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# ***JPRS Report***

## **East Europe**

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19980112 073

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# East Europe

JPRS-EER-92-080

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### Business Bloc Leader Sets Out Program

AU2306101092 Sofia DUMA in Bulgarian  
12 Jun 92 p 2

[Interview with George Ganchev, leader of the Bulgarian Business Bloc, by Lidiya Lecheva; place and date not given: "Only a New Coalition Government of Specialists Can Resolve Bulgaria's Economic Problems"]

[Text] [Lecheva] You represent the Bulgarian Business Bloc [BBB]. Can you describe its development to date?

[Ganchev] The BBB is an independent organization that is campaigning for economics to govern politics, and not the reverse. Both the BBB and the BIZNESMAN newspaper are financed through my own generosity. At the moment, private business is not well organized, and for many Bulgarians the term businessman is a dirty word. Unless the BBB gives them political protection, businessmen will remain like birds in the wheat field and will be shot by edicts, decrees, and new taxes imposed against their interests. The BBB is a political party that is forging a serious economic program.

[Lecheva] How does your program differ from other similar ones?

[Ganchev] The program will be ready in its final form in October, but we will publish it earlier. It is being worked on now by Prof. Nansen Bekhar, his team at the Bulgarian Academy of Sciences, Gancho Ganchev, and Chavdar Nikolov. We want to increase production to 60 percent of the gross national product, while trade should make up 40 percent. At the moment, trade accounts for 70 percent and production 30 percent. Crop farming and animal breeding are of primary importance to us.

[Lecheva] Are you satisfied with the Land Act?

[Ganchev] No, and it will be amended by a subsequent coalition government. It is ridiculous to reestablish ideal boundaries. Even in a country the size of the Netherlands, the smallest farm that is economically efficient is 2,000 decares or more. What is happening in Bulgaria is merely setting brother against brother.

[Lecheva] What other special features are in your program?

[Ganchev] The program's second section is concerned with the food and tobacco industry. This industry has good traditions of quality and high exports. As I told Simeon II on 14 January, do not talk to me about crowns but about quotas, about a Bulgarian lobby, about famous Bulgarians who can help us. This is what people understand by offering a helping hand. Third, we place an accent on the tourism industry. Much money has been invested in the Black Sea coast and the mountains, but there is a crying need for good managers. This means that we must set up joint enterprises, but with Bulgarians holding 51 percent of the shares. The main thing is that we must not become hired laborers for foreign interests, and we should not sell a single square centimeter of Bulgarian land. Land should

be offered on 25-year leases, with a certain sum of money deposited in advance and available for immediate use.

[Lecheva] What about industry? Do you write it off?

[Ganchev] Everything outside the above-mentioned three sectors is of secondary importance. It is true that there has been a lot of construction in Bulgaria, and anyone who tells you that nothing has been done in the past 45 years and that the people have been paralyzed is lying. Now we have to find the managers to operate what we have constructed. Much money has been invested in industry, but it has not been returned. Abroad, people build according to special programs that calculate the return down to the last stotinka. We can rescue unused production capacities with the help of foreign partners or through our own efforts. Foreign capital will supply us with management, technologies, advertising muscle, and markets.

[Lecheva] How will the BBB help to make the changes?

[Ganchev] We have started not only to build up our image but also to set up our organizations all over the country. The BBB has company associations in 210 towns, plus our regular organizations. The company associations are trying to unite capable entrepreneurs, irrespective of whether they belong to the Union of Democratic Forces, the Bulgarian Socialist Party, or the Bulgarian National Agrarian Union. Anyone who wants to join us must have a company or participate in some constructive activity. The associations campaign to put forward candidates for mayors, township councillors, and National Assembly deputies.

[Lecheva] Do you believe that an economic reform is taking place in Bulgaria at the moment?

[Ganchev] One is promised. Soon Bulgaria will have a professionally qualified government. Competent people from the leading parties will implement the reform by means of a national consensus. Such a consensus must be achieved by the end of the year; otherwise, we will hit rock bottom. It is our native land, not some party or coalition, that is in danger. Anarchic trade-unionism will finish off the country. Those friends of ours, like Trenchev and Krustyu Petkov, who want to gallop off like heroes on their white chargers, are striving to gain political goals by trade union means. If they have any sense of dignity, they should become straight politicians and assume responsibility in the political boxing match.

[Lecheva] How do you assess the "reform" in the military-industrial complex?

[Ganchev] The complex must be retained by the state. It produces an output of 1.2 billion per year. U.S. interests and Podkrepa have secret ambitions of buying shares and appointing directors. Filip Dimitrov promises the Arabs that we will not sell arms, which is utterly crazy. This is not his own patrimony, but an industry for which all of the taxpayers in Bulgaria have paid. Small states cannot afford to have such a huge industry to boast about. At the moment, it is being split up. The military plant in Nedelino has started producing saws. However, there is no market for saws, and 65 percent of its workers are unemployed.

[Lecheva] Would you run for president again?

[Ganchev] The presidency is the last thing I worry about because Bulgaria has a president, and we must show him respect due to the fact that the nation elected him. When the time comes, I will not only run but also will win. However, this is something to talk about a few years from now.

### **Prosecutor General Advocates Capital Punishment**

*AU2306131692 Sofia BTA in English  
1208 GMT 23 Jun 92*

[Text] Sofia, June 23 (BTA)—“I am convinced that at present capital punishment should be restored, as a deterrent to rising crime,” Bulgaria’s Prosecutor General Ivan Tatarchev says in an interview for the 168 CHASA weekly.

Bulgaria imposed a moratorium on executions two years ago. Now politicians and public figures have been pressing for a lifting of the moratorium because of the steep rise in crime.

“To commit mass killings and then go on living is inexplicable to me,” says Prosecutor General Tatarchev commenting on the communist death camps in the 1950’s and 1960’s. In his view there are no statutes of limitation for such crimes, not only because they are crimes against humanity but also because “the years under communism cannot count as a period of limitation.”

In his interview Mr. Tatarchev stresses his nonaffiliation to any political party. However, he claims he “hates communism as a theory or practice.” “My only aim is to prosecute offenders, including the culprits for the present situation in this country,” he adds. According to Mr. Tatarchev, after the death camps and ethnic Turks’ forced assimilation cases, it will be the turn of high treason charges.

According to Bulgaria’s prosecutor general, during his recent visit to Switzerland, Swiss authorities promised “solemnly” to cooperate with Bulgaria in tracing dirty money smuggled out of this country. According to Mr. Tatarchev, the myth of impenetrable Swiss bank secrecy has been debunked. “I have been assured that if a criminal investigation is launched and the respective bank is named.... Things stand in the same way about the extradition of persons for commitment to trial in Bulgaria.” However, he maintains that to his surprise those same officials said just the opposite later on. Asked to comment on this fact, Mr. Tatarchev says, “I came to think that money is the most important thing in the world.”

In his interview, Bulgaria’s prosecutor general states that some countries (which he does not name) are interested in not letting money out. For this reason they are declining to make bilateral legal deals with Bulgaria and that was their established practice.

## Minister Views Future of Foreign Trade

92CH0634B Prague HOSPODARSKE NOVINY  
in Czech 27 May 92 p 4

[Interview with Jozef Baksay, federal minister of foreign trade, by Marcela Doleckova; place and date not given: "The Ministry Must Not Trade"]

[Text] [Doleckova] Do you think that I am talking with the last federal minister of foreign trade?

[Baksay] You may be talking with the last minister of foreign trade, but you certainly are not talking to the last minister who will be providing comprehensive assistance to our businessmen. I am convinced that there must be a central federal agency to provide comprehensive assistance to our businessmen. I do not think that in question will be some automatic consolidation of the ministry of foreign trade with the ministry of economy. I believe that the basis should be the present potential of the ministry of foreign trade, because there are true professionals in it today; 75 percent of the employees in our network abroad have been replaced. That, too, was the reason why we successfully changed the deficit of 11 million Czechoslovak korunas [Kcs] in our balance of trade in 1991 into a trade surplus of Kcs25 billion by the end of the same year.

[Doleckova] Does not the favorable balance reflect a decline of imports rather than an increase of exports?

[Baksay] Of course there has been some decline in imports, but the important point is that exports did not decline, and, what is even more important, the structure of exports is changing in such a way that the volume of products with a higher percentage of value added is growing.

[Doleckova] Do you notice the same trend in imports?

[Baksay] To a lesser degree than we expected. There are probably several reasons for that, among them Czechoslovakia's internal problems and insufficient capital in our business establishments.

[Doleckova] Could you give us some specifics about what your ministry has accomplished during the past two years?

[Baksay] It can be put very simply: There has been a total change, not only legislative, but also in philosophy and the approach to entrepreneurship. Today there exists practically no obstacle to business from the legislative point of view. The only obstacle is the self-limiting restrictions (steel, textile, agricultural products), which, of course, do not originate in Czechoslovakia. Today anyone can engage in business here without any certification or permission. It is, of course, connected with internal convertibility, which our ministry is actively helping to maintain. As far as the philosophy is concerned, that is based on the proposition that the ministry must not engage in trading. The ministry "only" makes certain that entrepreneurial-type businesses get the maximum possible advantages that can be provided at the state level. And finally, we built up a functional computer network which provides a solid flow of information to Czechoslovak businesses. Each individual business obviously does not have the capacity to find out on its own what kind of legislation each country has, its tax situation,

or the incidence of customs duties. Any private entrepreneur, whether state or private, large or small, can ask the Czechoslovak commercial section for help with negotiations, and the section is obliged to provide that help. He will send, for example, a letter with his offer, catalogue, and documentation material, and the commercial section will find out through its own contacts where he could sell. It will find out which firm is interested, and then it is all up to the entrepreneur himself.

[Doleckova] If an organic integration with the Ministry of Economy takes place, would that mean that the new ministry would also take over this network of representatives?

[Baksay] Without fail. Such ministry would basically be a strong ministry of economy that will not direct, but prepare the ground for entrepreneurs.

[Doleckova] When you assumed office and spoke about Czechoslovak trade, you said that the export of arms is not profitable. In your latest statements you spoke in the sense that Czechoslovakia would be guilty of business ineptitude if it left the world arms market.

[Baksay] Export of arms during the previous regime was not profitable because its priority function was political. I am not thinking merely of the price ratios, but the fact that they were exported for state credit and unfavorable terms. We practically never got the state credit back, and that is precisely why today we have such huge claims against some countries. But Czechoslovakia built up a good military production even during the first republic, names such as Skoda Works or Zbrojovka had cachet. I think, therefore, that as soon as we succeed in setting up good legislation in the arms trade area, it would be nonsense to take jobs from people if there is interest in their products. The value of Czechoslovak arms export fell from Kcs27 billion in 1987 to not quite 6 billion in 1991. If other countries, too, were to make significant cuts in their export, beginning with America and perhaps ending with Germany, then I would insist that Czechoslovakia also carries out a thorough conversion. But since the decline in our export of arms was followed by an increase in the production and sales of American, German, Italian, etc., products, I think that we cannot behave like business dilettantes and give precedence to humaneness over real economic results.

[Doleckova] Is the list of countries where Czechoslovak arms cannot be exported definitive?

[Baksay] This list must be flexible, and therefore I am strictly against its publication. Moreover, we need to export goods for civilian use to some countries which are risky for us from the military point of view, and this happens to involve mostly turnkey plants. For example, as a result of my visit to Iran last December, we signed a number of very lucrative contracts, such as for aluminum works, cement works, etc., worth more than \$1 billion. And all of a sudden we would announce that Iran is a country to which export of arms is forbidden! Nobody needs to be clairvoyant to realize that the signed civilian contracts could be put in jeopardy. In other words, a

politician must very scrupulously weigh the business and political aspects and must not react like a dilettante.

[Doleckova] You mentioned that turnkey plants are a large part of our export. And that, of course, is precisely where Czechoslovak exporters are at a disadvantage because of the high interest rate on the credit they need.

[Baksay] That was the reason for establishing, among other things, the Export Guaranty and Insurance Company (EGAP). This company has several tasks. The first is to insure business and political risks; the second is to equalize the interest rates, but naturally the business must prove that the credit it gets serves to support export activity. Work is still in progress today on the general provisions of EGAP, which will include a business plan and general insurance provisions for comprehensive insurance, for insuring short-term export contracts, and for insuring medium-term and long-term contracts.

[Doleckova] What other proexport measures can you mention?

[Baksay] There is a number of them. For example, there is the matter of relief from duty on imports of selected machinery, equipment, and turnkey plants for modernizing Czechoslovak economy. The appropriate decree is ready and we are now waiting for the results of the amendment procedure. I presume that the decree will be published while I am still in office. Already in force is a decree for relief from duty on components which are used in production, again with the goal of supporting the export of end products. We must not forget the general pro-export measures, of which undoubtedly the most important are two basic agreements, with EC and EFTA [European Free Trade Association]. Regrettably, the association agreement with EC, in force since 1 March, which relieves as much as 75 percent of our export from duty, still is not used the way it could be. I am afraid that our businessmen are not sufficiently aggressive, and so it can happen that the price advantage flowing from the relief from duty is "swallowed" by the customer in the other country. As far as the agreement with EFTA is concerned, it should go into effect on 1 July, and I would like to point out that we are the only country from the former East Bloc that signed this agreement.

[Doleckova] But wasn't its ratification put into jeopardy by Liechtenstein's position?

[Baksay] In the first place, at issue is the property of a private person, second, during negotiations of the agreement this problem was never brought up for discussion. And lastly, we do practically no business with Liechtenstein.

[Doleckova] You spoke about how unprofitable many of the previous state credits proved to be. Last year, trade with the Soviet Union was not done on the basis of any state credit and nevertheless our exporters were not paid.

[Baksay] According to the statistics of the former Soviet Union, Czechoslovakia succeeded in remaining the fourth largest supplier to the USSR. Ahead of us are only the FRG, the United States, and Italy. Therefore we succeeded

in something that few people expected, namely, that in spite of the enormous economic difficulties of the former Soviet Union we maintained a turnover of \$5 billion. And I am not even mentioning the fact that we succeeded in reaching an agreement on the exchange ratio of 1:1 between the transferrable ruble and the U.S. dollar. As far as last year's significant credit balance is concerned, responsibility for that lies in a certain lack of discipline by our businesses, which in spite of the announcement that the marginal credit (\$150 million) was overdrawn, continued deliveries without having payment guaranteed. Another aspect is the basically total collapse of the only Soviet bank which was approved last year to handle foreign business transactions. For that reason we negotiated an entirely different system of doing business in 1992, which guarantees direct payments to our businesses, this time through the Czechoslovak Commercial Bank. Now we need to negotiate the repayment of the debts. As far as the state credits from the time of Prime Minister Adamec is concerned, payments on those will begin on 1 January 1996; the second part are debts from selected integration projects that are mostly being paid in kind, which is advantageous for us. The greatest problem is with the balance of more than \$2 billion. We would like to realize this debt in two ways. According to the first one, it could be paid with crude oil directly from the production areas, whereas until now only crude oil guaranteed by the Russian Government could be used this way. The other possibility is a promise from the Russian side that at least part of the debt from last year will be repaid. Then there is the possibility of a capitalization of the debt. It means that securities, which Czechoslovakia would obtain from the Russian Federation, would be given to businesses which have claims in Russia and which are interested in investing capital in Russia. I must say that this is a profitable matter.

[Doleckova] But risky.

[Baksay] Undoubtedly yes, but the risks of investments are greatly balanced out by the rate of profitability. One merely needs to realize that the exchange rate of the U.S. dollar to the ruble is 1:100. Naturally, the entrepreneurs who would have the courage to invest in Russia this way would have to be accomplished businessman. I could, of course, name a number of firms which are already doing this. For example, I know one private firm in Kosice which bought a marble quarry in the Russian Federation, then from the credit line in Italy it bought a marble grinding plant, set it up in Cadec, and today it has guaranteed sales of this marble to Saudi Arabia and Kuwait for five to six years. We already have a written documentation from Russia that the first \$100 million is ready for Czechoslovakia to try out the capitalization method. It is therefore up to the Czechoslovak entrepreneurs, but it also depends on whether we shall prepare a good informational base for them. We have done it by "breaking up" the commercial section in Moscow and scattering it around all the newly emerged republics, and within the Russian Federation around more regions. That way we basically covered all of the former Soviet Union, and secured a relatively very good information network which we are naturally placing at the disposal of our entrepreneurs.

### Slovak Politician on Czech Nationalism

92CH0606A Prague LISTY in Slovak  
No 2, 1992 pp 21-23

[Article by Peter Marianek, chairman of "Human" movement: "How We Perceive Czech Nationalism"]

[Text] In the past, the "Human" movement would often harshly criticize the Slovak political scene, Slovak nationalism, and so on. Thus far we have not been very critical about the situation in the Czech Republic. In this contribution, upon the request of our Czech friends, we shall deal primarily with the Czech scene. Alas, it will not be done from the standpoint of scientific expertise because we are no experts, only rank-and-file citizens. All we can do is to describe how we, here in Slovakia, perceive the Czech developments, and how we feel about them.

Do we really perceive Czech nationalism at all, and if so, how? Well, it is difficult to sort out our perceptions in a simplified way. If we are disappointed because we in Slovakia have certain coalition deputies who have assumed the role of the opposition, or an interior minister who is not equal to the authority invested in him but who wants to expand it in order to organize a "home guard"; or because we have left-wing factions that are flirting with right-wing nationalism with which they feel pathetic solidarity in efforts aimed against the government parties; or because we have a prime minister who declared in the United States (!) a crusade against liberalism, then we must be equally annoyed by "Czech" iniquities.

They include, for instance, the tragicomically irreconcilable conflicts among the ruling parties of the erstwhile Civic Forum, the imprudent emphasis even prominent political leaders put on their irritation with the Slovak representation, or the radicalism of the Johnny-come-lately revolutionaries and their attacks against certain personages on the Slovak side (Dubcek, Calfa, Langos, and others) who personify the cohesiveness of our common federation, as well as everything that may be summed up as ignorance of Slovak realities.

We live in an era when democracy has not yet been stabilized and when it lacks both a legal system and civic and democratic awareness. This situation calls for a broad-based consensus among all democratic parties; it is absolutely impossible to allow them to fight one another in their irrelevant disputes. The grass-roots movements, Civic Forum and Public Against Violence, have fallen apart. Let us set aside controversies about whose fault it was, and let us set aside all those sophisticated explanations that it is an inevitable and natural process which produced advantageous results because it made the political scene much more comprehensible. The premature, irresponsible breakup of the Civic Forum and (in part, consequently) the breakup of Public Against Violence have led, among other things, to a destabilization and radicalization of our political scene and to the emergence of doctrinaire argumentation instead of objective argumentation. Having become distant from the citizen, politics

have lost their human dimension. Instead of concern about specific problems of life, messianistic doctrines are being hurled at the citizen.

What once we used to regard as a natural precondition for life that should be normal at long last—a radical economic reform—was elevated to a cult object without regard to certain individuals and their existential problems. On the other hand, this considerably strengthened particularly in Slovakia the left-wing demagoguery with which the leftist (or the so called left-wing) parties and movements are recruiting voters very cheaply, simply by casting doubts on the radical economic reform and dismissing it under the pretext of social security and "consideration for the specificity of the Slovak character." Such aggravation of conflicts, especially at a time when different doctrines predominate in the Czech and in the Slovak parts of the federation, will ultimately lead to a breakup of our common state. Yet this state can continue to be a democracy and find its so-often-invoked way to Europe only if it stays united. Of course, this whole phenomenon is so much more dangerous because along with the political scene, the population is also becoming radicalized. However, if it is a matter of ideas, then why should we not consider the idea of preserving our existing democratic state? Is it not true that this idea may be worth more than an election victory of one logically integrated concept of a social system? After all, no one (with the exception of the Bolsheviks) can foresee how a society may develop. In spite of that, we still cry: "Woe is the society that fails to adopt our doctrine!"

And now something about the above-mentioned ignorance. From the Czech mass communications media we hear far too often that "the Slovak representation" is unwilling to come to any agreement; that "the Slovak representation" puts obstacles in the way; that "the Slovak representation" sabotages discussions; that "the Slovak representation" is not interested in a common state. One should realize that this particular Slovak representation may be composed of persons with different, occasionally radically divergent views. Why is it precisely in Bohemia and precisely in Prague (which certainly cannot be blamed for a lack of radicalism in any direction) that the media act as if the Slovak representation were some kind of a monolithic group aggressively huddled together with the objective of breaking up the republic? Thus, the same brush is used to tar, along with the nationalists, not only politicians who have nothing in common with the separation movement but in particular, many citizens who had recognized the threat of nationalism even before our first free elections and who are now literally risking their own skin. For that they have to face the hatred of the stupid part of the Slovaks, and from the Czech media of communication a lack of interest which is becoming increasingly dangerous for them.

A while ago the CSFR has earned the trust of the world, among other things, because of its courageous program for the conversion of its arms industry. We should like to remind those with short memories that this particular production is situated mainly on Slovakia's territory. Unfortunately, we divided the above-mentioned foreign

trust among ourselves more equitably than warranted by the social impact the full force of which the given territory has to bear without any sympathy, not to mention assistance. We are convinced that were it not for the pseudo-liberal dictum "see to it that you earn your own living—that is not our concern," this social and nationalist demagoguery would never have scores such an enormous success on that same territory. Do not precisely these false illusions represent the worst "enemy" for liberalism, democracy and a common market? And will they not ultimately lead to a cruel and unnatural breakup of Czecho-Slovakia? And speaking of foreign capital, have you noticed that Prague is both the boarding and terminal stop for foreign entrepreneurs?

And here is one more venomous note addressed to the media as well as to certain politicians and citizens: They often seem overanxious about what is happening abroad, for instance, in the Balkans; they hasten to recognize Croatia's independence and to demonize Serbia, but because of all their concerns, they obviously forget to seek comprehensive information. While the United States is vacillating, the Germans are rubbing their hands, and the divided Slavs swallow it all hook, line, and sinker. Ignored are the Ustasha traditions, the scandal involving Minister Spelj, and the killing of the civilian population by national guards and storm troopers—after all, they are fighters against foreign oppression and communism. To paint a tank pink, that is an expression of arrested puberty; to paint pink the brains of millions of citizens, that is an irresponsible act that deserves punishment. The same applies also to attacks against politicians for whom the Slovak nationalists have the pejorative name of "federal Slovaks" and whom the Czech radicals see as a communist fifth column. Such is the bad luck of A. Dubcek and M. Calfa; various attacks are aimed, for instance, against J. Langos who has no leftist past. Alas, various painters of pink tanks harbor far too romantic visions of freedom and democracy—far too romantic to be of any advantage. Again, in the end they only intensify crassness, the legal vacuum and the drift toward the disintegration of the CSFR.

