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# ***JPRS Report***

# **East Europe**

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# East Europe

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### New Approach to Czech-Slovak Relationship

92CH0605A Prague LISTY in Czech No 2, 1992  
pp 18-21

[Article by Vladimir Kusin, Radio Free Europe analyst:  
"On the New Approach to Czech-Slovak Mutuality"—  
first two paragraphs are LISTY introduction]

[Text] The author is a Czech political scientist who has lived in exile since 1968. For a number of years, he has been the director of the research department of Radio Free Europe in Munich.

Like it or not, the traditional position of the Czech public and its politicians with respect to Slovakia requires changing. This is called for particularly by three circumstances. The first is the result of the historical development of the Slovak nation, which has hitherto not been properly understood in the Czech Lands. The second reason is based on the trend in the postcommunist transformation of multinational state units, which is beginning to assert itself internationally. The third circumstance is based on the rational consideration regarding that which is beneficial to both nations and of what is damaging.

In Slovak politics, the crystallization of the joint concept is already occurring without regard to all the disturbing trends and party altercations which accompany this process. This inchoate harmony can be expressed as an effort to recreate joint Czechoslovak statehood into the form of another operating mode which will assure Slovak independence while, simultaneously, preserving its advantageous partnership with the Czech Lands.

Even though the awareness of the necessity of a new concept is also growing in the Czech Lands, the assumption prevails there that joint statehood—in other words, a kind of "Czechoslovakness"—must continue to form the insurmountable constitutional framework from which autonomized republic-level authorities can be derived, but to which they must also be subordinated on key points.

This dispute on coexistence is also slowing down development of Czech statehood. Under Slovak pressure, the Czech federalists are already willing today to "take Bratislava seriously," because they are aware of its political weight, but they do not take Czech republican politics seriously. They consider it to be some kind of a given that the Czech National Council, as well as the Czech government stand on the side of "federalism" and that, in the final analysis, whenever it comes to breaking bread, they will adopt the Czechoslovak position. In simplified terms, and perhaps expressed a little unjustly, the Czech National Council organs have thus far not extricated themselves from the position of being a regional extension of federal organs and personalities. Even in this regard, it is high time to strive for a reevaluation of Czech viewpoints.

Understandably, there are more contact points between federalism and Czech statehood than there are between federalism and Slovak statehood. This was preordained by the past and is certainly the way even sensible Slovaks will accept. The Czechs are not in a position to reject federalism with the same ease and just as radically as the Slovaks if, for no other reason, that it is, to a certain extent, something which they have created. Stated symbolically and illustratively, Prague is currently both Czech and also federal. In order for Prague to become a natural partner for Bratislava, it must be only Czech. Expressed in more eloquent terms, as long as Czech politics does not extricate itself from its unitary-federal snares, it cannot truly become Czech politics. The model of "Czechoslovakness," in which both the Czech and also the Slovak element communicate only within the framework of federalism, and with Czech politics, for the most part, using it to cover itself, while Slovak politics is opposed to it, belongs to the past.

Understandably, not everything is black on the Czech-federal side and white on the Slovak side. While Czech policy in the nineties might be suffering from lackluster federalism, Slovak policy is threatened by two far worse infections, namely hypernationalism and undemocraticness. Slovakia, which is abdicating its civic principles, and is gravitating toward impassioned authoritarianism and is basing its state philosophy on fictitious notions regarding its own historic exclusivity and upon justifying intolerance toward the Czechs and the Hungarians, cannot expect that the Czechs—or anyone else in Europe—would like to become its benign partners. May God protect Slovakia from the kind of lot which Milosevic visited upon the Serbs and Gamsakhurdia visited upon the Georgians, to use cogent even though simplifying comparisons. On this point, however, the Slovaks will have to seek counsel with their own future themselves. No matter how hard it sounds, it has been precisely the Czechs, including that contemptible "federalism," which has kept them from sliding beyond the limits of democracy, as well as that common heritage of "Czechoslovakness" about which they seem unable to speak. However, this is a suggestion for yet another analysis, much the same as is the national economic simpleminded notion that independence would automatically result in the economic ransoming of the Slovaks. It could be said as follows: The Slovaks have a right to independence, but do not have the right to such a form of independence in which someone else would be pulling their economic chestnuts out of the fire.

### The Historic Right to Statehood

In the political representation of Slovakia today—and with the greatest likelihood also in that political representation which will result after the next elections—the conviction predominates that both the internal development of the nation, and also the international constellation, will make it possible to strive for its own statehood. This conviction will have to be ratified on the basis of the parliamentary elections in which the individual political parties take a clear position on this question and

provide the voters the opportunity to do the same. In view of the nature of the existing Czechoslovak association and in view of contemporary precedent (Slovenia, Croatia, the republics of the former USSR), it will be desirable to seal the wish for independence even with a popular vote.

No matter how the elections and the referendum come out, it is time to change the Czech position with regard to living together with Slovakia and to do so in the sense of recognizing the historical rights of the Slovak nation to self-determination—in other words, even to having its own state. Such a recognition does not speak to any modalities of the constitutional arrangement and does not even concede its essentiality, but it must be articulated as a fundamental premise by the simplest possible method without restrictive clauses. The formulation can be childlike in its simplicity: "The Slovaks have the right to independent statehood."

It will not be easy to bring about such a change in the Czech position because long years of education have hardened the Czech public in its conviction that both nations—the Czech and the Slovak—found self-determination within the joint statehood which came into being in 1918. This is not altogether a falsehood, but it is also not, once and for all, a given dimension. In the course of history, ethnic groupings and, subsequently, nations acquire attributes for their statehood gradually; they break off from others, but also ally themselves with others, sometimes temporarily, sometimes permanently; they jealously guard their acquired sovereignty in one place and elsewhere they renounce part of it. In West Europe, this process took centuries and is not completed to this day, even though modern integration trends lend it another quality than was the case during the last century. In the case of Czechoslovakia, one phase of this state-forming process was the joint statehood of the Czechs and the Slovaks. It was only in that context that the Slovaks were able to crown their development into a state-forming independent nation, whose logical aspiration—and rightly so—is the establishment of a national state. Both for the Czechs and also the Slovaks, "Czechoslovakness" remains an important historical period; however, it cannot remain as the definitively legal form of their mutuality as long as both of the entities involved do not specifically desire it.

In 1918, the Czechs projected the birth of their national state into the Czechoslovak dimension. If this dimension is to retreat into the background, upon the desire of the Slovaks, there is no sense in delaying Czech statehood by intertwining it with federalism. Historically, the Czechs have the right to have their own state actually from time immemorial and have it to this day. After all, in 1918, it was not necessary for Czechoslovakia to come into being, it could just as well have been "Czechia." In contrast, the Slovaks were unable at the time to achieve their own state and, in 1939, did so only under the patronage of Hitler. If they express a desire for independence today—and, as already stated, this would have to be confirmed in the elections and in a referendum—then

this is a natural desire and logical from the standpoint of the historical development of the Slovak people. The Czechs must not stand in the way of this desire from any acceptable standpoint, all the more so because the end of the federal type of coexistence will free even themselves from the obligations and limitations which result from common statehood.

#### **The Postcommunist Formula for Disintegration and Collaboration**

After the end of World War I, the USSR, Yugoslavia, and Czechoslovakia remained as the only multinational state forms in Europe. (Ireland seceded from Great Britain in 1921.) Even if, in all three cases, common statehood is dated, one way or another prior to the communist era, it was precisely the interconnection of the system of government by one side with the more or less forcibly imposed "solution of the nationalities question" which determined the character of these agglomerations in a decisive manner. It is, therefore, natural that as the power-political structures of a nonnationalist character disintegrated following the fall of communism the question of the disintegration of the national unitary system of power immediately appeared on the agenda.

Existing experience indicates that disintegration of communist-inspired multinational statehood takes place in three phases.

In the first, the "reform" phase, the view predominates that, to remedy the situation, it is sufficient to delegate major authorities from the center to the republics while simultaneously strengthening national symbolism (flags, anthems, hyphens, rehabilitation, etc.). The assumption dominates that the multinational state will not cease to exist and that it will reform itself as a whole. Simply put, a solution will be found resembling a modified and enlightened supranational centralism.

In the second phase, it becomes clear that particularly some national entities (the Baltic republics) are determined to go beyond the limits of reformed multinationalism. However, there is hope that those nations which remain within the union will conclude a new agreement with the benevolently attuned center, an agreement which will revive multinational coexistence on the basis of the formula "one plus," in other words, one center plus a certain number of republics which will generally share sovereignty.

The third phase represents a reduction with respect to association with the contractual partnership. Some are and some are not willing to conclude a community agreement among themselves—but not one is any longer willing to do so with regard to the center—based on utilitarian perceptions of national interests, for example, an agreement on a common economic area, on the control of nuclear arms, on the coordination of security policy, on activities abroad, etc. The center ceases to exist and is replaced by a nascent coordinating interstate organ.

Today, Czechoslovakia is stuck in the second phase; however, its entry into phase three appears to be only a question of time. The Soviet Union and Yugoslavia are already in the third phase and, in view of the specific conditions which prevail, this process is accompanied in Yugoslavia by the war between the Serbs and the Croats. It is not possible to analyze the Yugoslav situation here; it is only necessary to note that the armed conflict does not stem directly and essentially from the process of national-political disaggregation. In Yugoslavia, it was caused primarily by four factors: the historic animosity between the opponents, the power claims by the crypto-communist government in Belgrade, unclarified minority and border affairs, and the power-political character of the Yugoslav Armed Forces. None of this applies to Czechoslovakia. Between the Czechs and Slovaks, there is a tradition of mutuality rather than malice, despite that which the chauvinist press is attempting to impute to both nations. Neither the federal government nor the Czech government are cryptocommunist agencies. The borders are indisputably clear and the minorities (the Slovaks in Bohemia and the Czechs in Slovakia) cannot, in the given situation, be the cause of an impetus for military action. The army is not an independently functioning power factor.

One way or another, the Western world, on which so much depends, accepted the third phase of the disintegration of multinational statehood as a way out of crisis (following initial hesitation), both in the former Soviet Union, and also in Yugoslavia. Russia and the other successor republics of the USSR are internationally recognized, just as is Slovenia, Croatia, and those Yugoslav republics which ask for recognition and fulfill the conditions outlined by the European Community. These conditions can be summarized in three points: the constitutional declaration of a democratic method of government and a market economy, the preservation of human rights, and the protection of minorities.

As far as Czechoslovakia is concerned, there is no doubt that both of the decisive forces in the Western world—the European Community as well as the United States—would prefer a functioning federal connection between Czechs and Slovaks, much as they would have liked to have accepted Gorbachev's "new" Soviet Union and a confederate Yugoslavia over a fistful of successor states. However, as has transpired, the preservation of joint statehood is not a sine qua non condition. If common statehood becomes impossible or if a situation develops in which its persistence would threaten to bring about results which were worse than its dissolution, then every sensible Western politician will show what makes him a statesman—in other words, he will show a sense of reality. If the Czechs and Slovaks decide by a democratic method to unbind their state ties, neither Prague nor Bratislava need fear being ostracized by the West. However, it is necessary to realize that the Western world has many worries. While Czechoslovakia matters to it—among other things also because of its geopolitical importance—if the constitutional dispute were to

develop into a drawn-out constitutional crisis or even into something worse, the only possible reaction on the part of the West would be a cooling off of its interest which would be primarily economic in nature. It is primarily the Slovaks who have to be aware that any possible diplomatic recognition will end nothing. That is where the subsequent phase of the struggle for state survival actually begins. As is well known, even independent states can be economically poor and marginal in terms of importance. Man does not live by independence alone. In brief, no one will harm the Czechs and Slovaks other than they themselves.

#### Collecting One's Thoughts

Theoretically, two solutions offer themselves which would be least damaging to economic and political stability in central Europe in general and in Czechoslovakia in particular, or would cause no damage at all. The first is on the level of the "second phase" and is in the character of "one center plus two republics," in other words, approximately the sealing of today's status by three constitutions, a contractual declaration, and by new elections. An alternative solution is a Czech-Slovak association (commonwealth?) by two independent states linked by treaty and a series of coordination agreements. Entering upon such a "third phase" could be regulated in a conciliatory manner by the newly elected national parliaments, by a referendum and by preparatory work dealing with consultative cooperation with international organizations such as the European Community, NATO, CSCE, and the United Nations.

For the first of these two possibilities to prevail requires the unconditional approval of the decisive majority of the Slovak political representation of the vitality of the federal concept. An acceptable federal concept and Slovak approval of it do not appear to be available. Politics is the art of the possible, rather than dreaming of the impossible. It is therefore worth considering to try for a commonwealth of independent states. Such an attempt requires a change in the Czech position with respect to joint statehood.

#### Klaus on ODS Election Goals, Program

92CH0607A Prague LIDOVE NOVINY in Czech  
14 May 92 pp 1, 6

[Interview with Finance Minister Vaclav Klaus, Civic Democratic Party chairman, by Roman Krasnický; place and date not given: "A Positive Program"]

[Text] [Krasnický] Your party is being accused of covert efforts to install rightist totalitarianism after the elections.

[Klaus] That is gross slander. After all, what is involved today is whether any single party can obtain 15 or 24 or 30 percent of the votes. We have a number of other parties here, a free parliament. We have a supreme court, etc. In other words, to speak of ODS [Civic Democratic Party] totalitarianism is ridiculous and evil. Does

anyone at all appreciate the fact that, within the federal government, the ODS accounts only for one-sixteenth of the votes and that in the majority of cases I am looking around in fear, during government discussions, for an adequate number of allies, and sometimes even for a single ally?

[Krasnický] Recently, you spoke of the irrationality of the preelection campaign. What do you have in mind?

[Klaus] We wish to keep the campaign amiable and obliging in character. At meetings, I attempt to block all questions on the topic of what I think of Mr. Komarek, Zeman, etc. I am for a positive explanation of our program and I do not slander anyone. I have not attended any meeting of another political party, but our staff has information regarding the fact that other parties do not act this way. It is sad that this is true even of parties I would like to see at our side. I leave it to the voters to make their decision, after hearing various views, as to for whom they shall vote.

[Krasnický] Does your vocabulary include the term *debolshhevization* within the framework of coming to terms with the past?

[Klaus] I do not use the term *debolshhevization*. For the ODS, this word would mean a unilateral narrowing of our views of the world. We are striving for a balanced view of the past, the present, and the future. *Debolshhevization* places emphasis only on the past and, thus, represents an excessive deviation of the program in one direction. Coming to terms with the past, yes—but we mainly speak of a constructive view of the future.

[Krasnický] Your election platform contends that the June elections will mean a decision between the freedom of a democratic society and the lack of freedom of living in an authoritarian state. In other words, another referendum such as occurred in 1990?

