential investors are arriving in the CSFR. They are negotiating not only with the central offices, banks, and insurance houses, but also with the national committees and enterprises. Large foreign industrial firms do that mostly in cooperation with their banks or they consult their banks about the planned business. From the Czechoslovak side the negotiations are entered into with great courage and a contact with some Czechoslovak bank often is the result of pressure by the foreign partner. That is the better case. A number of negotiations are concluded without even consulting a bank. I think that it is a practice which will only cause us losses, even though I know that Czechoslovak banks are not prepared to open up to the world, either. I would therefore recommend to all Czechoslovak enterprises and national committees that they invite representatives of some bank to their negotiations with foreign partners and consult with banks about all steps.

Government Influence Needed To Effect Economic Structural Changes

90CH0242A Prague *HOSPODARSKE NOVINY*
(supplement) in Slovak 30 May 90 p 1

[Article by Anton Vavro, Slovak Republic deputy minister for finances, prices, and wages: "The State Must Have Influence"]

[Text] The problem of structural changes had to be addressed in recent time also in the advanced Western market economies. In this effort no small role was assigned also to the government and its intervention in the economy. For our own thoughts about the form of government influence in this area it may be of interest to briefly summarize the experience of centrally influencing structural changes in market-oriented economies.

Government participation in restructuring processes in market-oriented economies has crystallized into a number of concrete forms. They can be arranged into four groups which share in common the instruments, forms and methods of influence:

- The first area encompasses determination of the principles of the tax system, credit guarantees, regulation of the labor market, and so on.
- The second group includes the creation of an infrastructure for the processes of restructuring.
- The third group of measures is connected with the management of science and steering research programs in a direction that would support the restructuring processes.
- Last, the fourth group of measures in support of restructuring consists in government orders, most prominently in the armaments industry.

The instruments and forms of government influence for restructuring processes are employed in market economies to promote an economic policy oriented toward the long term, pursuing primarily the goal of strengthening the given country's international standing, firming up its currency and expanding opportunities for its success in the world markets.

The Goals of Restructuring

The purposes of a restructuring strategy vary according to individual countries. All ongoing programs at the present time pursue the realization of at least one of the five goals outlined below, which are recognized as the basic goals of restructuring.

In the first place it is an effort to increase the competitiveness of the country's products in the world market and to strengthen the economy's orientation toward exports. This program is to be implemented by means of selecting those industrial branches which should assume a leading role in the given economy, and providing them with support. This was a restructuring strategy prominently pursued in Western countries until the mid-1970's.

When structural changes are oriented toward this goal an expansion of exports becomes a factor in raising living standards by taking advantage of the effects of the international division of labor. The dynamic world market compels a dynamic quantitative and especially qualitative advancement in production. One of the positive consequences of this process is increasing the economies of scale. An economy which can shift part of its resources to sectors producing for the world market can usually increase output faster than countries producing primarily for the domestic market. This is confirmed among others by the examples of Japan, Hong Kong, South Korea, and so on.

Next it is the effort to improve economic efficiency by shifting resources from low-efficiency branches to those sectors whose production brings high profit. These branches are sometimes called "high value added sectors" [preceding phrase in English in the original]. Such characteristics denote primarily products of modern industrial branches in which a high demand is combined with new technologies permitting reduction of costs. Where these conditions obtain, structural changes offer great opportunities for increasing efficiency for the whole of society, measured by productivity levels, reduction of social costs, and so on.

Not of the least importance is the acceleration of economic growth and lowering unemployment. The prospect of imparting dynamism to economic growth depends on the effectiveness of the mechanism responsible for setting the tempo of economic growth in the conditions of intensive structural changes. During the 1960's in the market economies footwear consumption increased by two percent, of railroad freight cars, solid fuels, agricultural products by barely three percent per annum. During the same period demand for electronics products rose by 15-20 percent annually, for industrial robots by 30 percent, and so on. Hence an economy that manages to shift a major portion of disposable resources to branches with rapidly growing demand will attain a faster tempo of development than an economy which stays with the traditional structure of production. Japan again is a positive example.

A fast tempo in production development makes it at the same time easier to resolve the unemployment problem. It is precisely the industrial branches with a high level of technology which have become almost the sole source of new jobs in the industries of Western countries.

Of special importance for us is the effort to modernize the economy by accelerating the development of production branches and sectors to which has fallen the task of leading current world progress. This road is chosen mainly in countries which lag significantly behind the advanced states. In the most advanced countries the strategy of restructuring emphasizes efforts to adjust the economy to future technological progress, hence to the

needs and requirements of the future. Utilizing structural changes for this purpose involves mainly accurate forecasting and prognostication of the avenues of future technological progress.

And lastly we see utilization of restructuring processes in order to surmount or neutralize the adverse impact of worsening conditions for economic growth. This growth is ever more coming up against ecological, energy, demographic and similar barriers. A worsening trend in these conditions is a worldwide phenomenon. It affects primarily economic growth achieved by traditional extensive methods. The economic growth model connected with intensive factors is less sensitive to these worsening conditions. Therefore it is the prevailing view in the market economies that the role of structural policy as an instrument of adaptation to the changing conditions of development will increase to the detriment of its other functions.

Among the individual market-oriented economies there are great differences in the choice of the main goals of restructuring (and thus also in the choice of instruments designed to support and carry it out). For instance in Japan and the FRG the most important goal is seen as accelerating development of the progressive branches of the economy. This strategy has a pronouncedly offensive character. Conversely, in France, Great Britain, and to some extent also in the USA the greatest prominence among the goals of restructuring is given to mitigating the effects of a recession showing up in some branches and sectors. Measured by the results achieved in the economic development of the FRG and Japan one can conclude that orienting a restructuring policy toward acceleration of the progressive branches is the most effective road to economic development.

Tools Must Be Chosen

The first, most frequent and most widely utilized form of government influence on restructuring processes consists of credits. This area includes granting low-interest credits and a system of credit guarantees. The government eases access to credit when the prospective investment corresponds to the intents of the government's policy on restructuring. In practical terms this form of support for restructuring is realized by proclaiming priority goals of the economic policy, which the government recommends to banks as standards for granting credit. A commonly used form are also credits with a preferential interest rate. The bank is reimbursed for reduced interest income from the state budget or from various special funds.

Another form consists in amortizable credits. They are usually amortized when the set goal is achieved; the credit along with interest is reimbursed to the bank from the state budget. An important role is played also by government guarantees of credits granted for investments which are important from the point of view of structural changes but carry various risks.

Another basic group of economic instruments used to support restructuring in Western countries are tax abatements, permanent or temporary tax exemption, as also differentiated tax rates according to the type of activity. A special place in this group of instruments belongs to differentiated value added tax. For instance products of the electronics industry are taxed relatively less than heavy industry products.

In support of restructuring market economies quite often resort to a so-called accelerated amortization (free depreciation [rendered in English in original]). This essentially permits inclusion of part of the investment cost as operating expense, thus reducing profit as the base for tax. This form is used mainly in branches where machinery and equipment depreciates rapidly. For machinery up to 80 percent of the original cost may be written off already in the first year after installation.

But there is criticism of accelerated amortization as a method of supporting restructuring. It is pointed out that it operates "blindly," failing to provide information whether the enterprise used the resources obtained in this way toward the desirable goal. Furthermore, accelerated amortization is regarded as a somewhat inflexible tool to support structural changes.

A system of special tax-exempt deposit funds has effects similar to accelerated amortization. Enterprises may allocate a set portion of their profits to these funds designated to finance restructuring measures.

A third group of basic economic tools to support restructuring are government allocations and subsidies, which in selected cases may represent 10-50 percent of the investment cost. A special form of government financial aid are the so-called investment grants used in the FRG as an instrument of regional policy to support investment in a specific area.

Price policy too can serve as a stimulus to restructuring. High customs duties on imported products are designed to support domestic manufacture. The same purpose is served in many cases by vigorously enforced administrative measures, for instance import quotas, ceilings, and the like. An enumeration of the forms of government assistance to progressive branches in the Western countries should include also government investments in development industries and government orders.

The successes achieved by Western economies in carrying out restructuring programs are a good reason to undertake a thorough study of the array of instruments utilized by the government to support this process. The brief survey in this article suggests that in this area the market economies have gained substantial experience with choosing methods of government influence that are compatible with the economy's market orientation.

Instructions for Entrepreneurs Cannot Meet Demand

90CH0270C Duesseldorf *HANDELSBLATT* in German
28 Jun 90 p 12

[Article by Hanus Rohan: "Instructions for Forming Businesses Find Hot Market in Prague"]

[Text] The Profess publishing company is housed in an insignificant single-family home in the Prague Malesice neighborhood, overshadowed by ugly gray highrise apartment complexes. The composition patterns lie on the living room couch, next to the PC on the table. The information teacher, Miroslav Hasa, is working day and night to prepare the second edition of the bestseller, "Start k podnikani," which translated literally means "Start-Up of an Enterprise." A candid snapshot.

The first issue of this instruction on how to become independent was literally torn out of the hands of newsstand sellers. Hasa and his two colleagues, an economist and a lawyer, simply could not believe that they had won the race against time. They were the first on the market. Their first product, a 40-page brochure, which explains to potential independents in question and answer form the legal principles for forming businesses, was sold out in a very few days in CSFR bookstores and newsstands.

Shortly before, the parliament in Prague had passed a whole package of laws which enable CSFR citizens and also foreigners to form enterprises, or to simply stand on their own feet as individuals. In the short time since the November revolution, the parliament has performed truly intensive and productive work. As early as 18 April 1990, the regulation in the constitution, which is also central to this complex, was adjusted to market economy conditions.

Only One Property Concept

Article 7 of the constitution now recognizes only one form of "property." While the previous version of the constitution still contained various forms of property (personal, private, cooperative, and above all state property), the present law now only distinguishes between the subjects of property: for instance, natural and juristic persons. Contrary to former times, all owners enjoy the same protection of the state.

But the reformers did not forget to include a sentence in the constitution which can also be found in the Bonn Basic Law: "Property is an obligation."

In order to promote self-initiative of the citizens and to attract foreign investors into the country, on the very day of the change of the constitution (at 11:37 p.m.), the "law on citizens' private entrepreneurship" was passed ("Zakon o soukromen podnikani obcanu"). But that in no way made it accessible to those whom it addressed: the citizens and authorities. Namely, the state printing office could not keep up with the parliament's fervor, so that insiders with ties to the government, parliament, and personnel of the planning staffs profited from access

to the legal documents in order to publish the law with commentaries, for example.

The law regulates in principle issues of private entrepreneurial activity. It permits entrepreneurial initiative in individual form, as commercial company, silent partnership, or a consortium (Article 1, paragraph 1). A provision of the new law is as matter of course for the Western reader as it is exciting in this context (Article 3): "No duties may be imposed on the entrepreneur by the state economic and social development plan." That is the farewell to the planned economy.

The law also contains regulations on authorization to exercise entrepreneurial activity. Accordingly, upon application to the appropriate authority, the entrepreneur is registered as such. Entrepreneurs who in the past calendar year had a taxable income of more than 540,000 koruny and also have more than 25 employees, must be entered in the Commercial Register and are legally treated as juristic persons.

Adjustment Tasks for Parliament

Naturally, so far the rapid legislation in the CSFR could amend only some of the existing regulations of commercial law and adjust all legal provisions to each other. The new parliament will have to work intensively on that.

The provisions on personal and joint stock companies largely follow the laws of the FRG. Thus, since 18 April 1990, the CSFR also recognizes the company with limited liability (at least 100,000 koruny of ordinary capital), stock corporation, company limited by shares, general partnership, limited partnership, silent partnership, and the consortium.

While most forms of companies are regulated in the "hospodarsky zakonik," the "Economic Code" which in part corresponds to the [FRG] Commercial Code, a special law applies to the stock corporation, which meanwhile can also be bought as a brochure with comments. The capital stock must be at least 100,000 koruny; at the time of formation at least 30 percent must be paid in; the minimum amount was established at 400,000 koruny.

The provisions of the corporation law greatly resemble the FRG corporation law and it is clear that this law was very helpful in the legislative marathon in Prague, as is confirmed by insiders.

The amended and new laws have opened up new fields of activity in the consulting sector, not only for lawyers who naturally must first familiarize themselves with them, but also for participants in the legislative procedure. They are offering their services in Prague newspapers; meanwhile the WIRTSCHAFTSZEITUNG appears daily. They assist potential new entrepreneurs.

Privatization of Banks Scheduled for 1991

90CH0270D Vienna DER STANDARD in German
8 Jun 90 p 19

[Article by OeWP: "Privatization of CSFR Banks as of 1991"]

[Text] A comprehensive privatization program is to be started in 1991 for Czechoslovak banks and savings associations. A first step provides for their conversion into stock corporations under state control. Prague banking circles say that privatization is then to take place in further steps in the course of improved own capital resources.