Some people may regard it as an unpleasant reality, but without some refinement, responsibility, and ability to come to an agreement with our opponents no competition in the market or politics and ideology can help us. In a common democratic state cheerleaders for different teams must learn to breathe the common air. Both the left wing and the right wing (those are, by the way, very hazy concepts) must learn to cooperate on issues that are more relevant than their ideological skirmishes and wars. Moreover, it just may happen that they will have to get used (horrors!) to joint coalitions, as for example those in Austria. At any rate, we think that a federal ballot should be entered in the forthcoming elections so that the voters in Slovakia could have the opportunity of influencing the elections of Czech representatives, and vice versa. It is relatively highly probable that the Citizens' Democratic Party in the Czech Republic and in Slovakia Meciar's Movement for Democratic Slovakia will win the elections. This combination in itself may augur the disintegration of

our common state.... Furthermore, new federal mass media should be consolidated and organized. Our national media are unable to provide adequate information about the situation in the opposite republic, and thus, they have created a two-track information system which foment mutual distrust and leads to misunderstandings. That precisely is the reason why antidemocratic parties have launched a frontal attack against the federal media.

What can be said in conclusion? To both sides it applies that if we want our democratic common state to survive, it is not enough to blame (not even if in truth) the opponent; what we need is evenhanded self-criticism on both sides. If we begin to judge the convoluted situation—which we so much enjoy bemoaning—according to our own faults, and according to our own possibilities to help with their correction, we shall be surprised how much simpler and clearer all problems will look to us. And if we fail to do so? Well, we have more than enough negative examples from the predominantly Slavic East Europe which are really fabulously idiosyncratic for each of those mininations which very much like to assume that they are the very foundation of civilization in Europe and that they are intrinsically peace-loving, hospitable, sensitive, in brief—dovellike.

If we, too, would waste our historical opportunity which we obviously have not deserved, the international credit which we obviously have not deserved, either, and our republic with a president of whom the same may be said, then we should not be surprised if the Germanic and Anglo-Saxon nations become convinced again about what they occasionally used to say about us, what they even more often used to think of us, and according to what they acted, namely, that the Slavs are incompetent and unprepared for independence and that they need guardians, tutors, and policemen. We do not want to believe that but we have not been able to prove the doubters wrong for a very long time.

### Response to Innovative View of Slovak History

92CH0642A *Vague PRITOMNOST in Czech*  
No 4, 1992 p 5

[Article by Petr Prihoda: "A Slovak Exploration of Slovak Mythology"]

[Text] Czech historical revisionism—I use this ugly term to characterize the effort being made to achieve a new, more satisfying, and perhaps even more truthful explanation of our history—has its own tradition which reaches back to dissident times. In those days, its Slovak counterpart did not exist—with the exception of countless efforts to unmask the lies uttered by communist historiography and propaganda. One such attempt was the famous response by Jan Chryzostom Korc, who is a cardinal today, another was the work by Jozef Jablonicky, dealing with the Slovak uprising.

During the immediate pre-November period, the samizdat periodical BRATISLAVSKE LISTY came into being as a result of efforts by Jan Carnogursky. Two issues came out, others were "prevented" from appearing as a result of the



November 1989 events. In the second issue, there appeared a tract calling for an inventory of the Slovak historical conscience, authored by Jan Druga. It is alleged that one of today's leading Slovak politicians was hiding behind this pseudonym; it was not the current prime minister. For the time being, the writer has not owned up to his text, although he will most assuredly do so, so I shall not reveal his identity.

The disintegration of the communist empire happened so rapidly thereafter that Druga's challenge actually arrived too late. At that time, a critical stand with respect to its own history was not able to take root in Slovakia. And that is why Slovak post-November politics frequently missed the mark—for example, the struggle for the language law, the lack of clarity among the parties regarding the legal continuity of the common state, an insufficiently critical relationship with regard to the Slovak Republic of 1939-45, an insufficiently critical position with respect to President Tiso, with respect to local anti-Semitism, etc.

At the beginning of March this year, LITERARNY TYZDENNIK published two installments of a more extensive tract by Peter Sykora, a biologist who is enlightened in history, sociology, and psychology. The text carries the title "Introduction to the Mythology of the Slovak People" and the author sent me a copy to PRITOMNOST—and, by the way, we frequently deal with this topic here.

As the dilettante historian, I note with satisfaction that, from time to time, a dilettante succeeds in administering a toning injection to the professionals. A professional historian (let us say, Professor Kren) would respond with the smiling superiority of a professional, by saying that historical essayistics are only the light cavalry which must be followed by heavy armor and that it is the heavy armor which will be the one to produce the decent job. So be it, but it is precisely a rider on a horse that has to show those tanks, excavators, and bulldozers where to go at times. In Slovakia, this rider will probably be Peter Sykora. It is he who has taken on the mission of finding out what sort of people make up the Slovak nation.

His inquisitiveness is encountering an obstacle posed by two Slovak myths at one time. The first is the myth of the "1,000-year-old bee." The Slovak nation has a past that reaches back for a millennium; its life is like a subterranean river, which squirts to the political surface from time to time. And this life involves isolated personalities like Prince Pribina, Matus Cak, Jozef Tiso. The carrier of this life is a plebeian element—the "working people" in the Marxist tradition.

The second myth—the myth of participation—is more sophisticated. The Slovak nation is small, but so are other nations. All came into being in the 19th century during the era of nationalism and were created out of older societies which were nationally indeterminate. The Slovaks, thus, share in the history of the Hungarian supranational community.

Sykora is a merciless critic of both of the above fictions, despite the fact that the second appeared to be closer to the truth than the first. Arguments are provided for him by an

analysis of the period prior to the establishment of nations in the modern sense, a period lasting several hundred years. In those days, the Slovaks had no name. They themselves used no name, neither did the rest. In those days, their name was even missing from the Latin language, despite the fact that Latin was able to name some other people. The Slovaks were referred to only as "Slavs," that is to say, as Slavic people; whenever it was necessary to be more precise, then they were called "Slavs in Hungary." According to Sykora, they represented a kind of "reliclike" Slavonic population which—to differentiate them from other Slavonic tribes—had not had the opportunity of establishing itself as a nationality for a long time. That is why not even myth number two can prevail. The Slovaks did not participate as Slovaks in the life of the broader community—in this case, the Hungarian community—because for a long time nobody paid any attention to their participation—particularly the Magyars. It was not until the beginning of the 17th century that the Magyars began referring to the Slovaks as "Tots" and thus actually "created them." The Slovak national consciousness appears for the first time at the beginning of the 19th century.

For Sykora, one of the important circumstances involved in the creation of a European nation in this archaic sense is the response to Christianization. Whereas other nations were translating the Bible into their own languages in the 15th and 16th centuries, the Slovak translation does not turn up until the first half of the 19th century.

In his investigations, Sykora relies on the findings of deep-seated psychology, particularly on Jung's teachings regarding archetypes. I note that he would have been equally well-served by the Freudian approach, which was formulated in Freud's *Totem und Tabu*, as well as by more modern ego-psychological approaches. Sykora ascribes great importance (and correctly so in my opinion) to the principle of royalty, which is the decisive factor in establishing a nation in the archaic sense. This archetype (one might rightly also say: this fatherly image) has a force that manages to unite "natural" local communities into a supraregional society, and does so not primarily on the basis of linguistic communication, but on the basis of a shared relationship with respect to that which the person of the king personifies. Other nations had their kings, the Slovaks never did....

To me, the Sykora treatise read like a thrilling event. Many a thing comes to mind. Did this opportunity in actual fact pass by the "reliclike" Slavonic people living beneath the Tatra Mountains without a trace?

*Things were good in Magyar land  
When King Stefan from Buda ruled  
When King Stefan did Buda leave  
All of Hungary did weep....*

These words are of Slovak origin; Stefan was a Magyar, and, unless I am mistaken, the song is older than any of the creations by the revivalists. Perhaps it nevertheless marks the beginning of the process, the continuation of which was

not judged, but which would at least provide a little bit of truth to the explanation perceived by Sykora as myth number two.

I consider that the royalty principle plays an undoubted constitutional role. Under republic-type conditions, its importance is frequently forgotten and that is why I am making use of the opportunity to contemplate it in my own way. The principle of royalty was recorded in human souls over centuries and over thousands of years; but let us remember that it is also a creation of people's own uneducated forces. Its importance does not even fade in the late modern era. Many modern European nations have an event in their history which can be explained as a symbolic act of parricide. Sometimes, it was an actual execution of the king; at other times, the nations were satisfied with his banishment or weakening (a symbolic castration). The English began it and the Russians finished it; these examples or dictates encouraged similar actions on the part of the Serbs, the Romanians, the Bulgarians, and of Ethiopia. Sometimes, foreign raiders put an end to a monarchy, for example, in Poland, but even after liberation it was somehow not possible to renew that institution.

The Czechs stormed the thrones of their kings repeatedly. They "castrated" Vaclav IV, they exiled Zikmund, they harassed Rudolf, they did not accept Leopold, Ferdinand V wound up in their cross fire by himself, and they easily broke the power of the aging Franz Josef, the notorious "old Prochazka." In contrast, we had our kings from among the Slovaks, but there were difficulties with accepting the principle of royalty—and one can tell: The institution of rationally justified authority and spontaneous loyalty toward that institution is somewhat worse off in our environment than is the case elsewhere....

However, let us return to the deep-seated psychological relevance of actual or symbolic parricides at the threshold of the times which are called modern—to the time of those periods after the "dark of the Middle Ages." Modern revolutions, which are also called civil or bourgeois revolutions, can also be perceived as being oedipal uprisings with maternal approval. Let us just remember those bearded heroes and wild intellectuals who are helping Marianne with the bare bosom to overcome the barricades, as depicted by Delacroix. The Czechs have this event behind them—symbolically expressed, they sent their Premysl back to his team of oxen; they are, thus, more inclined toward democracy, even though it is democracy which is sort of plebian. The Slovaks do not have this period behind them and that is why things are at sixes and sevens regarding their democracy, but there is no other way, after all, they did not have a king. Perhaps it is for this reason that they are heading in a totally different direction from the Czechs with their "for God, for country"; their longing for a king must not be anywhere nearly as suppressed or denied as is the case in the Czech soul.

Suppression does not signify nonexistence. The Czech mind is not overly willing to concede such a longing, even in the guise of symbolic derivatives. From time to time, however, it gives itself away, be it through a father cult or

by the ease with which it permitted the fantasies of the Great Stalin to be implanted in it 50 years ago.

The principle of royalty played its role in antiquity and in the Middle Ages in a method which was commensurate with the cultural and civilizational level of the times. However, it is not a thing of the past, but rather an expression of that which is always and everywhere happening in the human soul. A democratic society, that totemistic banquet of brethren feasting on the body of the murdered father (paraphrase according to *Totem und Tabu*), is a formation which is highly sensitive and fragile.

The king is a father figure. However, the father par excellence is not he who sired us, but He who created us—in other words, God. The history of Judaic and Israelite kings indicates that the institution of royalty is not necessarily required and that, nevertheless, the people of Abraham continued to be the people of God—an interesting subject for considering the essence and future of democracy. However, for the present, the Slovak soul longs for a king who embodies too much territoriality. That is why Slovak Christianity, particularly its Catholic Christianity, is so threatened by a regressive movement; that is why it is involved in an attempt at becoming a tribal religion.

However, let us return to Sykora's analysis of Slovak mythology. The author does not avoid the burning topic of "the national complex of inferiority," the origin of which he perceives to be the lack of existence of any Slovak history, particularly a history of kings. This finding makes him receptive to everything which is the essence of national identity. That is what the Slovak revivalists were concerned about; not about a language, which was turned into a palladium and a panacea by the Czech revivalists. That is why Bernolac, which was devised at the cultural center of the Upper Hungarian Region of the time in Trnava, under the influence of a reminiscent vision of a Great Moravia, did not become the literary language of Slovakia. ("Jungmannic," which came into being in a similar manner, did become a literary language, unlike Bernolac.) Instead, it became the dialect of central Slovakia used by "drunken wagon drivers," that "Turciany rapeseed mixed with Liptauer cheese."

Sykora admits that the Slovaks have a history, but that it is only one and a half centuries old. They are like Benjamin, the youngest nation in Europe. "We are so young that we can physically touch our own birth," Sykora quotes Vladimir Minac as saying. If the Slovaks are the younger brothers of the Czechs, they are younger not only by one or two generations, but by several centuries. It does not even occur to Sykora to lament over this: Such youth need not be a handicap, but rather an advantage.

Sykora's daring contemplation is revealing in various directions. First of all, it is a clue to understanding the Slovak problem. It would serve as an enlightened correction for those small-minded Czech people who wrinkle their noses at the Slovaks, but those are the people who

will, unfortunately, not read these contemplations. Furthermore, his essay is an impetus for a comparison deliberation—one involving the Czechs. Sykora has categorized us among the older nations, the classical nations, it can almost be said, and the continuity of his considerations remains undisturbed by this. However, it should occur to us that things are not and were not as simple with respect to our Czechness. The identification of Czechs with their kings has been a problem for as long as 500 years. The inability of the Czech language to differentiate between

*Boehmisch* [Bohemian] and *Tschechisch* [Czech] acts as a temptation to make special-purpose explanations of our past. The urge to return repeatedly to questions of continuity (or possibly to the "meaning") of our history is a mark of the fact that we are not certain of our membership among the "classical" nations ourselves.

Be that as it may, much like the Slovaks, we have a lot of work to do on ourselves. The Sykora text is proof of the fact that in this work we could be useful to each other.

**EC Eurostat Chief on Statistical Conditions**

92CH0601B Budapest FIGYELO in Hungarian  
14 May 92 p 19

[Interview with Yves Franchet, director in chief of Eurostat, by Gy.V.; place and date not given: "Statistics Should Be Independent"]

[Text] *Yves Franchet, director in chief of Eurostat, the European Community's Bureau of Statistics with headquarters in Luxembourg, gave an exclusive interview to the FIGYELO on the occasion of the signing in Budapest last week of the agreement on cooperation with Gyorgy Vukovich, chairman of the Central Statistical Office [KSH]. The purpose of the agreement was to create the statistical conditions for Hungary to join the EC.*

[Gy.V.] Statistics using the same language are needed in order for the EC to develop its joint policies in the various social and economic areas. What ways and means does the EC have for this?

[Franchet] At present, 80 committees are working on developing the various subareas of a European system of statistics. Through these committees, Eurostat coordinates and makes comparable the statistical principles, terminology, and methods employed by the individual countries. In the committees the member states coordinate their views, and after they arrive at an agreement they submit their proposal to the EC Council for approval.

[Gy.V.] Of the 80 work committees, which one do you think is the most important?

[Franchet] The one that investigates, in connection with the creation of a common European currency and monetary union, what kind of statistical data service is needed for this. Another work team deals with balance-of-payments statistics, and yet another one deals with monetary and banking statistics. We are planning to submit to the EC Council for approval the draft of legal directives that regulates the furnishing of statistical data needed for the creation of the European monetary union. Part of this work is to investigate the possibilities of the division of labor between the European Central Bank and Eurostat; this too must be placed on legal foundations.

[Gy.V.] The elimination of tariffs within the EC probably means a new challenge for Eurostat.

[Franchet] This is indeed a new challenge because, beginning in 1993, statistics on tariffs within the EC will be discontinued even though they are of high quality. This will be replaced by a direct supply of data by firms based on the supply of data for the internal revenue services.

You can better understand the significance of this new undertaking if I tell you that the finance ministries of EC member states must know the trade balance at the beginning of the second month following the accounting month, and we cannot do without this in 1993 either. Let me note that only 40 percent of companies and associations are required to keep accounts. True, this 40 percent represents 95 percent of the transactions.

[Gy.V.] What kind of relations does Eurostat have with the national statistical offices?

[Franchet] The EC is not a federal system in a political sense. However, in a "technological" sense, it works on a federal basis, e.g., the system of statistics or tariffs. The collection of data is carried out by the member states; true, on the basis of principles and regulations upon which the member states previously agreed. The 12 member states supply the data to Eurostat, which then prepares Eurostatistics. Thus, Eurostat cannot issue orders to national statistical offices. The only requirements are what the member states agreed upon and what the EC Council has approved.

[Gy.V.] What kind of cooperation with the statistical offices of East-Central Europe has Eurostat developed?

[Franchet] The management of market economy is impossible without a market-oriented statistical system. An efficient market economy also requires—among other things—an efficient statistical system. Without a dependable statistical service, the orientation of governments, businessmen, companies, and the population becomes almost impossible under the conditions of market economy. It is stated even in association contracts that a prerequisite for forming the association is the development of statistical systems that are in harmony with the conditions of market economy. As part of the Phare program, we signed an agreement of cooperation today between the Central Statistical Office and Eurostat. It includes a longer range program for developing a market-oriented Hungarian statistical system.

We also signed similar agreements with Czecho-Slovakia and Poland. We think that, of the former socialist countries, these three have the most highly developed statistical systems.

[Gy.V.] Do you not think that, of the three countries, Hungary has the most modern and the most market-oriented statistical system?

[Franchet] I agree with you that Hungary's statistical system is better developed—but by not much—than those of the other two countries. For instance, Hungarian statistics has much to catch up with in new areas such as the private sector, short-term economic indexes (e.g., the quarterly GDP estimates), commercial, and especially foreign trade statistics, and the monitoring of small companies.

I admit that the Hungarians are ahead of the Poles, for instance, in certain areas of statistics (e.g., price statistics). In my experience, Hungarian statisticians are highly qualified professionals, and the conditions for eliminating the shortcomings I mentioned are primarily technical. We are trying to help create these conditions.

[Gy.V.] You have probably had a chance to look at the new Hungarian draft bill on statistics. What do you think of it?

[Franchet] I believe that the draft creates good conditions for developing a statistical system that is in harmony with the requirements of market economy. The most important thing is that statistics is declared in the bill as being

independent, excluding the possibility of intervention by the state. This is an absolute requirement for society to trust statistics. It is essential that all those who supply data are certain that their data are safe and that no one, not even the government, can access them without their consent.

However, let us not forget that—in addition to a legal framework—resources, appropriate investments, and salaries that attract professionals are also needed for developing a modern statistical system. My international experience indicates that it will not be possible to create an efficient statistical system with the KSH's average salaries.

If the necessary financial support is not provided on your part, our contribution will be insufficient in itself for the modernization of your statistical system.

[Box, p 19]

The areas of cooperation as defined in the agreement:

- The renewal of the Hungarian system of data collection and the development of the mechanism of data collection.
- The development of the system of company registry in a way that will make it suitable for registering the increasing number of businesses.
- The employment of internationally uniform statistical principles, methods, and classification systems.
- The participation in the development of computer technology that supports KSH's data processing system.
- The exchange of statistical information.

**Engineers Detail Objections to Gabčíkovo Dam**

92CH0610A Bratislava SZABAD UJSAG in Hungarian  
14 May 92 p 5

[Article by Gyorgy Habel, chief adviser to the Hungarian Government on water management, and Istvan Molnar, a civil engineer: "Valid Hungarian Arguments or Merely a Dialogue of the Deaf? Water Management Problems of the Szigetkoz and Velky Zitny Ostrov, in Conjunction With the Gabčíkovo Dam's Construction"]

[Text] *The "Bos [Gabčíkovo]-Nagymaros problem" has again reached the boiling point. Once again we are able to witness confirmation of the old truism: "He that will not when he may, when he will he shall have nay." And in the Czechoslovak mass media we again encounter the old and by now hackneyed charges that Hungary does not have a single valid argument; is not proposing anything new; simply does not want to continue the construction project for political reasons; but will eventually be forced to realize that the 1977 agreement had been advantageous and perfect, and also that the original plans were good.*

*The two engineers who wrote the following article live in Hungary and are by no means novices in water management. Istvan Molnar is an expert on civil engineering, and Engineer Gyorgy Habel is the Hungarian Government's chief adviser on water management, particularly on the*

*highly controversial question of building the Bos-Nagymaros system of dams. On numerous occasions our paper attempted to act as a conduit between Gyorgy Habel and the Slovak press; so as to acquaint the Slovak public with the views of this Hungarian expert, and to enable Slovak citizens to form their own opinions about the Bos dam's construction on the basis of several contrasting views and standpoints. Unfortunately, our efforts have been unsuccessful. The Slovak press is not interested in presenting contrasting opinions and counterarguments, especially not if they are just as professional as the opinions and arguments that the Slovak press itself is using to agitate for building the dam.*

*This article can help us ethnic Hungarians here in Slovakia by arming us with arguments, and by enabling us to see more than what our masters would have wished to reveal to us.*

Before the construction of dams on the Danube in Bavaria and Austria, gravel transport to downstream from Pozsony [Bratislava] averaged between 6.0 and 8.0 million cubic meters a year.

Several hundred thousand cubic meters of this gravel were deposited annually along the Danube's Szigetkoz reach, for the most part in the main channel and to a lesser extent in the Danube's branches. The organizations concerned with the Danube's regulation systematically dredged the gravel deposited in the main channel, and either used it up in the river-engineering structures they built or stacked it in spoil grounds at various points along the bank. These organizations then used a part of the stacked gravel for their own needs and sold a part as aggregate for concrete-mixing. Floods sometimes swept away significant quantities of the stacked gravel causing shallows downstream where the gravel was eventually deposited.

Today the quantity of gravel transported and deposited along the reaches of the Danube between Pozsony and Budapest is less than 10 percent of what it used to be. A large part of the present volume is deposited along the river's Slovak reaches, and thus the Slovaks are able to utilize it.