[Klaus] The first elections were a referendum rejecting the old regime in its upper levels of the crassest of socialism and collectivism. Now, it is clearly being shown that we are reaching the lower levels of decision-making as to the direction we wish to adopt. No one wants a secret police, barbed wire at the borders, or a leading role for the Communist Party of Czechoslovakia, but these are only surface rejections of one type of social system. At the lower levels, what is involved is the very substance of our future and that is what is at stake today.

[Krasnický] Do you, for these reasons, reject the term social market economy, even if some parties close to you are using it? They also use the argument that it is part of the German Constitution....

[Klaus] A society does not become socially considerate according to whether it makes use of three different declensions of the little word *social* in each sentence. In such a verbal connection, this adjective acts more like a weed. It says nothing about the future ratio of pensions to previous wages or the ratio of unemployment support

to wages, it says nothing about the length of holidays, etc. The second aspect of this matter is semantic. We live in a world in which the English and the German languages dominate. If I am a philosopher or historian, I might read more German materials. And the term *soziale Marktwirtschaft* is a German term which is, to a considerable extent, neutral. In the economic vocabulary, which is dominated by the English language, the term "social market economy" has an absolutely different meaning. It actually means a socialist economy. That is why it is unacceptable to me. And I fear that in this country it is an expression of a totally different approach to economic transformation and an expression of totally different political positions, positions which tend to obscure and retard the path toward a market economy.

[Krasnický] What are you preparing to do in terms of social policy immediately following the elections?

[Klaus] We are not revolutionaries and, in contrast to other political parties, we are not promising that pensions will increase to 6,000 korunas [Kcs] and wages to Kcs30,000 a month. Over the past two years, basic laws even in the social sector have been adopted in this country. But these laws were approved in a different political situation than that which will, hopefully, obtain after the elections. And I can well imagine that there is room in these laws for an entire series of amendments. For example, the law which outlines unemployment support was conceived at the moment we were fighting for the fundamental character of the economic reform. During that same period, the proposal to liberalize prices was presented, as was the law on privatization, etc. Then it can easily happen that the law can contain a provision, which would pass without your noticing it, indicating that support in unemployment had no upper limitation and is set at 60 percent of the former salary. And then you find out that people are letting themselves be hired fictitiously in private enterprises where they are paid Kcs10,000 for one month and then are told that there is no more room for them in the business. In the social sphere, this is more a matter of 100 minor factors which only become fatal after they are all added up. In other words, we do not have any preelection "hit" to be published on the first pages of newspapers.

[Krasnický] The ODS is being connected primarily with the economic reform. Criticism from the left regarding your restrictive policies has now lasted several months, but now even the right is expressing some reservations. For example, Minister V. Dlouhy speaks of emphasizing the supply side of the economy, to assist businessmen, etc. Do you accept these views?

[Klaus] You know very well that the state budget for this year is not conceived as a surplus budget and that, on the contrary, we have great fears that we might not be able to preserve it in its more or less balanced form. So, to speak of the fact that the state, in its budgetary policies, is applying restriction is tantamount to confusing the voters. The state is just not capable of allocating more financial resources to the economy. If someone wishes to

unleash extensive state investments, then they must also say where this money is to come from. Theoretically, the state can do three things. It can borrow abroad. But after thousands of discussions with bankers, with international monetary institutions and governments, I solemnly proclaim that no one will lend us any money to cover a deficit in the state budget. The second possibility is to borrow from commercial banks. They would be glad to accommodate the state, because the state will never let them fail. But after that they cannot lend to anyone else. There remains a third possibility—to borrow from the population. I do not know how many citizens believe the state and would buy state bonds. But, in any case, this would not mean that citizens would utilize their savings. Banks would then have less money and would lower their interest rates. The central bank could also print more money. On the other hand, I have thought for some time that the monetary policy of the State Bank of Czechoslovakia is far too restrictive. The bank did not react to the changed situation either by adjusting the volume of credits or by adjusting interest rates. As far as your question regarding Minister Dlouhy is concerned, thanks to our unhappy failure to become allies with the ODA [Civic Democratic Alliance], he is attempting to stress tiny differences so that it would look as though the ODA has a different view of the economy. No substantial matters are involved here.

[Krasnický] Do we truly have to earn money first to help ecology?

[Klaus] This is another of the traditional little games being played by some of the communications media and politicians against us and against my persona. I never said that we shall not solve the ecological problem until we earn enough money to do so. The ecology is not, after all, a financial problem. I say something completely different: It is not possible to use laws to graft a healthy ecology onto a sick economy. And this is a difference which towers to the skies. In this sense, it is clear that without a fundamental recovery of the economy, the ecology is not solvable. We can borrow money for two or three desulfurization facilities, but that is not the core of the problem. The essence lies in finding individuals who will care for every square meter of this land. As long as we do not implement consistent privatization, where every owner will take the individual who contaminated his property to court, there will be no fundamental turnaround in the status of our environment. Sometimes, ecologists couch their demands in absolutist terms. I, as an economist, however, must compare the various goals toward which we are progressing. If all funds were used to lower harmful emissions, this would, in its final consequences, mean that we could not, for example, build a certain number of health facilities or schools and that we could not increase the number of police officers on the streets. Everything is always a question of priorities.

[Krasnický] Are you afraid of German capital and of possible political dependency upon the Federal Republic of Germany?

[Klaus] German capital is close by and it is, therefore, logical that there will be more of it in our country than, say, capital from Portugal. But we are constantly more involved in the market economy and German capital is not investing in this country in the form of the German state, but purely in the form of the private capital of Mr. X from city Y. We are, all the time, perceiving the problem at a state level and we say: The CSFR is doing thus and so. But if a businessman sells something to another, then this is, after all, not being done by Czechoslovakia; much the same as a businessman from Passau is not German. Moreover, I am not the one who is calling all-powerfully for foreign capital. Among other things, coupon privatization is designed to contribute to keeping property in our hands.

[Krasnický] You say that you are for a federation with specifically outlined authorities. However, in your opinion, where is the limit, which, if crossed, clearly indicates that the federation cannot function?

[Klaus] Recently, we welcomed the declaration of Mr. Meciar. We always favor direct and clear words and now it is clear that whoever votes for the HZDS [Movement for a Democratic Slovakia] will vote for the disintegration of the state. In the words of the classicists, this was a clear message and it is a pity that it arrived so late. Voters in Slovakia, of course, have the right to make such decisions, but it is not the be-all and end-all. After all, the coalition between the ODS (the Democratic Party in Slovakia is now, in pre-election polls, already accounting for 8 percent of the votes) and the KDĽ [Christian Democratic Movement], one of the most stable Slovak parties, is currently polling 7 percent. I favor a functioning federation with limited authorities for the federal government which does not necessarily have to have the existing 16 members. The customs and monetary union, of which some Slovak politicians speak, is out of the question at the present time. Of course, after the partition of Czechoslovakia it is possible to consider anything, but that would already be a debate held in a completely different political context. I am a pragmatic person who not only looks ahead for 10 years, but also for a few hours and days. For me, the current status of Czech-Slovak relationships signifies a single task—to be in Slovakia more frequently and to attempt to do something during the pre-election period.

[Krasnický] In addition to a coalition involving the ODA, do you also admit the possibility of a KDU-CSL [Christian and Democratic Union—Czech People's Party] coalition or a coalition with the OH [Civic Movement]?

[Klaus] Perhaps, but let us not get ahead of ourselves. This depends on the election results, as well as on the direction that the Civic Movement will take in the election campaign. For now, this is not very clear.

**Klepac's Interpretation of Sovereignty Satirized**

92CH0622A Bratislava KULTURNY ZIVOT in Slovak  
21 May 92 p 1

[Commentary by Jan Grexa: "About Sovereignty To Choose Sovereignty"]

[Text] In its series introducing our leading political personages, VYBER No. 20, 1992 published an interview with Jan Klepac, the chairman of the SKDH [Slovak Christian Democratic Movement). Unless his replies and confessions were distorted, I gleaned from it truly astonishing information.

In its election platform the SKDH proposes a sequence of actions that seem almost identical to those of the HZDS [Movement for Democratic Slovakia], to wit: "adoption of the declaration of sovereignty, adoption of the constitution of the Slovak Republic with full powers, and confirmation of that status by a referendum, whereby the citizens of Slovakia may determine the further process." Pow, wham! Up until now I lived under the impression that a referendum means the voting by the population on what a government is supposed to do, and not an approval of what it had already done. And here is yet another exciting bit of information—although we do not have to, we just may express our opinion about what to do after that approval. Isn't it just splendid? What if after our divorce the Czechs would want to be joined again with us in marriage? We shall give it our blessing, and that will be that! But if they should act spitefully and contrary, then the population of Slovakia not only can but "must decide in the referendum whether it is willing to accept the way of independence." Again I quote: "If no agreement is reached, our populace must determine in the referendum that it wants an independent state." Why that overstatement, may I ask? The answer is forthcoming, "This process will be enforced because we wish to observe the democratic and constitutional process and internationally honored conventions...." I don't know how our populace feels about that, but I can hardly wait for this kind of enforced democracy....

In the end, if the Czechs should sulk, there is yet another option because, and I quote again, "Nothing prevents us from entering a union of states with our neighbors on the basis of mutual advantages." Too bad that Switzerland is sort of out of the way, but not to worry; why, our Austrian neighbors are all atwitter, eager to adopt a 50-50 exchange rate of their schilling with our currency. Or there is Ukraine; how about joining with it to set up a confederative Black Sea fleet? Is there any reason why we shouldn't have some coast guard? And possibly our very own admiral as well? We may be landlocked, but does that make us anything less than the landlocked Hungarians?

It is true that some people would never stop whining why should it be sovereignty first and only then a referendum

about it, and why isn't it the other way around. Fortunately, Mr. Klepac favors us with a brilliant and conclusive answer: "There are certain fundamental reasons why referendum cannot precede the two aforementioned steps. Only a sovereign and independent subject, i.e., a nation that is sovereign, independent, and thus free can vote in a referendum. Consequently, first it must proclaim its sovereignty and in its sovereign constitution declare that it is free and that by means of the referendum it makes a free and independent decision about its future. Otherwise the referendum would be invalid and its results useless. And because this concerns a decision of a sovereign nation, the question about the referendum must be articulated by the SNR [Slovak National Council]."

That is quite explicit, like a whack right in the kisser. A sovereign and free nation is not entitled to have a referendum until D-day. At first I entertained some heretical doubts—say, can we in fact be mature enough for independence if we are not mature enough to have a referendum? Are we, as a sovereign nation, sovereign enough to declare our sovereignty? God almighty, how are we going to deal with this particular squaring of the circle?

Luckily, we have our politicians, or more precisely, their wholesome core, those who will take up the cross and bear it on their backs, and who will take care of everything for us and in our stead. Isn't it absolutely fantastic? Since I am nonsovereign as far as the referendum is concerned, I can take a nice nap after lunch, and while I slumber the wholesome core of the SNR will bestow upon me the gift of a sovereign spirit; when I awake, bingo! I will affirm it in the referendum! There I shall be free to choose one from a broad spectrum of options: either Slovakia's sovereignty, in other words, an independent state, or an independent state, in other words, sovereign Slovakia! All I pray for is that I be able to select the correct alternative.

**Politicians on Republic's Postelection Status**

92CH0574A Bratislava PRAVDA in Slovak 6 May 92  
pp 1, 7

[Interview with politicians Lubomir Fogas, Anton Hrnko, Jozef Moravcik, Ivan Simko, and Peter Tatar by Jozef Krsko, Frantisek Melis, and Stefan Hrcaka; place and date not given: "Federation or Independence?"—first paragraph is PRAVDA introduction]

[Text] At present, the most pressing question here is the issue of the state setup. For almost two years the political scene has been galvanized by it to the extent that it has become all-consuming. It is therefore understandable that in our series of roundtable debates on the preelection period we are continuing this theme. We welcomed to our editorial office deputies of the Slovak National Council [SNR] Lubomir Fogas (SDL [Party of Democratic Left]), Anton Hrnko (SNS [Slovak National

Party]), Jozef Moravcik (HZDS [Movement for Democratic Slovakia]), Slovak Republic Minister of Justice Ivan Simko (KDH [Christian Democratic Movement]), and member of the SNR Presidium Petr Tatar (ODU [Civic Democratic Union]). We began the discussion with the key question:

[PRAVDA] In the opinion of your party or movement, what should be the status of the Slovak Republic [SR] and what model of coexistence with the Czechs would you be pushing after an election victory?

[Tatar] From the beginning, the Civic Democratic Union has been in favor of a federation of two equal republics, and we have been consistently working toward that goal. We have been proceeding along two lines. First, we pushed through a change in the distribution of powers, which had to be decentralized to the republics, regions, communities, as well as individual citizens. The second line was the strengthening of Slovakia's participation in the federation. For example, in the proposed structure of federal agencies, the senate of the future parliament would be located in Bratislava. But there were also personal and other steps. We consider the best fulfillment of this goal to be the adoption of federal and republican constitutions which will be mutually harmonized, and that is what was being planned. The basis should be the treaty drafted in Milove.

[Simko] The Christian Democratic Movement has already determined its future goal for Slovakia's status vis-a-vis other state units, including the Czech Republic [CR], a long time ago. Its symbolic expression is an independent star in the European sky. The road toward that goal leads through successive steps which we can most effectively undertake together with the Czech Republic. KDH is entering the preelection period with a program of strengthening the republics in a common state. We are against unilateral, unconstitutional steps.

[Moravcik] Thus far the negotiations, concluded in Milove, showed that it is impossible to reach a consensus of opinion on the form of the federation. The Movement for Democratic Slovakia [HZDS] considers the main problem to be the economic development of Slovakia and the building of structures that would enable it to come closer to the main goal—a direct incorporation into the European Community. Therefore we have a similar goal as, for example, that of KDH. According to HZDS, however, we must contribute decisively to that goal even now. That is the fundamental difference. It is above all important that the Slovak Republic has the powers needed to halt the negative development of the Slovak economy. The common agencies should fulfill the role of a coordinator. We are in favor of resolving all issues in the treaty, which would make it unnecessary to adopt a constitution of the common state. The treaty would therefore take the place of a constitution. We shall negotiate with the Czech Republic along these lines.

[Fogas] The Party of Democratic Left believes that the current model of federalism is no longer satisfactory. It is

too centralist, because the republics do not have enough scope for action in order to take individual economic steps in the interest of the population and economic development in Slovakia. Even the draft of the treaty prepared in Milove led to the strengthening of centralism rather than to the decentralization of all powers. According to it, the economy of the common state was no longer to be made up of the integrated economies of SR and CR, but was to be a uniform whole. A republic is precisely the unit that is the primary source of power and sovereignty. Therefore a common state can be built only on a mutual agreement and equal status of the republics, but with their powers and scope for action substantially strengthened.