A precondition for the privatization program is an amendment of the existing banking law. Details for it are to be submitted at the end of August 1990. Possible first candidates for privatization among the banks are Zivnostenska banka Praha with reported own capital resources of 582 million koruny, the well-known Komerčni banka Praha (3.9 billion koruny), and the Vseobecna uverova banka Bratislava (1.9 billion koruny).

As early as this summer privatization of the Slovakian Tatrabanka, reestablished in 1989, will be initiated. It is being converted to a stock corporation as of 1 July. The subscription period of the shares begins on 8 June. The capital of the Tatrabanka is to reach 400 million koruny; 55 percent thereof in koruny, the rest in hard currencies. Foreigners can also acquire property in the Tatrabanka via juristic persons in the CSFR.

Introduction of Value-Added Tax Considered

90CH0270A Vienna DER STANDARD in German
5 Jul 90 p 15

[Article by OeWP/red: "CSFR Plans Value-Added Tax and Corporation Tax After Western Model"]

[Text] In his government declaration of 3 July 1990, CSFR Prime Minister Marian Calfa announced in Prague the liberalization of foreign trade as of 1 January 1991. The aim is a hard currency system and full convertibility for the Czech koruna. The exchange rate with the dollar might be at 24 koruny to 1.

More details are to be announced in the fall. Further focal points of the economic program are to be the development of the private sector as well as a value-added tax after the Western model, and a uniform corporation tax of 55 percent for 1992, which corresponds to the Western standard. Environmental protection will also be a central subject of the reforms. Plans for privatization will be prepared as early as this year, particularly the conversion of state enterprises to joint stock companies, while the actual privatization steps will be taken next year.

In the coming months the decision will be made whether a part of the state property will be given directly to the

population via gratis investment coupons. A stock exchange is also to be established as of 1 January 1991.

As in Poland, the method of privatization is also hotly debated in the CSFR. Some time ago, Finance Minister Vaclav Klaus had proposed that households are to receive share certificates of the individual enterprises. The amount of the holding is not to exceed one-fifth of the total property. In a later phase, these share certificates can then also be traded.

A precondition for this is first of all conversion of large enterprises into joint stock companies and division into smaller units. Genuine competition is to be created by splintering the monopolies.

The tax system is to be reorganized in such a way that the central government as well as state governments receive direct tax revenues according to a key yet to be established. Environmental protection is to be taken into account by closing some coal-fueled power plant in northwest Bohemia.

In the sector of nuclear power, the safety aspect has absolute priority, and the Czechoslovakian nuclear program will perhaps be implemented only to a reduced extent. Negotiations with Hungary will be initiated with regard to the Danube power plant project at Gabčíkovo.

In the future, the federal government will be in charge only of the sectors of energy and fuels, metallurgy, uranium mining, transportation, and telecommunications. All other sectors will be handed over to the state governments in Prague and Bratislava and to municipalities. Minimum wages are also to be introduced.

Energy Crisis Defies Solution; Nuclear Power Needed

*90CH0270B Vienna DER STANDARD in German
20 Jun 90 p 18*

[Article by Franz Meister, staff member of DER STANDARD and of the Ecology Institute: "CSFR Banks Fully on Nuclear Power—Energy Crisis Almost Unsolvable"]

[Text] The CSFR energy situation is not only critical, but almost unsolvable. This conclusion was reached by the participants in the first environmental seminar organized by Czechoslovak environmental protectionists this weekend in the north Bohemian town of Nachod. Thus the CSFR continues to bank fully on nuclear energy, which places opponents in a true emergency state of argumentation.

Staff members of the state energy corporation CEZ presented a report recently prepared by the Ministry for Fuels and Energy, according to which additional nuclear power plants are being planned in Kecerovce (East Slovakia), Blahulovice (North Moravia), and Tetov (North Bohemia), in addition to the nuclear power plants in Temelin and Mochovce now under construction.

Moreover, the CSFR is increasingly looking for a final dumping ground for nuclear fuels, since the Soviet Union will now accept nuclear waste for hard currency only. The existing interim storage places will soon be filled up.

Energy policy alternatives, such as the construction of gas-fueled power plants with power-heat coupling are impossible, both for reasons of a lack of foreign currency and because additional quantities of gas cannot be procured since the capacity of the pipeline, which delivers gas to the country, is fully utilized.

Raising the effectiveness of existing coal-fueled power plants as well as importing Western filter technology is a foreign currency problem. The coal-fueled power plants of the CSFR have an average degree of effectiveness of 20 to 25 percent. The West European standard is between 35 and 42 percent. But this standard can be attained only through Western technologies, which the CSFR cannot afford.

In the opinion of the authorities, all energy policy alternatives such as saving energy, construction of efficient gas or coal power plants, will therefore be more expensive than expansion of the nuclear power plant park whose cost, however, could not be presented.

A further problem is that the deposit areas for power plant ashes are running out and the population vehemently opposes additional ash deposit areas. For these reasons, three large coal-fueled power plants are to be closed down by 1994. The lignite burned in Czechoslovak coal power plants has an ash content of 20 to 37 percent.

Machine Tool Production Continues To Increase

*90CH0241B Prague HOSPODARSKE NOVINY
in Czech 13 Jun 90 p 9*

[Article by Eng. Pavel Ehrlich, Czechoslovak munitions plant Strakonice: "Shall We Stay in Seventeenth Place?"]

[Text] We are searching for a way to return to Europe and the world. We are searching for it in politics, culture, and naturally also in industry. It should be industry, above all, that should find such a road of return, so that we will not come back as poor relatives. One possibility is to improve the quality of machine tools and increase their production. It is a field which at this time of world economic boom is developing very well. Statistics and analyses or results in world production, export and import of machine tools are optimistic. Last year, the total increase in the export of machine tools worldwide was 10 percent.

Western Europe accounted for 38 percent of the world production. Most of those machine tools were manufactured in countries which are members of the organization CECIMO, i.e., the Association of West European Manufacturers of Machine Tools. In the Association are

manufacturers from 12 European countries, of which three-quarters are members of EEC. The leading position of Europe is underscored by the 20 percent of world production manufactured in CEMA countries, even though data from those countries are considered unreliable.

Although 58 percent of the world production was manufactured in Europe, the largest producer, similarly as in 1988, remained Japan. Its share of the world production was 24 percent. Only eight percent of the world production is manufactured in the rest of the world, of that eight percent in the United States. The sequence of the top 10 producers is Japan, FRG, USSR, Italy, Switzerland, Great Britain, GDR, France, and Taiwan. Czechoslovakia is in 17th place, behind China, Spain, South Korea, Romania, Yugoslavia, and Brazil. As far as export is concerned, Japan is in second place after the FRG. but in imports it is only in the second group of 10. Its import policy is therefore criticized, particularly in Western Europe. The largest importer is the Soviet Union, which imported 16 percent of the world production last year.

The largest exporters in relation to the manufactured production are Switzerland and the GDR, which exported 88 percent of their manufactured machinery. Taiwan exported 66 percent of its production, the FRG 63 percent. In Czechoslovakia, too, export exceeded import. But from the point of view of the world production and export of machine tools, our position is not very encouraging; for example, export of machine tools from the GDR last year was more than five times as high, and from Taiwan three times as high.

Without Planning

Machine tools are a profitable article which is not subject to sudden swings. Important is not only the volume of production but also that fact that machine tools influence the level of technology and thus the productivity of a number of industrial branches. As machinery increases in complexity, its price also increases. Mastering the production of efficient and accurate machine tools requires, in addition to an industrial park, also considerable technological skill. It needs experienced design engineers, skilled workers, and a considerable flexibility of production, because the machinery is usually not produced in large lots.

In Czechoslovakia, the production of machine tools has had a long tradition, and the export of machinery is one of which we have been proud. But world statistics show that in this field we do not have an important position—although perhaps better than in many others. What is the reason for that?

We still have experienced design engineers, but over the years we often made them into a reserve of auxiliary blue collar workers for unskilled labor of all kinds, including construction and agriculture. Low salaries together with personal responsibility for the outcome of their work are the reason for the small interest in this profession. That

also means no possibility of choosing the right technicians for work in design shops.

We also have skilled workers, but when it comes to wages, we do not differentiate at all between those who produce quality work and those who do not. Skilled work is often paid less than work in mass production. Assembly workers, who used to travel abroad to service machinery were often chosen according to the political aspect rather than the level of their expertise and language proficiency. Technical control was relegated to a secondary place. A supremacy of the production sectors was created because the fulfillment of the production plan was given priority before everything else. Technological development and quality were always cited, there were slogans on this theme posted in most workshops, but the reality has been and in many respects still is, quite the opposite.

What Is Mostly Missing

A machine tool has many components. In advanced countries it is unthinkable that all of them would be made by the manufacturer of the machinery. Therefore, besides the manufacturers of machine tools there are a number of mostly small firms who specialize in the manufacture of a certain part or groups of parts for the machine tool. In any case, most of the firms that manufacture machine tools are not very large. In the FRG, the country with the largest export, the average number of employees in the factories making machine tools is little more than 200. A similar situation exists in Switzerland, Italy, and other countries.

The comparatively small number of employees has several advantages.

First of all, a flexible management of production able to react to the requirements of the customers. The overhead is low, because the number of managers, and particularly administrators, is minimal. Also preproduction groups are small, because in planning production, the skill of the the production and assembly workers is taken into account.

An exception in the number of employees is in the design departments, which are essential for quick improvements and design modifications in response to customers' requirements. Well staffed, in numbers and above all in skills, are also the marketing departments entrusted with sales and technical services. Special emphasis is placed on servicing, because it is naturally assumed that customers buy the machinery in order to use it over a long period of time.

If we compare this well-functioning and successful system with the methods of production, marketing, and other activities here, we note an obvious difference. The majority of our plants manufacturing machine tools are, in comparison with West European producers, considerably larger. They are therefore clumsy and have an

overgrown administration which neither speeds up production nor improves it. It can be said without exaggeration that the marketing departments still consider a customer to be a mere consumer who in the end has to buy the machinery anyway. That also determines the level of marketing services. Missing are manuals for the machiners, not to mention other information. How many manufacturers here have, for example, videocassettes showing the production program and examples of technical operations which make the machinery possible?

Leading manufacturers consider it very important to educate their customers. When machinery is delivered, which often takes several days, training is given not only to their service people, but as a rule also to tool setters, maintenance workers, and programmers. More training takes place when machinery is put into operation directly at the customers' site. The machine tool manufacturers are well aware that thorough knowledge will help to increase the reliability of the machinery and thus also the satisfaction of the customers. Nor is it unimportant that a well educated customer will pay well.

It appears that we could also provide similar training which does not require anything special, nevertheless we provide much less than the competition. It is a similar situation in servicing, whether under guarantee or post-guarantee. It is difficult to imagine a Czechoslovak machinery manufacturer offering to check the machiner for a customer after it has been in operation for some time, or modernizing it.

Difficulties in undertaking larger and particularly general repairs are well known to all mechanics, just as are problem in providing spare parts. At the same time, undertaking general repairs is basically easy because most of the main parts remain and are only repaired. The distaste of our machinery manufacturers for undertaking general repairs stems mostly from the necessity to find and purchase components.

Flexible management demands not only that repairs are provided but above all that new types of machinery are produced. Machinery is designed according to customers' requirements, adjusted to a specific part, with tested technology of shaping so that it can perform the desired task with accuracy. To that end it is necessary to design and manufacture clamps, loaders, and often to carry out considerable modification of other parts of the machine tool. Each piece of machinery thus adjusted is to some extent a prototype. Also, with the leading manufacturers it is a matter of course that the machinery will be equipped with a control system and other units (for example, hydraulics or tires) according to the choice of the customer. From the point of view of the customer the fulfillment of these requirements is important because it reduces the demand for spare parts and other servicing.

How To Correct Things

Similar options must be offered also by our manufacturers, even though under the present circumstances it is difficult for many reasons. We must admit that the Czechoslovak control systems and other electronic equipment of the machine tools are unsuitable for export because of their lack of reliability and problems with servicing. To improve the quality of the machinery it is necessary to import other components, for example packing and bearings. Improving the quality of production is considered to be the key element for improving sales and getting good prices. Of course, to improve sales it also helps to improve marketing services, servicing, availability of spare parts and other activities. But the main thing is to improve our own production. The surviving work practices, when parts were finished for various reasons at the last possible moment and turned over to assembly without measuring necessarily contributed to the decline of overall quality. The plan was fulfilled, to be sure, but at what cost? Bonuses for those who did honest work were paid, but so were bonuses for those who made poor quality parts and who by their poor management caused a last minute rush resulting in lower quality. This system requires fundamental changes, particularly increasing the role of technical control. But improving technical control cannot be understood as creating more supraenterprise control agencies. The manufacturer must be responsible for quality, because a good piece of machinery should also command a good price. Efficiency of production, quality, and saleability are the most important factors for which the manufacturer of the machinery is responsible. A good result of such efforts can be a contribution to the desired return to Europe. The questions of export and prices obtain abroad should also be answered by specialists from the foreign trade enterprises. The employees of the production enterprises to this day have no information about prices.