The demand for gravel as aggregate in concrete-mixing increased enormously in recent decades (the largest volumes were supplied for highway construction and for prefabricating the large panels used in housing construction). To satisfy the increased demand for gravel, the Czechoslovak and the Hungarian dredging organizations respectively began to remove unprecedented volumes from the Danube along its Pozsony-Parkany [Sturovo] and Szob-Budapest reaches. These reaches were chosen for excavation because the gravel deposited here by the Danube over millenia was of good quality, and the cost of transporting the gravel by water was relatively favorable.

Because the Bos-Nagymaros system of dams was expected to be commissioned soon, dredging proceeded on the principle of excavating the largest possible volume at the lowest cost; preferably without frequently changing the dredging sites rather than in accordance with the requirements of stream regulation. The incentives for this were

the bonuses per cubic meter paid at every level of water management, from the local to the national.

This is how those gravel pits developed in the Danube that have significantly worsened the conditions of flow and the river's navigability.

The changes in the conditions of flow led to channel degradation. The deepening of the riverbed caused an unexpected lowering of the low-water levels, by 1.0 to 1.5 meters and even more along some reaches. That is why water in the Danube's branches was not replenished during low stages; and why groundwater, under the floodplain forests and the farmland beyond the levees, is not being recharged adequately.

Stream regulation had begun here in 1830 and produced a very favorable groundwater balance during the next 130 years. Merely 8.0 million cubic meters of gravel were removed for regulation during those 130 years. By contrast, more than 50 million cubic meters of gravel have been excavated during the past three decades (to this day). That must already be classified as predatory excavation. Rehabilitation of the destroyed Danube channel can now be solved only by replacing at least a part of the plundered gravel, for there is no source from which the entire 50 million cubic meters could be replaced.

The predatory excavation of gravel has a serious impact also on the yields of drinking water from the bank-filtered wells. Primarily Budapest and Pozsony are affected.

The haphazard dredging of gravel for the construction industry has led to the formation of shallows of a kind that were never a problem in years past. For instance, the limestone reef at Budafok, the clay flat at God, the andesite reef at Domos, the agrillaceous marl flat at Nyergesujfalu, the granite reef at Deveny, etc.... The problem of the shallows at Domos and Nyergesujfalu was to have been solved by damming the Danube at Nagymaros.

Continual regulation of the Danube's present channel has been neglected while waiting for the commissioning of the Bos-Nagymaros system of dams. Attempts have been made to alleviate the most pressing navigational problems, through efforts that amount to putting out brush fires.

For reasons of flood control and ice flow, and to divert international navigation in case of an accident in the headwater canal, regulation of the Danube's present channel would still be necessary even if the Bos dam happened to be placed in operation. Between Rajka and Szob, where the Danube forms the border, regulation of the channel is an engineering and financial task that the two riparian countries must coordinate.

The gravel that needs to be replaced for regulation cannot be excavated from either the Danube or from under the surrounding farmland. By our estimates, about 20 million cubic meters will be needed. A more accurate estimate will be possible only when the plan for the channel's rehabilitation will have been completed.

As a fortunate coincidence, the two embankments of the Bos headwater canal contain about 20 to 25 million cubic meters of gravel.

It is likewise fortunate that the headwater canal's embankments run more or less parallel with the Danube's main channel, at a distance of one or two km from the left bank. A few temporary ports in the Danube's branches are even closer.

The material in the headwater canal's embankments can be hauled a short distance overland to the Danube's bank; loaded on river craft; shipped by water in plastic bags for distribution along the Danube; to the sites where the gravel has to be replaced.

The bagging, loading of the bags, stapling them together into larger units [mattresses], and handling can be mechanized.

With the bags it is possible to fill the deep pools under the eddies; the bottom and sides of the regulated channel can be stabilized with mattresses formed by stapling the bags together. That way floods would be unable to carry off the replaced material. Depending on how large the stones are in diameter, either geotextile bags or Netlon plastic net wrap could be used. These are environment-friendly materials that will let the water through.

We must not rely on quarry stone, the material traditionally used up to now, because not enough of it is available. What is available is not of suitable quality or cannot be obtained at a reasonable price.

The best proof of how little attention had been paid to keeping construction costs down is the fact that a large quantity of quarry stone for revetting the Szap [Palkovico] tailwater canal was hauled by trucks from a quarry in the village of Uzsa, near Lake Balaton, over a distance of 120 km. That was done even though by then the technology of using Netlon bags on hydraulic engineering projects was fairly widespread everywhere in the world.

Regulation of the channel must be carried out with the help of machines mounted on river craft and with bottom-discharging special barges. Among the river craft to be procured, we regard RO/RO craft especially important because of their shallow draft and excellent maneuverability. It will be expedient to perform the river-regulating operations during low stages, which are likely during the months of October through December along this reach of the Danube. During the rest of the year the RO/RO craft can be used very efficiently in inland navigation to piggy-back truck trailers and to transport oversize equipment.

In the course of regulating the river, the volume of water necessary for navigation can be solved by means of contraction works. The raising of the water level that can be achieved in this manner will also solve the problem of replenishing the water in the Danube's branches.

What water depth can be developed for navigation will depend also on the set of ecological conditions that must be met. (These include, among other things, an adequate supply of water to the river's branches, the groundwater

balance of the affected farmland and forests, and the reliable operation of the bank-filtered wells that provide drinking water.) A balance between river regulation and the region's ecological requirements can be achieved only through gradual approximation.

If modern Western European modes of inland navigation (self-propelled barges and two-barge integrated push tows) are used, a navigation channel between 70 and 80 m wide will be sufficient even over the long term. For the sake of characterization we wish to note that a navigation channel 35 m wide has been built on the waterway linking the Danube and the Main (the so-called Europe Canal).

Push tows and barge trains of six or nine barges, together with their requisite powerful towboats and tugs that destroy the shallows, must be abandoned on the Danube. It was to accommodate such craft that the extremely costly 180-meter-wide navigation channel and the unnecessarily large locks were designed!

The commissioning of the Bos headwater canal is not a condition for access to the Rhine waterway system. From the viewpoint of cargo volume, the importance of the Europe Canal is being exaggerated for political and tactical reasons. The Europe Canal is primarily a German waterway, and the Germans intend to use a large proportion of its 14-million-metric-ton cargo-handling capacity. Only the meager surplus capacity will be available to the countries of East Europe. Aside from that, it will be necessary to pass through 16 locks on the canal itself, and a total of 50 locks between the Danube and the Rhine. One can imagine how time consuming that will be, and how expensive in terms of the tolls due. Only self-propelled barges or at most two-barge push tows can pass through the Europe Canal's locks, and that applies to the canal itself as well.

If the Danube's channel undergoes suitable rehabilitation between Pozsony and Budapest, and eventually also downstream from Budapest, it will be suitable for Western European shipping as well. Therefore, for that purpose alone, the Bos diversion canal is unnecessary.

It makes no sense to place the Dunakiliti impounding reservoir in operation so that the impounded water's level extends only to the bankline because sufficient conditions are lacking at Dunakiliti for the lockage of regular water traffic. For the Dunakiliti navigation lock is merely an auxiliary lock, able to accommodate just a small towboat or tug and one barge. During the channel's closure (decantation) it would have served as a temporary lock, but otherwise its role would have been in flood control and in replenishing the water in the branches on the right bank.

If in Dunakiliti the Slovak side were to force impounding to a level higher than the bankline, a shallow impounding reservoir would be formed there. It would be possible to navigate from it into the Bos headwater canal only if the headwater level were to exceed by at least 4 m the sill at the canal's entrance (the sill's elevation is the same as that of the bankline, 124 m above the leveling datum). In other words, a headwater level of 128 m above the leveling datum would be created. But that is not enough for the

economical operation of the Bos turbines. Consequently, Czechoslovak Federal Environmental Minister Vavrousek's proposal to that effect is not a realistic compromise solution.

A great shortcoming of the Bos headwater canal is that it cannot be drained for maintenance or in case of an accident (damage), because no floodgate has been installed in it at its commencement from the direction of Pozsony. And it is difficult to imagine that, over centuries, the headwater canal will never require any repairs. If the Dunakiliti impounding reservoir were placed in operation, in the case of maintenance work or rescue operations in the headwater canal—even if the canal could be drained—international shipping would be unable to operate between Szap and Pozsony, because navigation locks of suitable size are lacking. Due to the other structures already built, there is no room left in Dunakiliti to retrofit navigation locks.

When in 1989 the Hungarian Government halted construction of the Nagymaros dam and announced its unwillingness to aid the commissioning of Bos by impounding water in Dunakiliti, the Slovak government immediately ordered the drafting of plans for the construction of a new dam and for diverting the Danube onto Slovak territory. A license granting water rights, issued on 30 October 1991 by the water-management authority in Pozsony, made the elaboration of working plans and the commencement of construction work possible. Excavation had already begun in November 1991 in the vicinity of Kortvelyes (Hrusov), with the help of an Austrian ladder-type trenching machine. On 18 November we ourselves inspected the work site.

The work begun is identical with what Minister Vavrousek had designated as variant C.

The Slovaks refer to this work as the "temporary" or "substitute solution." It involves building two structures on the right bank's floodplain in Slovakia, at a distance of 900 meters west of the Hungarian border, on the administrative territory of the community of Dunacsun (Cunovo). One structure is a reinforced-concrete impounding dam. The other is an outlet sluice into the Moson branch of the Danube. To these structures a 12-km-long earth embankment is being built on Slovak territory, from Dunacsun to Kortvelyes, on the left bank of the Danube. The embankment runs more or less parallel with the main channel. At Kortvelyes this embankment will join the headwater canal's right bank. Thereby the Slovaks are dividing the Dunakiliti impounding reservoir, which would have covered an area of 45 km<sup>2</sup> according to the original plans, and are forming an impounding reservoir of their own on an area of 25 km<sup>2</sup>.

The impounded water's planned level is 131.2 m above the leveling datum.

Since the Bos headwater canal's discharge capacity is 4,500 m<sup>3</sup>/sec, any discharge above this limit would have to be released through the Dunacsun outlet sluice, into the Danube's present channel. That is also where most of the ice flow would have to be directed. This sluice is being

built in a cutoff river bend. Of the cutoff's tailwater, 900 m would be on Slovak territory and about 1 km on Hungarian territory.

We will not develop the tailwater's 1-km section that is on Hungarian territory, and therefore the Dunacsun impounding dam will not be able to operate suitably (safely). That will pose flood threats primarily for Pozsony, because ice jams and downstream margins of unbroken ice cover could develop.

If the C variant were realized, Hungary would be entirely at Slovakia's mercy even if an agreement were concluded regulating the sharing of the water, because there is no guarantee that the Slovaks would actually abide by the agreement.

From the viewpoint of international navigation, moreover, it is unacceptable that twin navigation locks are not being built at the Dunacsun site; and water traffic could not be diverted even temporarily back into the Danube's present channel in the case of maintenance work or of an accident in the Bos headwater canal.

The C variant is unacceptable to Hungary in every respect (legally, technically, environmentally as well as from the viewpoint of navigation). But the C variant's rejection or fear of it does not mean that we will agree to impounding at Dunakiliti as a so-called "lesser evil."

In the negotiations Hungary is demanding the dismantling of the Bos structures and the rehabilitation of a large part of the area. And as solutions for power generation, Hungary is proposing thermal power plants with two-cycle gas-and-steam turbines, as already discussed repeatedly; or pumped-storage power generation; or a contribution toward streamlining the power system's operation. (The investment cost of a 200-mW generating unit with a gas-and-steam turbine may be estimated at between 10 and 12 billion forints.) With their 85-percent capacity utilization and ability to operate at peak loads, two such generating units could match the potential power output of Bos, especially if the originally planned volume of water could not be discharged there anyhow because of environmental requirements.

#### **Martonyi on Hungarian Investments Abroad**

92CH0598D Budapest HETI VILAGGAZDASAG  
in Hungarian 16 May 92 pp 53-54

[Unattributed interview with Janos Martonyi, Foreign Ministry state secretary; place and date not given: "No One-Way Streets in the Field of Investments"]

[Text] Compared to the \$3.5 billion invested in Hungary, the more or less \$100 million invested by Hungarian enterprises and citizens abroad to establish firms or to buy stock is negligible. In the final analysis, this amount—of which relatively little is said—may be perceived as a delicately guarded item which deteriorates the balance of payments despite the obvious political and economic utility of capital export. Which view prevails in today's government policies? What should entrepreneurs planning to invest money abroad, expect from the state administration? We

asked Foreign Ministry State Secretary Janos Martonyi, previously a state secretary dealing with the external economy.

[HETI VILAGGAZDASAG] Doubtless, the fact that foreign capital is "pouring" into the country can be regarded by the Hungarian Government as a success. There are signs, however, which indicate that the capital flow does not stop at the Hungarian border, and that Hungarian investors are also touched by the winds of an economic *drang nach Osten* [thrust to the East].

[Martonyi] This is true indeed; last year, for instance, 87 joint enterprises involving Hungarians have been established in Romania, and 64 in Czechoslovakia. Although Hungary will most certainly remain a net capital importer for decades to come, I have said for quite some time that sooner or later we must recognize that there are no one-way streets insofar as investments are concerned, if we truly take to heart our intent to integrate with the global economy. Foreign capital investments in Hungary evolved in a very pleasing manner, they amount to \$3.5 billion. Only \$550 million in operating capital has been invested in Hungary prior to 1990, in that year we expected roughly the same amount or \$500 million in capital investments, but received almost twice as much: \$900 million. As part of the economic program we expected \$1 billion in 1991 investments, but received \$1.7 billion instead, even though many claimed that conditions for this volume of investment did not exist and that the \$1 billion figure reflected the optimism of the treasury. Accordingly, in this instance, my own rather optimistic expectations have been exceeded by what has actually taken place and data received thus far suggest that this favorable trend continues this year, in part in conjunction with the accelerated privatization.

It is clear that capital investment is very important from the standpoint of our linkage with the global economy, but a one-sided situation evolves if funds are invested only in Hungary. One must also consider ways in which Hungarian entrepreneurs appear abroad. The volume is quite different, but the past two years have also been successful on this side, and the dynamics of capital exports is surprising. During the 1970's and 1980's the large Hungarian foreign trading enterprises have primarily been opening offices and establishing enterprises abroad. During the past two years the amount of Hungarian operating capital invested abroad has doubled, and the amount has increased to \$100 million. Prior to the end of 1989 only about 100 Hungarian enterprises have been operating abroad; there were 159 in 1990, and 367 such enterprises were established in 1991, fundamentally by the private sector. The enterprise texture that is indispensable to the operation of an externally oriented economy is gradually evolving. Some of the old, large enterprise establishments abroad no longer function, and small and medium-sized entrepreneurial investments have become characteristic. Entrepreneurs have established construction industry firms in Austria and Germany and the greatest variety of commercial and producer joint enterprises from Slovakia all the way to Ukraine. All this was not fueled by the government, these joint ventures reflect



exclusively entrepreneurial ingenuity and a recognition of the possibility that many other purposes can be achieved as a result of long term presence abroad, such as increased exports to the former Soviet Union.

[HETI VILAGGAZDASAG] To use the old terminology: Is this activity being tolerated or supported? Is the government closing its eyes to the establishment of firms abroad, or it is expressly encouraging this?

[Martonyi] As long as we are talking in such anachronistic terms, I believe that the time has come to transfer capital exports from the "tolerated" and "permitted" category to the "encouraged" category. In contrast to the present rules in force, which are stringent in principle, the practice is liberal. In licensing investments abroad, one has to apply Decree No. 4 of 1975 promulgated by the Ministries of Foreign Trade and Finance. This decree establishes conditions, most of which cannot be complied with by private investors. In reality, so far as I know, anyone without an exception who has come forward with a rational concept has received a permit from the authorities.

De facto convertibility exists in Hungary today; in essence, citizens are able to freely obtain foreign exchange and can render such foreign exchange as legitimate by depositing the same in a foreign exchange account. Thereafter these funds may be used for any purpose, including foreign investment. True, one has to have a permit from the finance minister, but from a practical standpoint anyone can receive such a permit. In studying this practice the Blue Ribbon committee determined a few weeks ago—to no small surprise of the committee—that we have already partially liberalized capital movement in Hungary, and that the forint has also become partly convertible in this field. This is strange because the convertibility of national currencies in the context of capital movement is usually preceded by convertibility in current payments, commerce, and households, and we, ourselves, claim that convertibility is part of only a future program in Hungary.

In conjunction with this I must also admit that I do not have the faintest idea of the actual volume of Hungarian capital exports. I am not convinced, for instance, that everyone asks for the finance minister's permission before buying stock abroad; the \$100 million figure pertains only to declared, registered businesses. Similarly, it is likely that an amount, which certainly does not constitute a decisive part of the money invested in Hungary as foreign capital, originates from Hungarian foreign exchange accounts.

[HETI VILAGGAZDASAG] But still, liberal practice is not of the same value as liberal rules established in the form of law. The "customs measures" of the recent past demonstrate how dormant restrictive decrees still in force can be brought to life in a matter of moments, if for instance, short-term budgetary interests so demand. Lacking a standard, and preferably high level liberal legal provisions governing capital exports, entrepreneurs must continue to rely on the unpredictable benevolence of the state administration.

[Martonyi] It is true that we do not yet have a new legal provision, but several drafts have already been prepared so

that in the end only the legal provisions must be changed to correspond with the practice. The permitting system must not be eliminated entirely, but one can set standards to define extreme cases in which exporting capital is prohibited. One such case would be the target country's failure to guarantee foreign investments, when the threat of nationalization or expropriation cannot be ruled out. The fact that everyone is free to dispose over his foreign exchange account and that foreign exchange can be invested according to a person's liking must be the basic principle. A safety provision, a so-called "safeguard" clause, may be included in the future legal provisions on investments abroad, of course; this would state that under justified extraordinary conditions the liberal permitting practice could be suspended, for example, due to a critical shortfall in the balance of payments, but such a clause would be consistent with self-evident accepted international practices.

Returning to the issue of tolerating or supporting investments abroad, active promotion in addition to the legal provision may come into the picture for example, along the pattern of the already existing foreign investment incentive fund, which encourages investments in Hungary, but on a more modest basis. One could also establish a fund to support Hungarian investments abroad for concepts which promise the greatest profit. Similarly, one could discuss the establishment of a certain Central European bank, an investment institution to operate primarily in the neighboring countries, in the "Visegrad-3."

[HETI VILAGGAZDASAG] As long as Visegrad has been mentioned, the extent to which investments target the neighboring countries and within those, I assume, the areas inhabited by Hungarians is remarkable. Considering the angry attacks on foreign investments in Hungary—such as the "Monopoly Group's" favorite charge of selling out the country—a country that is far less less nationalistic than most of its neighbors, are you not concerned about possible foreign policy complications resulting from this Hungarian entrepreneurial activity?

[Martonyi] We have two fundamental, decisive considerations. One is the maximum, organic, earliest possible integration of Hungary within the EC. The strengthening of this kind of integration resulting from the presence of Hungarian entrepreneurs in the Common Market is an actual foreign policy goal. In this respect I have in mind the EC of the near future, including investment relations with Austria and Sweden.

The other foreign policy goal is to develop the best possible relations with the neighboring countries, so that borders gradually lose their significance and that nationalism in the region weakens, thereby rendering this as a stable, secure region of Europe. Economic foundations, trade and investments, and the presence of owners could in part provide solid foundations for this. I am very pleased when Slovaks, Romanians, or people from any other neighboring country invest in Hungary, and I have the same positive view of Hungarians investing beyond the borders. Integration is not accomplished as a result of joint declarations, but as a result of many small relationships. It is true that in

the majority of the Central European countries "defensive reflexes" are stronger than in Hungary, perhaps because Hungary has already surpassed a critical level in its development and because we know that one has to stimulate, not fear investments. It is conceivable that in certain places the Hungarian presence is going to be viewed with less than the average level of confidence, but the task is exactly this: To overcome the lack of confidence.

**Number of Joint Enterprises With Hungarian  
Interest Established Abroad in 1991**

Romania	87
Czechoslovakia	64
Soviet Union/Independent Republics	52
Germany	45
Austria	31
England	12
U.S.	10
Netherlands	4
Jersey Islands/United Kingdom	3
Yugoslavia	4
Poland	2
Other	53

Source: Ministry of International Economic Relations

**State Accounting Chief Calls Kupa to Task**

92CH0598C Budapest HETI VILAGGAZDASAG  
in Hungarian 16 May 92 pp 41-42

[Interview with Istvan Hagelmayer, State Accounting Office chairman, by Julia Gati; place and date not given: "The Chairman of the State Accounting Office Responds: 'It Would Be Appropriate for the Finance Minister To Reveal the Real Reasons'"]

[Text] *Counting generously, National Assembly representatives have found only 10 to 15 audit reports from among the 90 reports filed thus far by the State Accounting Office [ASZ] worthy of debate in one way or another. These are reports presented by the organization that control money paid in by taxpayers, or, in official terms, reports concerning the implementation of the state budget. This is particularly surprising in light of the well-known fact that the amount of the budget deficit scheduled for the entire year has already been incurred during the first four months of the year. Why isn't there any response to the periodic warnings made by, and findings of the state's chief auditors? Isn't there a need for authority and stringency when it comes to the implementation of the budget, similar to authority and stringency exercised by the Constitutional Court, we asked ASZ Chairman Istvan Hagelmayer (age 59).*

[Gati] The battle of words has solidified in recent weeks into a standing war between representatives of the government coalition and the opposition as to whether there is a need for a supplemental budget. For now, the government firmly insists that the budget balance has been upset only

as a result of temporary problems. Which side do you take as chairman of the organization supposed to watch over the expenditure of state funds?

[Hagelmayer] From an official standpoint I can say that, based on the ASZ law, our organization is supposed to ensure that the budget or the supplemental budget—if one is being prepared—is well founded, and then, in the course of final accounting, to formulate an opinion based on our audits concerning the utilization of state funds. Accordingly, the law does not direct ASZ to determine whether there is a need for a supplemental budget. Despite this, as an economist, I do of course have an opinion of the situation in which the deficit has already exceeded the amount agreed to by the National Assembly for the entire year. In light of this, based on my personal opinion, it would be appropriate for the finance minister to reveal the real reasons for the deficit and to ask representatives in parliament to help resolve the problem. In other words, he could tell them that in reality this is not primarily a matter of outstanding customs duty and tax revenue receivables, but more so a situation in which the GDP—all goods and services produced by society—has not increased as expected, that not even the 1991 levels anticipated in the course of planning have fully materialized, and that at the same time unemployment has increased faster than expected. This holds true even if I recognize that under the present economic conditions, probably no government would have been able to accurately calculate the way real economic processes evolved.