[Hrnko] The Slovak National Party considers the federation an outdated model of coexistence between the Czech and the Slovak Republics. A federation always works to the advantage of the one that is stronger economically and in the size of its population. It cannot guarantee equality between two unequal units such as the Czech and the Slovak republics. It manifests itself even in the economic life in Slovakia. The decisions of the federal agencies, which were basically formulated for the Czech Republic, had a mostly destructive impact in Slovakia. Whereas the Czech side unequivocally confirmed its will to change nothing in this state setup—it wants to preserve its superiority over Slovakia—we came to the conclusion that further coexistence in a common state is to Slovakia's disadvantage. If our standing after the elections becomes considerably stronger, our efforts would be aimed at constituting a sovereign, independent state—Slovak Republic as a full legal entity under international law. We want to achieve this goal according to the constitution now in force, which guarantees the right to self-determination, including the formation of one's own state.

[PRAVDA] Why can't you identify with the ideas that your political rivals presented here, what bothers you the most about their efforts, and where do you see their weak points?

[Tatar] ODU has been implementing its program of equalizing the status of both republics step by step. The positions of other political parties suggest two possibilities: a common state or two independent states. Thus HZDS, as well as SKDH [Slovak Christian Democratic Movement], actually hide under various concepts a program leading to an independent state, which is evidenced also by their rejection of a constitution of the common state. We welcome the fact that SDL is gradually leaning toward a decentralized federation. But what is dangerous about the SDL position is that it still holds to a too broad a definition of a common state. There are four basic attributes which cannot be challenged: foreign policy, defense, currency, and a common head of state. And always, even in the many faces of federalism, there are other connected functions which must be harmonized. And finally, even from the viewpoint of international law such procedure, where first sovereignty is declared, then constitution is adopted, and only lastly a

referendum is held, is unacceptable. If the SNS representatives are saying that they want to use a constitutional approach but at the same time not hold a referendum first, that is not a constitutional procedure.

[Hrnko] It is not true that the procedure we propose is unconstitutional and that it was not used in other countries. That can be documented by the example of the newly emerged states in Europe. Since the international community accepted this procedure, it unequivocally confirmed its legitimacy. No other outside entity, not even the federation, has the right to interfere with the citizens' decision about a national state of the Slovak nation.

[Moravcik] As I already mentioned, we do not really differ with KDH in our common goal. We only differ in the tactics. The approach proposed by KDH assumes a fairly long period of gradual transfer of powers, which in our view leads to a permanent crisis. It so happens that all the transfers of powers proposed thus far have caused tension between the Czech and the Slovak Republics. This does not help the development of either of the economies or the development of mutual relations. In contrast to SNS, we are of the opinion that we can create better conditions for Slovakia's development not by its full independence but by its inclusion into the integrated Europe. The optimum solution would be to create such a structure of relations between the Czech and Slovak Republics that would enable us, upon becoming part of the European Community, to hand over the powers of the common union to the European headquarters. We cannot unequivocally define the differences between our conception and the SDL conception. They should define more clearly the concept of decentralized federation, then maybe we could find either more or fewer things in common. As far as ODU is concerned, we mainly do not like the Milove project, which, according to our analyses, would lead to more unitarism.

[Fogas] The HZDS representative said that they are not aiming at total independence of Slovakia. We, too, think that a common state has its purpose, especially as it concerns the defense systems and the integration processes which will undoubtedly take place in Europe. We, too, are not aiming in this period, at this time, and in this area, at independence for Slovakia. According to SDL, a common state can be based on the functioning of central government agencies, whereas HZDS only assumes the existence of coordinating agencies. It is possible to have only three or four ministries at the level of a common state, even while maintaining the idea of federalism, among which could be defense, finance, as well as the ministry of foreign relations, and possibly others as may be necessary at this time. ODU talks about equal republics, but it is an equality that does not give them room to act. It goes by the definition of federalism, but it does not try to define what a republic should be so that it would be a republic. Moreover, what was agreed upon in Milove would be, in comparison with the present status, centralization. The KDH method of gradual steps would be interesting if it were aimed at the fulfillment of stated

goals. But when KDH supported the Milove agreement, we got the impression that they were not interested in taking the steps which would substantially strengthen the powers and scope of activities of the republics. According to SDL, it is possible to build a flexible model of a common state with the above mentioned powers, assuming their further transfer to the republics and in instances where the republics agree on it, also the other way around. Such a model can be built on the basis of the constitutions of both republics. The republican interests can be protected also in other ways, for example, by the ratification of the constitution of the common state by the national councils, or even by both republics deciding through their constitutional laws, following a mutual agreement, which powers they will yield to the common state.

[Simko] KDH thinks that what is the most important consideration for the next four years is the preservation of peace and the functioning of democratic parliamentary institutions. The SNS representative mentions Yugoslavia as an example of the approach which he proposes, the constitutionality of which is debatable. But in the Yugoslav republics that chose independence there was a referendum which proved that the overwhelming majority of their citizens favored independence. I would point out that here, according to public opinion polls, there is no such majority for any of the possible arrangements of our relations with the Czech Republic. That makes the solution here more complicated. The steps taken to establish the new relations among the Yugoslav republics led to a tragic outcome. Such an outcome mostly threatens when unconstitutional and unilateral means are used. KDH will not support such steps. It sees the basic interest of the Slovak nation in pursuing its efforts toward emancipation in peaceful and democratic conditions.

[Fogas] I can responsibly state that SDL is in favor of using constitutional steps. But I heard the demand for not taking unilateral steps. Mr. Minister, the Slovak parliamentary commission began work on the Constitution of the Slovak Republic, but the Czech commission did not and began only when the draft of our constitution was ready. And their draft was ready only when the pressure to adopt the constitution began to grow stronger in Slovakia. At the negotiations in Bratislava, the presidium of the Slovak National Council [SNR] proposed a declaration of sovereignty of both national republics. And again, the Czech side is not devoting itself to this issue. We could all ask ourselves: What shall we do, if the Czech side will not want to take the steps we consider logical in order to resolve the issue of the state setup, and how shall we deal with that situation?

[Simka] We do not consider the adoption of the SR constitution to be a unilateral step at all. After all, that is what even the constitutional law on Czechoslovak Federation, Article No. 142, assumes, and therefore we do not consider it a unilateral step. As far as the year-long negotiations about the state setup are concerned, that is

not a question of the governing coalition alone. Responsibility for them falls on the entire Slovak political scene, because it did not succeed in uniting sufficiently on these questions.

[Hrnko] The federation is not typified by what Mr. Tatar spoke about, but by a direct representation in the parliament from below and a direct execution of state power from the top down. Moreover, our federation, in contrast to the United States or German federations for example, has a pyramidal structure. That means that the federal government in many matters has superiority over the national governments, which is basically a unitary type of state. That is why I think that searching for a way to a Czech-Slovak or Slovak-Czech coexistence in a federation is in fact prolonging an outdated system. We must look for a different form, which according to SNS is the treaty principle based on two sovereign independent states. Mr. Minister, I did not present the example of Yugoslavia as a principle that led to anything, I just wanted to use it as proof that it is considered legitimate by the international community. And whether it will or will not lead to a conflict, that is not up to the Slovaks, but up to the other side. But I do not believe that the relations between the Czechs and the Slovaks could develop in a way that they did, for example, between the Serbs and the Croats. And if that could happen, then we really have no business being in one state.

[Simko] We can, of course, console ourselves with the fact that Yugoslavia, Karabakh, and Moldavia have their specifics. Naturally, everywhere there are certain specific conditions, but in making decisions on these matters a politician cannot evade responsibility by closing his eyes to the possibility of such a development.

[Moravcik] I believe that in the matter of unilateral steps we must above all keep in mind the interest factor. Even in Milove it became absolutely clear that not the Czech, but the Slovak side, has the political interest in changing the status quo. In other words, the Slovak side must take the initiative and must also take steps which nobody could consider unilateral but which must be in accord with the constitution. Then everything will be in order. Every step need not be synchronized in the other republic. We must consider the question of declaring sovereignty in this light as well. The way it was submitted, and the way it is being presented by many movements including ours, it is supposed to express, first and foremost, the political will of a body that has authority and is endowed with sufficient power, because it came out of free elections.

[PRAVDA] That actually brings us to the problem of declaring the sovereignty of Slovakia.

[Moravcik] The declaration of sovereignty looks like a unilateral step because the Czech side is not interested in the declaration of sovereignty. The declaration of sovereignty as an expression of political will cannot be characterized as an unconstitutional act. It will be followed by other steps that are recognized by the international

community. It is altogether natural that this will of the parliament, because at issue is a fundamental question, must then be confirmed by the citizens in a referendum. It is altogether natural that the deputies will go back to the citizens to have their action approved. If the voters do not approve it, it will be a signal for the deputies to give up their mandate. Therefore, from this point of view I do not see any unconstitutionality in the proposal to declare sovereignty.

[Tatar] Both HZDS and SKDH have the idea that the declaration of sovereignty will be followed by the adoption of a constitution of an independent state, and then a referendum. But what I am asking is this: If we have a constitution of an independent state, what will the citizens be deciding about? If we are to decide about the form of the state setup in a democratic way, first the citizens must decide in a referendum, and only after they have decided in favor of an independent state can its constitution be adopted.

[Hrnko] The Slovak nation lives only in the Slovak Republic. Therefore the interest of the Slovak nation in a national state cannot be manifested either in Yugoslavia or in the United States where Slovaks also live but only as a national minority. It can be manifested only on the territory of Slovakia. If it is not manifested, the existence of a Slovak Republic makes no sense, such a republic could then be called, for example, Citizenstan. There is no other nation in Slovakia besides the Slovak nation. The nationalities which are here have their national states outside of Slovakia.

[Simko] Sovereignty means exclusiveness of power. A sovereign entity is an entity with whose authority nobody can interfere. Therefore, if sovereignty is declared, full exclusiveness of power is declared. The draft of the declaration that SKDH submitted at the SNR session did not speak about some divided sovereignty, but about declaration of sovereignty as a fact. Such a declaration of sovereignty would actually be a declaration of independence, because it speaks about the exclusiveness of power for the republic. On the other hand, the amendment to the draft that was submitted by SDL speaks about sovereignty in the extent to which it is now anchored in the constitution.

[Fogas] I believe that the issue of the declaration is being unnecessarily dramatized, because this is not a document that would become a foundation for an entirely new legal status. This is a political document, the idea of which is to indicate a certain political will. Second, even after the amendment that SDL submitted it cannot be said that the declaration does not leave any room for further transfers of powers. Its text says that we pledge to respect the current constitutional status and take all further steps in accord with it. This means that it opens up room for further discussions. Third, I think that it is necessary to have very courteous discussions about this issue not only here at home but also on the Czech side.

[Tatar] The Czech and the Slovak political scenes are not unified scenes. Even on the Czech scene there are both rigid and flexible politicians with different views. That is why it is necessary to continue having discussions.

[Moravcik] The draft of the declaration of sovereignty and the draft of the Milove treaty are very closely connected, because the declaration is a kind of reaction to the fact that the problem of the entire system was not successfully resolved.

[Tatar] HZDS asserts that the Milove treaty strengthens the federation. On the other hand, ODU says that it distributes powers equitably. One can observe a certain contradiction in the assertion that an adopted constitution of an independent state goes into force only after a referendum, which can be easily challenged legally. It is a kind of informational muddle, which can be detected also in the public opinion polls, where even among sincere proponents of a common state there are people who would at the same time want, for example, independent foreign policy, independent defense, and independent currency, which is in contradiction to the idea of a common state. In a well-informed society such paradoxes cannot arise.

[Fogas] Gradual steps were mentioned here several times. The KDH chairman said after Milove: now a treaty, more freedom after the elections. We think that every successive step must be the foundation of something upon which it is possible to build further, but be a stabilizing step at the same time. That is why I think that it is necessary to keep on negotiating, even if it takes a longer time, and accept something that will have a stabilizing effect. Otherwise we shall appear untrustworthy. We must consider alternatives and even search for other solutions. That is the basis of any further political discussion.

[Moravcik] The Slovak interest is nevertheless crystallizing in Slovakia, in spite of the diversity of opinion. And I have the impression that a Czech interest is crystallizing as well. I have in mind the political interests of the Czech Republic and the Slovak Republic. And that is a prerequisite for clearly stating where our common interests lie.

[Simko] Yes, one can say there is a crystallizing Slovak interest. Slovakia is looking for ways to make itself visible, to fulfill its natural longing for emancipation. It is searching for it in a situation, one that also includes a tendency toward integration, to which we also subscribe. These are long-range conceptions of Slovakia's direction, and it does not appear to me that there are fundamental differences among us. But I agree that these are long-range conceptions. Here I would like to recall the well-known statement that the most certain way to bury the republic and its citizens are grandiose plans. They are necessary as a certain goal, but the important point for every citizen to consider is how we want to get there. And here we find that there is a difference in emphasis for the next four-year period. Let us leave it up to the

voter to choose, because ultimately he will bear the consequences of his decision.

### Czech Republic Energy Concept Published

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["Text" of short version of the Czech Republic Energy Policy of 19 February 1992—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] The energy policy of the Czech Republic serves to provide basic orientation for entrepreneurial entities (manufacturers, distributors, consumers of energy resources) for the immediate future with an outlook over the next five to 10 years—in other words, for the period during which the economy is being transformed and which is characterized by a sizable measure of uncertainty. It outlines the basic goals of the Czech government and the integration of the state on the federal, republic, or territorial organ level of state administration and self-administration. The policy is being presented in the knowledge that it is essential to find a consensus among various interests (technological interests, economic interests, social interests, ecological interests, and regional interests) if the stability of the Czech economy is not to be threatened.

In this sense, this is an open document which tends to outline some questions rather than solving them and which will be gradually completed and rendered more accurate. It strives to achieve the most rapid attainment of strategic goals, but must take the starting position of the energy economy and the economy of the Czech Republic in general into account. This gives rise to the essential nature of a number of short-term (or temporary) measures of economic policy, parts of which have already been adopted.

We present an abridged text of the material involved in the energy policy of the Czech Republic, which was discussed in the government of the Czech Republic on 19 February 1992.

The energy policy of the Czech Republic is based on the principles of state energy policy enunciated by the CSFR and is governed by the amended version of Constitutional Law No. 143/68 Sb., and includes consideration of the jurisdictions of the federal government, with particular emphasis on the following:

- Unified principles of financial and budgetary policy.
- Pricing policy (according to Law No. 526/90 Sb. on prices, which sets the method for regulating prices in the process of transforming the economy).
- Principles of foreign economic policy (the establishment of instruments involved in the conclusion of international agreements regarding trade and economic collaboration), ranging all the way through commercial strategy in the area of electric energy, gas, petroleum, and coal.

- Legislative modifications of production, distribution, and consumption of electric energy, gas, and heat, including the creation of a new law on the energy economy.
- Legislative adjustments in the area of the environment, the implementation of state oversight over nuclear safety, and the storage of exhausted nuclear fuel.
- Legislative adjustments and establishment of principles in the area of labor, wages, and social policy.
- Legislative adjustments involving the acquisition of statistical information, and the keeping of books.