GERMAN DEMOCRATIC REPUBLIC

Real Income Loss Probable After Economic, Monetary Union Takes Effect

90GE0185A West Berlin WOCHENBERICHT-DIW
in German 25 May 90 p 294

[Unattributed article: "Loss of Real Income in the GDR Probable After Introducing the Monetary Union"]

[Text] The planned regulation of wage and pension income in the treaty between the GDR and the FRG has stimulated public discussion on the monetary union's effects of purchasing power upon the household income of the GDR population. Initially, the predominant perception was that following the reform the GDR population would be better off than before, with incomes being equal. Even most recently the Ifo Institute [Institute for Economic Research]¹ confirmed "noticeable gains in purchasing power" after the introduction of the monetary union for "all consumer groups" in the GDR.

All calculations—at this time these can be only very approximate calculation models—must be based on the consideration that once the monetary union takes effect not only the consumer prices but also the market baskets of the private households in the GDR will have a substantially different look than before. The quality of many goods will be better, but the quantitative composition of the market baskets will change considerably. Most calculations fail to consider that the market basket will not only be determined by the consumer's desire for certain products and the level of prices but also by the level of available income. The lower the household income the greater the purchasing power losses during the transition to the monetary union.

This effect has an easy explanation: Each private household buys essential goods (e.g., groceries) whose amount can hardly be limited. For low-income households the fraction of these goods in their overall consumption is very high. It is the prices of these very goods—they were strongly subsidized until now—that will most certainly rise and soon will be as high as in the FRG. Therefore, the fraction of these goods will increase to such an extent that there will be less disposable income than before to purchase manufactured goods that are becoming less expensive. In spite of greatly reduced prices for manufactured goods, households with a very low income will not be able to buy the same quantities of these products as before. Only higher income households will see an improved supply. The effect on the consumer price index caused by reduced prices for many products will not be noticeably reflected any more, however, in the average of all households.

In a calculation model, the DIW² has attempted to quantify the effect that this blend of price and volume has upon the level of the cost of living in the GDR. This was based on the assumption that immediately after the introduction of the monetary union the households would be paid an equal net income in Deutsche mark as previously in GDR mark, rents would remain unchanged at first, and the other prices decontrolled. If the FRG's prices for goods and services (except rents) immediately after introducing the monetary union are also applicable in the GDR and the consumption of essential products is not reduced, then the calculated increase of the price level is roughly one-fifth for all private households, and even 40 percent for retiree households. If it is possible to reduce food purchases and if many manufactured goods and services were cheaper in the GDR than in the FRG, the price level might well remain nearly constant for households of the gainfully employed but the cost of living for retiree households would still increase perceptibly.

For the period after introduction of the monetary union the calculations demonstrate: Many consumer groups must expect reductions in purchasing power, i.e., less real income. Most adversely affected will be low-income households. In this respect it is justified to safeguard the purchasing power with a minimum income. Wages, however, must not be increased but commensurately

with the rise in productivity, for GDR products do not have any chance to compete unless the manufacturers calculate very closely and offer at low prices. It is to be expected that the private households will assume a price-conscious attitude.

Footnotes

1. Refer to GDR: "Kaufkrafteffekte durch Währungsunion?" [Purchasing Power Effects Caused by Monetary Union?] Project of: W. Nierhaus. In: Ifo-Schnelldienst 13/1990, pp. 24.

2. Refer to "Quantitative Aspekte einer Reform von Wirtschaft und Finanzen in der DDR." [Quantitative Aspects of an Economic and Financial Reform in the GDR.] Project of: GDR Study Team in DIW. In: WOCHENBERICHT-DIW, No. 17/1990, pp. 237.

Scale of GDR Communications Net Inadequacies Analyzed

90GE0188A Cologne DEUTSCHLAND ARCHIV
in German May 90 pp 756-765

[Article by Immo H. Wernicke, Gesamtdeutsches Institut, Bonn: "Postal Service and Telecommunications of the GDR: Desolate State as a Brake on Economic Growth and an Obstacle to Cooperation"]

[Text]

1. Cooperation Between the Bundespost [German Federal Post Office] and the German Post Office of the GDR: Development of the Inadequate Internal German Communication Links

On 12 December 1989 in East Berlin, Federal Minister Christian Schwarz-Schilling began talks with Klaus Wolf (CDU) [Christian Democratic Union], his colleague presently responsible for the postal service and telecommunications of the GDR. It was agreed to begin immediately with the development of the internal German postal and telecommunication links and especially to improve the transmission quality in telephone communication. This requires a comprehensive investment program and support by the FRG.¹

According to these agreements, 188 additional telephone connections from the GDR to the FRG were supposed to be installed in semiautomatic service by the end of 1989. In the course of 1990, additional new lines were supposed to be put into operation in both directions. It was planned that by the end of June 1990 there would be 2,013 telephone connections in both directions, that is, it will be possible to have a maximum of 2,013 conversations at the same time.

After this meeting, on 25 January 1990, a constituent session of the Joint Governmental Commission under the leadership of the two ministers was held in Bonn for the further organization of the postal and telecommunication relations between the FRG in GDR. The working

groups established in the Joint Governmental Commission have since worked out a comprehensive program.²

Accordingly, 892 lines are to be connected from the GDR to the FRG by the end of 1990. Heretofore it was 395 lines. At the same time, 1,400 lines are to be opened from the FRG to the GDR by then. Previously, 690 lines could be used. Altogether, then, there is to be a doubling of the possible number of long-distance calls to the east and quadrupling of their number to the west.

In addition, the German Post Office of the GDR has agreed to the early putting into service of the beam-waveguide cable system in telecommunication operations between Berlin (West) and the FRG. The Bundespost wants to turn 2,500 pay phones over to the GDR Post Office to increase the number of public call stations. Beyond that, it is planned to expand teletype operations (TELEX) between the two states and to introduce the TELEFAX service in the GDR.

The exchange of television programs as well as the participation of the GDR in satellite transmission and the establishment of the internal German payments system between the postal bank of the Bundespost and the GDR Post Office are likewise being discussed.

The Bundespost has already declared its willingness to deliver 500 motor vehicles from old stocks and 30 mail cars to modernize the vehicle pool. Meanwhile, they have also increased the postal lump sum that the GDR Post Office receives from the budget of the Bundespost for its extra services in internal German postal operations and telecommunications: DM300 million.

In conjunction with the Leipzig spring fair in March 1990, the two postal ministers signed a declaration of intention to implement a postal union, confirming their plans for cooperation.

2. 500 Years of Postal Services and 40 Years of the German Post Office: Desolate State of the Postal Service and Communications of the GDR

In 1989, the German Federal Post Office and German Post Office of the GDR celebrated the 40th anniversary of their existence. In 1990, the organized postal service in central Europe can even look back on the 500th year of its existence. In the GDR, however, there was little reason for rejoicing. The two successor organizations of the old German Imperial Post Office [Reichspost] had developed very differently in the past decades. Whereas the installations of the Bundespost are considered to be leading in the world, the postal and telecommunications facilities of the GDR are estimated to be 10 years behind the Bundespost in their performance. This backwardness had the effect of impeding internal German communications. A closer cooperation between the Bundespost and the GDR Post Office also failed because of the lack of interest by the former state leadership of the GDR.³

Until the forced resignation of SED [Socialist Unity Party of Germany] General Secretary Erich Honecker

and the Stoph government in the fall of 1989, the postal service and telecommunications of the GDR were officially considered to be efficient. The former party and state leadership of the GDR regularly emphasized the contribution of this economic area to the growth of the national economy of the GDR. Criticism was not tolerated. Important statistics were not published.⁴

The weakness in the performance of the postal service and telecommunications was not publically admitted until after the forced change of government. In the opinion of Rudolf Schulze (CDU) [Christian Democratic Union], discharged minister for post and telecommunications of the GDR, this weakness is based on the fact that for decades the former SED Politburo had neglected this sector. Too few investments were allocated to the postal and telecommunications area of the GDR to maintain, expand, and modernize the existing communications structures and facilities. Also, by order of the Politburo, financial resources, telecommunications facilities and specialists were employed inefficiently and for the wrong purpose.

And in December 1989 before the leaders of the GDR economy, Hans Modrow (SED/PDS) [Party of Democratic Socialism], who succeeded Stoph as chairman of the Council of Ministers, also criticized the fact that the average age of fixed capital assets and the motor pool is especially great precisely in the postal service and telecommunications and in the transportation area. In addition, the volume of investments made so far to renew and maintain the postal and telecommunications facilities did not even correspond to the planned levels.⁵

One of the basic tasks of the postal service and telecommunications of the GDR, the ensuring of the rapid exchange of information and data between the combines and enterprises and other institutions of the economy, could therefore not be fulfilled adequately. Nor could the existing telecommunications network and the provision of postal services for letters and packages meet the communications desires of private households and persons engaged in business domestically and abroad.

The existing internal German communications links, however, are not up to the additional demands of the firms from the FRG and the private households interested in cooperation. If this situation were to continue, the prospects for growth in the GDR would be impaired and cooperation between enterprises in both states would be hindered.

3. Weaknesses in the Telecommunications of the GDR: Rotten Telephone Network and Low Telephone Density

The telephone and telecommunications network of the GDR is technologically obsolete, has a low density of area coverage, suffers from a constant overload, often has poor transmission quality and is also greatly prone to breakdowns.

Klaus Wolf (CDU), who was minister for the postal service and telecommunications in the GDR from the

fall of 1989 until the formation of the new government on 12 April 1990, expressed the view back in November that 98 percent (!) of the transmission lines of the GDR are rotten. He estimated that the telecommunications network of the GDR is lagging about 10 to 12 years behind that of the FRG.⁶

The analog technology that has been used heretofore in communications transmission in the GDR does not even meet the technical possibilities of this now further developed technology, not to mention the more efficient digital transmission technique.

The first up-to-date switching exchange that is based on digital transmission technology and that has a greater connecting capacity was installed in East Berlin in September 1989.

Even in 1986, modern efficient waveguide cables (glass fiber) were in operation only between a few exchanges in East Berlin. According to official information, there were only five such lines in operation in 1986.⁷

The telephone density in the GDR is also judged to be inadequate. According to the meager data of the postal and telecommunications statistics of the GDR, there were only 1,122,000 main connections in GDR apartments in 1989 (1988: 1,068,000). It follows that in 1989 only about 17 percent (1988: 16 percent) of all private households in the GDR had their own telephone connection. In 1989, only about seven out of 100 inhabitants of the GDR had a private telephone connection (six of 100 in 1988). Even if the 39,919 public main connections and all extension lines are included, one can calculate a telephone density of only 23.9 connections per 100 inhabitants in 1988.⁸

In the FRG, in contrast, there were about 28.4 million installed private main connections in 1988. Hence there were 46.5 main telephone connections per 100 inhabitants. In the FRG, only five percent of households with more than one person do not yet have a telephone. In purely mathematical terms, there are about 108 private connections per 100 private households.⁹

There are now more than 1 million applicants in the GDR waiting for a telephone connection. Up to now, it has taken an average of about 10 years from the time of the application until the connection is installed. Even physicians with private practices and independent craftsmen had to wait a long time for a telephone. As it was revealed after the resignation of the Stoph government, on the other hand, state security employees and SED members received their connection on a priority basis and in a very short time.¹⁰

The performance data for the telecommunications of the FRG and some of its neighboring countries show them clearly ahead of the GDR (in this connection, compare tables 1 and 2).

Table 1
Performance of the German Post Office and the Bundespost in 1988

	German Post Office of the GDR	Bundespost
Letters	1,279 million	13,808 million
Small parcels	13 million	286 million
Packages	41 million	254 million
Long-distance calls	856 million	12,335 million
Balance of postal savings bank	3.9 billion marks	DM40.6 billion
Call stations	3.97 million	41.74 million
Telex connections	17,363	158,279
Telefax connections	—	19,245

Sources: Ministry for Post and Telecommunications (publisher), information on performance and fees of the German Post Office, Berlin (East), 1981; "Statistisches Jahrbuch fuer die Bundesrepublik Deutschland 1989" [Statistical Yearbook for the Federal Republic of Germany 1989], Stuttgart, 1989, p. 295.

Table 2
Comparative Telephone Density in 1988

Country	Number of Main Connections per Inhabitants in 1988
Switzerland	53.5
FRG including West Berlin	46.5
Netherlands	43.4
Austria	38.4
GDR including East Berlin	6

Source: Data from the Federal Ministry for Post and Telecommunications; see also Table 1.