[Gati] How come you manifest such great understanding today? Last year, when you stated ASZ's view to parliament during the budget debate, you did not regard the budget submitted to the representatives as well founded. But based on what you just said, I am even more surprised to learn that the role played by ASZ amounts to only this much of a formality. The fact that your views were apparently not at all mistaken could hardly serve as consolation to citizens.

[Hagelmayer] Let me say this: Nowhere in West Europe is it the function of state accounting offices to render preliminary opinions on the budget. Our colleagues in the West formulate only after-the-fact judgments as to whether the legal provisions have materialized. In Hungary, we must state our position to the representatives but nothing binds them to accept our views. This is particularly true with respect to last year's memorable haste when there was no opportunity to debate the substance of our reservations. True, doing so might have been worthwhile because ASZ has, by far, not acted hastily in preparing its analysis: We have tracked the budgeting process ever since April 1991 and have made important comments even in the course of budgeting. Thus, among other things, we found that despite Minister Kupa's pledges, the 1992 budget did not substantially differ from the 1991 budget. We determined that the promised reform of the large distribution systems—such as social security, the pension system, and housing policies—will have to wait.

[Gati] Expressed or implied, representatives of the opposition parties question with increasing frequency why the ASZ was unable—to put it mildly—to become an arbiter of the financial affairs of the state the way the Constitutional Court successfully fought to acquire such a role for itself in the legal field.

[Hagelmayer] God save us from having to play a role similar to that of the Constitutional Court! Under no circumstance should we interfere with economic policy. We have enough to do by checking whether state funds are utilized pursuant to law, for appropriate purposes and efficiently, and by watching the way state property is preserved. Let me give you an example. It is the National Assembly's function to determine the use of privatization revenues. It is our job to check the implementation of the representatives' decisions.

[Gati] The issue at hand is not only whether ASZ's words should carry some weight in the course of essential economic policy decisions affecting the state household, but also whether anyone could take seriously the findings of audits performed under ASZ jurisdiction, as those are required by existing law. Aside from some heavy scandals, not much is said about your work, even though openness could provide the force needed to halt the squandering of public funds.

[Hagelmayer] I, too, regard openness as extremely important and this is why we have instituted a system of providing regular monthly press reports on our activities. But I cannot deny agreeing with your statement: Our findings should indeed be taken more seriously. Parliament today functions like a factory producing laws, where the available time and attention is insufficient to debate the merits of—or to discuss at all—ASZ reports that are being prepared continuously. One or more parliamentary committees have thus far debated 10 or 15 of about 90 reports we have submitted thus far. In essence, all material submitted by an accounting office becomes the subject of debate in civil democracies. This is true under established, "matured," and in this sense more peaceful circumstances; if needed, the ministers involved are summoned to appear before the appropriate committee of parliament. They call them to account even if they have failed to act regarding a certain matter. The question of whether the National Assembly should have a special committee on ASZ, or whether the budget committee should establish a subcommittee to deal with ASZ reports has been pending for quite some time. I am convinced that sooner or later the law is going to be amended to provide for such a forum. This is going to ensure substantive debate over and the utilization of our findings and recommendations that are based on specific, on-the-scene audits and economic analyses.

[Gati] I am aware of only a single investigation of yours from which representatives drew a substantive conclusion: They sequestered one billion forints from the television's budget based on ASZ's findings. Who suggested, or what kind of political pressure brought about your audit of the business management of the television? In general: To what extent is the ASZ independent insofar as targeting its audits is concerned?

[Hagelmayer] Prescriptions contained in the Constitution and in the ASZ laws are the primary guides in making our choices. Among the functions one finds a requirement to regularly audit the functioning of the various chapters within the state budget structure (and the TV is one of these). Beyond this, only economic concerns influence our considerations. Insofar as the TV is concerned, Elemer Hankiss himself requested and urged us to perform an audit.

[Gati] And yet, the "afterlife" of your studies is the cardinal issue. To my knowledge, far less than the comments we heard regarding the "TV incident" was said about the audit of the personnel size and wage management at ministries. These fell short, by far, from government claims according to which the size of the bureaucracy has shrunk.

[Hagelmayer] We have indeed performed such an audit, and found that to this date the functions and divisions of labor between the various ministries have not been clearly defined. Certain tasks have been reassigned among ministries and government offices in a number of instances. The new person responsible for such tasks receives additional funds of course, but when the previous person was in charge a reasonable reduction in funds did not always take place. At the same time, some essential differences in income and staff sizes have developed between the various ministries.

[Gati] How did the ministries react to your "interference"?

[Hagelmayer] The minister of public welfare was pleased, because he obtained ammunition to prove the disadvantaged situation of the ministry he heads. The Finance Ministry did not react the same way as far as I know.

[Gati] In your previous career you were a popular university professor and a liberal researcher. Why did you abandon the lectern in exchange for this work, which has not provided much recognition thus far?

[Hagelmayer] All my life I have been using a critical approach to everything; what I desired to do earlier has become my duty here. I feel that I can accomplish much more in the course of economic transformation in this position than by lecturing at a university.

#### **Industry Minister Szabo on State Ownership**

92CH0601A Budapest MAGYAR HIRLAP  
in Hungarian 13 May 92 p 11

[Interview with Ivan Szabo, minister of industry and commerce, by Pal Emod; place and date not given: "Istvan Szabo on Role of State: Only the Energy Sector Remains as State Property"]

[Text] *A fundamental question in parliamentary debate on the privatization law package is what size of assets the state should permanently keep as property. Tamas Bauer, in discussing this subject in his writing entitled "Let Us Begin From The Beginning" on page 7 of yesterday's edition of MAGYAR HIRLAP, questions several statements made by*

*Minister of Industry Ivan Szabo, e.g., "The state holding company is operating like a private enterprise."*

"First of all, if I want to be very precise," says Ivan Szabo, "then the beginning of my statement quoted by Bauer must not be ignored either, which went like this: From the aspect of the new law, the owner's rights of the Ministry of Industry are insignificant, for it has no founder's right anymore. And, from this aspect, the ministry does not own the syndicate or holding company just as it does not own a private company. In order to avoid any misunderstanding, this does not mean that it is as efficient as it would be if it were in private hands."

[Emod] Nonetheless, you accept the basic premise that a state enterprise can never be managed as profitably as a private firm, do you not?

[Szabo] This cannot be stated dogmatically either. Because this would then become the same ideological statement as its opposite had been earlier. For example, the French electric power company, one of the world's largest state monopolies, proves the opposite because it is considered in Europe as one of the most creditworthy and profitable firms.

[Emod] On the other hand, the British got rid of their public works that operated as state monopolies, including British Gas.

[Szabo] That is true. Arguments pro and con do exist. I add that I too find it natural that private enterprises are, in general and institutionally, more efficient.

I believe that the special situation of the present transient period is due to the fact that there are too many Eskimos, i.e., state property for sale, and there are too few seals, i.e., buyers with capital. Thus, we must see to it that we operate state property efficiently using the means that are available.

[Emod] Many people, Marton Tardos being the most emphatic one among them, stated that in the meantime state enterprises, i.e., the restructured companies, deplete or lose their assets. What is your opinion on this?

[Szabo] According to the submitted privatization bill, the assets must be transferred to companies. By the same

token, revenues from privatization may be used with these companies for the improvement of efficiency or for the process of innovation. Thus, I feel that companies operated by company boards face a greater danger of depleting their assets and, in addition, the payment of revenues from privatization into the budget has elevated this practice to a state level.

On the other hand, according to the new structure, company management is now in the owner's position; the owner being the state itself which declared that assets must be put back into production, not into the budget. In other words, it has abandoned the basic principle that a larger part of the revenues from privatization should be used for reducing state debts.

It is without question, of course, that we must believe that the state will handle this affair in a decent manner.

[Emod] What kinds of guarantees does the law require?

[Szabo] This is indeed laid down in the law. For instance, it is parliament, not the administration, that decides on revenues from privatization of enterprises that are 100-percent owned by the State Property Agency (AVU).

[Emod] In an earlier stage of the privatization law package, your ministry wanted to permanently keep quite a few companies as state property. What is the situation at present?

[Szabo] Only significant enterprises of the energy sector will remain state property by majority share. This involves eight enterprises. In addition, we will maintain the institutes of scientific research and development with a 25-percent share. The reason for this is to not allow foreign privatizers to transform them into confectionery factories—which was in fact proposed in concrete terms. Thus, in this area, we think that no change of profile should occur. Later, when industrial plants will have enough money to contract these institutes, we will give up even this 25-percent share. So the point here is that we do encourage the preservation of Hungarian science and intellectual capacity.

But, all in all, there are only 30 enterprises that will remain in majority, or partial, state ownership.

### Electorate's Preferences Becoming Defined

92EP0430B Warsaw RZECZPOSPOLITA  
in Polish 11 May 92 p 2

[Article by Renata Wrobel: "Who Stands Behind Whom?"]

[Text] Sympathizers of the Liberal Democratic Congress, the Democratic Union, and the Alliance of the Democratic Left are relatively well educated, which cannot be said about individuals inclined to vote for Solidarity, Party X, or the Christian National Union [ZChN]. There are many women among ZChN supporters; the opposite is true of the KPN [Confederation for an Independent Poland]. PSL [Polish Peasant Party] and Rural Solidarity sympathizers are mainly rural residents. These observations are based on an analysis of election preferences surveyed in February, March, and April by the Social Studies Workshop; the survey was commissioned by RZECZPOSPOLITA.

A method of calculation was adopted based on adding up responses given in individual months by 2,216 individuals. Given the length of time (and several other reasons to be addressed below), the results are not an adequate foundation for considering the behavior of people during hypothetical elections. However, they provide interesting observations concerning which groups of our society are inclined to support which party.

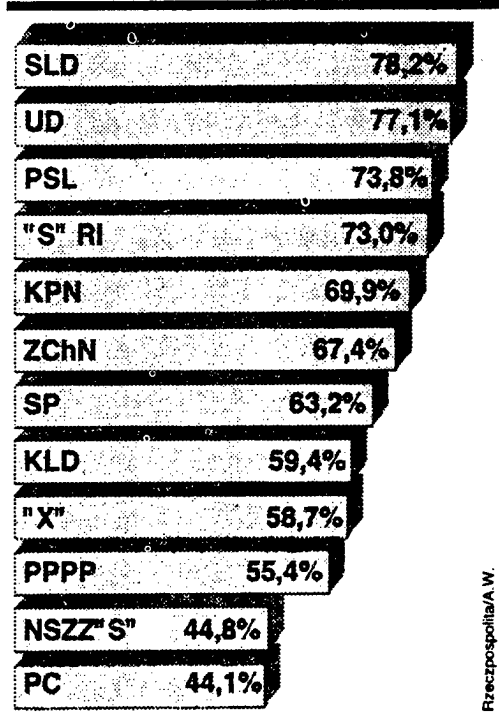
#### "Electorates"

The common opinion that the Democratic Union is the party of "intellectuals" and an "urban" party was confirmed. Its electorate is markedly better educated than the population at large (though not as well as the KLD [Liberal Democratic Congress] electorate), and relatively few of its representatives reside in rural areas. Accordingly, there are quite a few white-collar workers among the UD [Democratic Union] supporters, though from lower levels rather than managerial cadres; there are fewer farmers and individuals working on farms. Somewhat greater than average numbers of employees from the budget-financed sector are drawn to the Union. However, the age differentiation and affluence of the group do not significantly deviate from the average.

It is the custom to maintain that the Confederation for an Independent Poland attracts the "unhappy electorate." It appears that by now that view is only correct insofar as we recognize that our society on the whole is "unhappy." After all, the internal differentiation of the electorate of this party is almost the same as that of the entire population. Gender is the only pronounced difference: Men markedly prevail among the electorate of the KPN.

The supporters of the SLD [Alliance of the Democratic Left] are somewhat older than the population as a whole and, accordingly, there are relatively many retirees and annuitants among them. They are also markedly better educated; they have white-collar jobs more frequently, especially at state enterprises, and less often at private enterprises.

PEOPLE PREPARED TO VOTE THE SAME WAY  
AS THEY VOTED IN THE PARLIAMENTARY  
ELECTIONS [OCTOBER 1991]



(Numbers refer to that portion of last year's voters  
of a given party who still want to vote for that party)

Relatively few respondents in the youngest age brackets, and somewhat more than the average in the oldest age brackets are found among the sympathizers of the NSZZ Solidarity. Voters supporting this group are less educated and affluent than those in the survey in their entirety; there are a good number of workers among them.

Supporters of the PSL are old, poorly educated, and of very limited means. An overwhelming majority of them live in rural areas; most often, they work on farms or are retired.

Women account for two-thirds of the sympathizers of the Christian National Association. It is one of the most elderly and least educated electorates (retirees and annuitants account for 45 percent; one-half have elementary educations).

All observations made about the PSL may be repeated with regard to the electorate of Rural Solidarity. The share of individuals residing in rural areas is still higher and comes to 95 percent (in the case of the PSL, 85 percent).

Like the KPN, the Polish Party of Beer Lovers is a "male" group. It attracts young voters (under 40) rather than those from older age brackets. The "beer drinker" electorate does not differ greatly from the average in terms of education and affluence.

Sympathizers of the Liberal Democratic Congress are markedly younger than those surveyed in their entirety. They are very well educated: Three quarters of them have graduated from at least secondary school (just over one-half in the entire sample). On that score, they rank higher than even the UD or the SLD. They are markedly wealthier than average; they work more frequently in the private sector. Almost one-half of them live in cities with over 200,000 residents. The survey indicated that support for the KLD among farmers and farm employees is almost nil.

The electorate of the Center Accord is similar to that of the KPN; its internal structure is likewise an almost ideal reflection of the average. More pronounced departures consist of only the "overrepresentation" of women and individuals with per capita family incomes of 700,000 to 1 million zlotys per month. Sociologists have concluded that identification with such parties is not ideological in nature, and that such groups do not expressly represent the interests of any particular social group.

The electorate of Labor Solidarity does not have a more distinct identity and color. It appears possible that individuals from particular socio-demographic groups opt quite randomly for that party, which is relatively inactive in "big-time politics," is seldom present in the mass media, and is little known to the average voter.

The "unhappy electorate," which we failed to find among the supporters of the KPN ended up in part in peasant groups; we also see it among the potential voters for Party X. They are largely individuals who have very low incomes, are poorly educated, and reside in rural areas, in addition to workers and employees of state enterprises. Men favor Party X more frequently than women.

### "Elections"

As we have already mentioned, the survey commissioned by RZECZPOSPOLITA cannot amount to an electoral projection. That the people may indicate parties other than those for which they would actually vote, given hypothetical rather than actually forthcoming elections, is not the only reason. It is also so because the survey takers tried to elicit a response to the question on preferences from individuals who did not express a wish to participate in elections. After all, the intent of the survey was primarily to track the political sympathies of our society, and not necessarily those manifested through the ballot box.

Nonetheless, certain regularities may be noted. For several months now, the Democratic Union has been ranked first in "election" ratings. It has the continuous support of about one-quarter of those surveyed. The KPN regained second place in the April survey, though its potential electorate has changed little since the beginning of the year.

The rank of second for the KLD in the March survey should be considered an anomaly that is not confirmed by other research. By now, that group has "returned" to the bottom half of the list. In turn, the Alliance of the Democratic Left has gained a place among the top three; its electorate has been growing slowly but consistently. The peasant groups rank rather high, and Labor Solidarity and Party X round out the roster of the parties for the second time.

The political sympathies of Polish society are not as stable yet as in a majority of "old" democracies. However, surveys indicate that the process of views taking shape is under way. Almost 60 percent of the respondents state that they wish to vote in the forthcoming elections. However, it should be kept in mind that such declarations that are made somewhat hypothetically, in a situation when elections have not been announced, are frequently the result of wishing to "make a good impression" on the survey taker, and will not necessarily be reflected in actual election behavior.

Who I Would Vote For

	April	March	February
UD	24.8	25.8	25.0
KPN	11.8	9.0	11.2
SLD	9.6	8.2	7.8
NSZZ Solidarity	7.2	7.2	10.0
PSL	5.8	4.2	6.7
ZChN	5.7	8.1	4.6
Rural Solidarity	5.5	6.7	2.9
Polish Party of Beer Lovers	5.3	8.1	7.4
KLD	4.4	9.3	4.9
PC	4.0	5.9	3.0
Labor Solidarity	3.2	4.1	3.2
Party X	2.9	3.4	1.7
Other party	9.8	*	11.5

\* The "other party" choice was not provided in the March survey.

**Individuals Prepared To Support the Same Group  
for Which They Voted in Parliamentary Elections**

SLD	78.2
UD	77.1
PSL	73.8
Rural Solidarity	73.0
KPN	69.9
ZChN	67.4
Labor Solidarity	63.2
KLD	59.4
Party X	58.7
Polish Party of Beer Lovers	55.4
NSZZ Solidarity	44.8
PC	44.1

The statistics indicate the percentage of last year's voters of a given party who still want to vote for it.

**Solidarity's National Convention Preparations**

92EP0432A Warsaw TYGODNIK SOLIDARNOSC  
in Polish No 19, 8 May 92 p 19

[Article by Marek Zabinski and Urszula Rzepczak: "The Union's Empty Pockets"]

[Text] The election campaign preceding the Fourth National Congress of Solidarity NSZZ Delegates is finished. At the general meetings (congresses) of delegates, the trade union members almost unanimously spoke for a strong and professional trade union. It was only a pity that just as unanimously they rejected the plan to change the division of the membership fees proposed by the National Committee.

Two years of economic reforms and conversion to a market economy has not taught the Solidarity trade unionists the simple correlation: A strong trade union is a trade union that is financially independent. Only then will it be able to create a substantial base in the form of stable groups of advisers (workers, economists) and negotiators. People working in these groups must be high-class specialists who must be given commensurate remuneration, not amateurs or social workers. Also, the costs of functioning of the trade union as a public organization must be borne (electricity, transport, telephones, faxes, etc.).

Many Solidarity members have no concept of how bad the financial situation of the union is. All of the pains of price increases affect Solidarity just as they do all citizens. A real threat is the financial breakdown of extraunion structures (regional boards and the National Committee). But certainly these structures employing experts provide essential service to the factory committees. If they are weak, then the union will be weaker in the workplaces and possibilities of defending the interests of the workers will diminish.

At least two causes contributed to the poor financial situation of Solidarity: factory committees' failure to pay dues or their paying dues at a discounted rate. Changing to gross payment of wages with the obligation of paying universal income tax introduced major confusion. It necessitated that full-time employees pay the union (formerly exempt) and increased petitions to the Social Security Agency (because there was more basis for this).

If the structure of division of dues is not changed and the dues payments are made as slowly as they have been thus far, the stories about a strong, efficient, and effective union can be counted as fairy tales. In the difficult social and economic position of the country, in order to carry out its statutory tasks, the union must be financially independent and well prepared; only then will it be a partner in any kind of negotiations.

For orientation in the present situation, we telephoned 30 regional administrations and obtained the relative financial outcomes and opinions on the planned changes in division of dues.

On the basis of information from regional administrations, we can define at least five reasons for the factory committees' not paying dues (three of these do not depend on them):

- Factories are being reorganized (change in proprietorship), divided, or liquidated.
- Numerous payment snags are appearing in the banking system, money turnover is slow so payments cannot arrive on time.
- Management pays salaries irregularly or "borrows" them to pay bank obligations.
- The union organization stops functioning (independently, for example, when the factory is liquidated, divided, or displaced by other union structures).
- Members of the factory committee express their dissatisfaction with the work of structures outside the factory.

Only in Przemysl are there no great problems with making payments to the regional office. Slupsk is also in good shape; only 7 percent of the factory committees are in arrears with payments. The situation in Radom and Gorzow Wielkopolski is very bad: Arrears amount to 30 percent. An average of 15 percent of the factory committees are in arrears. We must note that a significant improvement in payment discipline occurred during the election campaign before the UZD [expansion unknown] conferences, particularly where settling financial obligations was a condition for delegate participation. The threat of removal from the registry of factory committees was similarly effective. In only 15 regional administrations were we given information pertaining to the amount of dues paid (on gross pay or not). It developed that in only three regions are the dues paid on the basis of gross pay (Katowice, Elblag, Poznan).

The proposals of the National Committee pertaining to changes in division of dues were very coolly received. Only in Warsaw and Poznan were they understood and supported. In Torun, the union members would have liked to have stopped at proposals of planned changes for the first year of the new period. In other regions, the National Committee proposals were rejected. Meanwhile, seven regions proposed increasing the dues marked for regional administrations and three proposed increasing funds awarded branch structures. Representatives of administrations in five regions were of the opinion that a change in division of dues will result in a massive decline in membership (including Katowice, Lodz, Bielsko-Biala). They also stressed that action taken to promote the National Committee project is significantly late and poorly prepared. They believe that in addition to the plan, there should be a financial outline of present costs and a concrete proposal for activities that require increased funds.

Union "parts" could pay more for regional administration and the National Committee (although they are exceptionally opposed to this) if they would know what is being done with the money and why increased dues are necessary. The negative opinion of the planned changes in the division of dues is closely connected with the low esteem in which regional administration activity is held, and most of all, of the National Committee, which in the opinion of many delegates to General Meetings (Congresses) of Delegates did nothing to improve the situation (Bielsko) of its members.

Soon there will be a national congress. It is time, therefore, to become informed of the fact that membership dues are nothing other than an investment that can bring profit either in the form of decreasing unemployment or increasing social services. At the same time, we must remember that every investment entails risk, but it must first be tried, then results must be awaited. It is never the other way around.