Accordingly, the burden of responsibility for realizing the energy policy rests on the organs of the republic, including all economic impacts, whereas the majority of the standards (including legal standards), regulations, concepts, and principles are created at the level of the federation (even though this occurs in collaboration with the republics).

#### Goals

In addition to assuring quality energy services for society, the government of the Czech Republic considers the following to be the strategic goals of its energy policy from the standpoint of the Czech economy:

a) Making sure that energy development is consistent with the laws on the environment, while taking into account the limits of ecological stress to be borne by the various regions, particularly in northern Bohemia in the Sokolov area, at Ostrava-Karvina, and at Ceska Lipa;

b) Preference for the market (competitive) model of an energy economy, connected with a liberalization of prices and the carrying over of all future costs, with the possible exception of some costs involved in some discontinuation programs, to conditions commensurate with the fuel and energy sector (the internalization of costs), while regulating the functioning of what are primarily natural monopolies;

c) Retreating from direct incursions on the part of the state into the economic decisionmaking of enterprises and supplanting these incursions with the regulation of natural monopolies, whose conditions will be legislatively modified;

d) Achieving a decline in the energy intensity of the national economy by supporting the realization of savings in fuels and energy and changes in the structure of fuel consumption in favor of the use of benefited sources;

e) Diversification of foreign sources of gas and petroleum and increasing strategic reserves on the territory of the Czech Republic to a level comparable to that which exists in the countries of West Europe and interconnecting the electric grid with surrounding energy systems in the interest of the diminished vulnerability of the Czech economy;

f) Assuring domestic sources of fuel and energy to meet the minimum essentially necessary requirements, along with minimum costs, while promoting orientation toward ecologically more suitable technologies.

The achievement of these goals should create conditions for the transition to a strategy of a permanently sustainable development.

**Development of Primary Energy Resources  
(in million tons of standard fuel equivalent)**

Item	1990	1991	1992	1993	1994	1995	2000	2005
Low scenario	68.4	63.2	60.0	58.4	57.6	57.2	56.4	55.7
Including:								
Solid fuels	45.3	38.6	35.7	33.4	31.7	30.4	27.3	23.8
Liquid fuels	12.2	12.4	11.8	11.5	11.7	11.8	10.6	9.9
Gaseous fuels	6.8	8.0	8.3	8.9	9.8	10.1	11.3	13.3
Electricity and heat	4.2	4.3	4.3	4.5	4.5	4.9	7.3	8.6
High scenario	68.4	63.1	59.7	58.5	58.5	59.2	62.5	63.4
Including:								
Solid fuels	45.3	38.5	35.3	33.4	32.0	31.4	29.3	25.3
Liquid fuels	12.2	12.4	11.8	11.5	11.7	11.8	12.1	13.0
Gaseous fuels	6.8	8.0	8.3	9.0	10.2	11.1	13.3	15.7
Electricity and heat	4.2	4.3	4.3	4.5	4.5	4.9	7.8	9.4

#### Starting Status of the Fuel and Energy Economy

To a certain extent, this starting status determines the speed with which the strategic goals will be achieved, as well as the method. The starting level of energy consumption in the Czech Republic in view of the achieved economic level (the measured level of products) is so

high that it does not require more extensive development during the 10-year period under consideration with regard to primary energy sources, provided the process of saving energy is accelerated. The structure of energy resources is so unsuitable that changing it will be connected with extraordinarily high capital expenditures.

A comparison between the production and consumption of energy resources in the Czech Republic indicates, on the one hand, a surplus of some types of energy (bituminous energy coal and coking coal, brown coal and lignite, coke, electric energy) which are being shifted, particularly to Slovakia; on the other hand, there is a shortage of beneficiated sources (petroleum and gas), which are and will continue to be transported across the territory of the Slovak Republic to the Czech Republic.

The energy intensity of the economy (with the exception of the power-producing sectors) is increasing in the short run, because the consumption of energy resources is not declining as rapidly as the decline in domestic product. This is caused by the existence of a fixed consumption of energy, by unfavorably acting short-term structural changes, and by a persistence of uneconomical use, based on the absence of competition in the marketplace.

The current revenue situation in the fuel and energy sector of the Czech Republic is only seemingly favorable. The development of demand for energy resources follows the development of aggregate demand with some delay, with some enterprises also finding themselves experiencing payments difficulties as a result of the influence of the situation upon their customers.

#### Short-Term Measures

For the above reasons, it is considered essential to accept some short-term (temporary) measures dealing with the energy program:

- a) Succession of modifying prices while preserving such price and tariff relationships between individual types of energy which would be commensurate with the aims of the energy program (within the jurisdiction of the federal government);
- b) Partial redistribution of financial resources in coal mining until such times as the provisions of the so-called Mining Law become effective;
- c) Temporary subsidizing of some programs from the state budget (particularly programs for discontinuation of production and social and ecological programs);
- d) Temporary protection of the domestic coking coal supply by establishing import quotas;
- e) Finalizing the solution to the problem of interest rates (possible seasonal prices), particularly for coal, so that these prices would not act against the assurance of seasonal or strategic supplies;
- f) Possibly essential coverage of foreign investment credits, granted for actions designed to improve the environment through the minimum export of electric energy (this is a question of covering the costs connected with the reconstruction of energy blocs—costs which are the result of the law on the protection of the atmosphere).

#### Principles Involved in the Privatization of Enterprises in the Coal-Mining Industry, in Energy Production, and in the Gas Industry

The principles apply particularly to those enterprises whose activities are of a general beneficial character. These are enterprises which, for the most part, are engaged in activities in the area of energy (production, transmission, distribution of electric energy and heat) and the gas industry (transmission, storage, and distribution). For purposes of the coal mining industry, these principles apply to extraction enterprises in the coal industry. They do not apply to the other enterprises which augment and support activities connected with the above-mentioned areas (engineering, construction-assembly, design enterprises, etc.).

The following principles are applied to enterprises thus outlined within the framework of their privatization:

- Individual state enterprises are privatized (for the most part) through the form of stock corporations, making use of all types of security sales, with always 3 percent of any securities being reserved for the restitution investment fund. Only in exceptional cases will it be necessary to preserve state participation through the form of a certain portion of the securities being placed in the fund of national property.
- In view of the volume of the privatized property of enterprises involved, employee securities will be issued on a limited scale.
- In cases in which direct economic activity and core-responsibility for supplying a region with electric energy, heat, or gas is desirable, a certain portion of the securities applicable to local resources and distribution corporations will be transferred, free of charge, to the cities and communities involved.
- After restructuring, augmenting production facilities and services will privatize themselves completely on their own, making use of all types of privatization. In principle, this involves construction-assembly enterprises, engineering activities, recreation centers, etc.
- All types of entry for foreign and domestic investors will be supported, primarily for purposes of development and modernization of the sectors.
- The establishment of new organizational forms of fuel and energy corporations will be influenced by the interests of the state.

For example, in the energy industry electric corporations will be created for the production and transmission of electric energy, as well as independent regional distribution corporations. Similarly, in the gas industry an independent transmission corporation will be created and a set of small local distribution enterprises. In the coal industry, only prospering stock corporations which will be capable of assuring the maximum utilization of the coal reserves will be created. Deviating cases will be approved by the government of the Czech Republic.

### Principles of Price and Tax Modification

The program presupposes the broadest possible implementation of market principles and the freeing of foreign trade, tradable types of energy, that is to say, the liberalization of the price of petroleum, petroleum products, natural gas, bituminous coal and coke, in a way which underlies the principles of state energy policy.

The prices of electric energy, heat, and brown coal will be regulated so that they would approach the long-term marginal costs, while taking even transportation and ecological costs into account.

Price relationships between individual energy resources will, in principle, correspond to those relationships which will be formed in compliance with the above-listed principles. However, the government reserves the right to provide supplemental advantaging for ecologically more acceptable types of energy resources.

### Legislative Conditions

At the federal level, the amendment of the electrification, gasification, and heat distribution law are being prepared, as is a new law on the energy economy. Among others, these laws will express the following, in addition to institutional, legislative, administrative, and economic conditions:

- Appropriate incursion on the part of the state in the area of managing the energy economy.
- Conditions for the entry of the private capital of communities, towns, and regions into the sector.
- Legislative identification of public benefit enterprises in energy, the gas industry, and the heat distribution industry, including the determination of their rights and obligations, as well as the identification of methods for their control and regulation.
- Obligation to purchase and transmit any proffered electric energy manufactured from renewable and ecologically frugal resources at an economically acceptable (just) price, etc.

### Extent and Forms of State Participation

The government of the Czech Republic anticipates that, in conjunction with the approved principles of the subsidy policy and in accordance with the opportunities at the disposal of the state budget, financial aid will be provided, particularly as follows:

- In connection with solving the expenditures occasioned by discontinuation programs.
- In connection with solving the expenditures connected with the health protection of workers in underground mines.
- In connection with the support provided to production programs which assure the availability of jobs and retraining.
- In connection with the investments designed to revitalize the environment.

- In connection with state guarantees for credits to support ecological campaigns and financially expensive structures (including those abroad), which will be economically justified and voted upon at the level of state (federal) organs.
- In connection with government programs designed to save energy.

### Developmental Aims in the Fuel and Energy Sectors

The changes are a reflection of the anticipated export demand for energy at a given time, taking the essential suppression of negative influence and risks to the environment into account. At the same time, they should reflect the method of decisionmaking which minimizes capital expenditures, known as Least Cost Planning, and principles of managing demand, known as Demand Side Management.

### Electric Energy and Heat

The forecast for the production of electric energy is worked out on the basis of the following assumptions:

- By 1996, two blocs of the Temelin Nuclear Power Plant will be operating.
- In the 1990's, in conjunction with Law No. 309/1991 Sb. (the law on the atmosphere) the following power plant blocs in northern Bohemia will be sidelined: Prunerov I, bloc 1 (110 megawatts [MW]), initiated in September 1991; Tusimice I, blocs 1-5 (550 MW), July 1992 through December 1996; Ledvice II, blocs 4, 5 (220 MW), January 1995 through April 1995. A total of 880 MW.
- A total capacity of 470 MW of electric power plant blocs will be desulfurated and reconstructed.
- A solution will be found to the storage of expended nuclear fuel from the Dukovany Nuclear Power Plant.
- The utilization of coal-fired electric power plants will be running at 5,000 to 6,500 hours per year.
- The necessary capacities will be assured for the storage of fly ash and waste resulting from desulfurization.
- In the rebuilding of thermal power plants whose boiler facilities are wearing out, preference will be given to assuring combination production of heat and electricity.

In nuclear and hydroelectric power plants, the following volumes of production are anticipated (data in thousands of kilowatt-hours):

Production of Electric Energy	1990	1995	2000
Nuclear power plants	12.6	15.4	23.9
Hydroelectric power plants	1.5	2.2	2.3
Total	14.1	17.6	26.2

In steam-electric power plants, the following volumes of production are anticipated, depending on demand (in thousands of kilowatt-hours):

Production of Electric Energy	1990	1995	2000
Steam-electric power plants (including plant power plants)	48.6	39.5-41.6	35.4-40.1

The development of the Czech nuclear energy industry was based exclusively on the use of Soviet technical designs, including collaboration in assuring the availability of a fuel cycle. It is necessary to clarify the validity and the factual fulfillment of these agreements by the successor state.

The further development of nuclear energy is dependent upon finding a solution to the final portion of a fuel cycle, that is to say, the intermediate storage of exhausted fuel, managing exhausted fuel, and radioactive waste materials.

Based on analyses and recommendations of international organizations (IAEA [International Atomic Energy Agency], ICPR [expansion not given]), there is the need to adopt the following measures at a federal level: a law on radioactive waste materials (including exhausted nuclear fuels); establishment of an organization to cover the activities in the fuel cycle which will have authority and responsibility delegated to it by the state (subject to direct control).

#### Gas Industry

The following is the goal of the program in the gas industry: raising the share of natural gas in overall consumption of primary energy resources, particularly as a substitute for coal; a specific expansion of the areawide gasification program and services, particularly in regions stressed by emissions based on the combustion of solid fuels and in areas having a low degree of gasification; maintenance of a high degree of reliability and quality of delivery regarding heating gases and their economic and ecological utilization, given gradual modernization; the accelerated replacement of the obsolescent subsystem of using illuminating gas by natural gas; within the framework of the overall effort to displace coal through the more acceptable combustion of heating gases, continue to use propane-butane as a substitute fuel. The government of the Czech Republic anticipates that propane-butane will become the fuel which will compete even with heating oil as a source in the production of heat in areas where it will not be possible, for technical or economic reasons, to provide a supply of natural gas.

The following figures are being considered for coverage of the effective demand for natural gas in the Czech Republic (in billions of cubic meters):

	1990	1995	2000
Domestic extraction	0.26	0.26	0.26
Imports	6.2	8.6-9.5	9.6-11.4

As far as imports are concerned, the following are being considered pertaining to the above-listed quantities:

- Importation of natural gas after the year 1995 from Austria at a level of eight billion cubic meters per year, which represents coverage of the entire requirement of the Czech Republic in the year 2000 to the extent of 70 percent and the year 2005 at a level of 60 percent.
- Consideration is being given in the period 1994-95 to initiating the importation of one billion cubic meters of natural gas per year from Algeria via the French Megal gas pipeline (Waidhaus-Rozvadov).
- Consideration is being given to expanding the import of natural gas from Algeria in the years 1997-98 to 2 billion cubic meters per year via the Transmed gas pipeline and tying it in with the SWAP [expansion not given] operation and to importing 1 billion cubic meters per year while seeking additional opportunities for diversifying the sources.

#### Coal Industry

The high consumption of solid fuels in the production of heat and electric energy, the low level of energy conversions (be they as a result of extensive mining activity or combustion by consumers), categorically requires that the share of solid fuels in primary energy sources be brought down.

Despite this, coal will retain a dominant share until the year 2000 in the overall primary energy sources (approximately 48 percent).

The decline in the annual extraction of bituminous coal from today's approximately 22 million tons to 16 million tons in the year 2000 (including coking coal from 14.4 million tons per year in 1990 to approximately 9 million tons in the year 2000, figures which also include transfers to the Slovak Republic of 3.1 million tons per year) will be influenced, on the one hand, by reduced demand for metallurgical coke as a result of structural changes in industry, which will be only partially compensated for by the growth of demand for heating coke, and on the other hand, by the demand for electric energy and heat.

Given the fundamental rationalization of extraction, it is possible to anticipate that some of the Ostravo-Karvina mines will be competitive. The remainder, even though they are locally significant in terms of their tie-ins with consumers, will clearly be operable on a temporary basis (if they do not demonstrate their profitability) and even that will only be possible with subsidies.

In the future, the extraction of brown coal and lignite will be declining as a result of strong ecological pressures and a decline in demand, resulting not only from the discontinuation of energy-intensive production processes as well as by the pricing and taxing burden imposed upon coal (according to the economic scenario) and will be replaced by a transition to natural gas, coke, or other smokeless solid fuels.