4. Weaknesses in the Postal Service: Desolate State of the Network of Traffic Routes and Obsolete Facilities Cause Excessively Long Letter and Package Delivery Times

In the foreground of the criticism, above all among private business people and the population, are the long delivery times for letters, packages and newspapers that are forwarded by the German Post Office of the GDR in cooperation with the GDR Railroad.¹¹

The frequent delays of the GDR Railroad have an unfavorable effect on the delivery and transport times of the German Post Office and are a burden on the recipients of packages and newspapers. An independent delivery of packages, letters, etc. through the road haulage of the German Post Office, on the other hand, is hindered by the fact that its motor pool is too small and in need of repair and that the entire network of traffic routes of the GDR is in a desolate state.¹²

In addition, the traffic policy of the GDR hinders the performance of the GDR Post Office. The traffic politicians are still operating under the principle: "Shifting of transport from the road to the railroad." But the railroad used and overloaded by freight and passenger traffic

cannot guarantee a rapid and comprehensive coverage of the population with postal services.

The inadequate performance in the postal and delivery service is also attributable to the fact that up-to-date technical and electronic methods were introduced by the German Post Office late and only sporadically. According to official announcements, an electronically controlled letter sorting machine to accelerate the delivery times of letters was first tested in East Berlin in 1986. It was put into operation at the beginning of 1988 after the conclusion of the test phase. By the end of 1988, however, no more automatic letter sorters had been set up. It is clear from this that other large cities of the GDR such as Leipzig and Dresden, to the annoyance of the population, received worse service from the German Post Office than East Berlin.¹³

On the other hand, the German Federal Post Office began to set up electronically controlled letter sorters as early as the 1970's. Meanwhile, a network of about 50 locations with such equipment has been installed.

Additional bottlenecks in the conveyance of letters, packages and newspapers arose through the forced new construction of housing. Experts of the GDR postal service admit, for example, that the urgently necessary adaptation of the postal services to the additional need for mail carriers because of the new housing is not possible in the foreseeable future.

Seen regionally, there are bottlenecks above all in the rural areas of the GDR in the provision of postal and telecommunications services. In the primary vacation times, the already existing problems are aggravated above all in the recreation areas on the Baltic coast and in Thuringian Forest.¹⁴

5. Main Causes of the False Developments in the Postal Service and Telecommunications

5.1 Monopoly Position of the German Post Office: Instrument of the Command Economy and Control of Opinion

One of the leading causes for the unfortunate development in the telecommunications of the GDR is the comprehensive monopoly of the German Post Office and the direct influence and control of the former SED Politburo on the organization and management of this sector. As the executing agency of the minister for post and telecommunications, the German Post Office of the GDR is responsible for communications, that is, for telephone, telegram, radio and Telex communications, the parcel post and the postal money order service as well as the distribution of newspapers. The tasks also include the production and transmission of radio and television programs and the execution of cooperation in the international postal service and telecommunications.

At the regional [Bezirk] level, the GDR Post Office is divided into 15 regional directorates (Berlin [East], Dresden, Erfurt, Leipzig, etc.). Under these are, among

others, 2,326 post offices and 9,516 small post offices, 15 telecommunications offices, and 33 main post offices plus railroad post offices.

Beyond that, until now the ministry has controlled the Telecommunications Office of the government, the Telecommunications Manufacturing Combine, the Central Office for Radio and Television, the Radio and Television Studio Technology and the Newspaper Distribution Office.¹⁵

The position and influence of the Council of Ministers, most of whose members also sat in the then still all-powerful SED Politburo or in the Central Committee of the SED, was substantially strengthened when in 1985 the old law on the post office and telecommunications from the year 1959 was replaced by a new law. The new regulation legally limited the decisionmaking authority of the postal minister. The amendment transferred the most important functions of management and planning in this area to the GDR Council of Ministers. It granted special rights to the leadership of the National People's Army (NVA), the State Security Service (Stasi) and the Customs Administration in the use of the existing postal and telecommunications facilities and permitted the operation of their own telecommunications networks. The direct subordination of the entire postal and telecommunications system under the GDR Council of Ministers and the legally established special rights for the security forces made it easier not only for the ministries for national defense and state security but also for the party and state leadership to seize and utilize postal and communications services for the benefit of the party apparatus, national defense and state security. Meanwhile, 3,000 local and long-distance lines that the Stasi system used for its purposes have been returned to the GDR Post Office. Until the fall of 1989, the SED and Stasi controlled an extensive and up-to-date directional radio network.

The previous party and state leadership, especially the Politburo, secured for itself control and intervention possibilities at the Bezirk level. The postal directorates of the Bezirks had to accept the say of the "people's representations" of the Bezirks under SED control.

Thousands of employees of the former State Security Service were tasked with monitoring and recording telephone and teletype communications or were assigned to the post offices to watch over the postal service. Stasi employees also eagerly made use of opportunities for censorship and the right of confiscation. Many times the contents of letters and packages did not reach the addressee, this being especially true for shipments of books and money. According to the findings of the Citizen's Commission set up after the revolution, 4,000 to 5,000 postal shipments were monitored every day just in Dresden Bezirk. In Gera Bezirk, about 120 to 150 letters a day were destroyed by Stasi employees. Even after the first free elections in the GDR on 18 March 1990, GDR postal employees continued to make use of their still-valid "right" to reject packages when, for

example, they contained Western literature for the inhabitants of the GDR. And equipment was installed outside the offices of the German Post Office to monitor telephone calls and to record teletyped messages.¹⁶

The deficient economic orientation of the management of the German Post Office was cemented by law in that the German Post Office was not required to make any sort of economic calculation of the rates and of the turnover and costs. Consequently, the rates were set very low and are subsidized in a manner similar to that of the prices for basic foodstuffs and transport tariffs.

The development of the German Federal Post Office proceeded differently. It has now largely given up its previous monopoly in the postal and telecommunications service in favor of competition with private enterprises. The Postal Structure Law from 1989 made three independent enterprises out of the Federal Post Office: Postal Service, TELEKOM, and Postal Bank.

This restructuring of the Federal Post Office toward the market economy followed the proposals of the EC Commission in the "Telecommunication Green Book" to open up the telecommunication services to competition. The reorganization of the traditional postal and telecommunications services is aimed at reducing practical and institutional obstacles and is striving for the establishment of an internal European market for telecommunications oriented toward competition. But the newly established German Federal Post Office TELEKOM remains the monopoly in the telephone service.¹⁷

5.2 Excessive Demands on the Postal Service and Telecommunications for the Realization of Foreign-Policy Goals

The decisions made heretofore in the postal service and telecommunications of the GDR and the measures that have been taken were also supposed to contribute to the "realization of the peaceful foreign policy of the GDR" and to raise the international prestige of the GDR. In addition, there were demands as a result of the obligations of the party and state leadership to the member countries of the Warsaw Pact and CEMA. There are presently 49 bilateral government agreements. The first of them was signed with the USSR in 1950. It was immediately followed by treaties with the European CEMA countries.¹⁸

The GDR is also a member of the Commission for Post and Telecommunications (KPF) that was founded by the CEMA member states in 1971. Heretofore, this commission coordinated the five-year plans of the postal service and telecommunications of the individual CEMA countries. An additional task of the KPF until now has been the coordination of the cooperation of the CEMA member states in introducing modern technologies into communications.

These international obligations, which may have to be taken over by the Federal Post Office, were also oriented toward the supposed requirements of internal and

external security. Presumably they often led to decisions and measures in the postal and telecommunications area that ran counter to a purely managerial or national economic calculation based on efficiency.

It is unknown to what extent output, technical facilities, specialists or possibly also financial resources from the postal budget were misapplied or used inefficiently. These resources used externally, e.g., for the construction of a natural gas line in the USSR, were not available to the German Post Office for the fulfillment of its communications functions domestically and in internal German telecommunications.

5.3 Deficient Allocation of Financial Resources for Replacement and Maintenance Investments

It is clear from the investment statistics that for years the postal service and telecommunications were allocated relatively fewer investments than industry, for example. In 1988, industry received 44.3 billion marks, more than twice the financial resources made available for investments in 1970. The 6 billion marks that the postal service and telecommunications together with the transportation sector were allocated in 1988, on the other hand, were only about 50 percent more than the amount of investments in 1970. Consequently, the share of the area transportation, post, and telecommunications in the fixed assets of the GDR national economy also declined. According to official figures, it fell from 16.4 percent in 1970 to 13.2 percent in 1988.¹⁹

Hence the realized production volume of this sector has developed more poorly in comparison with the other branches of the economy. The share of the area transportation, post and telecommunications in the total net product of the GDR economy declined from 6.2 percent in 1970 to 5.4 percent in 1988.

Rudolf Schulze, the former minister for post and telecommunications, who took over this office back in 1963, had expressed great satisfaction about the performance level of the GDR Post Office and telecommunications as late as the summer of 1989: "With the timely and high-quality fulfillment of the tasks of the national economic plan in the 40th year of the existence of the GDR, we are taking another decisive step toward the realization of the decisions of the 11th SED Congress... Results were achieved over four decades that we can be proud of."²⁰

After the political upheaval in the GDR in the fall of 1989, however, he had to admit that not even the investment planning could be met in his area. For years, a part of the investments originally planned for the postal and telecommunications sector flowed to industry by order of the Politburo. As a result, according to the former minister, his sphere of responsibility received only about 80 percent of the financial resources foreseen for investments in the current five-year plan for the years 1986 through 1990.²¹

5.4 Insufficient Incentive for Postal Employees and Migration of Specialists

The performance motivation of the 131,523 employees (as of 1988) of the postal service and telecommunications of the GDR was not exactly encouraged through the below-average earnings opportunities with the post office. In 1988, the official average compensation for the post office, which has since been increased, was 1,185 gross marks a month. Thus, postal employees bring home less than workers in industry (1,292 marks) and in the transportation sector (1,405 marks). Only in domestic trade are earnings opportunities worse (1,134 marks).

It is becoming increasingly difficult to fill vacant positions, especially those that require technical telecommunications expertise. In the opinion of former GDR Postal Minister Schulze, the migration to the FRG resulted in a noticeable decline in the number of specialists in the postal service and telecommunications.²²

5.5 Lack of Criticism of the Postal Service and Telecommunications of the GDR by Science in the GDR

The solutions proposed by scientists of the GDR discussed in the technical press for communications were not suitable to solve the fundamental problems of the postal service and telecommunications, to improve the efficiency of the postal service and telecommunications and to adapt the performance of the German Post Office to the needs of the economy and private business and households.²³

Thus, for example, the basic assumption of the efficiency of state planning measures and control in the postal service and telecommunications was neither questioned nor discussed by experts in the GDR trade journal DEUTSCHE POST even after the revolution. On the other hand, extensive and very complex measuring methods were worked out and proposed so as to be able to measure the letter delivery times even more precisely through a large number of new indicators.

6. Prospects for the New Minister and the New Government

The new chief of government Lothar de Maiziere and his Minister for Post and Telecommunications Emil Schnell (SPD) [Social Democratic Party] have to resolve the following difficult problems:

1. A complete reorganization of the postal service and telecommunications is necessary. The influence of the party and state leadership as well as the monopoly of the German Post Office in postal and telecommunication services and in the distribution of newspapers ought—to the extent that this has not already happened—to be eliminated or at least limited.

2. Modern management methods must be introduced into the administration of this complex area. This also includes an economic calculation of the postal rates,

which are presently too low. Thus, for example, letters within the country cost 0.20 marks, printed material up to 20 grams 0.05 marks and packages up to 2 kg delivered locally 0.40 marks. The opportunities for the privatization of subareas of the German Post Office ought to be utilized.

3. The contracts signed under the previous regime with other ministries (GDR Railroad) and combines as well as with the USSR and CEMA states in the postal and telecommunication area ought to be examined in terms of their economic efficiency and amended if necessary.

4. Expenditures in the tens of billions are necessary just to modernize and expand the telephone network of the GDR. The average cost of the installation of a telephone connection is about 11,000 marks. If a private telephone connection were now installed for all applicants in the GDR, the state would have to make available about 12 billion marks. That is considerably more than was expended for the entire telecommunications and transportation sector in 1988 (6 billion marks).

To achieve the telephone density of the FRG, connections would have to be made for about 5 million private households in the GDR and in East Berlin. That makes necessary financing amounting to more than 50 billion marks. Additional billions would be necessary to overcome the existing qualitative differences relative to the FRG in transmission security and speed. Experts of the GDR Post Office and the Federal Post Office now estimate the outlays for the telephone network at DM30 billion.²⁴

5. For the transition postal minister, however, the development of the public telephone network and the installation of public pay phones had priority. He estimated the necessary finances at about 1.8 billion marks. That would be almost one-third of the investment resources expended by the previous government for the entire postal and transportation area. It will be seen what accents are set by Emil Schnell, the new minister for post and telecommunications.