#### [Box, p 19]

#### Chairmen of Regional Administrations of NSZZ Solidarity

Gdansk—Jan Halas  
Warminsko-Mazursk (Olsztyn)—Andrzej Smolinski  
Elblag—Andrzej Steczynski  
Dolny Slask (Wroclaw)—Tomasz Wojcik  
Pila—Antoni Gawroch  
Pomorze Zachodnie (Szczecin)—Longin Komolowski  
Ziemia Lodzka—Janusz Tomaszewski  
Czestochowa—Aleksander Przygodzinski  
Pojezierze (Suwalki)—Wojciech Tucholski  
Ziemia Sandomierska (Stalowa Wola)—Andrzej Kaczmarek  
Plock—Jerzy Tokarczyk

Malopolska (Krakow)—Stefan Jurczak  
Slask Opolski—Franciszek Szelwicki  
Koszalinski—Pobrzeze—Wladyslaw Etc  
Slupsk—Edward Mler  
Zielona Gora—Maciej Jankowski  
Podbeskidzie (Bielsko-Biala)—Marcin Tyrna  
Konin—Jerzy Zurawiecki  
Wielkopolska Pld. (Kalisz)—Jan Mosinski  
Bialystok—Wojciech Lowiec  
Piotrkow Trybunalski—Zbigniew Mrozinski  
Kujawy i Ziemia Dobrzynska (Wloclawek)—Zdzislaw Malinowski  
Podkarpacie (Krosno)—Ireneusz Zarzycki  
Rzeszow—Adam Sniezek  
Torun—Michal Wojtczak  
Slasko-Dabrowski (Katowice)—Gregorz Kolosa  
Ziemia Radomska—Andrzej Belina  
Wielkopolska (Poznan)—Janusz Palubicki  
Gorzow Wielkopolski—Bronislaw Zurawiecki  
Swietokrzyski (Kielce)—Waldemar Bartosz  
Srodkowoschodni (Lublin)—Mieczyslaw Szczygiel  
Bydgoszcz—Grzegorz Tusz  
Jelenia Gora—Ryszard Matusiak  
Leszno—Jozef Sobieraj  
Chelm—Gerard Lopinski  
Przemysl—Krzysztof Klak  
Mazowsze (Warszawa)—Maciej Jankowski  
Zaglebie Miedziowa (Legnica)—Jacek Swakon

#### [Box, p 19]

NSZZ Solidarity delegates to the Third National Congress of Delegates (February 1991) adopted membership fees of 1 percent of gross wages. Division within the union was defined as follows: 75 percent, factory committee; 21 percent, regional administration; 3 percent, national committee; 1 percent, branch structures. One percent of gross wages will be taken as 100 percent of the total for division.

#### [Box, p 19]

The plan for the new division of dues—change in dividing 100 percent of the dues during the new three-year period (National Committee).

#### Year I: May 1992-May 1993

50 percent to the factory committees; 32 percent to the regional administration; 18 percent to the national committee (4 percent to the branches).

#### Year II: May 1993-May 1994

40 percent to the factory committees; 35 percent to the regional administration; 25 percent to the national committee (7 percent to the branches).

#### Year III: May 1994

25 percent to the factory committees; 40 percent to the regional administration; 35 percent to the national committee, (12 percent to the branches).



**New Economic Indicators List Published**

92EP0461A Warsaw ZYCIE GOSPODARCZE in Polish No 18, 5 May 92 p 15

[Article by M.M.]

[Text]

Monthly Economic Indicators in 1991 and First Quarter of 1992							
Item	1991				1992		
	I	II	III	IV	I	II	III
<b>1. Domestic Economy</b>							
Employment in six sectors in thous. persons <sup>1</sup>	6,378	6,345	6,361	5,746	5,765	5,726	5,719
Previous month = 100	—	99.0	100.3	98.9	100.3	99.3	99.9
<b>Industrial production in fixed prices<sup>2,3</sup></b>							
Previous month = 100	82.4	100.8	100.1	96.0	93.5	103.6	106.8
Same month, previous year = 100	92.0	93.9	95.1	75.6	87.0	80.2	96.1
Construction-assembly production, previous month = 100	63.7	101.8	113.6	94.3	71.4	110.9	105.0
Same month, previous year = 100	89.5	72.1	83.8	94.3	106.7	116.4	108.5
Wages in six sectors in thous. zlotys <sup>4</sup>	1,495	1,682	1,745	2,302.4	2,087.6	2,111.0	2,309.0
Previous month = 100	99.8	112.5	103.7	108.7	90.9	101.1	109.4
Consumer prices, previous month = 100	112.7	106.7	104.5	103.1	107.5	101.8	102.0
Including food	110.5	103.8	103.0	105.0	103.9	101.9	101.2
Price growth indicator in industry	109.8	105.4	101.4	100.3	103.2	101.9	103.2
Unemployed in thous. persons (at end of month)	1,196	1,259	1,322	2,156	2,230	2,263	2,238
Unemployment rate, in percent <sup>5</sup>	6.5	6.8	7.1	11.5	12.2	12.5	12.2
Monetary resources in billion zlotys (end-of-month status)	191.2	197.1	205.1	272.7 (251.5) <sup>8</sup>	263.9	271.8	281.5
Zloty resources (in billions)	131.8	141.3	151.9	207.3 (187.2) <sup>8</sup>	196.9	199.5	207.3
Cash resources (w/o bank penalties) in billion zlotys	37.9	42.2	43.8	53.8 (56.2) <sup>8</sup>	57.7	61.0	59.5
Foreign exchange converted to billion zlotys	59.4	55.8	53.2	65.4 (64.4) <sup>8</sup>	67.0	72.3	74.2
Net international reserves in billion zlotys	70.7	68.5	66.7	71.4 (71.3) <sup>8</sup>	71.2	82.5	82.6
Debt of economic units and population in billion zlotys	124.4	128.8	133.7	182.7 (187.0) <sup>8</sup>	194.5	196.9	200.6
Debt of budgetary sector in billion zlotys	- 11.9	- 10.3	- 3.5	32.0 (88.4) <sup>8</sup>	98.8	110.6	110.1
State budget incomes in billion zlotys, cumulative	13.2	30.6	47.6	210.9	15.0	34.8	62.0
State budget expenditures in billion zlotys	12.2	31.4	53.7	241.9	19.4	42.8	71.7
State budget return in billion zlotys	0.9	- 0.7	- 6.1	- 31.0	- 4.4	- 8.0	- 9.8
Budget return and foreign credit balance			- 7.1	- 31.9	- 5.0	- 8.6	- 10.5
<b>2. Foreign Trade and Balance of Payments</b>							
Export in fixed prices, previous month = 100	130.6	106.0	72.5	140.4			
Import in fixed prices, previous month = 100	158.1	128.9	111.8	211.2			

Monthly Economic Indicators in 1991 and First Quarter of 1992 (Continued)

Item	1991				1992		
	I	II	III	IV	I	II	III
In convertible currencies, <sup>6</sup> export in million dollars	608.2	1,019.5	1,123.6	2,797.7			
Import in million dollars	989.6	985.4	1,231.4	3,649.2			
Balance	- 381.4	34.1	- 107.8	- 851.5			
Cumulative balance	- 381.4	- 347.3	- 455.1	- 823.3			
In nonconvertible currencies, export in million rubles	142.0	278.2	140.6	161.5			
Import in million rubles	138.3	265.2	159.4	33.3			
Balance	3.7	13.0	- 14.3	128.2			
Cumulative balance	3.7	16.7	2.4	548.4			
Current balance of payments transactions in million dollars, <sup>7</sup> cumulative							
Receipts from export of goods	1,013	1,950	2,830	12,760	994	2,136	
Payments for import of goods	1,192	2,208	3,081	12,709	963	1,944	
Exchange rate for US\$ in thous. zlotys (counter)	9.5	9.5	9.5	11.6	11.4	11.6	13.6
Exchange rate for US\$ in thous. zlotys (NBP)	9.5	9.5	9.5	11.1	11.2	11.8	13.5

<sup>1</sup>Industry, construction, transportation, communication, trade, municipal economy.<sup>2</sup>In organizations employing over 50 persons.<sup>3</sup>Converted to working time.<sup>4</sup>Including payments out of profits.<sup>5</sup>In relation to those in the labor market.<sup>6</sup>Including clearing.<sup>7</sup>Without clearing.<sup>8</sup>In parentheses, comparable 1992 figures (changes in accounting methods).

After many years of publishing monthly Main Office of Statistics data in ZYCIE GOSPODARCZE according to a model that goes back to the mid-1980's, we have finally decided on a new proposal. The model has been inadequate for a long time and along with it we have been publishing supplementary tables on money, the budget and the balance of payments, unemployment, etc. But the supplementary information was not being published regularly, which made it difficult to evaluate trends.

The present table lacks some important information that is made available on a delayed basis, e.g., information pertaining to the finances of enterprises or investments (in the case of the latter, the delay, as already mentioned, has greatly increased). Therefore, the need for comments and supplementary information still continues.

A couple of words defining selected concepts that we have added to the table (we are now explaining only those terms that apply to money):

- Monetary resources, in banking language, are also called "total money supply." This concept is interpreted to mean the supply of domestic money and currency deposits from the nonfinancial sector (the nonfinancial sector are economic units, i.e., state and private enterprises and the population; in other words, what remains after the budgetary sector and the banks are excluded).

Total money resources are made up of zloty resources, i.e., domestic money resources (in banking nomenclature also called domestic money supply) and currency deposits in bank accounts of the nonfinancial sector.

Zloty resources, in turn, are made up of cash resources (excluding bank cash-drawers) and zloty deposits (domestic currency in bank accounts). In the table we gave only the zlotys and cash resources and did not separate the zloty deposits. But it is not difficult to calculate them by simply deducting the cash resources from the zloty resources.

In our comments to the tables we will, of course, make use of even more disaggregations: zloty deposits (and currency deposits) are divided into zloty deposits of households and economic units (currency deposits of households and economic units). Household zloty deposits, in turn, are divided into on-demand, term, savings, etc. deposits.

- Net international reserves. The Main Office of Statistics began to supply figures on these reserves beginning in April of this year and we decided to publish them because this term succinctly describes the solvency of our banks as regards both foreign and domestic creditors. But this is an extremely complicated term because it is defined by bankers as sums: gross official reserves (monetary gold, deposits in foreign banks, and securities, i.e., short-term foreign assets; this item does not include cash and travelers checks in convertible currencies, shares and other

settlements with foreign banks) and the so-called remaining foreign assets (i.e., the remaining foreign assets of the National Bank of Poland [NBP] and all of the foreign assets of foreign exchange banks in convertible currencies) decreased by shares and credits granted, and also by the total short-term foreign obligations of NBP and foreign exchange banks and credits granted by IMF for the financing of the balance of payments.

- Debt, i.e., credits for economic units and the population. These are:

1) Credits granted to economic units (including those by virtue of discounted bills of exchange and foreign exchange credits) and amounts-due not paid, questionable and disputed, from economic units by virtue of bank credits.

2) The population such as households (including also by virtue of discounted bills of exchange and foreign exchange credits), including amounts-due not paid, questionable and disputed by virtue of bank credits.

- Debt of the budgetary sector (net) is the difference between the total due the banking system by the budgetary sector and the value of the securities in the possession of the banks, issued by the state budget (including those denominated in dollars) and local budgets and the size of the deposits of the budgetary sector, i.e., the state budget, the budgets of the gminas, and non-budget funds.

Note: In the table, in the column referring to last December's information on money, two versions are given. The parentheses enclose a comparison version in connection with changes in accounting methods. The largest difference applies to the debt in the budgetary sector. A clarification: Since the beginning of the year this item has included treasury certificates and state treasury bonds denominated in dollars. In addition, other changes in accounting methods have been made, which, although to a relatively smaller degree, have affected the above-mentioned difference.

### Options, Barriers in Trade With Russia Noted

92EP0454A Warsaw GAZETA BANKOWA in Polish  
No 19, 10-16 May 92 p 35

[Article by Slawomir Lipinski: "Whoever Scorns Russia"]

[Text] Orgmasz sponsored a seminar entitled "Russia: Opportunity and Risk for Polish Business" at the end of April. The seminar provided an opportunity to recall the basic problems that have caused turnovers between our countries to shrink to less than half.

Let us bypass the well-known ones, such as the sudden, practically unamortized shift to a free currency system, and focus on the practical comments that came up during the seminar that might prove useful to our entrepreneurs.

They complained, of course, of the same things that Western businessmen have been accusing us of for years: the appalling infrastructure as exemplified by the fact that

despite the colossal increase in the number of telefacsimile machines in Russia, it sometimes takes a couple of weeks to send information to the eastern part of the country, even to the large cities there.

The nature of the various surprises facing business people seeking contacts there is well illustrated by the situation at the end of February, when our entrepreneurs (and probably all the other foreigners, too) wanted to pay in dollars at a hotel in St. Petersburg, and the hotel cashiers demanded rubles. Then, when they went to the official exchange office, it turned out that they had to sign up and wait four days for their money to be converted.

The greatest business risk in Russia, and throughout our part of Europe, involves the choice of partners. While the older foreign trade centers have their equally old partners that are more or less tried and true, the risk of making a bad mistake often scares off new firms. Dr. Stanislaw Dlugosz, who at one time was responsible for Polish-Soviet cooperation at the government level and today makes contacts in the East for one of the private firms, therefore advises cooperating with the numerous commodity exchanges there (although the Russian "birzhe" [exchange] seem more like auction houses to us), which are already monitoring their participants to some extent, and with the many new banks.

In his opinion, the level of personnel in the new Russian banks is surprisingly high. Foreign banks make contact with them, as do Czechoslovak and Hungarian ones. Credit Lyonnais recently obtained a license to open an all-purpose branch in St. Petersburg.

Against this backdrop, the Polish banks are clearly reluctant to establish the simplest forms of cooperation, and, according to Dr. Dlugosz, this is one of the major barriers to cooperation between new entrepreneurs in the two countries. A company Dr. Dlugosz represents became a shareholder (for only \$5,000) in one of the new banks. He therefore has his own man on the board and is therefore in a better position to choose possible partners from among the companies there, at least in the realm of the bank's operations. The company's goal is to create a network of small joint enterprises in food processing and household chemicals produced to meet the needs of the local markets there.

As Lech Klepacki, minister plenipotentiary at the Russian Embassy in Warsaw, said, there are presently 1,200 joint venture companies operating in Russia, most with American (291) and German (268) capital, but the Poles are also visible in these statistics, with 58 companies.

The greatest barrier in current trade turnovers, of course, is the fact that the ruble is not convertible currency and that there is a shortage of foreign exchange in all the republics of the former Soviet Union. The Poles attending the seminar gave examples of contracts they had already made with partners that had foreign exchange even in their own bank accounts. The goods are waiting in Poland to be shipped, but the transfer of the money to Poland is still being blocked by the bank there. A representative at the Russian Embassy said that in March the banks began carrying out instructions, after a blockade of several months, but now it turns out that it is difficult to send foreign exchange the other way too. Polish suppliers are running into more and more cases where the Russian

customers do not want payment in dollars. They prefer barter transactions, because they must sell part of the foreign exchange funds to the state at a disadvantageous rate of exchange.

Our entrepreneurs have long been urged to do business with the East under the barter system. The problem was that until recently the partners there were not permitted to export many commodities. It is true, according to information again from the representative at the Russian Embassy, that foreign trade has recently been liberalized, and the central list of raw materials and commodities requiring an export permit has been reduced to about 200 items, but, as the Polish practitioners then pointed out, not much has really changed. The local authorities block exports and also generally interfere in the prices the firms set between themselves. This is to say nothing of the difficulties related to the fact that on the way to and from Russia we now have to pass Ukrainian and Byelarusian customs. Some of the Poles attending the seminar thought that at the moment, the Russian economic reform is often understood there not so much as freedom for economic units as a transfer of former central authority to the local level of the state administration.

Minister Klepacki thinks that all these difficulties should not discourage Polish entrepreneurs, however. It is true that the risk of becoming involved in Russia is high today, but the most courageous people may be generously rewarded later.

Recent events confirm the Russian officials' determination to transform the economy into a market economy. During the past few months the ruble's position has been bolstered. As a temporary stage, there are plans to introduce two rates, a floating one for ongoing payments and a fixed one for capital investments, and with from \$6-\$10 billion from the stability fund, it will be possible to go over to internal convertibility. One sign of progress is the transformation of inflation that was hidden at one time to open inflation, which is more or less under control at the moment. As proof, Minister Klepacki cited that fact that inflation had dropped from 500 percent in January to 10 percent in March. Other signs of progress are the cut in the budget deficit from about 20 percent of GNP at the beginning of the year to about 3 percent at the end of the first quarter of this year, as well as the two above-mentioned improvements, which were disputed by Polish attendees during the discussion: the liberalization of foreign trade and the reduction in export quotas to 200 important raw materials and other materials. As a result, exports in March were 2.2 times as great as in January. Our small and moderate-size enterprises can already establish cooperation with 150,000 of their counterparts in Russia. In Moscow alone, 40,000 private newly established or privatized firms have been registered, and let us add the interesting fact that there are also 1,500 private farms in operation. For Russia, this is a drop in the bucket compared to the needs, but talks are progressing for another 5,000 farmer candidates to begin farming in the near future in Poland alone. A special congress for small business in Russia is planned for 3-7 June in Moscow. The

embassy representative thinks the congress might present a good opportunity to establish contacts with Polish firms too.

Minister Klepacki also gave assurances that the Russian Embassy in Poland would pressure Moscow officials to work out a special strategy to develop economic relations with Poland, and with all the countries of the former CEMA. For the moment, people in Moscow of course have more important problems on their minds, problems which we already more or less have behind us. It is therefore worthwhile for our side to be the first to present proposals on such a strategy. The common view is that Russian opportunities will be exploited better not only by those with a great deal of money but also by our neighbors from the former CEMA.

### **Business Association Establishes CIS Contacts**

92EP0457A Warsaw GAZETA PRZEMYSLOWA I HANDLOWA in Polish No 19, 10-17 May 92 p 5

[Interview with Stanislaw Styka, chairman of the "Business Club" Association, by Stanislaw Frankowski; place and date not given: "There Is Business in the East"]

[Text] [Frankowski] Mr. Chairman, whom does the association join together?

[Styka] It joins together approximately 300 firms interested in trade with Poland's eastern neighbors, the countries of the former USSR. By far the largest number (i.e., about 80) are private firms.

[Frankowski] Is it possible to do business in the East?

[Styka] Of course, if only one wants to do business and knows how to do it. We are trying to help in the latter. We supply information, we match partners and we offer advice.

[Frankowski] How does one become a member of the association?

[Styka] By making a declaration and, generally, by simultaneously making an offering specifying what it is one wishes to sell or buy, and stating whether the trade will be in dollars or it will be a barter exchange. I do not advise clearing accounts in zlotys or in rubles for the present. To date, barter exchange has been the most successful.

[Frankowski] What do your firms sell most often, and where?

[Styka] Agricultural food goods still predominate, in addition to textiles and other goods. I believe that the proportions will slowly change, the assortment will expand gradually and, of course, the needs of those countries will become increasingly diverse.

[Frankowski] Do you think that the countries are potentially a great source of food?

[Styka] There are regions of the CIS [Commonwealth of Independent States] which already have a fairly good raw materials base for the food industry, for example, Lithuania and Ukraine. But organization and capital are

needed in these areas. If firms capable of investing there in small bakeries and butcher shops (with production capacity reaching up to a metric ton daily) could be found, then in my opinion, they could do good business over the long term. In general, however, such food potential cannot be activated so rapidly.

Privatization in agriculture requires the sort of small-scale technology which does not exist there. Above all, it requires regenerating the peasant stratum. Despite appearances, however, the kolkhoz worker is not a peasant; rather, he is a farm worker qualified in one area of agricultural work. Relatedly, I see here an opportunity for major, solid business deals, particularly in the field of farm equipment. If we took a good look at agriculture in Western countries, we could find there a wealth of still good, older equipment, taken out of service because it does not meet the requirements of new technologies. That equipment would be invaluable for new, private farms in the East.

[Frankowski] With which countries of the former USSR do you have contact?

[Styka] Our contact is the best with our direct neighbors, i.e., Byelarus, Lithuania, Latvia, Estonia, and Ukraine, as well as the Russian Federation. But sometimes contracts are made with firms from very distant regions of the CIS.

[Frankowski] What sorts of contacts are they—private ones?

[Styka] They are both private contacts and contacts with trade or even government institutions. We began with Byelarus, and during the initial period, we resolved many matters, often with the help of first secretaries in the particular regions. Then the Byelarus Government delegated the domestic trade minister to make the contacts. The Office of Trade Counsel [BRH] in Warsaw gives us much help, we have sporadic contact with the government representatives of the individual CIS countries and we have a computer link with the Ministry of Foreign Economic Cooperation [MWGzZ] of the Russian Federation. All in all, we have available a rich, reliable base of information.

[Frankowski] You are located in the Soviet House of Culture and Science. Does that not make for a somewhat ambiguous situation?

[Styka] If one trades with a partner, one should not be afraid of him or treat him as a leper. Besides, under what auspices our headquarters is located is unimportant. It is important that the rent be affordable and that the location be accessible. Not everyone can afford the Marriott Hotel and not everyone can be accommodated there.

[Frankowski] Mr. Chairman, no one has to be persuaded that the Eastern market is enormous and receptive. The question is—is it profitable?

[Styka] The CIS countries are experiencing payment, organizational, and production problems. However, that does not alter the fact that they have tremendous potential. The merchant must have the skill to find the goods, for they are

there. Recently, I saw a Siberian lot of pine and my eyes opened wide. I could not believe that pine could be such a beautiful wood. We are importing various items from the former Soviet Union—fish from the Baltic countries, some electronics, colored metals, wood, and champagne. We even remitted an order for a metric ton of gold and, as far as I know, the Russian bank accepted that order. Of course, most of the goods are then reexported to the West since our market cannot absorb much today. Sometimes the orders are quite surprising. Recently, for example, we had an inquiry from the Italians about the possibility of organizing hunts in Russia. In reality, nowhere in Europe will you find such hunting grounds as in Russia.

[Frankowski] Is it possible today to work out major business deals with the East?

[Styka] I know firms in which turnovers exceeded 800 billion zlotys [Z] in 1991. The data is from a notification sent to the Treasury Chamber, and so it is reliable.

[Frankowski] What do you charge for your services?

[Styka] After a contract is finalized, we take a 1.5-percent commission.