Brown Coal and Lignite	1990	1995	2000
Total extraction (millions of tons)	79	51-54	43-48
Including, for example:			
For production of electric energy	41	28.9-30.9	23.5-28.0
For production of heat	16	7.6-9.0	7.5-8.5
For household use	10	6	6

A sharp and significant decline in demand will result in a surplus and, subsequently, even the discontinuation of extraction capacities, something which will be seen even at the mines of the North Bohemia and West Bohemia Brown Coal Basin—in other words, areas where expenditures are at the current levels. For sociopolitical reasons, the government of the Czech Republic is willing to guarantee the subsidizing of the South Moravia Lignite Mines, at a maximum until the end of 1992, that is to say, until the tax law and the mining law go into effect. Both of the Czech coal basins happen to be capable of starting immediate delivery in substitution for the South Moravia Lignite Mines, which received subsidies amounting to 171 korunas [Kcs] for every extracted ton of lignite in 1991.

#### Petroleum

Developments involving the processing of petroleum in the CSFR are characterized by a decline of exclusive imports from the USSR from 16.4 million tons in 1989 to 14.5 million tons in 1990 and in 1991 that level reached 11.5 million tons. In 1990, some 53.5 percent of this quantity (that is to say, 7.7 million tons) was processed in the Czech Republic. In 1991, processing involved 60 percent, that is to say, approximately 7 million tons. In all likelihood, this level will not undergo express changes in the next three years.

The overall capacity for processing petroleum in the Czech Republic, however, is 10 million tons per year and is only approximately 70-percent utilized. Full utilization, which would make possible the elimination of dependence upon deliveries from the Slovnaft Enterprise, will not be possible until Czech refineries are connected to the TAL petroleum pipeline from Ingolstadt.

For the immediate future, it is recommended that reliance be placed on sources which can assure the current level and the strategic reserve commensurate, for the time being, with the creation of storage capacities, with the proviso that these capacities should be such as to provide supplies for up to 90 days.

#### Programs in the Area of Energy Saving

An important activity by the government of the Czech Republic within the framework of the energy policy will be support for programs of saving and evaluating energy in all sectors of the economy and in the household sector. The reason for this is the generally higher returnability of

capital investments made in savings than those made in the incremental growth of energy resources and favorable impacts in the ecological area.

In conjunction with the elimination of subsidies on prices of energy and heat paid by the population, a program entitled "The Principles of State Participation in Lowering the Consumption of Fuels and Energy in Residential Buildings and Apartments in the Czech Republic" was worked out in conjunction with the federal principles of state participation.

In the general "Program for Development of Industrial Activity in the Czech Republic," which particularly supports enterprise activity on the part of small and medium-size entrepreneurs, one of the six directions which is supported is the direction entitled "The Economic Utilization of Energy." In the program for supporting scientific research activity within the Czech Republic, an independent area for research solutions resulting in savings of fuels and energy was announced.

For the next period, the government of the Czech Republic is counting on traditional tie-ins with federally prepared programs jointly processed with the Federal Ministry of Metallurgy and the FEA [expansion not given].

Within the framework of the energy program of the Czech Republic, social policy is aimed primarily at the mining sector, in view of the high concentration of jobs on the territory of the republic, the relatively high level of wages, and the character of the risks and damaging nature involved in the mining environment.

Work in mining will, in the future, no longer be a lifelong job in the interest of the health of miners. On the basis of health and social measures adopted in 1989-90, the highest maximum allowable exposure was set, that is to say, the maximum number of shifts worked underground. The change in this concept of the time factor involving the work performed underground has thus far not been connected with the new social standing of workers in the mining industry.

The new concept requires that a proposal be submitted for modifying social conditions for workers in mining (a social model of a miner) under the new economic conditions.

In this connection, it is also necessary to solve questions involving the social insurance and supplemental coinsurance, particularly for the workers in permanent jobs in underground mines (category IAA) and for paying such insurance outside of the free profits of the enterprise.

For the year 1992, discontinuation programs were approved by Czech Republic Government Decree No. 267 of 1991, as were concepts for reducing losses in the extraction of coal in deep mines for 1991 and 1992 and solutions for social problems affecting mineworkers.

**Regions**

The economic and social development of regions, that is to say, of towns and communities, is influenced by the fuel and energy sector from two standpoints—as locations of production and consumption of energy resources.

The production of energy resources in the appropriate region is connected with unfavorable impacts upon the environment. Currently, the production of fuel and energy resources is frequently connected directly with employment in the regions, something which could, in view of the anticipated production discontinuations, have unfavorable impacts in the social area. In the near future (following the reform of the taxation system), the activity of the energy sectors in their appropriate regions will be more positive as a result of increasing the region's financial resources as a consequence of the growth in local taxes and fees.

Local organs have the opportunity to influence the activities of the fuel and energy sector on the basis of program documents covering regional developments, or as a result of program developments affecting territorial areas of communities.

Parts of these documents should be a regional energy program because organs of local self-administration are responsible for the comprehensive development of a given territory.

**Ecology**

The anticipated development of the energy economy, particularly the lowering of energy intensiveness, changes in the structure of fuels in favor of more refined fuels, changes in the structure of production sources in the electric energy industry, the introduction of new equipment in the area of production and consumption of solid fuels, including pricing policy, will lead to reducing the ecological stress of the territory.

In addition, new legal regulations (for example, the law on protecting the atmosphere against contaminants), as well as limits on the ecological stress to be borne by territories, as approved by the government of the Czech Republic, which make other legal measures more stringent, serve to support long-term ecological goals.

Within the framework of assuring the achievement of strategic goals, maximum attention and priority treatment is being devoted to the most heavily burdened areas where solutions are being found to the development of gasifying towns and communities, expanding the provision of heat from central resources, electrifying households, etc.

**Konya, Orban Strive for Consensus in Debate**  
92CH0616A Budapest UJ MAGYARORSZAG  
in Hungarian 27 Apr 92 p 3

[Article by Gabor Gabnai: "Konya Contra Orban; Dialogue in the Arena"]

[Text] Saturday's meeting of Imre Konya and Viktor Orban at Szekesfehervar reminded me of wrestlers threateningly holding a grudge against each other in the ring, then peacefully facing each other while drinking beer after the match, aware that the viewers, too, were satisfied.

Well, on this occasion Peter Feledy acted as moderator for the television series *Letkerdesek* [Existential Issues]; democracy would have been the main topic, had it not been for the fact that little was said about democracy in the direct broadcast. The MDF [Hungarian Democratic Forum] and the FIDESZ [Federation of Young Democrats] faction leaders were mutually worthy "opponents": From time to time they made sarcastic remarks of each other's parties, but no "knockout victory" materialized as it did in the Konya-Peto debate not too long ago. This was not the goal, of course.

The auditorium of the Technology Building at the country seat was filled to capacity, the composition of the audience was completely mixed from the standpoint of both the ages of people and their party affiliations, and this was also revealed from the questions they asked.

Viktor Orban received greater applause in the course of introductions than Imre Konya; this may be explained by the fact that the young lawyer went to high school at Szekesfehervar. But the audience was far from consistent insofar as its ovations were concerned: Barely 10 minutes later many began to boo aloud FIDESZ's chief spokesman when he announced that in his view, religious education had no place in schools. Interestingly, those booing were mostly older people, and to a lesser extent young people.

Not even Peter Feledy was able to appropriately set the two faction leaders against each other. In his introductory remarks Feledy referred to a statement made by Orban during his public debate with Ivan Peto in which he called Imre Konya the orchestrator of hatred.

In the course of the evening the MDF faction leader had proved that neither he nor his party regarded the opposition as an enemy to be annihilated, but as political partners in legislation from which the ruling coalition expected more constructive action in certain cases, not permanent spite.

The name of Istvan Csurka was mentioned several times; FIDESZ, too, believes that Csurka receives too much publicity when representing the MDF's more radical trend in the radio program *Vasarnapi Ujsag* [Sunday News], for instance. Konya gave a witty response by saying that if the opposition had a similar Hungarian writer of Csurka's caliber, it, too, would take advantage

of the opportunity, although, he added maliciously, no one could claim that the Hungarian Radio excessively supported the ruling party.

Viktor Orban tried to explain FIDESZ's low-keyed attitude by saying that they passed the "high ball" to the opposition—to use the sports language, it would be easy to discredit this government with social welfare demagoguery (e.g., by discussing growing unemployment), but not even the Socialist Party does that.

In the end, Orban tried to describe the advantages of a grand coalition, pointing out that the difference between the election programs of the MDF and the SZDSZ [Alliance of Free Democrats] was not as great as that between the programs of the Smallholders and the MDF—the present partners in coalition.

Quite naturally, quite a few people raising questions misunderstood the purpose of the meeting and asked the two representatives to remedy their individual complaints, such as unemployment, low pension payments, compensation that has failed to materialize, etc.

At the end of the meeting a man shouted a statement, addressing the two representatives on a *per tu* [familiar] basis: "I have been listening to you for three hours, and yet I have not heard a single word of what it means to be Hungarian, what [Christian] baptism is, and what it means to be a nation!"

Indicative of the civilized conduct of the large majority was the fact that further cursing by the person commenting on his own was suppressed by applause.

In the end, the evening of debate suggested an effort to reach a consensus on several points, if not an agreement between the ruling party and one of the opposition parties.

**Goncz Ambiguous About His Role in 1956**  
92P20293A Budapest MAGYAR NEMZET  
in Hungarian 22 Apr 92 p 4

[Article by (k.gy.): "Historic Lessons of 1956: Only in Retrospect Can We See What Orders Should Have Been Obeyed"]

[Text] "In a revolution the simplest thing for soldiers and the police to do would be to go home, but that would not be revolutionary behavior," said Arpad Goncz, president of the Republic, during an "irregular history lesson" that was given to the students of the Police Academy on the subject of the revolutionary events of 1956. He discussed the moral problems of those who took orders and pointed out that "the critics tell you now with hindsight which orders should have been followed."

He pointed to the Rajk funeral as a symbolic event of the pre-1956 era, which, in his opinion, was at the same time a terrible act of justice as well as lies. Even the day of the 23d in 1956 was "a strange day," since the president himself, as he told it, could not decide whether he could

identify with the events of that day. He described how since that time those days have become blurred in his mind, and strangely enough the only way he can reconstruct his own role is from the charges against him.

He admitted that there were many personal details, a subjective approach, in his speech, but in spite of this he was not analyzing his own activities. He emphasized that if anyone claims that they now can determine who gave orders in that critical situation and who did not, he is not telling the truth. Shapeless and uncertain forces that could take 180-degree turns in any direction faced each other.

He stressed that the actual armed conflict was not fought by the army and the police but largely by youth who had become marginalized, and who fought especially resourcefully: "They could do that since they had seen many movies about [Soviet] partizans." Arpad Goncz emphasized that the culmination of the reprisals was the Imre Nagy trial, but the defendants of the Bibo trial, the only noncommunist trial, had the "easiest" time, since they could not be accused of betraying the movement, nor were they anticommunists, since they cooperated with the reform communists.

Answering to a question, he said that he considers it a mistaken trend to use the phraseology of the 1920's and 1930's for 1956. As he explained, he does understand these attempts, as well as those who try to view their own past in a somewhat different light.

### Proposed Visegrad-3 Free Trade Zone Assessed

92CH0591D Budapest FIGYELO in Hungarian  
7 May 92 p 15

[Article by Laszlo G. Toth: "An Evolving Central European Free Trade Zone? The Dubious Unity of the Three"]

[Text] Goals established at Visegrad call for the earliest possible removal of trade barriers that stand in the way of mutual economic and commercial relations as one important condition for future cooperation between Czecho-Slovakia, Poland, and Hungary. But public acceptance in the three countries of integrationist concepts is rather reserved.

#### Mercantile Trade Between the Three in 1991 (in millions of dollars)

From Czecho-Slovakia to Hungary	502
From Hungary to Czecho-Slovakia	228
From Czecho-Slovakia to Poland	810
From Poland to Czecho-Slovakia	510
From Poland to Hungary	229
From Hungary to Poland	218

Source: *Monthly Statistical Bulletin, Central Statistical Office [KSH], Budapest, and the author's own estimates based on data obtained from the Prague Foreign Trade Research Institute.*

Endeavors to increase and expand cooperation between Central European states—an idea that has its roots in history—received a new boost at the February 1991 Visegrad summit meeting of the three countries. The establishment of a free trade zone has been decided and there has been talk about expanded cooperation to cover additional fields, such as coordinated negotiations with organizations of the West European integration. In late November 1991 the three countries decided that an agreement would be signed in the first half of 1992 to mutually liberalize trade.

#### What Is at Stake?

Official circles in the West (governments and international organizations) and a majority of experts specializing in Central and East European countries enthusiastically support the prospect of closer economic ties, and of closer commercial and trade relations in particular. According to some, cooperation should be broadened (by including additional countries, keeping in mind the independent former Soviet republics, the southeastern wing of CEMA, and certain South-Slavic republics, i.e., virtually the entire former CEMA and most of Yugoslavia) as well as deepened (by developing the relations into financial integration, by establishing the East European Monetary Union).

As things stand today, prevention of a further withering of trade relations between the three countries is, in reality, at stake insofar as the free trade agreement is concerned, because mutual trade has rapidly declined during the past year or two, as compared to the mid-1980's. The combined share of Hungarian exports of the two partner countries has declined to 4.1 percent from 9.5 percent in 1985, and to 6 percent of the imports from 9.7 percent in the same year. Similar reductions can also be seen from the standpoint of the other two countries: Located in the geographical center of the cooperative endeavor, Czecho-Slovakia's trade with Poland and Hungary has dropped from 13 percent to 9 percent between 1985 and 1991, and Poland's trade with Czecho-Slovakia and Hungary from 9 percent to 4.8 percent.

The dramatic drop in mutual trade has occurred in two phases. A slower, more gradual decline could be seen in the second half of the previous decade when Czecho-Slovakia increased (started) trade relations with the West, partly as a result of increasing disturbances in CEMA cooperation. This crumbling of relations has been followed by a drastic decline in trade relations in 1990 and 1991, resulting from CEMA's dissolution accompanied by a changeover to dollar-based settlement, the transition to world market prices and strong internal recessions in the three countries. Not only the ratio of mutual trade between the three countries has declined as compared to the volume of their total trade during this period, but the volume of mutual mercantile trade itself has also declined in absolute terms (at least if measured in dollars).

In these two years the three countries have also realized that the number one goal of external economic policies is the earliest possible establishment of the closest possible ties with the West European integration. Under such

circumstances, mutual trade between the "Visegrad-3" would have a lower priority than trade with West European countries, and a situation like this should be avoided by all means, if we took seriously the various theses propounded in economic text books about the advantages of free trade. To top it off, agreements with the EC specify that products procured in the framework of mutual trade between the three countries, and further developed and exported to the EC based on the cumulative principle (under certificates of origin), would qualify as domestic products and would be subject to preferential customs treatment by the EC. Accordingly, unimpeded mutual trade between the three countries resulting in cheaper imports could improve competitiveness in the EC markets.