6. Up-to-date letter sorting machines need to be installed in all of the larger cities of the GDR to accelerate letter delivery times. The number of stamp machines is also inadequate. That must likewise be improved, especially since the post offices are frequently open for only a short time.

7. The neglected maintenance of the buildings and facilities used by the German Post Office also necessitates investments amounting to billions. There are also investments to modernize the obsolete motor pool.

8. It is also necessary to improve the entire transportation infrastructure and to change the traffic policy, which presently have a negative effect on the delivery times of letters and packages.

9. The investments to improve the material base ought to be supplemented by perceptible improvements in

income and other incentives for the employees in the postal service and telecommunications. That is necessary above all because there are not enough specialists in the GDR to perform postal services in the post office and telecommunications, whereby their number is even declining because of migration to the FRG.

There are no data on the size of personnel expenditures of the GDR Post Office. But the wages paid by the GDR Post Office in 1988 for its 131,523 employees can be estimated based on information on average income in the Statistical Yearbook. Total wages amounted to about 2 billion marks. In 1988, the German Federal Post Office paid out about DM27 billion in personnel outlays for its 515,264 employees. A nominal adaptation of the personnel expenditures of the German Post Office of the GDR to the outlays of the Federal Post Office would necessitate a volume of expenditures of about 7 billion marks for the employees of the GDR Post Office. So according to this estimate, the new Government of the GDR would have to come up with an additional 5 billion marks to finance this. After the 1:1 currency and wage changeover, the personnel outlays of the GDR Post Office would amount to about DM2 billion or about DM7 billion that would first have to be accumulated.²⁵

Summary

The GDR obviously has an immense need to catch up in its postal service and telecommunications and there are enormous financing problems. The accomplishment of the tasks is made more difficult by the fact that at the present time it is hardly possible to make a dependable analysis of the situation in the postal service and communications because of the lack of reliable data.

Now, after the elections in March 1990 and the formation of a new government, the chances to develop an efficient communications system in the GDR exist in a fundamental economic reform and in the use of all possibilities for cooperation with private industry, with the German Federal Post Office and with telecommunication and postal services of the EEC member countries.

Footnotes

1. "Cooperation in the Telecommunications of the GDR and FRG," NEUER TAG, Frankfurt/Oder, 13 Dec 1989, p. 2; Bulletin No. 146 issued by the Press and Information Office of the Federal Government, 19 Dec 1989, Bonn, p. 1,237; op. cit., "National Solidarity with the People in the GDR," Bonn, February 1990, pp. 44-54; Annual Report for 1897, issued by the Federal Minister for Inner-German relations, Bonn, 1988, p. 33 and following page; Ibid., Annual Report for 1988.

2. "Cooperation with the GDR in Post and Telecommunications," Bulletin No. 17, issued by the Press and Information Office of the Federal Government, 30 January 1990, Bonn, pp. 137-139; "For Better Telecommunications in the GDR and FRG," REGIERUNGSPRESSEDIENST DER DDR, No. 3, East Berlin, 6 February 1990, pp. 1-2; HANDELSBLATT, No. 30, 12

February 1990. See also: "Bonn and East Berlin Reach Agreement on Postal Union," DIE WELT, No. 62, 14 March 1990, p. 1.

3. "500 Years Post," Bulletin No. 14 issued by the Press and Information office of the Federal Government, 24 January 1989, p. 109 and following pages; in this connection, see also the basic article "Post and Telecommunications of the GDR" in: "Federal Minister for Internal German Relations" (publisher), DDR HANDBUCH, Vol. 2, Cologne, 1985, pp. 1,026-1,030 and the key words: "Postal Newspaper Distribution," p. 1,030; "Ministry for Post and Telecommunications," p. 908; see also: Gerhard Rehbein, "Oekonomie des Nachrichtenwesens" [Economy of Communications], Part I, East Berlin, 1979; Gerhard Rehbein, "Post und Fernmeldewesen, transpress Lexikon" [Post and Telecommunications, Transpress Lexicon], East Berlin, 1982; Law on the Post and Telecommunications, dated 29 November 1985 in GESETZBLATT DER DDR, Part I, No. 31, 9 December 1985, East Berlin, pp. 345-360.

4. In this connection, see the exclusive interview with Rudolf Schulze, GDR postal minister until the fall of 1989: "Results and Outlook," DEUTSCHE POST, No. 5, 1989, pp. 191-194.

5. FRANKFURTER ALLGEMEINE ZEITUNG, No. 288, 12 December 1989, p. 19; DER TAGESSPIEGEL, No. 13413, 5 November 1989, p. 13; NEUER TAG, No. 291, 11 December 1989, p. 4; as for the deficiencies in the exterior facilities of the German Post Office, see: "The State of Exterior Facilities—a Mirror Image of the Appearance of the German Post Office," DEUTSCHE POST, No. 5/1987, p. 217; see also "Experiences in the Use of Teller Terminals in Berlin, Capital City of the GDR," DEUTSCHE POST, No. 3/1988, pp. 105-106; the teleprinting operations in the GDR also lack sufficient teleprinting facilities, see "International Teleprinting Operations with New Technology," DEUTSCHE POST, No. 6/1988, pp. 250-251; see also interview with the former Postal Minister Klaus Wolf in: "Problems and Positions," DEUTSCHE POST, No. 2/1990, pp. 48-49.

6. DER TAGESSPIEGEL, loc. cit. (Footnote 5).

7. See also "Status and Prospects for the Use of Beam-Waveguide Cables in the Network of the German Post Office," DEUTSCHE POST, No. 3, 1988, pp. 125-126; FRANKFURTER ALLGEMEINE ZEITUNG, No. 289, 13 December 1989, p. 1

8. "Statistical Yearbook of the GDR 1989," East Berlin, 1989, p. 228.

9. According to information from the Federal Ministry for Post and Telecommunications in Bonn in December 1989; "Statistical Yearbook for the Federal Republic of Germany" 1989, Stuttgart, 1989, pp. 461, 295.

10. DER TAGESSPIEGEL, loc. cit. (Footnote 5).

11. The legal bases for the cooperation between the German Post Office and the GDR Railroad are explained in the article: "New Postal Transport Contract with the GDR Railroad to Be Signed," DEUTSCHE POST, No. 3/1989, pp. 103-104; still, the authors states that the cooperative agreement from 1967 was out of date.
12. As for the state of the transportation infrastructure in the GDR, see: Rosemarie Schneider, "Expenditures and Results of Transportation Policy in the GDR," report given at the 15th Symposium of the Research Office for All-German Economic and Social Questions on 23/24 November 1989 in West Berlin.
13. Preference was given to the development of the post and telecommunications in East Berlin, see: "Implement the Decisions of the Party Congress of the SED!" DEUTSCHE POST, No. 4/1986, pp. 137-139; "Post—Faster Delivery of Letters in the GDR Promised," IWE-TAGESDIENST, published by Information Bureau West, No. 186, 2 December 1988, West Berlin, p. 2.
14. See: "Vacationer Traffic on the Baltic Coast," DEUTSCHE POST, No. 4/1989, pp. 151-154.
15. In this connection, see also the basic article "Post and Telecommunications of the GDR," loc. cit. (Footnote 3).
16. "Party Decisions and Legal Development in the Post and Telecommunications," DEUTSCHE POST, No. 5/1988, pp. 187-188; Law on the Post and Telecommunications, dated 29 November 1985, loc. cit. (Footnote 3); IWE-TAGESDIENST, issued by Information Bureau West, No. 183, 27 November 1989, West Berlin, p. 1; Ibid., No. 195, 18 December 1989, p. 1; Ibid., No. 29, 20 February 1990, p. 2; see also "Cooperation of the German Post Office with the Local State Agencies—Information Conference of the Ministry for Post and Telecommunications," DEUTSCHE POST, No. 3/1988, pp. 104-105; compare "Post and Local Agencies Cooperate Closely in the Development of Communications," PRESSE-INFORMATIONEN, No. 102, East Berlin, 1 September 1988, p. 3 and following page; Karl Wilhelm Fricke, "The Liquidation of the Ministry for State Security/AfNS," DEUTSCHLAND ARCHIV, No. 2/1990, pp. 242-246; see also "Stasi Purposefully Destroyed Western Mail," IFE-TAGESDIENST, issued by the Information Bureau West, No. 46, 15 March 1990, p. 2.
17. Information on the performance and rates of the German Post Office issued by the Ministry for Post and Telecommunications, new edition East Berlin, 1981; "European Internal Market for Telecommunications," Bulletin No. 141 issued by the Press and Information Office of the Federal Government, 9 December 1989, Bonn, pp. 1,197-1,200; "500 Years Post," Bulletin No. 14, 24 January 1989, pp. 109-114.
18. "40 Years of International Work in the Post and Telecommunications," DEUTSCHE POST, No. 34/1989, pp. 242-244.
19. "Statistical Yearbook of the GDR," loc. cit. (Footnote 8).
20. See Footnote 4.
21. DER TAGESSPIEGEL, loc. cit. (Footnote 5).
22. In this connection, see: "The Development of the Working and Living Conditions for the Employees of the German Post Office of 1981-1985," DEUTSCHE POST, No. 5/1986, pp. 201-203; DER TAGESSPIEGEL, loc. cit. (Footnote 5); "Statistical Yearbook of the GDR," loc. cit. (Footnote 8), p. 230; some of the main difficulties for the population of the GDR are enumerated in the semiannual report by Hansjoerg Buck, Bernd Spindler, and Imo H. Wernicke of the All-German Institute: "The Development of the GDR Economy in the First Half of 1989," duplicated manuscript, Bonn, 8 August 1989.
23. This is verified by contributions to the discussion during an Economic Conference of the New Forum in East Berlin on 25/26 November 1989 and the reporting in the technical journal of the German Post Office: "Examples of Better, Customer-Oriented Quality Measurement and Evaluation," DEUTSCHE POST, No. 34/1989, pp. 241-244; Ibid., pp. 249-250; "Findings and Problems in the Further Development of the Performance Comparison in the Post and Telecommunications," Ibid., pp. 257-260; compare Gerhard Rebhein, loc. cit. (Footnote 3).
24. The volume of investments needed just in the telecommunication sector of the GDR can also be illustrated on the basis of the financial requirement calculated by the Mannesmann company for the establishment of a digital mobile radio network in the FRG. Mannesmann allowed up to DM5 billion to set up 2,000 transmitting stations. If a price of DM10,000 is assumed for a radio telephone, approximately another DM10 billion would be required for 1 million participants in the radio telephone network. But Mannesmann does not expect several million participants in the radio television network of the FRG until the year 2000 (see also Footnote 5); MAERKISCHE ODERZEITUNG, 9 April 1990.
25. The average gross monthly earnings of a commercial clerk in the industry and trade sector was DM3,652 in the FRG in 1988. For a purely nominal adjustment to the earnings level of the FRG, the postal and telecommunication employees of the GDR would have to be able to earn approximately an additional 2,500 marks monthly. The required total sum for the payment of the adjusted salaries would consume two-thirds of the financial resources expended in 1988 for investments in the post and transportation sector. For an appreciable increase in the average gross earned income paid in the scope of the GDR Post Office in 1988 (1,185 marks) by 1,000 marks a month, for example, it would be necessary to come up with about 1.6 billion marks annually for the 131,523 employees of the GDR Post Office. That is more than one-fourth of the investments of the postal and (!) transportation sector for 1988. Compare Statistical

Yearbook of the GDR, loc. cit. (Footnote 8), p. 51, p. 228 and following pages, and Statistical Yearbook for the Federal Republic of Germany, loc. cit. (Footnote 9), pp. 461, 295.

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24 May 90 p 13

[Article by G.P.: "Forecast for 1990"]

[Text] After a decade and a half of virtual standstill, this year's annual spring forecast issued by the Economic Research Institute promises accelerating market reorientation and lively business activity, combined, unfortunately, with a marked economic slowdown or recession (or perhaps stagnation with inflation), and it also does not exclude the possibility of some serious financial tensions. Our balance of payments will markedly improve, although the budget deficit, judging from the current situation, will exceed the targeted level.

After having been constrained by deficit-economic conditions for decades, this year's processes of the Hungarian economy are already significantly influenced by demand factors. Although it is expected to weaken somewhat, right now the world economic boom offers relatively favorable opportunities for us to expand our hard currency exports, increasing their volume by as much as eight to 10 percent. Owing to the problems plaguing the Soviet economy and its resulting difficulties in meeting delivery obligations, and to the collapse of CEMA cooperation, however, ruble-based exports are expected to decline drastically (by more than 20 percent) this year already. Also indicative of the continuing deterioration of our market conditions are the projected two- to three-percent decline in domestic public consumption, and the expected six- to eight-percent drop in investments (combined with stagnating popular demand).