[Frankowski] What prospects do you envisage for cooperation with the East?

[Styka] Despite appearances, that is a difficult question. For the present, the trade resembles guerrilla warfare somewhat. Our firms are often geared toward quick profit, toward concluding several contracts. Of course, that is not a negative reflection on them: They are realists, acting practically. Generally, they are not wealthy firms with longstanding traditions and bold plans. They do not have the resources to attempt to conduct their operations on a larger scale and with a broader perspective. For our relations with the East, however, that is not overly auspicious. The situation is that we shall not win the West for a long time to come; thus, we ought to place greater hope on the East. But we must also remember that they, too, are looking to the West, and vice versa. At the present time there are still obstacles; the great incursion of Western firms into the CIS market has not yet begun, but the signs of it are already in evidence. Despite the fact that the Germans are involved with the area of the former GDR, they are already very actively at work in the region of Krolewicz. The Japanese, the Americans, and the Chinese have become actively engaged in doing business with the CIS. We still have certain trump cards today. We know that market, we know its mechanisms, and its mentality. Today we still have many items that are not sold in the West, but could be sold in the East. The problem lies in the issue of clearing accounts, in the skill in coming to mutual agreement and in the sphere of organization and psychology. These are difficult issues, but perhaps they may be resolved. Above all, the desire must be there and we must realize that business is a two-way street, that one is not an economic power to freely choose on the markets, dictate terms, and impose one's own will.

[Frankowski] Mr. Chairman, you have contact with people "from the East." How does the matter of mutual biases

look? To what extent do they constitute a real fact hindering the development of economic cooperation?

[Styka] Certainly they do not help. Neither an inferiority complex regarding the West, nor a superiority complex toward the East helps us. That is especially true as neither has a rational basis, for as you know, fools are not sown either in the West, in the East, or in Poland. They grow spontaneously regardless of the climate. To some extent, the old wounds influence the atmosphere of mutual contacts if they are suddenly reopened. Just as we suddenly bristle when the Germans begin to manifest too much interest in Silesia, the Lithuanians become suspicious when we talk about Wilno and the Ukrainians become wary when we speak of Lvov or when the wounds from the prewar period or the wartime period are reopened. The memories still have the power to cast a shadow on the present. That is so with the Russians, too, since the press is suddenly beginning to write about the desecration of the graves of Red Army soldiers in Poland. From our perspective the graves represent the Red Army vandal, for the Russians they represent a specific person, a fellow countryman, who was killed during the war in this very area. What he had to do with our subjugation, with communism, has passed, for he was ordered to do what he did and liberated us, as it were. But, obviously, that is the general background and contacts are set up by real people. The quality of the contacts will determine whether they will become enduring, solid and mutually beneficial.

[Frankowski] Of the 300 firms banded together in the Business Club, in your opinion, how many have a chance of becoming a more permanent part of this market? Will they rotate in importance? To what degree are we still dealing with a spontaneous generation and to what degree are we dealing with "the workings of the system"?

[Styka] It seems to me that not more than 50-70 firms will survive. That trade has the characteristics of a spontaneous generation; besides, in general, our trade has that quality to a considerable degree. People are learning, firms are learning, they are gaining strength, or they are going bankrupt. We still have a long way to go to reach stability; moreover, stability in business is a relative concept in general.

[Frankowski] Will I offend you if I ask about your background?

[Styka] I was an teacher. Then I worked for several years in foreign trade, obviously state trade.

[Frankowski] Is there a big difference between the two kinds of trade?

[Styka] Yes, a fairly big one. In that trade there was a lot of "pondering" and philosophy. Here speed, efficiency, and practical action count.

[Frankowski] Are you not afraid of the competition of other, similar clubs and associations? For example, the "Dom" Polish-Russian Industrial Trade Chamber is already in operation.

[Styka] I suppose that many associations similar to ours will arise. A small firm cannot afford to maintain its own representation abroad. It is not in a position to analyze the market well and to gather information—perhaps about a partner with whom it is supposed to conclude a contract....

[Frankowski] Can the club provide the firm with such information?

[Styka] Yes, and that is one of our basic services. But to return to the competition—the Eastern market is so large that for a long time to come we shall not be threatened with being crowded out. So far, we have cooperated amicably and profitably with the Polish-Russian Industrial Trade Chamber, which, by the way, has wonderful contacts, for example, with St. Petersburg.

[Frankowski] Thank you for the interview.

### Opinion Poll Results on Privatization

92EP0483B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 2 Jun 92 p 1

[Article by A.K.K.: "Unloved but Necessary: Public Opinion Survey Polls"]

[Text] Fewer and fewer adult citizens believe that privatization will benefit the economy, but at the same time its pace is viewed as too slow. The dominant belief is still that only certain branches of the economy should be privatized. Such are the findings of the polls on privatization conducted by the CBOS [Public Opinion Survey Center].

Compared with September 1990, last May the proportion of respondents viewing privatization as benefiting the Polish economy has decreased by a factor of 2.5. At present this view is being shared only by 18 percent of respondents, while 34 percent consider privatization as a mixed blessing and 30 percent believe it to be disadvantageous.

This prevalence of negative over positive opinions first surfaced in August 1991, and recent polls point to a worsening of the public's view of privatization. The dangers entailed in ownership transformation are now definitely mentioned more often than the advantages. The respondents view similarly the effects of privatization on their personal lives: Thirty-four percent of those polled believe that sales of state property to people such as they themselves have both pluses and minuses, while 22 percent perceive only negative aspects of the transformations, and only 12 percent perceive only their positive aspects.

At the same time, the proportion of the respondents viewing the pace of privatization as unsatisfactory is twice as high as that of those who consider that pace to be too hasty (39 and 19 percent of respondents, respectively). Only 17 percent declared that ownership transformation is progressing at a sufficiently rapid pace. During the initial period of privatization, that is, in the fall of 1990, the proportion of respondents in favor of accelerating privatization was much higher.

Those viewing ownership transformation [privatization] as too slow were chiefly the respondents in the 45-54 age group, residents of small towns, with higher educational

background, private entrepreneurs, the intelligentsia, enterprise managers, and persons with high incomes—those who believe that the country's situation is improving. Those who believed that the pace of privatization was too rapid were chiefly young people, up to 24 years old, with basic vocational training, as well as unskilled workers and the jobless.

The opinions on the scope of privatizing the economy also have changed. At present 71 percent of respondents believe that only certain branches should be privatized, and only 9 percent support privatization of the entire economy (and just as many believe that nothing at all should be privatized). As recently as in the fall of 1991, privatization of the entire economy had been supported by 15 percent of respondents, and the opponents of privatization accounted for 7 percent.

Despite the decline in support for privatization, the respondents most often continued to accept totally private stores, hotels, wholesale businesses (large private farms also were even more often accepted, but here the findings were not comparable with earlier polls). On the other hand, more than 50 percent of the respondents still favor the existence of exclusively state-owned hospitals and large industrial enterprises. The percentage of supporters of a mixed, private, state economy has also increased.

In the opinion of those polled by the CBOS, mass privatization still remains a program largely unfamiliar to the public: Only every fourth adult Pole has heard of it and is aware what it is about. Twenty-six percent of the respondents never heard of this program, and 45 percent have heard of it but are unaware what it is about.

#### **Bond Description Given, Interest Rates Noted**

92EP0472B Warsaw PRAWO I INTERESY in Polish  
No 4, May 1992 p VI

[Article by Krystyna Milewska: "Should You Buy Bonds?"]

[Text] The term "obligacja" [bond] derives from the Latin word obligatio, or obligation. Thus, bonds are a form of simultaneous borrowing from many sources by the issuer of the bonds. Bonds are a widely used way of financing the budget deficit. To offset that deficit, the national treasury issues bonds, thereby becoming a debtor of citizens or legal entities.

Of course, such debts are not contracted gratis. The bond buyer derives certain advantages, e.g., in the form of the interest he earns, or by paying a discount, meaning that a bond has a nominal price at which it will be later bought up by the issuer, but in return it is sold at a lower price.

In many countries government bonds are considered fairly reliable investments. The advantages derived from their purchase do not have to be greater than from the purchase of other securities, e.g., of companies' stocks or bonds, but in return they are guaranteed by the national treasury. Now in this country too, such a way of patching up the budget deficit has been resorted to.

On 1 June the first treasury bonds will be issued. They will be of two kinds: one-year and three-year bonds.

#### **One-Year Bonds**

Will be issued in four series:

I—On 1 June 1992, with a total value of 3 trillion zlotys [Z].

II—On 1 September 1992, with a total value of Z3 trillion.

III—On 1 December 1992, with a total value of Z1 trillion.

IV—On 1 March 1993, with a total value of Z1 billion.

Any unsold bonds enhance the value of the next series. The nominal value per bond was fixed at Z1 million, that being the amount at which they will be purchased by the treasury after a year, plus, of course, the interest. To the buyer the most important information will be:

#### **The Interest Rate**

Now the interest rate on a one-year bond will depend on the inflation index as calculated by the GUS [Main Statistical Administration]. That means that added to the nominal value of a bond will be an interest rate determined in the following manner: the indicators of price increases in consumer goods and services from two months ago, as calculated by the GUS, will be applied to the period for which the interest rate is to be credited. In addition the interest rate will be augmented by a 5-percent annual yield.

Thus how much interest can be earned? If a bond is issued on 1 June 1992, the interest earned for June will correspond to the price increases in the previous March; the interest earned for July, will correspond to the price increases in May, the interest earned for August, will correspond to the price increases in June, and so on.

The interest earned will not be added up but compounded, which means its capitalization. Thus if, e.g., the inflation rate in April was 4 percent, the interest rate earned on Z1 million for June will be Z40,000, while the interest rate earned for July, that is, according to the price increases in May, e.g., 5 percent is already computed, not for Z1 million but for Z1,040,000, that is, it will amount to Z52,000 instead of Z50,000. Accordingly, for the following month the interest rate will be computed for a capital of Z1,092,000, and so on. In addition, a 5-percent annual yield is credited.

For example, if annual inflation averages 3 percent monthly, the correspondingly compounded interest rate would amount not to  $12 \times 3$ , or 36 percent, but 42.6 percent plus a 5-percent yield, or a total of 47.6 percent. The initial assumptions however point to a higher interest rate for the near future, because the example presented by the Ministry of Finance presupposes an interest rate of 74.2 percent annually, inclusive of the 5-percent yield. That means an average monthly inflation rate of 4 or 5 percent. That is highly likely. Now the attractiveness of bonds is that they guarantee an interest rate higher than the overall annual inflation rate.

Another feature of bonds is their liquidity, that is, the possibility of selling them at any time, because bonds can be traded on the stock market.

### What Will the Bond Prices Be?

One-year bonds will be sold not at their nominal value, but at a sales price. The sales price will be the issue price plus the interest earned between the first day of sale and the day of purchase—that is natural considering that interest is credited starting from date of issue. It is the issue price that remains unknown. The issue price is fixed by the minister of finance, and it determines whether the bond is worth buying.

### Three-Year Bonds

They will be bought back by the Treasury only after three years. Their attractiveness is that interest on them will be payable at quarterly installments. Their value is determined according to the discount rate for 13-week treasury coupons as averaged over the last four auctions, before they start earning interest. Those interested in such bonds, if they are to determine their profitability, should have some knowledge of the market for treasury coupons.

The bonds will not be sold in the form of securities certificates; instead, their sale is to be recorded and the buyer will receive a certificate of deposit, though he may also receive a certification issued in his name—but then he will not be able to sell it on the stock market.

The bonds will be traded on the stock market, and they will be quoted there, just like stocks.

Thus, should treasury bonds be bought or not? First of all, all the information available on them should be carefully considered. Second, the current interest rates earned on one-year and three-year bank certificates of deposit should be considered. I also believe that it will be easier to make the right decision for people who already are shareowners and have had some experience in buying and selling stocks. As for the others, they will presumably watch the initial trading in the bonds, especially the issue price, which will determine their profitability. Trading in treasury bonds will also be greatly influenced by the banks. To be sure, a bank certificate of deposit cannot be traded, and cashing it in before a specified date may result in forfeiture of interest, but, e.g., the PKO [General Savings Bank] has introduced a new type of certificate of deposit, the so-called "Lokata," which pays quarterly interest to the bearer. What is more it is a "bearer" certificate of deposit, and therefore it can be traded informally.

I think that the purchase of a small number of bonds by small investors does not involve any great risk, if that method of deficit financing is to continue over a longer period of time in our country. But that is not absolutely certain. The experience gained in stock purchases does not, so far, indicate that they have always been advantageous.

The securities market in Poland is still in its embryonic stage, as are various forms of investing. But it also is worth noting that the high inflation rate necessitates exploring

various ways of investing, even by small savers. Only thus can one's nest egg be protected against the loss of value due to inflation.

### Future of Country's Air Industry in Europe

92EP0455A Warsaw GAZETA BANKOWA in Polish  
No 19, 10-16 May 92 p 28

[Article by Ryszard Jaxa-Malachowicz: "A Shield Riddled With Holes"]

[Text] *The agreement on Limitation of Conventional Arms, signed in 1990, regulates the number of fighter planes Poland may possess. According to the treaty, only 460 planes and 120 helicopters will remain on the front line. That is a significant limitation, if one considers that we had 640 planes in the front line on the day of pact signing. As a result, the number of planes deployed by the WLOP [Air Force and Air Defense] must be reduced by withdrawing the old planes. In the case of helicopters, the situation is reversed. Right now, we have fewer helicopters than are required by the tactical needs for the defense of our country.*

Of what we have in our equipment, only two types—the MiG-29 (12 planes) and the Su-22 (86 planes) can equal world standards. The rest of the planes are out-of-date, and require fundamental modernization. That is true especially for MiG-21 planes, which are the core of our fighter air force. Some of the older models of the plane, like the MiG-21PFM, should basically be withdrawn at once.

In the group of ground attack planes, we have modern Su-22's, but the 86 we have are clearly not enough for the needs of our country.

An increase in the number of ground attack planes can only take place at the cost of withdrawing some of the fighter planes. That is entirely possible, but under the condition that the fighting value of those that remain is raised.

The WLOP's problems do not end with the front line planes. The old, worn-out Iskra training planes, the out-of-date transport planes and helicopters will also have to give way to their successors.

### To Buy or To Modernize

The introduction of a new aircraft type into service is a complex and costly process. In the case of an Western-produced airplane, the costs of such an operation will be higher, because it is a switch to a completely new operation system.

The introduction of a modern Western fighter plane, like the F-16 or the Mirage 2000, to use in the battalions of the WLOP, will bring with it costs of about \$100 million. That is a dizzying amount, if one considers that it is a single-engine plane, whose basic price comes to only \$18-22 million. Unfortunately, that is the price of a so-called green plane, and corresponds only to the value of a chassis with basic equipment.

In such a case, the Russians, offering their two-engine MiG-29 for only \$22 million (lately one has heard \$18



million), turn out to be competitive. For that aircraft to rival its Western counterparts, certain modifications to it are necessary. The most important of them would be the installation of modern Western-produced navigational control equipment. That would make it possible to limit the cost of the entire modernization to \$4 million. In the end, a new MiG could be introduced into service for less than \$30 million.

The fact that Germany placed the MiG-29 in the front line (the only one of the planes produced in the USSR) is evidence of that aircraft's quality. The latest bulletins indicate, moreover, that the Luftwaffe is preparing to buy another 30 planes. They will be equipped with modern avionics and allotted to fighter battalions.

Our Su-22's could be modernized as cheaply as can the MiG-29's. The cost of the operation would not be more than \$3 million.

#### On Their Own Power

In Poland, we produce light planes suitable for training and the carrying out of assistant tasks; multi-use planes which can fill the role of transporters, for example; and light jets and helicopters.

A light jet of the Iryda training class is quite suitable for further modifications. In that way, the Army can acquire a light ground attack or reconnaissance plane.

The WLOP's current need for planes of this class can be estimated at 150 at least to the year 2000. The Iryda can compete with other planes of that type, and as a result there may be some export possibilities.

The Swidnik Transport Equipment Factory produces an excellent multi-use helicopter, the PZL W-3 Sokol, which is perfectly suitable for our needs. Analyses conducted in the Air Force Institute on further modifications of the Sokol show that, using a significant part of its assembly, it will be possible to build a modern helicopter. Poland may introduce another 70 to the front line.

The Orlik training plane holds out some hope. However, for it to become a competitive export product, it must be further developed.

#### Offset [in English]—A Good Solution

The production of a modern fighter plane, or a heavy ground attack plane, as well as the propulsion for them, is beyond the reach of our technical and economic capabilities. As a result, we must accept a middle solution. Some of the planes we will be able to produce ourselves, and some we will have to buy.

Because the importation of new planes is essential, it will be necessary to take steps to minimize expenditures. One way is to acquire a so-called offset, the rights to produce parts, subassemblies, or even entire planes, engines, equipment, or weapons. The licenses bought until now, and the offsets acquired, could bring much greater benefits to the Polish economy. Therefore, it will be necessary in the future to negotiate more advantageous conditions for ourselves during the drawing up of contracts. Recently, the

most advantageous agreements were made by the United States, while acquiring Harriers for the U.S. Marines and Hawks for the U.S. Navy; Turkey, introducing F-16's; and, most recently, Finland. The Finns decided to purchase a multi-use modern fighter of the Swedish-produced Saab Gripen type; as a result of the contract recently signed, they acquired a 100-percent offset, which means that the entire chassis will be produced in the Finnish Valmet factory.

It must be emphasized that the situation in the WLOP, though difficult, is resolvable. In order to do that, a general conception of its further development is needed, taking into account the capabilities of the aircraft industry and the needs of the infrastructure. Without the creation of such conditions, nothing will be achieved; the planes will rust in their hangars and the aircraft industry will collapse.

#### Differing Views on LOT's Financial Condition

##### Emergency Status Declared

92EP0453A Warsaw *PRAWO I ZYCIE* in Polish  
No 20, 16 May 92 p 8

[Article by Helena Kowalik: "Terrestrial Flight: Solidarity Director Announces Exceptional Condition To Save LOT From Collapse"]

[Text] LOT Director Bronislaw Klimaszewski told the employees on the eve of the May Day holiday. "Ladies and gentlemen, colleagues! The choice on your part is simple. You can strike because there is an embargo. You can strike because groups are being laid off. You can... I must stick to the rules imposed by the finance minister.... Ladies and gentlemen, colleagues! Because of the difficult firm's financial situation, I am canceling all agreements with the trade unions, hereby proclaiming the existence of an exceptional condition at LOT. It is in everyone's interest for LOT to endure."

I do not know yet how the five trade unions at LOT will ultimately behave, but I do know the determination of Bronislaw Klimaszewski, whom Solidarity put in the director's chair. The LOT director is trying to get \$60 million in credit from local and foreign banks. He cannot get that kind of money, without government guarantees. After a year and a half of talks, the Ministry of Finance expressed initial consent, but it set conditions: Employment must be further reduced. Investments had to be restricted. The restructuring had to be accelerated. And there had to be further cuts in the company's expenditures, for example, by limiting employees professional privileges.

The director decided to go against the tide. He knows how.

It was six months ago that Bronislaw Klimaszewski rankled the staff for the first time, when he said he was purging the fleet of Soviet aircraft. He said that because Boeings had been added, further rational management of the IL-62's was not possible. It costs LOT about 16 billion zlotys [Z] per month to maintain the operating status of the Ilyushins. "We cannot afford the planned engine repairs, because today the cost is over \$2 million," he said, trying to

convince everyone around him. "Any month now, we will be out of spare parts for the aircraft. Then it will turn out that it is practically impossible to buy them anywhere in the CIS [Commonwealth of Independent States]. At one time, under a centralized economy that was handled in Moscow."

The idea of replacing Soviet aircraft with those produced in the West was not a new one for the LOT workers. A similar demand was written on the Solidarity banners in 1981, but when martial law came, several dozen pilots carrying such slogans were fired.

Nobody at the airport took much notice or did anything, when the "Anteks" were removed from the hangars two years ago. But when the Ilyushins were removed, there was the problem of a great reduction in the work force. Director Klimaszewski did not receive any applause, when he told the employees that after a long hunt he had finally found a buyer, the Ukrainian carrier. On the contrary. The dispute over the sale shifted from the union headquarters at LOT to the Sejm. Wladyslaw Serafin, a deputy of the PSL [Polish Peasant Party], sent out the alarm from the tribunal at a plenary session that we were selling good, efficient aircraft for nothing, because what is \$15 million in exchange for seven aircraft? That money would pay for half of one Boeing. The deputy demanded that the transaction with the Ukraine be suspended until the NIK [Supreme Chamber of Control] could look into the matter to see if the sale was a good idea. A large proportion of the workers supported him in a letter to the prime minister. The LOT people called for Klimaszewski to be suspended from his duties and for the creation of a board of commissioners.

For many months the opposing sides blasted each other with arguments.

"The Americans call the Ilyushins killers, and you know why," the director said, reminding them of the Kabacki Forest disaster. "Selling to the Ukrainians is our last chance. But the Ilyushins aren't dangerous anymore," the pilots working on these same airplanes replied. "After the tragic air disasters in the 1970's they had equipment like the two independent control circuits installed, and that cut the risk of failure to just about zero."

"They're expensive to operate, they swill fuel like dragons, and airports in the West don't want to accept them, because they make a lot of noise and don't take standardized parts," the director said, justifying his decision.

"They're cheaper than Boeings," the pilots countered. "One hour of flight in an Ilyushin costs half what we spend using Boeings, because with the Boeing to the flight cost you have to add the unpaid debt we owe the Americans for the aircraft purchase."

"Your figures are out of date," the director insisted. "The cost of flying Soviet aircraft has greatly increased since the IATA [International Air Transport Association] fees were introduced. We wound up with an imaginary dollar exchange rate. Now we have to pay with real money for spare parts produced in the East, too."

"But we still have a lot of spare parts for the Ilyushins," opponents of the plan to replace the fleet declared. "The Ilyushins aren't old. They could still fly for years without a general overhaul. But if they are sold," they gave in a bit, "then sell them to us, the pilots that are let go. We've formed our own company. We can pay \$3 million."

"You're promising pears from a willow tree," the director defended himself. "I know you don't have that kind of money, and, besides that, the Ukrainian Civil Aviation Association will pay five times that."