Whether other measures which strengthen integration, and which go beyond a free trade agreement, are necessary is an entirely different question. One should examine separately whether the signing of the free trade agreement at the earliest possible date should be conditioned by negotiations at the professional level which deal with the extent and timing of the dismantling of trade barriers, and by detailed, item-by-item reconciliation. Doing so would veil existing conflicts between the three countries and would be viewed favorably by western financial and governmental circles.

#### Adjustment

The likely answer to the first question is that consistent with the relatively liberal economic policy approach taken by the three countries thus far, it would be appropriate for the three countries to do everything possible to remove obstacles that stand in the way of trade and other economic relations. This would enable business organizations (increasingly owned by private persons) to make their sales, procurement and cooperative decisions based on their own (profit) motives. In addition to abolishing measures that restrict trade, such governmental activities could include the consummation of investment protection agreements, the liberalizing of investments by citizens of the three countries abroad, and expanding the use of national currencies in mutual trade—except in regard to tourism, all of which would constitute de facto convertibility regarding current items, etc. In addition, the three countries should introduce certain general institutions which foster the development of mutual trade, (such as export credit guarantees), things that have become standard practice in market economies but have yet to be developed in this region. On the other hand, it would not be advisable to use artificial means to stimulate mutual trade, and no official economic policy endeavors exist in this regard. Similarly, it would not be advisable to experiment with the idea of establishing a payment union. Competent persons believe that such substitute measures could hardly achieve an expansion in trade.

Regarding the second question, one could obviously provide an answer only if one knew what specific impeding factors and points of tension stood in the way of reaching a free trade agreement. In any event, it would not be waste of time to call attention to the fact that the supplementary expansive effects on trade resulting from the free trade agreement

would not be large enough to make it worthwhile to hastily conclude negotiations, before conditions for an agreement have matured and by giving priority to political expectations, if one assumes that the expansive effect of the mutual agreement to be consummated is of the size one could count on based on the EC agreements reached by the three countries. (In Hungary's case, by applying the trade provisions of the EC agreement one could expect to realize a \$350 million increase of our \$5 billion worth of 1991 exports to the Common Market.) Based on 1991 trade volume data shown in the table one could expect an approximate \$30 million expansion of Hungarian exports to Poland and Czecho-Slovakia combined, as a result of an agreement.

Based on the philosophy of the free trade agreement, the results, benefits and mutual—balanced and symmetrical—features of EC agreements, and in part of EFTA agreements now being negotiated, would be transplanted to the soil of mutual trade between the three countries. Some of the problems and the protracted reconciliation stem from the fact that the agreements of the three countries with the EC and EFTA contain different conditions, consistent with the peculiar conditions that can be found in the three countries. For example, while the EC agreement with Hungary renders 70 percent of Hungary's industrial exports duty-free beginning on the effective date of the agreement, the corresponding ratios are 55 with respect to Poland and 50 in the case of Czecho-Slovakia. The pace and extent to which these countries' domestic markets open up to the West are also different, not to mention the treatment of so-called sensitive goods, and agricultural products which constitute a separate item altogether. All these factors contribute to a need to "use a pharmacist's scale to balance the various lists of merchandise" in the course of negotiations, according to a Ministry of International Economic Relations [NGKM] official.

#### Oh, Libero!

There is yet another factor which impedes the quick consummation of an agreement. The three countries have dismantled the features of a "planned economy" used in prior years at a speed unparalleled in international experience. In Hungary, the country that has the longest record of external economic liberalizing endeavors, permit requirements for 40 percent of the imports have been lifted in 1989, and two years later the permit requirements have been abolished for close to 90 percent of the imports. The dismantling of traditional rules of trade have been even more radical in Poland in 1990, and in Czecho-Slovakia in 1991. On top, the permitting system has been abolished in each of these countries with hardly any simultaneous introduction of various means to protect the market, as that is customary in market economies, except for large-scale, real devaluations in Poland and Czecho-Slovakia. At the same time, the effects of the liberalized import regime could sooner or later be felt everywhere in strengthening import competition, and in a further decline of the sales potential of domestic producers who found themselves under increasingly difficult conditions anyway, due to limited

domestic demand. This then prompted domestic producers to register their protest. One hears reports from each of the three countries about increased customs duties, the expansion of the scope of quantitative restrictions, and the introduction of special quotas. Although most of these measures have not been introduced as direct and expressed countermeasures against the other two countries, in many instances the exporters of these countries (and their domestic consumers) are the number one "victims." In other words, while in the grand political arena some lofty statements are made about the earliest possible establishment of free trade within the region, one could say—with a bit of exaggeration—that in everyday life a trade war is being waged. All this suggests that contrary to the situation experienced in the EFTA countries at the time of their agreement (1959), which is regarded as the pattern, the "Visegrad-3" do not, for now, have a stable, settled external economic protective system which changes little insofar as its basic features are concerned. Efforts to neutralize unfavorable trade effects have gained enough strength by now so as to begin to assume institutional forms. Under such circumstances delegates participating in the negotiations which lead to an agreement "are forced to aim at a moving target," because they, themselves, cannot tell, whether, at this point already, the protective system changes are results of producer lobbies capable of enforcing their interests—the protective system whose dismantling has just been agreed upon as a result of tiresome negotiations.

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A few examples: Beginning in January 1992, customs duties have been thoroughly restructured in Czecho-Slovakia with the approval of GATT. Taken together, the average nominal customs duty protection provided is still only 5.7 percent (previously: 5.1 percent), but as a result of the restructuring

effort the customs duty on Hungarian exports to Czecho-Slovakia has multiplied. A system of countervailing duties, well known in Common Market practice, has recently been introduced; it renders agricultural and food imports to Czecho-Slovakia more expensive, and, according to a forecast prepared by the NGKM, renders an entire category of products impossible to sell in the Czecho-Slovak market. The first, significant customs duty rearrangement since the introduction of the first stabilization and economic liberalization program of January 1990 in Poland took place last August; this was quickly followed by another series of increases in customs duties in January 1992. In March 1992 Hungary has established an import contingent for steel products originating from the independent republics and from Czecho-Slovakia, but rumors have it that due to appeals filed by these countries, the contingent is not being enforced. At the same time, a 9-percent supplemental customs duty has been assessed on imported cement, which has a detrimental effect primarily on Czecho-Slovakia, in addition to Romania.

#### 1991 Results of 4 Banks Compared

92CH0591C Budapest FIGYELO in Hungarian  
7 May 92 p 10

[Article by A.K.: "Bank General Meetings: The Moment of Truth II"]

[Text] Last year's data of the Hungarian Credit Bank [MHB], the General Securities Trading Bank, the Mezobank [as published], and the IBUSZ Bank cannot be compared, of course, due to the different sizes and characters of these banks. Thus the second part of our presentation of the general meetings of banks presents the way these financial institutions have managed in 1991 and their expected business policies.

Certain Comparative Data of Banks  
as of 31 December 1991  
(in millions of forints [numbers as published])

Designation	MHB	General Securities Trading Bank	Dunabank	IBUSZ Bank
Final balance	31 2824	19 221 813	7 352	32 020
Profits before taxes	9 286	537	5	— <sup>c</sup>
Authorized dividends	1 321	— <sup>b</sup>	—	36
Targeted risk reserves	4 679	289	31	2.2
Capital correspondence index <sup>a</sup> (percentage)	7.11	7.99	11.1	14.4
Dividends (percentage)	10	0	0	11.6 <sup>d</sup>

<sup>a</sup>Capital correspondence index: The ratio of the amount of the guarantee capital minus the targeted reserves not accumulated, and the amount of the adjusted final balance. The law on financial institutions requires that this index be 7.25 percent. In order to maintain their viability and to enable to perform their obligations, financial institutions must, at all times in the course of their operations maintain a guarantee capital commensurate with the risk of the financial activities performed by the individual financial institutions.

<sup>b</sup>The General Securities Trading Bank did not pay dividends this year, and will not do so for another three years, according to the agreement reached by the syndicate. The bank's targeted risk reserves have increased during the first four months of the year to 700 million forints, while the volume of questionable outstanding receivables dropped to half the volume of such receivables last year. The board of directors lost two of its earlier members and gained a new member.

<sup>c</sup>IBUSZ Bank recorded 92.3 million forints in after-tax profits.

<sup>d</sup>At an annual level, the value of dividends had been determined as a proportion of paid-in capital stock. The remaining three members of the board were selected from the management. The supervisory committee has been enlarged to consist of nine members, consistent with the corporate law, these will include three employees.

Although Arpad Bartha expressed great satisfaction over the work performed by MHB's management, Lajos Csepi, representing the state, recommended the recall of the entire board of directors and the supervisory committee. An appropriate occasion presented itself for such a recommendation, because three members of the board had to resign to satisfy requirements established by the financial institutions law. Istvan Szalkay became the MHB's chairman of the board; his function will be to prepare the privatization of the bank. Istvan Torocskey became the bank's president. Four of the nine members of the board are employees of the bank, while five are outsiders. The supervisory committee, transformed by the state so as to be able to exercise influence from the standpoint of ownership, consists of 18 members.

The bank has 25.5 billion forints in questionable receivables, and this represents 14.5 percent of the bank's total, outstanding receivables. In contrast, the bank wrote off 363 million forints in lending losses. The shortage in the targeted reserves to be accumulated in the course of three years amounts to 7.5 billion forints. Since only 14 billion

forints have materialized from the sale of Chain Bridge stamps, the bank is planning to introduce new products in the form of short term cashier's certificates and a uniform forint-foreign exchange management card.

To the greatest regret of management, two members of the Dunabank board of directors resigned in order to comply with requirements established by the financial institutions law. Thus the board consists of three members. Agota Odry left the supervisory committee because of another important assignment, and therefore the committee consists of eight members. New members will be elected after developing a new ownership structure in which no one is expected to have a greater than 10-percent ownership interest, according to plans. 1991 was a difficult year for Dunabank, too, because the bank's transformation from an investment bank to a commercial bank, the development of the institution and of the banking network, and the transformation of a source structure based on the housing fund has coincided with a monetary policy which did not favor any one of these three endeavors.

### Polish-American Economic Council Profiled

92EP0417A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 6 May 92 p 1

[Article by Zofia Krajewska: "Distrust and Frustration"]

[Text] Washington—The great ones have been a disappointment. The Washington administration and large businesses as well ignored the plenary session of the Polish-American Economic Council. Barbara Franklin, the new secretary of commerce, did not take up her invitation. The traditional emissary of the President of the United States was missing at the inaugural session, while the emissary from Lech Walesa made it on time.

There can only be two conclusions drawn from the evident lowering of the prestige of the event, the fact of which is also shown by the exchange of more important representatives of the Commerce Department for less important ones. Either the Washington administration, like many others, works better in delegations [abroad], or there is a more ominous conclusion: that the United States Government has lost interest in promoting American investment in Poland.

As much as one can debate the reasons for the lack of interest on the part of the United States Government, the absence of large American businesses in the meeting hall is unequivocal in its eloquence.

Voivodes and the emissaries of Polish industrial giants felt particularly disappointed by the thinned out ranks of American potentates. Representatives of smaller private and state firms were more satisfied with the course of the sessions. Some of them even said that the trip organized by the council, though very expensive—around 40 million zlotys per person—was for them the only chance for practical contacts with the American market.

The value of foreign investments in Poland is presently estimated to be \$700 million; of this, American investments are not quite \$80 million. This is the measure of the distrust which American big business feels toward us; it is true that, through such firms as Johnson & Johnson, Coca-Cola, Procter & Gamble, Tobacco [as published], Philip Morris, Levi Strauss, or (more recently) GM, American big business has come to us, but it has stopped in midstep.

### Assessment of Private Sector Published

92EP0416A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 28 Apr 92 p 1

[Article by Zbigniew Zwierzchowski: "Optimists Without Capital: A Report on the Situation of the Private Sector"]

[Text] A critical financial situation is the most serious problem of private enterprises. These companies, in nearly every case examined, lack capital, according to a study of the private sector in Poland drafted by teams of

Polish and American experts whose work was coordinated by the National Economic Chamber and the Gdansk Institute for Research into the Market Economy. The study, sponsored by the Center for International Private Enterprise in Washington, was discussed on 27 April at a seminar in Warsaw and presented to the deputies dealing with economic problems.

Analysis of the situation at 330 private enterprises in three regions—Gdansk, Krakow, and Lodz—served not only to assess these companies but also to draft recommendations addressed to political and economic circles. The study's authors thus postulate chiefly that additional capital be made available to private enterprises and the privatization of the Polish economy be accelerated, and offer corresponding proposals. According to the study, the injection of additional capital requires, among other things, increasing the resources for investment credit and liquidity credit while at the same time curtailing subsidies to state enterprises; charging a credit interest rate of not more than 20 percent; establishing a Private Credit Insurance Fund; and applying for additional funds to the World Bank and the International Financial Corporation. As a way of accelerating privatization, the study proposes placing state enterprises on sale through auctions. The bids could be submitted by domestic and foreign investors in any combination.

These recommendations ensue from research which showed that so far credit has not been used by private companies as a regular instrument for financing their operations. Seventy percent of the enterprises did not even try to apply for loans owing to the high and variable interest rates. Characteristic of the companies analyzed is not only the current shortage of capital but also the fact that generally they started out with little capital. The principal source of their founding capital was, according to the entrepreneurs, savings accumulated in Poland (77 percent) and loans from family and friends (over 20 percent). The companies with the highest capital (averaging 176.5 million zlotys [Z]) were commercial companies, as opposed to manufacturing ones. For manufacturing companies the average founding capital was Z159.9 million. The size of the founding capital of new companies has, of course, been increasing, because during the 1985-89 period it averaged Z23.6 million, whereas in 1990-91 it averaged 199.5 million, but, as can be seen, these are not impressive amounts.

How do private companies manage day by day? While their sales volume has been growing, their profits have been shrinking. This is due to the fact that during a recession smaller enterprises find it difficult to raise prices in order to offset rising costs. This is impeded by the limited demand for their products and by the competition. The lowest quarterly sales volume was declared by manufacturing companies (Z55.5 million, while the highest volume equaled 80 percent of a company's assets, that is, Z1,474.8 million. One more fact linked to funding: at 48 percent of the enterprises studied the

accounts receivable were overdue and averaged Z124 million per enterprise, that is, 45 percent of all accounts receivable.

The picture of private firms is not totally black. It turns out that readiness to establish new companies by individuals below 30 years of age is increasing. These persons account for, e.g., 26 percent of the owners of stores and service establishments established after 1988 in Lodz.

When asked about their prospects, most entrepreneurs (60 percent) declared that they believe in the growth of their companies. They are hardly pessimistic and even relatively optimistic, which may be not unrelated to the conditions and results of the activities of their enterprises. After all, as known, pessimists are hardly likely to start their own businesses.