Basically, as a result of the demand-related factors outlined above, this year's gross domestic product (GDP) is expected to decline by nearly two percent. Production levels will be extremely uneven: The decline will be particularly noticeable among our "traditional" ruble-oriented, state-controlled industrial enterprises and cooperatives, while the number and output of new businesses (particularly of small ones) are projected to continue to increase by leaps and bounds this year. One of the positive effects these changes have had on our economic structure is that they tend primarily to restrict the production of products that find it difficult to compete on the world market.

Economic Indicators		
	1989 (Billions of Forints)	1990 (Previous Year = 100 at Comparative Prices)
Added value (GDP)	1,706	98
Industry	508	97
Construction industry	108	97
Agriculture	240	97
Other branches combined	850	100
GDP utilization		
Popular consumption	1,018	99-100
Public consumption	198	97
Investments	333	92-94
Consumer price index (percent)	117	124-125
Balance of direct foreign trade (at current prices)		
Millions of rubles	544	0
Millions of dollars	540	800

Also predicted to decline is the domestic utilization of the GDP. Popular consumption (i.e., domestic purchases by the populace and foreigners) is expected to remain near last year's levels. The prospectively significant decline in investments is a clear indication that, generally speaking, the developments necessary to effect structural changes in the economy have not yet begun.

The expected changes will also impact on the usual danger zones of the economy. With the help of rapidly expanding exports and moderately rising imports (and by maintaining, as expected, a positive balance in our tourist industry), it appears that we can attain the aims targeted in our projected balance of hard-currency payments. At the same time, even though in our ruble-based trade we expect to maintain an even balance, counting mainly on the efforts of our partner countries, there are no guarantees, in light of the ongoing political and economic changes in these countries, that we will not encounter delivery difficulties.

The most serious problem our economy could face would be if, having caused a passive producer reaction, the recession failed to give rise to appropriate structural changes. For unavoidably this would lead to inflation of more than 25 percent, unemployment of higher than one percent, and a drastic decline in the current standard of living. But serious tensions could also result in our financial processes, particularly under conditions characterized by long waiting lines and runaway budget deficits.

Changes, Possible Crises in Food Exports Analyzed

90CH0171A Budapest FIGYELO in Hungarian 10 May 90 p 11

[Article by Dr. Laszlo Vajda: "Which Way To Dress: Agrarian Exports"—first paragraph is FIGYELO introduction]

[Text] Hungary's agrarian exports to the countries of East Europe are facing a shock that is even greater than was encountered in 1990, and that has incalculable consequences. The agreements we signed with the Soviet Union, Poland, and East Germany stipulate that beginning on 1 January 1991 we will switch to a manner of trade that is adjusted to world market prices and is accounted in convertible hard currency.

Our country's agrarian exports to the countries of East Europe represented about 50 percent of our total agrarian exports during the 1980's. These are the markets that received 95 percent of the cereals, 80 percent of the wine, 60 percent of the fruits and vegetables, and 60 percent of the dressed poultry exported by Hungary. However, this proportion has been steadily decreasing since 1987, and by 1989 it had sunk to 33 percent. The most important market is the Soviet Union, which in 1989 accepted 25 percent of Hungary's total agrarian exports for the price of 30 billion forints. The second largest buyer was East Germany, purchasing three percent of our total exports, which still amounted to 3.5 billion forints. During the 1980's our agrarian exports to the CSFR gradually lost their significance, and by 1989 their value was only 1.7 billion forints. A similar gradual decline characterized our agrarian exports in the 1980's to Poland, Romania, and Bulgaria.

What Is in the Basket?

Hungary's agrarian exports to East Europe consisted of the following commodities: In 1989 we exported nearly 1.5 million tons of cereals. Of this, 1.4 million tons were wheat and 100,000 tons were corn. (For years the export of cereals has been dominated by wheat, primarily because of the domestic production and consumption rates.) Most of the exported goods consist of wheat of average milling quality, that is, it is suitable for bread baking by itself and does not require improvement and mixing, but it is not suitable for improving other types of wheat.

The little corn we export is generally of good quality. Since it is shipped a relatively short distance, it does not have to be transferred frequently.

The majority of wines Hungary exports to the countries of East Europe is bottled wine, champagne, and vermouth. (The proportion of bottled wine is especially high when it comes to trade with the Soviet Union.) Bottled goods generally find their way to the customer in the same bottling and packaging as in Hungary. The high proportion of bottled wine and the commodity structure that is similar to the domestic one can be considered

favorable, especially in comparison with the higher proportion of barrelled wine that is exported to West Europe.

The great majority of our exports of canned vegetables and fruit go to East European countries, largely to the Soviet Union. This amounts to about 40 percent of Hungary's exports of these commodities. The Soviet market is the largest purchaser of Hungary's apples. In recent years, our producers have been shipping 25-30 percent of their apples to the Soviet Union. This apple export is about equal to the volume of apples consumed domestically, and it plays an important part in the production, income, and profits of the primary shipping regions, the counties of Szabolcs-Szatmar and Bereg.

A Subsidy of 120 Percent

Each year about 110,000 tons of dressed poultry are exported by Hungary to the countries of East Europe, primarily to the Soviet Union. The Soviets purchase great amounts of whole frozen chickens, which are considered less marketable in West Europe, and they accept this commodity within wide weight fluctuations.

Nearly all Hungarian exports of live pork and frozen pork halves, about 20,000-40,000 tons, are shipped to the Soviet market.

Convertible rubles and dollars are used in paying for Hungary's agrarian exports to the countries of East Europe. Most of the transactions (about 80 percent) take place in the contingency system characteristic of CMEA trade, governed by intergovernmental agreements, using sliding prices (the Bucharest pricing principle), with consideration for capitalist world prices and five-year base periods, and accounting in convertible rubles.

In addition, since 1975 Hungary has been trading agrarian commodities to the Soviet Union, governed by long-term (five-year) intergovernmental agreements, tied to world market prices and conducted in U.S. dollars. In accordance with the terms of these "meat and cereal" agreements, each year we ship about \$200-250 million worth of pork, beef, poultry, and cereal commodities to the Soviet Union.

In the markets of East Europe both ruble- and dollar-based agrarian export goods are considered "firm" commodities. In recent years, the partners have usually demanded full shipment of the quantities of food products stipulated in long-term agreements; as a matter of fact, at times they have even increased the amounts in midyear. The export of food products has also generally been tied to the delivery of "firm" commodities, primarily energy sources or wood.

Budgetary subsidies extended in support of agrarian exports accounted for in rubles are relatively high, each year amounting to 100-120 percent of limited-parity earnings. This, however, can be attributed to the mechanism of determining prices in convertible rubles (Already distorted world market prices with a currency

exchange based on a five-year average of \$0.65 = 1 ruble and an exchange rate of 26-29 forints = 1 ruble.)

When we look at the balance of agrarian exports and the goods received in exchange for them, however, we find that year after year the deposits regularly exceeded the value of subsidies paid out in support of these exports.

There Can Be No Talk of Repeat

When the 1990 annual contracts for agrarian trade were signed between Hungary and the countries of East Europe, this was based on long-term trade agreements of 1985-90, using convertible ruble prices and accounting. Negotiations with the Soviet Union took many long months, until finally this April the partners managed to have this year's contracts signed at the ministerial level.

This year's negotiations resulted in an outcome that is favorable, even with regard to volume, for the agrarian branch of Hungary's economy. The ruble prices of certain goods have increased somewhat, but, due to increases in production costs and minor adjustments in commodity structure, the country's ruble-accounting agrarian exports will need slightly greater subsidies than last year.

In spite of successful intergovernmental agreements and private (interenterprise) agreements based on them, delivery of the amounts stipulated in these agreements is still not certain, primarily because of the rapid political and economic transformations that have been taking place in certain East European countries and the accompanying uncertainty.

Much of East Germany's attention is being taken up by the unification of its economy with that of West Germany. Deliveries from West Germany and from the Common Market (many of which have started as assistance programs) will weaken the purchasing power of East Germany. That country has already cancelled its agreement concerning the purchase of Hungarian wheat on a ruble-accounting basis. However, the amount in question was only 175,000 tons which, in view of the 15-million-ton production and consumption level, is not likely to upset Hungary's balance of cereal exports.

When it comes to the difficulties associated with the political and economic transformations in the Soviet Union, however, they could influence the volume of Hungarian-Soviet trade.

Agrarian exports to the countries of East Europe are fundamentally influenced by the actual fluctuation of our export efforts, that is, the transportation capacities of our partners. Hungary's economy would hardly be able to tolerate a repeat of the 1989 surplus of convertible rubles, which in fact operated as an interest-free loan.

Distorted Prices

When it comes to the fluctuation of agrarian exports (and as a result, agrarian production on the whole) the most important issues are these:

How will accounting in free dollars be realized in practice? According to current information, neither Hungary nor the Soviet Union have enough of a dollar reserve to finance such trade. This prompted a version according to which a certain portion of the trade volume would be conducted as an enlargement of the existing dollar-based trade agreement, still as part of the intergovernmental agreement, but based on prices set in dollars; while the interenterprise agreements will also be given greater latitude than the present ones.

According to this concept, intergovernmental agreements will primarily cover the so-called firm commodities, such as cereals, meats, and poultry.

The only question is, at what level will dollar prices fluctuate on the East European market? At first glance, one would answer: at the world market level. It is a well-known fact, however, that due to export subsidies and import restrictions the world market price level is distorted in comparison to actual production costs.

Maintaining the Status Quo

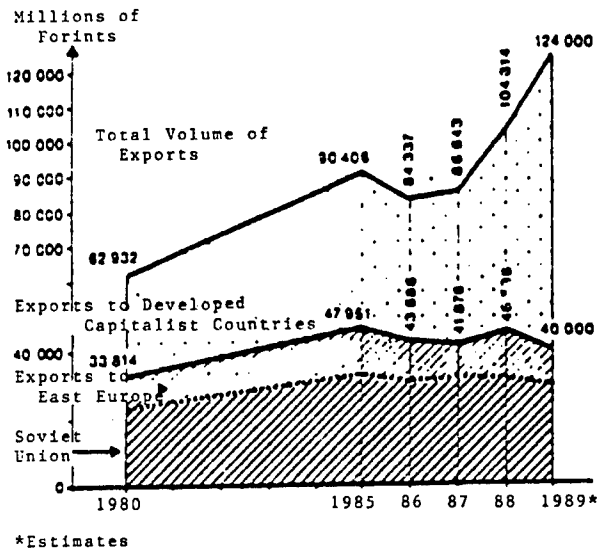
It is somewhat easier to project world market prices onto the trade volume between two countries when we talk about homogeneous commodities, such as exchange goods. Introducing world market prices is more difficult in cases of vegetables or wines. It is especially difficult with products we have been selling only on the East European market, such as certain canned goods, bottled wines, or champagne.

The great question, therefore, is this: What kind of prices have we been able to obtain in Hungarian-Soviet trade, in view of divergent production cost structures and domestic market price levels? In this regard, we already have a variety of approximate calculations. One result of this has been that, measuring great averages and absolute values, we may expect dollar prices to be similar to the ruble prices of the past.

Another important question is this: After the discontinuation of contingencies, how much of what products will we be able to sell on the Soviet market?

We have already referred to the proportional size of Hungary's agrarian exports to the Soviet Union. In its present structure and quality, such a trade could be transferred to other, convertible, markets only to a limited degree. The reason for this is that in the developed capitalist countries we can only sell packaged meats (which the Eastern countries would not buy), canned vegetables and fruits of extraordinary quality, and the miscellaneous items that are always in demand, such as honey, wild fruits, etc.

Fluctuations in Hungary's Export of Agricultural and Food Commodities



At the same time, the market's force to bring about quality improvements and changes in commodity structure may also be beneficial for the agrarian branch of our economy. It would be advisable to retain our position in the sizeable food markets of East Europe (after all, every exporter in the world is trying to break into these markets!), and gradually implement changes in commodity structure, quantity, and quality. In East Germany's case, the situation will be complicated by the unification with West Germany, which means that the country will become part of the Common Market. Based on our established position as a supplier, Hungary should make every effort not to allow even one of its commodities to be squeezed out of this market, so that Hungarian agrarian goods enjoy a special treatment for the period of at least five years. We must also be prepared for the time when additional marketing shifts may be necessary, involving primarily the developed capitalist countries or the Middle East.

New Hungarian Venture for Nationwide Private Cable Network Formed

90CH0144A Budapest VILAG in Hungarian 3 May 90 pp 22-23

[Article by Leonora Mork: "The Shark Is Coming: A Nationwide Cable Network, Privately Owned"]

[Text] Hungarian Television is still not taking the threat seriously. Our national medium is behaving as if its position in domestic television broadcasting were unshakeable. It was still possible to dismiss lightly the first danger signal, the foreign satellite transmissions that can be received anywhere in Hungary, with the question:

How would anyone in our country understand English, German, or French TV? But now a nationwide cable TV network is about to be built. With its all-day commercial program in Hungarian, and with its technical equipment, it wants to challenge the satellite channels, and not just Hungarian Television, which is now regarded as a weak competitor.