On the television program "Issue for a Reporter" the men in pilot uniforms cried wonderfully before the television cameras. They were unable to answer the question of what they were going to do with themselves once they were no longer at the controls of an Ilyushin. Later, a large group of LOT employees held a demonstration in front of the Marriott.

As the conflict between the fired and the person firing them became more severe, less elegant tactics were used. The pilots' argument that their being thrown overboard—they had actually merely been transferred to technical support—was also a loss for the company, given the high cost of pilot training, was countered with the statement that LOT needed to be cleansed of... the foundlings from martial law. After all, it was a public secret that after 13 December 1981 many people from the defense ministry and the internal affairs ministry had been sent to work for the carrier and had put on LOT uniforms. They still collected their pay from their own units.

For more than a year sparks have also been flying between LOT and the Ministry of Transportation and Maritime Economy. In June 1990, Bronislaw Klimaszewski wrote two similar letters to President Walesa and Prime Minister Olszewski: "I am asking for an immediate, unequivocal explanation of the relationship between government officials and the national carrier LOT. The past behavior of the founding body, which has been represented day in and day out in most contacts and decisions by Under Secretary of State Boguslaw Liberacki, expresses itself by blocking any sort of initiative and refusing dialogue on matters that determine not only the condition of the enterprise but even its very existence. The information conveyed a year ago about the Polish carrier's situation has not led to any useful talks or decisions. The result instead has been increasingly severe criticism of the enterprise and its directors, along with the creation of internal tensions among the workers. The consistent failure to pursue mutual solutions and the systematic blocking of actions LOT has undertaken lead me to the conclusion that LOT's destruction is the goal."

Director Klimaszewski calculates the damage the ministry is doing: It is making it difficult to sign the contract to sell the Ilyushins, it is interfering in the efforts to reach agreement with the airports, and it is deciding the future of LOT. He was particularly upset by the fact that the ministry's undersecretary informed the press about the alleged privatization of LOT back at the beginning of this January. The director is convinced that the founding body wants the national carrier to collapse and presents it as

bankrupt wherever it can, because how else would one explain the announcement in the United States of negotiations for a takeover in the LOT office? The announcement was signed "Government of the Republic of Poland," but neither the amateur sleuthing of LOT employees nor the Flying Personnel Trade Union's appeal to President Lech Walesa succeeded in finding an answer to the mystery of who concretely put out the disturbing advertising.

The LOT people have a gunnysack full of grievances against the ministry. Another one is that the ministry says at press conferences that the main reason for the carrier's financial difficulties are the recent pay raises for pilots. "Our pay, about Z7 million per month," the Boeing captains say indignantly, "is nothing compared to the great appanage of the ministry officials, who receive bonuses alone amounting to tens of millions of zlotys. At LOT, to receive such bonuses," they wrote to the president, "we would have to work several years in the water, the cold, and practically on an empty stomach."

The pilots never wanted to be supervised by "railway officials," as they call the ministry, which also manages the PKP [Polish State Railroad], at one time just handling transportation but today both transport and water management. The once respectful requests have turned into demands. At the end of last year, all the trade unions at LOT lodged a protest with Minister Ewaryst Waligorski against "wiping the enterprise off the face of the world map." The unions warned: "We have proof that such action is not dictated by economic considerations. We will seek help from public opinion."

People at the ministry think that the carrier needs their meticulous care, because otherwise the LOT people will do something stupid. For example, the directors of LOT and the airports wanted to go in together with some American firms, and it was only the ministry's intervention that prevented their signing a contract on very disadvantageous terms, but they had to pay the consultant on the other side of the ocean a good deal, inasmuch as he was getting \$100 an hour.

"To err is human," people comment at Okęcie, discussing the setback. But the ministry has still graver mistakes on its books. The "railroad men" nearly "made LOT happy" with McDonnell Douglas aircraft, which are expensive and lose out in competition with the Boeings. The transportation ministry also talks about the unfortunate purchase of the ATR's [expansion unknown], the French-Italian aircraft that replaced the "Anteks." Polish pilots say that equipment is full of defects: they fly at slow airspeed, they fly at an altitude of 6,000 kilometers [as published] where there are frequent storms, and they were also expensive, \$13 million each. "Such a transaction is scandalous," Klimaszewski said of the move to equip LOT with the ATR's.

The LOT director's appeal to abide by the rules imposed by Minister Olechowski is the result of the carrier's dramatic financial situation. "The zloty's convertibility killed us," the enterprise's director says, summing up the reasons

for the firm's deficit. The company has always operated in the dollar realm. Therefore, the reform to make the exchange rate realistic meant handling passengers at quadruple the cost. Passenger traffic declined, on the other hand, because many customers with a choice of paying the same price to fly on LOT or Lufthansa, for example, chose the latter, if only out of simple curiosity to see what it was like to fly on a "real" airplane. Civil aviation's difficulties with capricious passengers were further multiplied by the results of the world crisis last year in connection with political events, the conflict in the Persian Gulf.

Unpaid or unfinished investments also pulled the Polish carrier down: the Marriott, the fuel warehouse near Gdansk, the freight terminal, and "catering," that is, a factory that produces sandwiches for travelers. When decisions were being made on these issues, the national carrier was subsidized by the government. Now that means grief for LOT, which owes the state treasury Z1.2 trillion.

If it does not get out of the crisis, it will fall into the role of a fringe carrier. Western competition is just waiting for that, because Warsaw is a wonderful place for expansion to the countries that came into being after the eastern empire collapsed. Even today there are more British Airways, KLM, Lufthansa, and Delta aircraft at Okęcie than there were last year.

"It will be you and not I who determine whether LOT will continue to exist," Director Klimaszewski wrote in a leaflet to the workforce, and he took down the bulletin board in the corridor listing the hours employees could come to him with their complaints and suggestions. Now he wants nothing to do with the issues.

P.S. On Wednesday, 13 May, when this issue of PRAWO I ZYCIE is in the hands of our readers, Director Klimaszewski will meet with representatives of the five trade unions and with the employees. He will try again to explain that his term "exceptional condition" means only the need to subordinate the interests of individuals and professional groups to the interest of the company. In concrete terms, it means, for example, agreeing to laying off 2,000 more people—1,100 were let go last year—and to dropping LOT employees' free flights to Singapore, Bangkok, Beijing, and other commercially attractive places.

The director's decision was received rather calmly at LOT. It is true that Plant Group S promised a protest in a form to be decided with the regional chapter, but up until now the threat has not been converted into action.

### Optimism Despite Deficits

92EP0453B Warsaw GAZETA BANKOWA in Polish  
No 20, 15-23 May 92 p 24

[Article by Stanislaw Brzeg-Wielunski: "Misfit Boeings"]

[Text] LOT has had an unenviable economic situation for a long time. The national carrier ended last year with a large deficit, but the directors' projections for this year are more optimistic.

During the first quarter, LOT had losses calculated at 40 billion zlotys [Z] (Z130 billion last year), and in four

months it is to come out even, with a zero balance. The company will supposedly end this year with a profit of Z300 billion.... LOT's debt to the Airports Enterprise, Z200 billion at the end of January, is also to be reduced. Bronislaw Klimaszewski, LOT's general director, declared at a press conference that LOT will repay its Airport's Enterprise debt, (which is 70 million zlotys a day), and negotiations are in progress at the finance and transport ministry about how to eliminate LOT's debts. At the new Okęcie Two terminal, for example, LOT has greatly reduced its investments to new catering facilities, a fuel base, and a freight base in the new terminal. Circles opposing the present LOT leadership say: "Director Klimaszewski was good in 1981, but today he's burned out and has no new ideas...." It is even suggested that a committee be created. LOT's present difficulties stem from selling unprofitable Soviet equipment too late, the installments on Boeings it has already bought—in the case of the Boeing 767, it will take 10 more years to pay off—and the ATR's, along with the bloated ground administration, compared to flying personnel.

If we compare the ratio of pilots and flight attendants to the rest of the staff, the excess of office employees is striking. There are 6,800 of them for a rather modest fleet: three Boeing 767's, 14 Tu-154's, 7 Tu-134's, 4 ATR-72's, and the newest purchase, a Boeing 737. In the opinion of airline experts, LOT's staff should not exceed 4,500. Only then does LOT have a chance of becoming a competitive company.

The former IL-62 pilots were real adventurers. The aircraft were sold, fortunately! Ukraine has already made the first payment. They are not entirely honest in their argument, because everyone knows that the weak point about Soviet aircraft is not only the increased hazard, but also the greater fuel cost. The Tupolevs and Ilyushins are also small in terms of the cargo they can take on board. A lower load factor now is the reason for LOT's financial losses dating to the beginning of 1991, when the world air traffic record was broken owing to the war in Kuwait. If LOT had used Western aircraft for years, then even with a 40-percent load factor (for example, Boeing 767 flights to the United States), with the great baggage holds of the Airbus and the Boeings, freight would provide enough profit (about 0.23 cents per passenger-kilometer.) Soviet aircraft cannot carry as much cargo as the Boeings, for example. Domestic ATR flights to Rzeszów, Gdansk, and Szczecin are still unprofitable—LOT subsidizes them—because of the lack of demand and poor organization of the flights. The ATR turboprops are also so slow that they cannot successfully compete with the old Malev jets flying to Budapest. They take about 30 minutes longer. Because they were intended from the beginning to be used as regional commuters, attempts to find a place for them on routes in East Europe are only a partial solution, except perhaps for flights to Lvov and Vilnius. For the ATR's to pay for themselves, they would have to fly a minimum of seven hours, but the present straitened circumstances on the domestic routes makes it necessary for them to spend barely three hours a

day in the air. The Polish company wants to continue the process of replacing aircraft, getting rid of all the Soviet equipment by 1994. Like the AN-24's and the IL-62's, the TU-154 and TU-134 will probably be sold to Ukraine.

### The Competition Is Not Asleep

Foreign carriers want to do more business and benefit from LOT's difficulties. Appealing to what is called IATA's freedom five, the right to operate from any city to any other free city or place, Hungary's Malev has begun flights to Kraków. LOT and GILC were critical of the move but were unable to do anything about it. KLM also wants to add more connections to Poland. It has seven but would like to have as many as 15 per week. Lufthansa is doing the same thing. It wants new connections, to increase from 52 flights to 100 per week. The growing interest in flights to Poland and Poland's diminishing position in bargaining for flights to the EC countries are reducing interest in LOT, which can no longer compete in terms of the quality of service to passengers.

It is LOT's ambition to become the East European center for servicing the Boeing 737—there are 1,800 of them in Europe!—as the Americans have promised. The Polish carrier will probably go the same way as the Czechoslovak airline CSA, whose substantial packet of shares was taken over by Air France. For this reason, LOT wants to go private and by selling 49 percent of the stock to one of six airline groups—negotiations are in progress—gain access to better aircraft and capital and improve the running of the company.

### Casinos Suspected

LOT's directors think that because of dividends from the company's shares in the Casinos Poland venture, Z100 billion, the firm could make good on its overdue installments for the ATR's. Unfortunately, that little source will soon dry up, owing to "patriots" proposing a new law on games of chance, which will mean LOT must say goodbye to the casinos and its Austrian partner. (Casinos Austria International AG holds 49 percent of the stock.) The Sejm is highly incensed over the share of foreign capital in games of chance. Hence, there is a demand that foreign shares in the casino be eliminated, which de facto will mean that the national treasury will have to pay the Austrians damages on the order of Z200 billion. That will further reduce the profits of the restructured LOT. One of the myths is that the casinos do not pay taxes. That was the situation at the very beginning of their operation. Then the turnover tax gradually increased from 2.5 percent to 35 percent, but the new law wants to impose a turnover tax of from 40 to 60 percent on the casinos. That will make the venture unprofitable. Ernst and Young have estimated that the national treasury and casino owners cannot do business above 32 percent. We should point out that in 1991, Casinos Poland contributed about Z60 billion to the national budget. In the course of three years, this gave the Austrian side profits calculated at Z40 billion. It is interesting that the Austrian church does not find it shameful to hold 8 percent of the shares of the Casinos Austria International AG.

It is worth knowing that in the EC, games of chance are 12th on the list of most profitable businesses, providing revenues on the order of \$60 billion! (in 1989). The deputies of the Christian National Union did not see it that way, because they did not want to hear arguments from a Casinos Poland delegation. As a result, in three or four years, there will be perhaps one

casino in the capital. Because the western party is withdrawing supervision over the croupiers—it takes about 15 years to train such an employee—the Polish casinos will become gambling dens. Shady money that came into the budget almost solely through the casinos will be absorbed by Polish gangsters, but it will therefore be patriotic.

**'Tens of Thousands' Attend Ethnic Harmony Event****Ecumenical Statement***92BA0983A Bucharest ROMANIAI MAGYAR SZO in Hungarian 12 May 92 p 3*

[Statement issued on 8 May in Miercurea Ciuc by participants in an ecumenical church service and citizens' meeting]

[Text]

**Peace and Mutual Understanding!  
Proclamation to the Romanian Nation,  
to All Inhabitants of Romania**

We, the participants in an ecumenical church service and citizens' meeting held today in Csikszereda [Miercurea Ciuc], solemnly declare our goodwill and collective wish:

1. At a turning point in the history of our shared homeland we offer you the olive branch of peace!
2. Having heeded the warnings of the preceding centuries, do not allow the dark forces that ignore our interdependence and common fate to pit us against each other once again, because none of us would have anything to gain by this.
3. Once again we stand up for the acknowledgment of our rights as they were formulated in the Gyulafehérvár [Alba Iulia] proclamation of 1 December 1918.

Your more than 30,000 fellow countrymen of Hungarian nationality assembled here announce with a sincere determination their preeminent aspirations: their natural right to the reestablishment of their mother tongue, to their culture, to institutions that they themselves have organized, as well as to all the prerequisites for the life of their community. Only if these rights are assured can we feel that this shared homeland is indeed a home for us, and only then can we fight—alongside you—for the establishment of a constitutional state and a democracy in Romania.

4. As a first prerequisite for the preservation of our ethnic identity, the two million people of Hungarian descent especially and urgently need education in our mother tongue on all levels. This is a fundamental human right, which at the same time cannot represent any danger for the country or for Romanian culture.

5. We declare: There cannot exist more than one kind of criterion in the area of human rights. We want to exercise all our minority rights as laid down in international agreements. These do not represent merely the basis for a Europe of the future, but they will also guarantee our mutual respect, our coexistence in the enjoyment of equal rights, and our common future.

So help us God!

Csikszereda, 8 May 1992

**Tokes, Romanians Speak***92BA0983B Bucharest ROMANIAI MAGYAR SZO in Hungarian 12 May 92 p 3*

[Article by Jozsef Birtok]

[Text] For three hours the crowd of tens of thousands endured the ever-renewed assaults of the Csik rain; they endured it patiently and in a disciplined manner so they could listen to the words of those who came to give a declaration for peace, understanding, and mutual tolerance.

It has barely been a decade since the cheerful and friendly central promenade of Csikszereda [Miercurea Ciuc] was destroyed by a mad delusion of grandeur so that tyranny could build in its stead a pulpit and "a square for applause." Today the songs, the prayers, and the words uttered here to soothe the soul's turmoil are directed to others and speak of other things, and this is a sign that a resurrection is possible, that the stone boulders and the colossus of concrete, be they as spectacularly frightening as they are, cannot stand in its way.

If indeed Bishop Tokes began his sermon with a biblical parable, let the journalist go further in the New Testament and evoke the moment of Pentecost:

"And there appeared to them tongues as of fire, distributed and resting on each one of them. And they were all filled with the Holy Spirit and began to speak in other tongues, as the Spirit gave them utterance. (...) And they were bewildered, because each one heard them speaking in his own language. And they were amazed and wondered, saying, 'Are not all these who are speaking Galileans?'" [Acts 2:3-7].

In Csikszereda, in this veritable Galilee in our country ("can anything good come from here?"), people sanctified with tongues of fire prayed, spoke, and taught so that everyone understood them.

The festivities began with an ecumenical service, during which Ferenc Matos, canon of Nagyvarad [Oradea] (in the place of bishop Tempfli), Ilie Maier, orthodox vicar general from the Banate, Bela Kiss, Lutheran deputy bishop, and Dr. Arpad Szabo, rector of the Kolozsvár [Cluj] Institute of Protestant Theology prayed and preached the gospel of God urging peace, understanding, fellowship, and dignity.

Bishop Tokes, who began with the biblical text describing the conditions surrounding Easter (Matt. 28:1-6), announced the fundamental thought of his sermon: No matter how great the stone rolled to the door of the tomb, no man can stand in the way of resurrection. Huge stones have been rolled in the way of the resurrection of our society as well; and at times we, too, are used as stones so that our society, which had risen from the dead for a brief moment, would be seized again by doubt and despair. He paraphrased Ferenc Deak [Hungarian politician in the second half of the 19th century]: "We were unable to crush the stone of tyranny," and he cited the example of the Tower of Babel, warning of the danger posed by not understanding each other. We must understand that our

shared destiny holds us together here, and that "whether the sorrow is Hungarian, Romanian, or Slav, it is always the same sorrow."

The series of speeches by politicians was opened by Gabor Hajdu, Senator of Csik county. Citing Ferenc Deak's example, he talked about the necessity of compromise as the only possible way to improve our society. Quoting from a speech held before ethnic Albanians by Adrian Motiu, RNEP [Romanian Party of National Unity] Senator from Kolozsvár [Cluj], who said that "a nation which gives up its language and culture is lost." Hajdu requested that the principle of a single criterion be applied to the management of our common affairs.

Adrian Marino, an eminent man of letters from Kolozsvár and a representative of the local branch of the Antitotalitarian Democratic Forum, began his address of personal testimony with the following words: "I don't come from Transylvania, I was born in Moldova and ended up in Transylvania by chance." He continued: "In my observation, there are no basic problems of ethnicity on the level of human relations; the tension cannot be felt here. The tension is incited by those who have made such matters their profession since December 1988."

The idea of what is a home formed the center of the speech by Imre Borbely, member of the presidium of the RMDSZ [Democratic Union of Hungarians in Romania—UDMR in Romanian]. "We are attached to this region by our shared homeland, even though dark forces are devoting all their efforts to make sure that we cannot find a home here. To build a home, it is not enough to establish democracy, a civil society, and a constitutional state. All of these provide only a framework. Even freedom is not enough; it provides merely possibilities. Home must be born within us, in Romanians and Hungarians alike. In order to be able to face each other with sincerity, both sides must give up the competition for merits, and instead we must endeavor to mutually acknowledge each others' merits."

Smaranda Enache, on behalf of the "Pro Europa League," warmed the hearts of the assembled Szeklers [Hungarians of Eastern Transylvania] once again. It is to be hoped that the very original examples in this speech propagating tolerance, understanding, and a better knowledge of each other, will have a sympathetic hearing by both sides.

Speaker after speaker at the microphone vowed to support the noble principles of equality-fraternity-liberty and protested the antidemocratic, totalitarian, anti-constitutional measures which can be observed throughout the country: Bela Marko, RMDSZ Senator from Marosvásárhely [Tirgu Mures]—a town known for its illegal judicial sentences, abuses of authority, and the unlawful exercise of power—Nicolae Stefanescu-Drăganesti, leader of the Romanian League of Human Rights; Cornel Tudorica, of the Party of Civilian Alliance in Bucharest; Octavian Buracu, from the Independent Romanian Forum in Kolozsvár, who "feels humiliated to have to be an inhabitant of that city under the present administration"; Gusztav Heredi, on behalf of the RMDSZ from Kolozsvár who, after conveying greetings from Doina Cornea, pointed out that in spite of all the exasperating developments, one should not forget that one-third of the Romanians in Kolozsvár voted for the Democratic Convention. Arpad Marton, parliamentary representative and president of the RMDSZ in Haromszek, also set an example by his own behavior: He arrived at the Csíkszereda meeting together with the county chiefs of the Civilian Alliance and the KDNP [Christian Democratic People's Party]. They were followed at the microphone by Dorin Sasu, city councilman of Nagyenyed (the leadership of Nagyenyed sent a delegation consisting of three members led by the mayor); Ferenc Ferenczy, mayor of Székelyudvarhely; Manoil Mihai from the Csíkszereda Civilian Alliance; and Csongor Kelemen, of the National Association of Former Political Prisoners (standing next to him was the national first secretary of the Alliance). Finally, Laszlo Mina, president of the Brasov branch of the RMDSZ; after announcing that representatives of every oppositional party from Brasov were present at the Csíkszereda meeting, called Mr. Adrian Moruk, mayor of Brasov, to the microphone.

The mayor's indisputable endorsement of a national reconciliation bypassing positions of power, his call for a national alliance against the anticonstitutional measures taken by the mayor of Kolozsvár, and his exhortations for being open to one another and showing trust to one another evoked enthusiastic applause from the audience. And his closing words paraphrasing Petofi [19th-century Hungarian poet]—"Freedom, love, we cannot do without these two..."—could even have been the slogan of this meeting of joined hands.

The program was ended with the chords of the Szekler anthem.

**Refugee Problems, Statistics Analyzed**

92BA1031A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 30 May 92 p 2

[Article by Viktor Meier: "1.3 Million People Are Refugees: Displaced Persons Are Croatia's Greatest Concern"]

[Text] Zagreb, 29 May—It required strong demarches to UN Secretary General Butrus Butrus-Ghali as well as to UN officials on the ground to finally get the new peace mission in Croatia under way as it had originally been conceived. Today it is said in Zagreb that UN officials have grasped the fact that the plan originally proposed by Cyrus Vance and accepted by all parties forms a single whole, from which the United Nations cannot pick out individual elements and deny responsibility for them. It is now clear that the United Nations is totally responsible for implementation of the plan and agreements. Where the United Nations is in control, it must compel obedience from the parties in the conflict that are unwilling to adhere to them. Where it is not in control, it must accept that the interested parties will act on their own. That is true of the occupied territories in Croatia where UN forces are not stationed; the official line in Zagreb is that the Croatian army will have to drive out the occupiers if they do not withdraw voluntarily.

However, this clarification of the situation does nothing to resolve the problem of displaced persons and refugees. That is the toughest problem facing the Republic of Croatia. In the government, the man responsible for dealing with the problem is Deputy Prime Minister Granic, a professor and one of the persons who have only loose ties with the governing Croatian Democratic Community and who primarily represent the views of the bipartisan Government of Democratic Unity.