Customers of Private Enterprises (Second Quarter of 1991)					
Sector	Average Percentile				
	Share in Sales/Purchases				
	All	Trade	Manu- facturing	Services	Multi- branch
State	29.2	15.6	20.1	44.9	35.5
Private	38.0	40.5	58.9	20.9	35.3
Cooper- atives	3.2	3.4	3.7	2.3	7.0
Foreign	5.8	2.6	4.4	3.4	6.7
State budget	5.8	2.1	3.5	10.3	4.8
Others	20.0	35.3	9.3	18.1	10.0

**Polish Economic Program on Government Changes**

92EP0422A Warsaw SPOTKANIA in Polish No 16/17, 16-29 Apr 92 pp 6-7

[Interview with Deputy Janusz Rewinski, chairman of the Polish Economic Program, by Ewa Wilk; place and date not given: "Sejm Coalition"]

[Text] [Wilk] The phenomenon of reconstructing the government has been played out on the Polish political scene for several weeks now. Your group has been taking part in it. Has this been at your own request or at someone else's invitation?

[Rewinski] The appropriate person with the responsibility, Mr. Bankowski, the chairman of the Parliamentary Club, conducts talks on behalf of our party. After all, the prime minister said he would talk only with serious groups.

[Wilk] Do you think that this was an allusion to you yourself?

[Rewinski] I'd like to take this on myself, because the gravity of these talks is my personal civic concern.

[Wilk] Then how did it happen that you gentlemen wound up in the broad coalition that was designed?

[Rewinski] It was the logical way. We waged a positive election campaign. We focused our attachments on rational deeds based on empiricism. The liberals and other democratic groups noted this, perhaps a bit too late. So when there was a need to broaden the coalition and give the government some sort of opportunity, after corrections had been made, the [Democratic] Union invited us to the talks.

[Wilk] So then, how far are you from the position of the liberals, for whom the prime minister does not seem to show any special fondness?

[Rewinski] From what I have been able to learn from the position of a frog, that is, as an observer at the bottom rather than as a participant, politics is being played according to a scenario of moves that are difficult to figure out with any certainty. It may, therefore, be that an attack through naming unimportant groups that are treated as the most important could help merely to calm the groups that could behave in an irresponsible populist way, like the KPN [Confederation for an Independent Poland] or peasant parties. There is something else that troubles me, though. While the coalition and club talks were going on, when there were very few deputies in the chamber (barely a quorum), at the initiative of the left, a very socialist amendment was added to the banking law by a majority of three votes. It provides for using the interest on the bank reserve tax to restructure agriculture.

[Wilk] Are you suggesting that when the tension shifts to the corridors, there is leftist subversion in the plenary chamber?

[Rewinski] I treat this event as something very dramatic. If there were no security in the form of the Senate, which I hope will stop the matter, we could announce that 3 April this year would be a day for the rebirth of socialism, using Ms. Szczepkowska's model.

[Wilk] So let's say that this was a warning shot, but what if the spectacle continues beyond all measure? Doesn't this long duration bother you as a pragmatist?

[Rewinski] I am full of wonder over people who want to support this government. They realize that the composition of the parliament, which was elected by only 40 percent of the people, was determined by accident and arithmetic that certain people used cunningly, that it is in a certain sense unrepresentative, and that the group that came to power does not have the army to push the nation forward. They had a choice: Either to wait for a catastrophe (and prove to the people in power that they were not fit to run the country) or to support them.

[Wilk] But there is already a certain stereotype that has appeared in public opinion. The government side wants

to spread the responsibility ahead of time for what was an inevitable tragedy, and the rest are trying to fight for the benches, as they say. How do you view both sides' intentions?

[Rewinski] Benches! I'm convinced that that bench is a tremendous responsibility to the State Tribunal, the parliament, and society. I don't know whether there really are such lackadaisical people who would need merely a spectacular success: to sit on the bench, ride in a Lancia, and have an office. It's hard for me to say anything sensible on that subject, because I don't see these benches to be anything positive. I see advantages in business. If we're talking about intentions, you can't tell until after the fact. I don't think it is possible either to get moods swinging to such an extent that trust in post-Solidarity groups would be destroyed throughout the society, but I do admit that there are groups that want at all costs to come to power, groups that approach running the country the way they do running their own farm, because they treat it as great fun at scout camp. And that's dangerous.

[Wilk] But the public is mainly paying attention to how easy it has been for recent enemies in the "war at the top" to bury the hatchet. You could see grimaces even within these groups.

[Rewinski] I think that on a certain intellectual and mental level, a level of personal culture, it is possible to rise above the conflicts to get on with the agenda. The division in PC [Central Accord] and the emergence of the leftist faction in the [Democratic] Union do not worry me. This is the opposite of the desire to overturn the construction that has been glued together with such hard work.

[Wilk] Who is doing the overturning?

[Rewinski] You're asking me for names. The destructive intentions will soon reveal themselves on their own.

[Wilk] Except that the fiasco of creating a great government coalition seems as risky as the success of such an undertaking. There are those who predict the fall of any government that drags all the proreform forces along with it.

[Rewinski] I see no other possibility than...

[Wilk] ...Creating a last chance government? Why now?

[Rewinski] Please! It is a Polish paradox that the workers and the farmers overthrew socialism. Now many of them are waking up with a great headache, understanding that things were fantastic for them before, that one could bungle things and mumble, and that walled off from the world markets, we could always foist that cheese in the damp paper on someone. When everyone saw that now there is a completely different world just beyond that big thick line that somebody once drew, that we have to take ourselves by the scruff of the neck, drink less vodka, and wander around the world less...

[Wilk] All that's obvious, but what's it supposed to look like in practical terms? There has already been a government called "the government of the thick line." There was another one, accused of wanting to build capitalism on abbreviations. Then there's a right-wing government that seems to have declared a program that is a bit leftist. And now all this is supposed to fit within a single new government?

[Rewinski] These issues can be merged. Values are the basis for some. There is also a lobby based on the Solidarity ethic. If we add to this the pragmatists, who will push for the abolition of taxes, for example, and if we take into account the antirecession program for government companies developed by a practitioner who owns his own company...I think that people will agree that no special laws should be created for ethics, but, at the same time, the business lobby is finally being noticed. I also hope that the powerful farmers' lobby will ultimately be convinced that price guarantees can only exist on paper, although at the moment it is seeing the gains farmers made back under socialism jeopardized.

[Wilk] Is the main political dividing line at the moment one between the forces nostalgic for socialism and the liberals?

[Rewinski] I personally consider this to be the basic issue. I often ponder the mentality of the slave who, having destroyed the wall, stepped outside it and felt terribly afraid, because he was free. Various stimuli can incite such fear.

[Wilk] And what confirms your conviction about the procapitalist determination of the groups like the ZChN [Christian-National Union], since the public mind is identifying it more and more with measures that become a source of added conflict, instead of pushing the life of the country ahead?

[Rewinski] For me the most important thing is their determination concerning this moral and mental ruin to which socialism has led the society. They say that ownership is sacred. They want to instill in children the importance of the mother, the father, and the principal. They want to build some sort of hierarchy of authority, regard for knowledge, and respect for morality. Certainly, some people want to do it in an overzealous way, in a month, so what I would call technological errors do occur. Certainly, the Church, whose support is very important, has people who think and speak in an archaic way, people who would dress everyone in a surplice and consider the matter settled. That's bad, and threatens to undermine the Church's credibility. Such a group does seem to me, though, to be very sensitive to Bolshevism, and emotions can be tempered.

[Wilk] Will there be a clear split into two camps now, as the result of what is happening on the public scene? In other words, the unrealized intention of certain politicians who predicted it would be fatal to fragment parliament?

[Rewinski] This will be very difficult. The leftist opposition has this paranoia, and it's a real paradox, because this group is backed by the greatest capital in terms of both money and economic pragmatism, that is, connections. They have behind them the power of "No" (overlooking the fact that this is the power of specific indoctrination). And now the right-wing government is proposing a left-wing program being voted against by the left! This is a paradox on the world scale and on the scale of history. I'm sorry that many intelligent people from that side have been pushed into a position of absolute "No," that they couldn't join together in something constructive. They're no threat. They would be a threat if across our eastern border there were a bear, a teddy bear, from which people could bring back something in their suitcases. But without a doubt, the attitude of desertion, of indifference, negation through boredom—these are the things that can have society crawling on its belly.

[Wilk] The movements on the political scene are already being accompanied by speculation, the expectation of a new government, prime minister, ministers....

[Rewinski] There are no facts that call for a prediction of catastrophe. The important thing in this undertaking is influence over decisions, even if under the auspices of ministries.

[Wilk] I hope you're right....

[Rewinski] The greatest mistake would be to believe that everything can be started over from the beginning, because then very crazy things would begin to happen. Frightened at the prospect of a "savior" in the presidential elections, I myself wanted to warn people as a joke that it would be possible even to put groups from the moon in Parliament, and to bring in a kiosk with beer too.

[Wilk] The joke was extremely successful. I am talking to you as I would to a serious politician.

[Rewinski] Fortunately, I managed in time to attract some wise people, people whose experience and abilities I can now make available to the government, and I can put some distance between myself and those few who had unjustified appetites. But the time is approaching when this joke must come to an end.

### **Difficulties, Rescue Measures for Shipyards**

*92EP0417B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 29 Apr 92 p IV*

[Article by Antoni Kowalik: "How To Save the Shipyards: Without Debt Relief and Restructuring, They Won't Sail On"]

[Text] In the estimate of the Ministry of Industry and Commerce, Polish shipyards will have market outlets despite the collapse of export to the East. The prospects are good for the development of world demand for ships. A rise in orders for large and medium-sized ships is

predicted to the year 2005. The condition [for Polish shipyards] is debt relief and restructuring of that industry; these steps would allow the shipyards to regain the possibilities for action which have been lost in past years.

According to the analysis presented during discussions of the Sejm Economic and Industry System Committee, Polish shipyards have good technical potential, and the ships built in them are competitive on the world market. Together, they employ around 26,000 people. In addition, close to 1,000 factories in the entire country, supplying almost 65 percent of the value of all materials and equipment purchased by the shipyards, work with the industry.

The domestic shipbuilding industry is presently in a very difficult financial situation; the shipyards are in debt. At the end of last year, their indebtedness (without the advances from shipping companies) came to a total of 5.6 trillion zlotys [Z], of which Z2.5 trillion was owed to suppliers, Z1.2 trillion to the state budget, and Z1.9 trillion to banks.

The main reasons for this situation are:

- 1) The collapse of the Soviet market; contracts were cancelled, ships already built were not taken, and payments for ships already delivered are incomplete.
- 2) The change in the economic and financial system—that is, the government's cancellation of subsidies which guaranteed the profitability for the shipyards of ships contracted during a down cycle in the business. For example, the withdrawal of guarantees of such subsidies just on four ships for the Western shipping companies L. Dreyfus and Zenith built in the Gdynia Shipyard caused losses on the order of Z1.2 trillion. Moreover, the withdrawal of supplementary payments for domestic ships caused the cancellation of a portion of contracts, and shipyard losses due to materials and equipment already purchased, and to the sale of ships to domestic shipping companies at prices below production costs.
- 3) The change in state financial policy in the area of credit rates since 1990. The long cycle of building a ship and the necessity of contracting loans are causing an enormous rise in the cost of banking services. It is estimated that the share of costs related to loans came to an average of 20 percent in the shipyards in the years 1989-91.
- 4) The very rapid rise of domestic costs, while prices for ships are already contracted.

Internal factors also have an affect on the present economic situation of the shipyards. For example, shipyards are constantly using their fixed assets, which is reflected in the costs of amortization, and especially in the costs of maintaining those assets. Next, only minor changes are taking place in employment structure. The arrhythmic production means that whole groups of employees, for

whom there is often no work, are supported. Labor productivity is also not rising.

The shipyards' present indebtedness is so great that the Polish ship industry is unable to function any longer without state intervention. This means that industrial policy toward this sector must assume the possibility of debt relief for the shipyards in the very near future; in the longer term, meanwhile, the execution of that policy should include appropriate tax exemptions directly linked to the realization of restructuring initiatives, as established earlier, in the shipyards. The forms of state interventionism applied in other countries with ship industries can be an example. The experience of those countries shows the most commonly used methods to be: protection of the domestic market through tariffs on ships; import restrictions or government contracts; financial assistance for shipyards, including tariff abatements for the purchase of ship outfitting, tax abatements on the sale of ships, and special tax systems for shipyards; and financing of shipyards' general operations—this includes production subsidies, loan guarantees and insurance, and export credits given at favorable rates. In EEC countries, a subsidy limit of nine percent was established for the current year.

In this situation, leaving the shipyards without any help at all puts them immediately in an unfavorable situation on the world ship market. As Andrzej Lipko, director of the Department of Industry and Trade, reports, work on a strategy for Polish shipyards has already begun. A working group and an interministry supervisory group are already at work, with the task of preparing a study of the restructuring of the Polish ship industry. One can identify the principles of industrial policy toward the shipyards from reports already completed. First of all, state intervention is necessary to initiate debt reduction for the shipyards; secondly, there must be long-term operations to support and force their restructuring.

The state proposes emergency interventions, among which are the following:

1) Canceling part of the shipyards' tax arrears, to the amount of the losses related to annulment of subsidies. For the remaining debts, the state proposes that the

repayment schedule, and the accrual of penalty interest charges be prolonged until the moment when those enterprises achieve financial liquidity.

2) The coparticipation of the state budget and the banks in giving guarantees on shipping companies' advances, to an agreed-upon sum.

3) Implementing tariff abatements on imported products installed on ships for domestic and foreign shipping companies.

4) Allowing the transformation of part of loan arrears into shares; this would also include the indebtedness of suppliers. Actions would also be initiated toward reaching agreements between the banks and shipyards on the renegotiation of debts. There would be agreements on cancellation of interest payments, exchange of indebtedness for long-term credits, mortgaging, etc.

5) Allowing shipyards to contract loans and open currency accounts in foreign banks.

It is emphasized that this assistance should be dependent upon restructuring programs proposed by the shipyards and accepted by a promoting body. These programs should, among other things, bring labor productivity and production cycles to at least the mean worldwide level, and aim toward optimal size of shipyards. For without these, the further realization of contracts would be simply unprofitable.

Therefore, for example, it is proposed that shipyards be freed from dividends or capital taxes, on condition of reduction of assets and the accomplishment of developmental investments; that guarantees for shipping companies' advances and bank loans to be extended, depending upon restructuring initiatives; and that tax abatements related to the realization of research within restructuring programs or in the carrying out of contracts be given.

Moreover, the transformation of all shipyards into stock companies is planned, as is the extension of preferential credits and tax abatements to Polish shipping companies that build ships in our shipyards.