Hungary at present has local cable TV studios in 51 settlements or Budapest districts. On the channels available to them, these local studios are broadcasting their own TV programs of varying length, but never longer than a few hours a day. Otherwise they relay the light music program of Music TV. Why specifically that program? Because Music TV was the only company willing to allow the local studios to interrupt its program whenever they wished. Thus, the foreign program that the local studios are relaying during most of their allotted channel time is one that could easily be squeezed out by another commercial TV program—i.e., a program supported solely by sponsors and revenue from commercials—but this one would be in Hungarian.

The Macro-Vision Telecommunications and Network Development Limited Liability Company was launched a year ago, in the hope of exploiting this possibility. It is undertaking to create microwave links between a central cable TV studio in Budapest, which for the time being exists only on paper, and the provincial cable TV studios that are willing to sign a contract with Macro-Vision. Two-way video and supervisory communication will not only permit feeding the central program to the local offices and studios, and feeding the programs produced by the local studios into the national program, but will also establish direct links between the individual local studios. This being cable transmission, the freeze on new frequency allocations does not apply to the system, and it will not be forced to use the already existing postal microwave network, for which the post office, in its monopoly position, is charging exorbitant rates. Instead, under conditions that remain unclear for the time being, the limited liability company will create its own microwave links by using the stations and towers of the system belonging to the Broadcast Transmission Enterprise, the Power Stations Trust, and the National Office of Water Management. That system, incidentally, was built as a large-scale state investment project.

Zoltan Berkes, Macro-Vision's technical director, explains: "Macro-Vision's task is merely to develop the network technically and legally, and to administer and manage it during the first ten years. Later on a corporation will manage investment and operations. The corporation's Hungarian shareholders will subsequently be joined by foreign partners, but the equity held by foreigners may not exceed 50 percent. The Hungarian side intends to bring the network itself as its contribution to the investment that is worth 50 million Swiss francs, i.e., 2.0 billion forints. By the way, the participants in this investment include the Hargitai and Partners (Hungary) firm headed by Janos Fekete, former first vice president of the Hungarian National Bank, and the Central and

East European Investment Company. The entrepreneurs are not afraid that their system will share the fate of the commercial cable TV systems that went bankrupt in several cities. Unlike these failed attempts, the entrepreneurs intend to support their network by selling television time on the basis of audience ratings, rather than by collecting fees from the public. The contracts concluded with the local studios are for 25 years, because the investors can hope to recover their investment only in 10 years at best."

The television corporation, as yet nameless, would like mostly to resemble West Germany's RTL Plus: It would broadcast 20 hours a day (from 0600 to 0200), and commercials would take up 10 percent of its air time, about the same as reruns. The foreign partners, who have cable TV networks throughout the world, would provide films and program rights for Hungary. The central studio would produce entertainment and news programs, and newsreels. A quarter of the entire program would be produced with the local studios' help; after all, they are the best sources of reliable local information. The individual local staffs would be able to exchange their materials among themselves between 0200 and 0600, while the microwave network was undergoing maintenance.

Macro-Vision presented its plan and draft contract to each of the local cable TV studios, and 32 of the studios signed contracts. (Incidentally, the wording of the contract has the approval of the Association of Local Television Studios.) Which means that, on paper, the national network now covers about 350,000 to 450,000 households. However, Macro-Vision's offer did not meet with unambiguous enthusiasm everywhere. There was one local cable TV manager who refused to sign the contract because he felt that he would be giving away his rights to the network for a plate of lentils. That is, for relinquishing their allotted broadcasting time the local studios will not be paid cash, but will instead get the two-way microwave links that eventually will be built, an all-day entertainment program, and for their staff the promise of future employment with the corporation. Others complained that the contracts could not be terminated for 25 years; and that, because of the ban on interruptions, there would be no way to monitor the program being fed from the capital. During the 25 years of the contracts' validity, the local studios' own broadcasting time specified in the contracts could not be enlarged at the central program's expense. Not to mention the fact that the corporation reserves for itself the right to negotiate and conclude agreements with foreign advertisers.

Zsolt Fazekas, the limited liability company's managing director, believes that all this is no obstacle. The staffs of the local cable TV studios are in demand. Indeed, every effort is being made to pay the local staffs sufficiently large honorariums for their films accepted for nationwide broadcasting, so that they will be able to maintain and develop their equipment. The public will be able to watch the program free of charge. The studios will not be

responsible for the program's content. They will not have to pay regulatory fees and royalties, which the network's operator undertakes to pay for them. Any local studio wishing to broadcast more of its own program can do so on another channel. And there just are not that many foreign advertisers. For example, not a single prospective advertiser contacted the commercial summer cable TV in Siofok. And it is likewise no problem that a significant proportion of the local cable TV's are using the local studios merely on the basis of established custom rather than written agreements, because Macro-Vision is concluding two contracts in each case: one with the studio, and the other with the owner of the cable system—usually the local council or its real estate management enterprise. Otherwise, adds Zsolt Fazekas, no one can deny the public the opportunity to watch this new program that is free of politics.

Kecskemet Municipal TV is one of the 32 studios that accepted the company's offer. Dr. Zoltan Szombathy, manager of the TV staff, does not believe that the grandiose plan will be realized, and therefore sees no risk in it; but in the contract he did stipulate his staff's exclusive right to produce TV programs in Bacs-Kiskun County. The people in Kecskemet signed the contract in the hope that communication between the national program and the local cable TV systems would become possible. Namely, Hungarian Television is now charging for feature films and children's films as if they were first runs. But Kecskemet will soon remedy this situation, because the studio has obtained the right to distribute films and intends to procure its own motion-picture films, with the help of Joseph von Ferenczy, an honorary citizen of Kecskemet. But if the studio wants to deliver some material to Szabadsag Square, somebody has to board a train and travel with the cassette to Budapest, because the post office would charge between 100,000 and 150,000 forints each time to transmit the contents of a cassette to Budapest. And the Kecskemet Municipal TV transmitter, built at a cost of 5.0 million forints, is illegal: Although it was built before the freeze on new frequency allocations, the post office has arbitrarily refused to issue a broadcasting license for the transmitter. Over and above all this, the studio manager admits, the promise of well-paid commissions in Macro-Vision's offer was also attractive. Hungarian Television is paying such ridiculously low sums for films that only professional self-esteem has kept the Kecskemet studio from leasing its equipment to someone else.

Arpad Vukovics, the technical manager of Dunaujvaros Municipal TV, repeats almost word for word the reasons advanced by his Kecskemet colleague. The Dunaujvaros studio is safeguarding as a treasure a 1979 letter signed by Karoly Grosz, then the head of the MSZMP [Hungarian Socialist Workers Party] Central Committee's Agitation and Propaganda Department, in which he rejected the settlement's application for permission to establish a cable TV system and pointed out that cable TV was a dangerous mass communications medium. Now 95 percent of the homes are able to receive the local

broadcast. The technical manager also mentions 30,000 telephone subscribers and the eight channels for computer data, and adds that they signed the Macro-Vision contract solely because of the promised technological development, the microwave link. Had another firm made such an offer, they would have accepted it, because they could never afford to acquire such equipment from their own resources.

Thanks to the financial strength of the Macro-Vision Limited Liability Company and of the partners behind it, then, Hungary could soon have a nationwide TV network of the kind that Hungarian Television, which likes to call itself national, cannot even dream of. According to the new company's plans, it hopes to start trial broadcasting in Budapest already this year, and by the end of 1991 it will have developed the entire network and will be expanding its program continually. As a result, says sociologist Andras Szekfu, Parliament will be faced with an accomplished fact in which it will hardly be able to intervene. The communications expert is a firm believer in the coexistence of state, commercial, and public TV, but he regards communications opportunities as a special commodity and therefore believes that the sale of communications channels is a very dangerous phenomenon. Because the political parties are fighting with daggers drawn over the supervision of national TV, while foreign capital, in the absence of a law on communications media to safeguard the country's political and cultural interests, is free to gain key positions from which to influence public opinion.

[Box, p. 22]

Public Purpose, Not Business

The Association of Cable TV Networks, the organization representing local cable TV operators, finds Macro-Vision's activity questionable on several points. In the first place, according to Endre Nagypal, the organization's president, the association believes that the company should have presented its contract offer to the owners, rather than to the managers of the TV staffs. Originally the owners were allocated channels, free of charge, to broadcast local information of public interest. In the association's opinion, therefore, an owner may disregard the contract concluded with TV staff (since the staff does not own the channel) and may stop the relaying of the central program.

The association also regards the grandiose plan as unfounded because, in its opinion, the capital necessary to build and operate the network is lacking in Hungary. It is not possible to rely on revenue from foreign advertisers for commercials because in Hungary, which for the time being is still far from becoming a consumer society, it would not pay for foreign advertisers to offer products that are unattainable to local residents. And since the advertising budgets of the domestic firms are fixed, the market for commercials cannot be expanded; it can only be carved up anew. Finally, the association does not

share Macro-Vision's hope that banks will also eventually use the microwave links for data transmission. For the banks and public institutions with special requirements, the post office is just now developing an overlay system that will superimpose their calls upon regular telephone traffic.

Serious Lead Pollution Raises Concern in Budapest District

90CH0173A Budapest VILAG in Hungarian 5 Apr 90 pp 36-37

[Article by J.D.: "The Martyrs of Martyrs' Boulevard; Even a Printer Is Less Affected by Lead Than These Children Under the Age of Three"—first paragraph is VILAG introduction]

[Text] Residents of Martyrs' Boulevard and the neighboring district recently observed a sad anniversary: It was exactly one year ago that a large-scale protest movement was initiated to call the authorities' attention to the intolerable air pollution level of the district. We discussed the failures of the past year with Agnes Nagy, head of the "Short-of-Air" Association for Environmental Protection.

What led to the demonstration was that, at the initiative of neighborhood residents, the National Public Health Institute (OKI) conducted a test at the Varsanyi Street nursery in District II. The findings were shocking: The quantity of lead found in the bodies of small children was twice as high, or even higher, than the level established for adults by occupational safety regulations, 6.0 micromoles DALA [Delta-Aminolevulinic Acid] per millimole.

The events of the following days are well known: Demonstration on Martyrs' Boulevard, with mothers and children wearing protective masks and walking among the automobiles to distribute their letter of protest to the drivers. The result: A few seedlings were planted in tubs along the Boulevard, and that seems to have taken care of everything. A few dedicated environmentalists, however, with Agnes Nagy among them, continue to tilt at windmills.

The authorities promised to repeat the spring tests during the summer, to find out how the summer vacation affects the children's bodies. That would have been an excellent basis for a comparison with earlier findings, if they had kept their promise to conduct new tests in September. However, the tests were only held, after numerous reminders, between 23 November and 18 December. The experts' opinion, which was perhaps even more shocking than the results of previous tests, was not made public until late January.

The occupation health laboratory of KOJAL conducted so-called delta-aminolevulinic-acid tests in five child-care facilities of District II; in a nursery, three kindergartens, and one grade school. During the tests the results were evaluated in accordance with regulations applicable to

workers who are exposed to lead poisoning. (It should be added, however, that when it comes to pollution factors, the concentration of lead is merely the tip of the iceberg; after all, vehicles emit numerous other by-products of internal combustion that are harmful to the health, which were not even considered in these tests. The district lead-pollution level, which is ten times as high as the maximum allowable level, represents a serious caution, if we consider that lead is very toxic to the nervous system. It is especially threatening for the neurological development of children who, in view of the ten to fifteen years when they were exposed to this pollution, may regrettably face serious problems in their adult lives.

According to the expert opinion issued by KOJAL, more than three-quarters of the children in the already mentioned nursery on Varsanyi Street showed a lead concentration that is higher than the level considered permissible for adults. This means that even a printer is less affected by lead poisoning than these children who are less than three years old. In that facility, and in the kindergarten on Bem Square, they have not found one child whose test has showed normal readings. The situation was similar, perhaps slightly more favorable, at the kindergartens on Fo Road and Romer Floris Street: At both facilities they found lead pollution at an above average level, surpassing the upper limit by 46 and 30 percent respectively. Finally, perhaps the best results were found at the Medve Street grade schools where nine percent of the children revealed readings in excess of the permissible six micromole level, and the majority (79 percent) fell into the "acceptable" category.

In order to compare these results, the same tests were conducted among children of the same age in District XV. According to the data, while in the case of Martyrs Boulevard and its region the average readings were more than twice as high as the norm indicated by the World Health Organization, the same readings obtained in District XV remained below the international trend.

While KOJAL's expert opinion calls for urgent steps to be taken, in practice it appears to be impotent. Even though Decree No. 21/1966 states that if the level of pollution exceeds the upper limit, the institutions are required to implement suitable steps (such as limiting or detouring the traffic), thus far this has existed only on paper. KOJAL points to the local council, saying that in this district, which is considered to be an important tourist center, it is the council's task to make the decision.

In the meantime, parents are afraid to step out onto the street with their children. This is especially the case since an analysis has revealed that the little ones are most exposed to these threats, since they are the closest to the exhaust pipes of vehicles. Nor can we ignore the fact that they are also the ones who are exposed to the secondary pollution originating from the dust settled on the ground: Let us just consider the dust raised on the playgrounds,

or the slow but steady lead poisoning resulting from the sucking of fingers.

Even though a sizeable segment of the 619 children examined thus far are already affected to the point that would have compelled employers to take urgent measures in the case of adult workers, in the case of the Martyrs' Boulevard and its region no responsible institution or person seems to exist. Or, as local wags seem to imply, such persons reside somewhat "higher up."

Residents of the district feel that there is a solution. It is not even very far off; after all, it is right about now that a building well suited to become a nursery or a kindergarten, the Czinege villa which is located in a park, is becoming vacant. It would be difficult to find a better edifice for the purpose. The problem of transporting the children could be solved if the council were to institute morning-and-afternoon kindergarten buses. It is also likely that some of the district's enterprises would support this action with a few buses, the costs of which could be deducted from their taxes as public interest contributions. Buildings liberated by closing kindergartens and nurseries in the area bordered by Martyrs' Boulevard, Csalogany Street, and the Danube embankment could be leased out or offered as compensation to the Ministry of Defense, which is being forced to evacuate the Czinege villa. Such a solution would not cost the local council, KOJAL, or the Ministry of Defense one penny.

The only argument that seems to speak against this solution is that such tax write-offs would take money away from the budget. However, the question that is more important is: to give up a not-very-large tax income, or to prevent having to spend serious amounts of state money on curing and rehabilitating children whose health is being damaged?

If this plan were put into practice, we would be one step closer to the solution. Of course, all of this is nothing more than a reaction to the symptoms. Drastically retarding the air pollution on Martyrs' Boulevard and its neighborhood calls for seriously considered urban policies. This is why the "Short-of-Air" Association for the Protection of the Environment sent a letter to the prime minister, calling for the urgent settling of the matter. (This "Open Letter" is published in our "Forum" column.) Whether the contents of that letter will have any effect or not, we may find out in another year.

POLAND

Artificial Fertilizer Domestic Consumption, Export Prospects Viewed

90EP0664A Warsaw RYNKI ZAGRANICZNE in Polish No 51, 29 May 90 p 5

[Article by Jerzy Turonek: "What Will We Do With Our Nitrogenous Fertilizers?"]

[Text] In the 1960's, when the Polish nitrogen industry was intensively expanded, the leadership of the Ministry

of the Chemical Industry believed that this industry would both meet the domestic requirement of agriculture for nitrogenous fertilizers and would make possible the development of their export on a broad scale. Initially, reality seemed to bear out these assumptions—domestic consumption increased and deliveries to the world market grew; at the end of the 1960's, Poland was among the 10 largest exporters of these fertilizers.

But the success was short-lived. This was the primarily the consequence of growing payment difficulties, which effectively halted the implementation of plans for the further expansion and modernization of the production capacities of the nitrogen industry. As a result, during the 15-year period from 1970 to 1985, the production of nitrogenous fertilizers in Poland barely rose from 1.03 million tons to 1.254 million tons (converted into a pure element), i.e., an average of 1.3 percent annually.

In this situation, given the growing needs of domestic agriculture, there can be no question of maintaining the positions attained on the international market. While it is true that export has not been entirely cut off, it has clearly had an ephemeral character and has been limited to the small amounts which result from accidental production surpluses exceeding the domestic requirement.

Again a Domestic Surplus

Recent years have brought a definite improvement in the situation, primarily as a result of the startup of production of nitrogenous fertilizers in Police on a larger scale. As a result, the combined production capacity in Poland reached a record level of 1.645 million tons in 1989, which exceeded the 1985 level by more than 30 percent. Hence, the average annual increase reached seven percent at that time, which indicates a significant increase in the rate of development of this industry.

Meanwhile, the domestic consumption of these fertilizers expanded more slowly. During the years 1985/86-1987/88, it maintained at a steady level, somewhat exceeding 1.3 million tons per year, and demonstrated a definite increase the following year. During that period, per-hectare consumption of nitrogenous fertilizers averaged between 72 and 75 kg. While it thereby yielded to such more advanced European countries in this field as the FRG, the GDR and Czechoslovakia, it maintained an average level for our continent.

Given the fact that production has developed more rapidly than consumption, definite surpluses of nitrogenous fertilizers have again arisen in recent years. These surpluses could be designated for export. According to the most recent revised data, in 1989 the combined export reached 0.1213 million tons, which represents a more than twofold increase over export in 1985. However, despite the high rate of increase, deliveries to foreign markets still constitute a marginal portion of domestic production, even though this share has demonstrated a growth trend in recent years. Table 1 illustrates this phenomenon.

Table 1
Production and Export of Nitrogenous Fertilizers

Year	Production	Export (Millions of Tons of Nitrogen)	Share of Export (in Percent)
1985	1.254	.0597	4.8
1986	1.445	.0519	3.6
1987	1.543	.0752	4.9
1988	1.622	.0873	5.7
1989	1.645	0.1213	7.4

It should be noted that in actuality, all of the export of these fertilizers was directed to the markets of the second payments area, while the export assortment structure was differentiated and encompassed ammonium nitrate, urea, nitrochalk and ammonium sulfate. Until recently, the sole exporter was CIECH [Import-Export Center for Chemicals and Chemical Equipment], but of late other suppliers have also begun to sell on foreign markets, primarily the nitrogen plants in Pulawy and Tarnow and the Katowice Ironworks. Despite this, CIECH continues to be the largest exporter: in 1989 its deliveries reached nearly .074 million tons, or more than 60 percent of the entire Polish export of these fertilizers.

Export expansion is of vital significance under Poland's new economic conditions. As in many other fields of industry, the shifting of the economy to a free-market system has led to a sharp increase in the selling price of nitrogenous fertilizers. This has created a definite demand barrier. As a result, domestic agriculture has been forced to restrict purchases of these fertilizers. This phenomenon has been particularly evident during the current 1989/90 fiscal year. Thus, during the course of the first 10 months (from July through March), domestic purchases of fertilizers declined by more than 12 percent compared to a year ago, and the greatest decline occurred in the first months of 1990.

A natural consequence of this situation was an increase in reserves and a decline in the production of nitrogenous fertilizers, which made the producers of these fertilizers more interested in selling them on foreign markets. It is estimated that in 1990, the Polish producers of these fertilizers could increase export at least twofold over last year's level. However, this demands increased efficiency and a more rapid solution of various kinds of technical and transport problems and the like.

Overproduction Abroad

The form of export, whether directly by producers or through the brokerage of CIECH, is ultimately not the deciding factor determining its effectiveness, since the supply and demand structure on the international market is of decisive significance in this matter. The tendencies occurring in this field, however, do not create a basis for optimism. In recent years worldwide production of nitrogenous fertilizers has grown significantly more rapidly than consumption, as a result of which the

surplus of these fertilizers has increased. According to estimates given in the London periodical NITROGEN, the surplus of worldwide supply over demand, which was nearly 0.9 million tons in the 1985/86 fiscal year, rose in the following year to 2.7 million tons, reaching more than 4.3 million tons in 1987/88. At the present time, there is a lack of data on last year, but there is every indication that this surplus showed a further increase during that period.

Table 2
Nitrogenous Fertilizer Production and Consumption
Balance Worldwide

	In Millions of Tons		
	1985/86	1986/87	1987/88
Production	73.3	77.5	82.0
Market supply	71.1	75.1	79.5
Consumption	70.2	73.4	75.2
Balance	+ 0.9	+2.7	+ 4.3

The increasing overproduction of nitrogenous fertilizers on a worldwide scale has had substantial repercussions in international turnovers. Until recently, the countries of Eastern Europe (together with the USSR) played an important role on this market. Their net deliveries to third payments area markets amounted to nearly 4.5 million tons in 1987, exceeding by more than twofold the combined net export of the two remaining regions, i.e., North America (at 1.3 million tons) and the countries of the Near East (at 0.7 million tons).

The competition of these suppliers exerted a significant influence upon the situation of the nitrogen industry in Western Europe. In particular, the rate of production declined. Given the moderate increase in production, this led to an important restructuring of the foreign trade of nitrogenous fertilizers of this region. Thus, West European countries, who were net exporters in the not-too-distant past, have now become a considerable net importer of these fertilizers. At the same time, the pressure of suppliers outside this payments area has led to various kinds of EEC protective measures, including in particular antidumping ventures against East European, American and Near Eastern exporters.

The growing demand on the part of developing countries, primarily Asian countries, has not checked the intensified struggle to compete. Moreover, the prices of nitrogenous fertilizers, which continued to be strong until the spring of 1989, showed a clear decline during the following months. NITROGEN notes that in CIF North-Eastern Europe port contracts, ammonia prices, which averaged at more than \$160 per ton in January-February 1989, dropped in January 1990 to \$120 per ton. Urea prices showed similar tendencies, while ammonium sulfate dropped during the same period by nearly one-half to approximately \$45 per ton f.o.b. at the ports of Western Europe. Polish exporters, who in 1989 obtained an average of \$198 per ton of nitrogenous

fertilizers, i.e., 17.5 percent less than in the previous year, also experienced an unfavorable trade situation.

Competitiveness Will Be the Deciding Factor

The future of the Polish line of nitrogenous fertilizers seems very complex. It hinges upon selling prospects both on the domestic market and abroad. With regard to the latter one must keep in mind the strong expansion of the nitrogen industry in all areas outside Europe. It is anticipated that in 1994/95, worldwide production potential in the urea industry will reach nearly 60 million tons per year compared to 44 million tons per year in 1989/90. Relatively moderate progress is expected in Eastern and Western Europe, while progress in the other regions will be stronger. This is illustrated by Table 3:

Table 3
Worldwide Potential of the Urea Industry

	In Millions of Tons per Year		
	1989/90	1994/95	Increase (in Percent)
Worldwide	44.041	59.979	36.1
Including:			
Eastern Europe	10.347	11.916	15.1
Western Europe	3.374	3.986	16.1
North America	4.519	5.387	19.2
Latin America	2.226	3.377	51.7
Near East	2.949	5.658	91.8
Asia	19.264	27.582	43.2
Africa	1.16	1.499	29.2
Oceania	0.202	0.574	134.1

On the other hand, major changes are not anticipated in the worldwide ammonium nitrate industry. Its production capacities should increase between 1989/90 to 1994/95 to 27.4 million tons, i.e., by eight percent.

It is hard to anticipate the degree to which these capital spending plans will be implemented. However there is no doubt that given the fairly moderate future worldwide growth rate of nitrogenous fertilizer consumption and the possible shutdown of several unprofitable facilities, even the partial implementation of this program would have to lead to a still greater disproportion between the industrial potential and the consumption of these fertilizers. Thus, we cannot rule out a partial cutback in capital spending, or its postponement for a few years. In our opinion, however, this will not protect the international market from overproduction and, consequently, from the sharpening of competition among suppliers of nitrogenous fertilizers. In such a situation, weak price trends for them are highly probable.

Nor is the selling potential of Polish fertilizers on the domestic market clear. According to expert estimates,

nitrogenous fertilizer consumption in our agriculture up to the present is insufficient. At the same time, this is projected to increase to 2.03 million tons in the year 2000. The implementation of this projected increase will require the expansion of production capabilities of the industry, including the completion of construction on the Police II complex in particular. According to the optimal variant, in the year 2000, domestic production of these fertilizers should reach 2.2 million tons, which would allow us to maintain export at a level of approximately 200,000 tons.

It should be noted, however, that nitrogenous fertilizers are applied in proper proportion to other kinds of fertilizer—phosphorus and potash. The total agricultural

requirement for potash fertilizers is covered by deliveries from the USSR and the GDR. The projected shift to a mutual clearing of accounts in dollars at free-market prices may make the reality of the projected expansion of their domestic consumption questionable, consequently calling into question the consumption of nitrogenous fertilizers. This is also the situation with natural gas, which is also used in the nitrogen industry and is likewise imported in large part from the USSR.

A change in the principles of importing natural gas will require a verification of the cost analysis of the domestic production of fertilizers. These proposed costs will continue to increase in the very near future, and their level will determine not only the directions of rational sale but also plans for the expansion of the nitrogen industry in Poland.