### Slovene Proposals for Dividing Yugoslav Assets

92BA0976A Ljubljana DELO in Slovene 14 May 92 p 6

[Article by Stojan Zitko: "Serbia Would Like To Reach Back to the Times After the End of the Balkan Wars"—first paragraph is DELO introduction]

[Text] Division of the Yugoslav inheritance; Slovenia is proposing that what was the joint property of all the republics in Yugoslavia be divided; in this division, Serbia (and Montenegro along with it) want to settle accounts with the past, from the SHS [Kingdom of Serbs, Croats, and Slovenes] to the NDH [Independent State of Croatia].

(From our correspondent) Brussels, 13 May—After it was decided within the framework of the conference on Yugoslavia to establish a special group of experts for issues of succession to the SFRY, we can expect that work on this most difficult area will go more quickly. Nevertheless, even before the last presidential meeting in Brussels, we are talking about a fundamental shift, since this time the delegations were nevertheless already able to compare how they view these issues, and above all, what, in their opinion, even ought to be divided up in the inheritance proceedings. Also, the first list of property and obligations was prepared, which will remain a subject of discussion for a long time to come.

After reading the written material that was prepared on this subject by the republics (it is only from Bosnia-Herzegovina that we do not have any), we can state that Do Vale's proposal is actually still most in accordance with what the Slovene Foreign Ministry sent the conference's secretariat regarding the division of property and obligations. To be sure, there are also fairly significant differences among the individual republics, which are allegedly only coming closer together, since it is necessary to take into account that they nevertheless agreed on many things at the last plenary meeting of the two working groups of the conference on Yugoslavia. It should be pointed out once again, however, that two blocs are emerging in these discussions, since on one hand the four republics that are now clearly on their own and sovereign or are still waiting for that (Macedonia) have fairly similar views, whereas the representatives of Serbia and Montenegro—as the would-be successors of the old state and representatives of the new joint Federal Republic of Yugoslavia [FRY]—have already tried to act together during the work of the working groups.

#### Comprehensive Slovene List

In practice, Slovenia is including in the division of assets a very broad select compilation of joint property and joint obligations. In contrast to most of the others, especially Serbia and Montenegro, it is not introducing political labels into that list, and it was likewise obviously only at the meeting itself that it supported Do Vale's proposal that the cutoff date as a basis for dividing up the property would be the situation as of 31 December 1990. The Slovene proposal, in fact, does not

contribute its own position on this, but we know that Slovenia supports the above-mentioned date.

In Slovenia's opinion, the division of assets should include everything that was formerly at least indirectly the joint property of all the republics. Among the property (assets) that should partly belong to our state as well according to specified standards, the most significant is certainly the foreign exchange and gold reserves in the NBJ [National Bank of Yugoslavia] treasury, the capital deposited in numerous international financial institutions (the IMF, IBRD [International Bank for Reconstruction and Development], IDA [International Development Association], BIS [Bank for International Settlements], the Interamerican Bank, the African Bank, etc.). One significant item is claims against other states, since certainly not all the accounts have yet been settled that the SFRY presented to states with clearing payment, or in those cases in which the repayment of debts was also postponed for several states (probably primarily Iraq). That joint property, of course, also includes claims for export credits to several other states through federal institutions (this probably concerns primarily the Yugoslav Bank for International Cooperation), or in conjunction with former joint institutions primarily significant for military trade (the SDPR [Federal Directorate for Supply and Procurement]).

Several of the more important aspects of the division in the Slovene proposal should be summarized in particular. The property of the JNA [Yugoslav People's Army] is thus being divided into five components, all the way from its real estate, housing inventory, special production, weapons and other equipment, to its reserves; of course, there is also a great deal of property of the former federation, since according to this proposal Slovenia is also not ignoring its embassies and consulates or residences abroad. It mentions the property that has been accumulated by numerous federal institutions (including the customs and hydrometeorological service and air traffic control). Much federal property is in the form of the housing inventory, and Slovenia is also not forgetting about the villas and numerous other residential facilities owned by the federation and the JNA. The division proceedings must also include the property of other federal institutions, whether it involves the Federal Economic Chamber and its network of representations abroad, or the property of the former federal sociopolitical organizations.

#### Serbian and Montenegrin Demands

Whereas for Slovenia and the other three independent republics, for instance, the specification of 31 December 1990 as the date that is to establish some sort of bookkeeping balance of the former state's property is obviously quite important in determining the division of assets, Serbia and Montenegro are further complicating this issue with the introduction of the "historical and developmental dimension." According to the position on the division of assets that was prepared in Belgrade on 22 April, and is thus still quite new, for the time being

it is not yet possible to conduct substantive discussions of these issues, but only on the list of what is to establish a balance between property and obligations.

How the Serbian delegation (in these talks, Dr. Kovac and Dr. Markovic represented it) views the temporal dimension of the division of assets is more interesting. The result, in fact, is rather surprising, since one can see that Serbia (and along with it Montenegro, which speaks quite similarly in the other document) is not prepared to agree soon on dividing up the joint property. To put it simply: If we were to act according to its proposal, we can state that we would never arrive at the division of the property, since it would become a virtually impossible action. Let us look at a few of those ideas. According to the document that the Serbian delegation delivered to the secretariat of the conference on Yugoslavia, in dividing up the joint property it is not possible to deal only with the present situation; instead, in doing this we should also proceed on the basis of numerous other factors. This primarily involves several factors: Yugoslavia's property rights and on the other hand its obligations should be considered ever since its emergence, and the mutual relations among the republics should be considered since the end of World War II. This means, for example, that the "relevant indices," as they put it, should also take into account the provisions of the peace agreements after the Balkan wars, and then in turn the peace agreements and other documents that also resulted later on from the end of World Wars I and II, the consequences of the war damages and the monetary reform of 1921 (the Serbian dinar), the Yugoslav debts during the years 1919-41, and their liquidation up until now. It seems particularly important to the Serbian negotiators—and the Montenegrin representatives are also pursuing it with the same fervor—to make the division of assets unpleasant for the Croats in particular, since they are demanding that in addition to all of this—let us say, Serbia's losses to date in the joint history of this state—one must also add all the damage because of the Ustasa seizure of the gold and silver at the NBJ branch on the territory of the NDH during World War II; the demand is also being continued by citing the Ustasa seizure of Serbian and Jewish private property on the territory of the NDH. The division of assets would also be affected by the consequences of the monetary reform of 1945 and the decision on confiscating the property of national traitors, and especially also the war damages after World War II, and the nationalization of economic enterprises in 1948. They are also mentioning again that after the war, significant parts of industry moved from some republics to others. It would quite certainly be very difficult to determine and even more difficult to divide up "the consequences of price policy, which was under the federation's jurisdiction," and the demand ends with

the need for "special compensation for the damages caused by the republics' unilateral decision to separate from Yugoslavia."

#### Montenegro on Integration

In this regard, also particularly important is Montenegro's position that in the future division of the joint property one must also look at whether all the previous republic obligations to the state and indirectly to certain important sectors that used money from the budget. Montenegro, to be sure, is still raising above all the idea that before thinking about dividing up the former joint property, one should think about the economy and new economic ties among republics and enterprises; the background of this is to be the creation of some new integration (to be modeled after the integration process in the EC). The Montenegrins believe that such a development, in fact, would ideally facilitate the settlement of succession issues, although with the sponsorship of the EC and the UN.

For the time being, Montenegro in this case is still not interested in the division of assets itself, since it thinks that first of all an agreement should be reached on the succession and continuity of Yugoslavia at the international level. Montenegro itself, just like Serbia, in its own opinion has had its sovereignty internationally recognized ever since the Berlin Congress of 1878, and it did not just bring its sovereignty into the first Yugoslavia in 1918, but also a considerable amount of property and established international relations.

Of course, this republic is also contributing its own views on the division of assets, and with respect to listing the "divisible" obligations and property, in numerous cases it has opinions completely identical to Slovenia's, for instance (convertible deposits in foreign banks, the federation's gold and other reserves, its movable property and its real estate, etc.), but at the same time, it is already introducing the problem of the property that arose through the transfer of industrial shops, shipyards, etc., among the republics. It is surprising that it is also including in the division of assets the obligations of the former republics to the federal budget; this has to do with the "missing" contributions to the federal budget on the basis of the sales tax and customs duties, and on the other hand, past claims by certain beneficiaries upon the federal budget, primarily incentives for farmers and exporters, subsidies for shipbuilding, for preparing for the tourist season, etc. In particular, they would take into account the old Montenegrin burden, namely the foreign exchange loans obtained abroad that were then used for Montenegro's development by conversion to dinars, but this was stifled in advance by the growing exchange rate differences. Montenegro is also demanding that with respect to the division, one should also take into account compensation for war damage in both the World Wars (it is not mentioning the past domestic wars in this framework)—and this mostly applies, just as in the Serbian demand, to Ustasa actions in the NDH.

### **Macedonian Border Crossings: Location, Regulations**

*92BA0930A Skopje NOVA MAKEDONIJA  
in Macedonian 8 May 92 p 6*

[Article by Panta Dzhambazoski: "The Line Has Not Blocked Trade"—first paragraph is NOVA MAKEDONIJA introduction]

[Text] The citizens of both republics need only an identity card, and the most frequent reason for the crossing is to visit close relatives who are now residents of two different countries. Every day, 14-year-old Zulfi Imer crosses the border armed only with a health certificate because he lives in Macedonia and goes to school in Serbia (Kosovo).

Starting from Skopje along the so-called Kachanichki Road, which goes from Prishtina and from there to Jadranot, a distance of slightly more than 20 km, one reaches the Blace border-crossing point. Several hundred meters from the crossing point itself is the invisible line beyond which is the territory of the Republic of Serbia.

The houses and the people of the Republic of Macedonia's northern neighbor may be seen with the naked eye. It is the General Jankovic settlement, identified by its cement plant, from which a white, dustlike fog spreads throughout the countryside. Scattered houses may be seen in the immediate vicinity of the buildings at the Blace border-crossing point. It is difficult for the ordinary traveler to determine which house is on Macedonian and which on Serbian territory. Naturally, this is well known by the families that live there and that now find themselves facing a new situation: They must cross the border between the two republics in accordance with regulations. Not so long ago, no one gave the border a thought, and it was only during the time of the big Kosovo demonstrations that occasionally there was somewhat stricter police control on either side, indicating that this was a border separating two republics.

#### **No Reason for Fear**

We expected that traffic along the road from Skopje to the border-crossing point would not be heavy because the very fact that there is a border regulation frequently makes people reluctant to take off. However, the traffic is as heavy as it was in the past. We noticed that most of the cars had been registered in Skopje or cities in Kosovo. There also are interurban buses from Prishtina, Kosovska Mitrovica, Ivangrad, and Cerna Gora. Far less frequent are vehicles with Serbian registration (outside Kosovo) or foreign registration (from Western Europe), which are most likely the property of people who live in this area but work abroad.

We noticed in the parking area at the crossing point a tanker truck from Albania. The officials were checking that vehicle most thoroughly. We found out that the driver of the truck had crossed the border point of the Republic of Serbia at high speed, unwilling to stop,

which was immediately reported to the Macedonian colleagues. It was too early to find out what will happen to this truck and its driver, who had committed a serious infraction of the law. There were five or six cars awaiting the customs formalities.

Meanwhile, we found out from the travelers themselves that, at this crossing point, the officials are very proper and that there are no reasons for the familiar fear of customs. The border can be crossed with a simple identity card, but, on the Serbian side, in the case of male citizens of that republic, crossing creates problems because it requires, in addition to an identity card, proof stamped by the Ministry of National Defense that the individual has not been drafted into the Army or is in the military. We found out that no substantive violations have been noted at this crossing point, such as carrying weapons or drugs. Occasionally, currency violations are committed. Other than that, the fighting in what was once Yugoslavia has led to the fact that this crossing point is used mainly by citizens of Macedonia and Kosovo.

The crossing point itself, one could note, is entirely new and still unfinished. Specifically, there is no mast or flag, there is no stop sign, ramp, or water main. However, efforts are being made to bring running water (a plant system is used), and a hole is being dug for the mast....

Blagoja Mladenovski is chief of the customs service. He is quite skillful in his "profession." He worked previously at the Deve Bair crossing (to Bulgaria) and at the Petrovec airfield. He says that the traffic of people and goods has not been blocked by the border and the border requirements and that he keeps in touch with his Serbian colleagues, which is quite important and useful in this type of service. Mladenovski informed us that the citizens of the former Yugoslav republics have the right to carry with them personal household effects, up to 15,000 denars and foreign currency with proof of ownership, as well as commercial goods, naturally to the extent allowed by customs regulations. No customs fees are charged for goods produced in the former Yugoslav republics. According to Mladenovski, this border point is crossed most frequently by people who have relatives or close family members on either side of the Republic.

An automobile with three passengers, Skopje residents, who work as teachers at the General Jankovic primary school, stopped at the border-crossing point.

One of them, Raif Darminti, told us that he has worked at the school since 1981 and travels on a daily basis. Now, with the new borders, they lose a lot more time, and they are fed up with having to stop every single day to show documents and to open the car for inspection, the teacher said. While we were talking, on the road from Serbia to Macedonia, a child carrying a school backpack was walking from Serbia to Macedonia. Instead of showing an identity card (which he did not have, being 14), he showed a health certificate. Actually, he was already known to the customs officials. This was Zulfi

Imer, who lives 5 to 6 km down the road, in Macedonia, but attends school in General Jankovic. This pedestrian student told us that he commutes 12 km between house and school. Sometimes he gets a ride in a car, thus arriving sooner.

#### **In Conclusion—Walking Across the Border**

Bajram Belja drove a Fikja, with Skopje registration. He frequently goes to General Jankovic to visit his maternal uncles. He says they cannot go to Skopje without the necessary "military" certificates.

We noticed another pedestrian. This was Mema Esad from Skopje. Some 50 years ago, he was born in the village of Dubrava in Kosovo, approximately 15 km from this point. He displayed his birth certificate. He was returning and had been given a ride in a truck but was asked to get off before the Serbian border. It was considered better for the driver to cross the border alone in the truck because he was carrying a large number of bottles of cooking oil, which could cause a problem. We noticed yet another pedestrian, with a bag on his back. He had gone through the formalities. We asked him what he was carrying. He said he had bought lime in Skopje

and that was all he was carrying. He said he had no problem other than that he was not allowed to bring rocks across the border....

Another car stopped at the border. It was a Mercedes with registration PV, from Plevlja, in Montenegro—that is, it had traveled a somewhat greater distance. The passengers were Mustafa Tosulovic and his wife. They were going to Skopje to visit his sister. His car was checked thoroughly but properly. He had no foreign currency but carried some 10,000 Yugoslav dinars. Asked whether he considered this amount sufficient, he said that, inasmuch as he was going to see his own sister, he could not see why that would not be enough.

A Jugoprevoz bus coming from Ivangrad stopped. It carried no more than five or six passengers. The formalities started....

We took off for Skopje. Several kilometers down the road, we noticed an improvised parking area along the road, with three or four cars. The people had come out of their cars and were exchanging money: dinars for denars, denars for dinars and for foreign currency.... This was either black market or hustling for the money changers and travelers to Macedonia or Serbia.

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