According to Granic the Croatian Government distinguishes between "displaced persons" (Croatian citizens temporarily driven from their homes by the war) and true "refugees" (people from outside Croatia, primarily from Bosnia). Since Croatia is an internationally recognized state, the latter fall under the authority of the UN high commissioner for refugees. However, the situation still does not appear to be entirely clear; the concept that Croatia is a sovereign state and no longer just "Yugoslavia" still has not gotten through to some people. Granic said that today there are 258,000 displaced persons registered in Croatia whom the republic must care for. Thus far Croatia has received 250,000 Bosnian refugees; to these must be added another 10,000 Croats and some Hungarians who have fled before Serbian pressure to Croatia from Serbia, mainly from Vojvodina; Croatia also has 15,000 refugees from Kosovo, mostly Croats, but also some Albanians. With a population of about 4.6 million, Croatia today must care for almost 540,000 displaced persons and refugees. As the Croatian Government has declared, that exceeds the republic's capacity, not only in financial terms

but also in practical terms of supply and transport. The Serbian advance at Zadar has virtually cut Croatia in two; the only way to reach Split by land is by the complicated, far-too-narrow route via the island of Pag. However, the majority of refugees from Bosnia have fled toward Dalmatia.

This is far from the whole story of refugee misery in the former Yugoslavia. Today in Bosnia and Hercegovina a total of 500,000 people have been driven from their homes in one way or another; some are inside the republic and some outside, often wandering aimlessly, without resources, dependent on whatever aid comes their way, robbed at Serbian checkpoints, often just women and children since their men are serving in defense organizations. The population of Bosnia and Hercegovina is around 4.5 million. It is estimated that between 120,000 and 170,000 people are abroad, outside the former Yugoslavia, some of them with relatives, some officially registered as refugees. The figure for Germany is probably around 55,000. Today Slovenia is housing 57,000 refugees from the rest of the former Yugoslavia; this number is approaching the limit of what the republic can absorb, since it has a population of barely 2 million and faces its own economic difficulties. In Hungary there are approximately 40,000 refugees, a large portion of them members of the Hungarian minority, but many of them also Serbs fleeing military service. Macedonia is estimated to be housing 14,000 refugees. Even Serbia, the party which bears the primary responsibility for the catastrophe, has its own refugee problem. It is said that 140,000 Serbs have fled from Croatia and another 60,000 from Bosnia, although they are likely to return soon to the Serbian-occupied territories. For the Croats it is particularly galling that the expulsion of Croats from the various occupied territories is continuing, under the nose of the UN troops so to speak, and that Croats' houses continue to be destroyed. Former U.S. Secretary of State Vance's plan called for "facilitating" the return of the refugees. The Croatian Government realizes that this will take a long time and that it will be necessary first to restore security and normal government.

Granic puts the total number of people driven from their homes in Yugoslavia at approximately 1.3 million. Croatia has received some aid in caring for the refugees, but too little. It requires aid on a regular basis and for some time. Its actual budgeted expenditure for refugees and displaced persons, including medical care, is 90 million German marks [DM]. Croatia believes that the West ought to compensate it for half of this amount, particularly since the West—including Germany—has largely closed its borders. Officials in Zagreb say that the West shares the responsibility for the current situation in the former Yugoslavia because it refused for too long to recognize the new realities. Unfortunately, they say—pointing at Bosnia, Kosovo, and Macedonia—this policy has still not come to an end, so the flood of refugees probably will not slow soon.



### Macedonian Assembly Chairman on Foreign Issues

92BA1058A Skopje NOVA MAKEDONIJA  
in Macedonian 7 Jun 92 p 2

[Speech by Stojan Andov, Macedonian Assembly chairman: "Neighbors Must Cooperate"]

[Text] *The fact that we have four neighbors is not a handicap for us but an opportunity for collaboration. We believe that reason will prevail in Greece and that we shall deal in matters of joint interest. Macedonia is following in the footsteps of societies with highly developed democratic traditions, Stojan Andov said in his speech.*

In his Delchevo speech, Stojan Andov, Macedonian Assembly chairman, spoke of the bright moments in Macedonian history and the acts that were passed relative to its independence, and, especially, on relations with Macedonia's neighbors. Among other things, Stojan Andov said: "We are here today to honor and remember the person and the cause of Goce Delcev, one of the most outstanding personalities in the rich history of the Macedonian people. With his ideas of freedom and cultural mission, during those dark and difficult times for the Macedonian people and all other enslaved peoples who lived in this area, he brightened the path and outlined his visions of our national, social, and cultural freedom."

Ever since the first multiparty elections were held and the Constitution of the Republic of Macedonia adopted, an overall survey of the steps that were taken by the proper state authorities and the content of the laws that were passed by them clearly determines the kind of society we have resolved, all of us together, to build in the Republic of Macedonia, Andov said.

These overall sequences are clear and recognizable because they follow in the footsteps of countries and societies with highly developed democratic institutions and traditions. It was with this in mind that we determined that the Republic of Macedonia would be structured and developed as an independent and sovereign civil and democratic state, in which the citizen, to whom the highest possible standards in the defense of rights and freedoms of man are guaranteed, would be the main subject and the bearer of political initiative.

Everyone clearly understands that, in politics and its implementation in international relations, agreements, talks, and compromises are both possible and needed. We have respected these principles and have always expressed our readiness for substantive talks, discussions, and agreements with everyone. However, there are issues about which no compromise is possible or admissible. In that sense, this makes totally irrational the demand made by our southern neighbor that we change the name of our state, the Republic of Macedonia. It should become clear to everyone and, above all, to our southern neighbors that we are not keeping the name Republic of Macedonia out of stubbornness. This name contains and expresses our age-old national identity. If we agree to give up this name, it means that we agree to give up our individuality as a

nation. Under no circumstances can we agree to a compromise that would result in the loss of our national identity, Andov said.

The fact that Macedonia today is bordered by four sovereign states is viewed by many people as a handicap. On the contrary, we believe that this is an error stemming from other times, times that made this handicap possible due to the expansionist objectives of individual countries. Our neighbors have a permanent interest in cooperating in all areas if they want to be in step with the current development of international politics in the European and global communities.

The Republic of Macedonia highly respects and values the gesture of the Republic of Bulgaria, which was the first to recognize the sovereignty of our republic. We expect of the Republic of Bulgaria, which has become a member of the Council of Europe thanks to the major democratic changes made in its society, to further intensify and develop relations of cooperation in all areas of interest to both countries.

The Republic of Macedonia looks with a great deal of sympathy to the changes that have taken place in neighboring Albania. These major changes have made it possible to intensify political initiatives in both countries, and meetings and discussions have already been scheduled on all levels, as a follow-up to the development of cooperation between the two countries in all areas. We believe that Macedonians in Albania and Albanians in Macedonia will become the bridge that will substantially strengthen the interests of both countries in engaging in sincere and good-neighborly cooperation.

As neighbors and, until recently, members of a united federative state, logically, so far, we have had the most developed collaboration relations with the Federal Republic of Yugoslavia, particularly in the economic area. These relations were disrupted by the breakdown of the old Yugoslavia. The initiated process of restoration of relations of cooperation was interrupted as a result of the sanctions the Security Council imposed on Serbia and Montenegro. In accordance with our policy of peace, we respect the resolution of the UN Security Council, which we consider to be aimed at ending the bloodshed in what was previously known as Yugoslavia.

As to relations with the Republic of Greece, we hope that time will prove that it is in the common interest of Greece and Macedonia to quickly resolve the unilateral and irrational conflict created by our southern neighbor, a conflict that is causing tremendous harm to both countries, and that reason will soon prevail and we shall be able to deal with problems of common interest; I have in mind, above all, the logical interest in developing economic cooperation and, subsequently, cooperation in all other areas, Stojan Andov said.

### Macedonian Weekly Suggests Closer Ties to Turkey

92BA0996A Skopje NOVA MAKEDONIJA  
in Macedonian 17 May 92 p 11

[Unattributed article, previously published in PULS, a Skopje newspaper: "Political Strategy: Walking on Eggs"]

[Text] *Instead of focusing on the European Twelve, Macedonian diplomacy, which is expected to be more aggressive and creative, should try to make an effort to present Macedonian demands to the rest of the world. One possibility would be to consider a political and economic association with Turkey.*

Listening to Stojan Andov explain to television viewers the actual situation of Macedonia in Europe, we heard him say something—and of this we are deeply confident, considering that politics is a skill to be thoroughly mastered—he does not himself believe. According to Andov, "A world based on the principles of justice is now being built." This, please believe me, has not happened, nor is it about to happen. It is only those leaning toward a new phase of utopianism and new ideologies who could conceive of such a just world. The world has never been just, nor has such a policy ever been pursued. Had that been the case, we would not have been watching daily the distressing fate of the stateless Kurds and Palestinians, who are positively unable to find themselves a place in this "new just world order." Actually, Macedonia is also beginning to look like a nonstate because of a predictable lack of justice in Europe.

Stojan Andov also said something about the real correlation of political forces, informing the public that "it had failed to accurately assess the true weight of the Greek state," perhaps minimizing its significance because of ignorance. Yet the ordinary non-politically-minded person justifiably asks himself how is it possible for Greece to be "driving" the whole world when it comes to the recognition of Macedonia. According to the Assembly chairman, it is able to "because Greece is very strong and important," which means that "we are weak, powerless, and helpless." A view like this implies that the world is not just because, if it were, it would have taken up the defense of the weak and the downtrodden rather than doing the opposite. It is a fact that Greece is bigger than Macedonia and, above all, that it is internationally recognized and suitably connected, but that is where the difference comes to an end. As to its actual power, it comes from the safes of the rich, who pay frequently and generously to meet the needs of Greece in payment for the good services it receives from it.

Therefore, it would be unrealistic of us to believe that Greece could act as it does without the support of its economic patrons. Everyone understands this. If it is possible for Russia, with its population of 300 million and weapons that could destroy the planet, to be forced by the United States and Germany to change its decision to veto the U.S. initiative of expelling Yugoslavia from the CSCE (Hans-Dietrich Genscher said that a U.S.-German delegation was going to Moscow to pressure Boris Yeltsin to drop his veto), it becomes as obvious as one and one make two

that no such pressure need be applied on Greece, relative to its opposition to the recognition of Macedonia.

On the contrary, those in the know speak of the instruction issued personally by George Bush, the creator of the new world, to the European ministers on the eve of the latest Brussels summit of the Twelve on "freezing" the Macedonian issue for another occasion (the 2 June EC referendum or the U.S. presidential election). This information came from Virginia Tsouderou a few days before 11 May, who was told by Mr. Lawrence Eagleburger that "Macedonia's status quo will remain unchanged unless Serbia or Bulgaria makes an attempt to seize its territory or domestic agitation within the republic takes a dramatic turn." Although the Macedonian officials have been unwilling to comment on this statement, claiming that "this may be Tsouderou's interpretation or improvisation," considering that there has been no denial on the U.S. side, the conclusion is justified that once again the "Macedonian case" is being put in a "deep freeze." However, as any housewife knows, one does not refreeze a product that has already been thawed because the product thereby becomes unhealthful. Whatever interpretation may be given to Eagleburger's recommendation (there are only two possible ones), it is catastrophic and has nothing in common with the "new just world order"—quite the opposite.

The first thought, based on Eagleburger's statement, is that the recognition of Macedonia is made possible if the pattern that led to the recognition of the other Yugoslav republics is adopted—that is, blood and gunpowder: "Fight and we shall recognize you." Rereading the statement, however, leads us to another thought because the focal point is Macedonia, a place in the Balkans in which powerful opposite interests clash and which is a hindrance to all. Hence, the following: Any eventual involvement of Macedonia in any kind of military confrontation would undoubtedly entail its total destruction as a state and a nation. Who knows how many of the new great "righteous men" would like this to happen?

Possibly, this situation will become clearer after Kiro Gligorov returns from the United States and his meeting with Mr. Eagleburger. The Macedonian public expects a clarification of the statement, and, if nothing else, we will know better whether Macedonia will survive with the blessings of the United States or languish as an actually existing but officially nonexistent state with which "the United States would like to maintain good relations for the good of the people of the United States and Macedonia," as George Bush wrote in his recent letter.

Incidentally, what could Macedonia do to achieve its objectives, considering its position? It should try to seek a way out of the situation by turning to the opposite side of Europe. It should consider both the nonaligned countries and countries that are not directly linked to the EC. Macedonian diplomacy should display greater creativity and play a more active role at this stage of the international recognition process. The pertinent ministry should see to it that an entire string of countries becomes more familiar with Macedonia and its policy, and aggressiveness in this case would be welcome at a time when the republic is

requesting membership in the United Nations. Was this not what Slovenia did, asking the nonaligned countries to be granted affiliate status?

Actually, ever since, "for the hundredth time," Macedonia has been left "to dry" by decision of the European Community, the question increasingly asked in Skopje, and not only there, sounds totally unrealistic—namely, is it possible to establish a confederation (or even a federation) with "the awakening genie," Turkey. Turkey has already openly offered Macedonia its good services for economic cooperation and for both an economic and political initiative of creating a Black Sea trade community and an eastern Mediterranean integration initiative. The designers of the new world order are anticipating that, by the end of the millennium, it is precisely Turkey that will assume the role of key regional factor, with which, in one way or another, most of its neighbors will have to become associated. Let us not forget the large number of interlocutors of our statesmen in Europe and elsewhere who have explicitly suggested that Macedonia gain its entry into Europe and the world by cooperating with Turkey. Obviously, such current versions and initiatives (there are several of them) should be approached with a high dose of caution, and long-term national interests must be taken into consideration.

These implications concerning Macedonia's links to closer or more distant neighbors, based on their overall attitude toward Macedonia, may not all meet its important strategic interests. With this in mind, it is a fact that Macedonia offers its neutrality and willingness to maintain good neighborly relations as a guarantee of political detente in the Balkans. However, whatever its situation may be, it must primarily look after its national interests.

#### **Activity, Leadership of VMRO Defense Committee**

##### **Interior Ministry's View**

*92BA1029A Skopje NOVA MAKEDONIJA  
in Macedonian 19 May 92 p 4*

[Announcement by the Macedonian Ministry of Internal Affairs: "Blocking Groundless and Arbitrary Statements"; for more information on the VMRO Defense Committees, see JPRS-EER-92-072, 8 June 1992, pages 56-57]

[Text] In connection with the article published in NOVA MAKEDONIJA on 15 May entitled "Who Is the VMRO [Internal Macedonian Revolutionary Organization] Defense Committee Defending?," the Ministry of Internal Affairs [MVR] of the Republic of Macedonia states the following:

On 15 May 1992, NOVA MAKEDONIJA published an article entitled "Who Is the VMRO Defense Committee Defending?," informing the public of the existence of a VMRO Defense Committee allegedly consisting of armed individuals trained to engage in terrorist and other acts.

The MVR of the Republic of Macedonia distances itself from the information provided in that article, particularly

the part that states that the members of the so-called Defense Committee have offered their help to the MVR with a view to ensuring order and safety in the Republic. The ministry considers totally groundless and arbitrary statements to the effect that control over that "committee" allegedly will be exercised by the MVR, by including that committee in the organization for defending the Republic.

Actually, according to the evidence available to the MVR, no such political organization has been registered. Therefore, there are no legal foundations for the establishment of such an organization, which would have the status of a parallel police force, claiming that it will maintain order and security, although this is the concern of the proper state authorities.

##### **Reaction in Okhrid**

*92BA1029B Skopje NOVA MAKEDONIJA  
in Macedonian 19 May 92 p 4*

[Commentary by V.R.: "Contradictory Statements by the Okhrid Chairman"]

[Text] Of late, the existence of the VMRO [Internal Macedonian Revolutionary Organization] Defense Committee, headquartered in Okhrid, has triggered a variety of reactions among the public. Less clear is the fact that the Okhrid Assembly Chairman Blagoja Siljanovski has made two totally conflicting statements in connection with the activities of the committee, on two separate occasions. First, in a statement to NOVA MAKEDONIJA, he described the Defense Committee as an organization that could help maintain order, peace, and security in Okhrid; in a second explanation, provided in the guise of an announcement to the public, he excluded the possibility of cooperating with the committee or accepting any assistance whatsoever.

The clarification given by the Okhrid mayor in connection with the activities of the VMRO Defense Committee is an effort to get out of the situation he created with his previous statements, in which he tried to present the activities of the committee as having the function of providing additional support in maintaining order in the city. Aware of the threat presented by that committee acting as an additional guarantor of security in Okhrid, which resulted from his first statement, Siljanovski tried to clarify what he had said but actually ended up negating his statement.

Whether this is a case of erroneous assessment and "haste" before making a more thorough study of the overall activities of the VMRO Defense Committee in Okhrid and elsewhere, or a question of some secret advantages about which, of late, there is increasing talk in Okhrid, no one at the moment knows. Meanwhile, in his first statement and subsequent clarification, the Okhrid mayor presented the existence of the committee as a reality. In both cases, the committee is described as an organization that has offered to ensure security in Okhrid and the Republic alongside the authorities, with the difference that, in the former case, the mayor is inclined to accept such help, while, in the latter, the Okhrid mayor believes that "it is totally unwise

for any additional and self-proclaimed defenders of the Macedonian cause to be given the opportunity and scope to offer their help and be considered an institution having parallel authority."

The Assembly chairman has his functions and obligations, some of which have political aspects. However now, once the matter of the activities of the Defense Committee has surfaced, the proper state authorities must express their views, above all those of the Ministry of Internal Affairs, which has the obligation of registering parties, organizations, unions, and various associations of citizens. Actually, although not registered, the Defense Committee has made public announcements carried by the information media, expressing its views on some events in the Republic.

With the second statement and clarification made by Siljanovski, other matters appear, indicating that communications have been broken between the city assembly and the Okhrid Internal Affairs Administration, which, incidentally, has been without a chief for the past three years. This fact leads to further questions concerning the various interests of both sides and other elements, the more so because, for quite some time, there has been talk in Okhrid about various dirty dealings related to the activities of some kind of underground mafia.

### Okhrid Leadership

92BA1029C Skopje NOVA MAKEDONIJA  
in Macedonian 20 May 92 p 4

[Article by Lj. Profiloski: "Okhrid's Big Boss or Bluffer"]

[Text] *Despite his bluffing and showing off, with which he would like to appear as the leader of an organization with 200,000 members in Macedonia and abroad, Nikola Veljanovski-Bikcheto, along with his supporters, is a reality that, during these difficult times, could be abused by some political forces.*

"Commander" Nikola Veljanovski from Okhrid is the author of all of the communications given by the VMRO Defense Committee to Okhrid's information media. It was also in the discussion we had with him in connection with the activities of the committee that he described himself as one of the leaders of that organization, headquartered in Okhrid but, according to him, quite widespread throughout Macedonia as well as Europe, the United States, and Canada, with a large membership that, according to him, "numbers 100,000 in Vardar Macedonia and as many outside of it, ready, at all times, to defend Macedonia."

This information, made public through NOVA MAKEDONIJA, triggered various reactions from the citizens and the legitimate Republic authorities. However, this led to the surfacing of a number of questions and doubts concerning the true role and activities of the committee and its links to some state authorities, and an attempt to create an auxiliary defense force to maintain the security of the Republic and an auxiliary police and paramilitary force, as well as questions as to who has raised and armed these

units and, if they were armed by the committee members, who their main organizer is, and so on.

### Ready for Everything

Starting with the premise that "Commander" Nikola Veljanovski-Bikcheto is one of the committee leaders, we must conclude that all of the information he provides is exaggerated, which is why it is difficult to believe he would be entrusted with the leadership of such a mass political or military organization. Veljanovski may present himself as the local big boss, show-off, and playactor in dealing with the people, presenting himself as leader or supreme leader, wearing all of the Macedonian age-old symbols and a cross hanging on his chest, but it is difficult to imagine that he could lead such a large mass of people who are "armed and prepared for anything for the sake of defending Macedonia." It is obvious that this is nothing but an attempt to mislead the public with embellished facts, although the existence of the committee and its armed groups and units is a reality, something that was confirmed to us in Okhrid and by some committee members in Veles and Tetovo who were recently apprehended for illegal possession of explosives.

Who, actually, is Nikola Veljanovski-Bikcheto? The Macedonian public has heard him speak at the numerous meetings organized by the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] in Macedonia, particularly in the western part of the country and in Skopje. He was the flag bearer of the red Macedonian banner, wearing the symbols of a lion and a sun as early as during the blockade of the Macedonian-Greek border, organized by representative Todor Petrov. He was also in the front ranks of the "barricades" at Medzhitlija. Subsequently, he actively participated in the organization of the first reception of Dragan Bogdanovski, the ideologue of the VMRO-DPMNE in Okhrid, where he was particularly noted in the area of ensuring his physical safety. He also held a "noted" place at the electoral meeting of the VMRO-DPMNE in Struga, memorable for the harsh words said against the Albanians.

### Rejecting the Services

It is most likely that his nickname, "bikche [young bull]," was given to him because of his physical appearance. He was born in 1954. He is the former owner of a private store and grew a beard after he became member of the VMRO-DPMNE party, as more consistent with his title of "commander." It was because of these features and the red T-shirt with the lion and the sun, rather than his statements, that he was noted also at the meeting organized in front of the Macedonian Assembly last 14 November, when the Constitution was voted upon, as well as for the destructive march on the Macedonian radio and television studio. At that meeting, together with Peco Risteski from Okhrid and three other participants from Skopje, Nikola lowered the Macedonian flag from the mast in front of the Macedonian Assembly, for which he was charged with a felony by the proper authorities, although, so far, he has

not been sentenced. Furthermore, other felony and criminal charges have been filed against Veljanovski, altogether about 15, but it appears that his punishment for all of them has consisted of paying fines, which clearly proves his connection with some personalities, which he himself describes as "noted individuals" in Okhrid and the Republic.

In addition to being denounced for "theft" and "poaching," he has since 1990 been charged with disturbing public order, "irreverent behavior," "firing a pistol," "threats and warnings," "removing the Yugoslav flag," "tearing up Serbian newspapers," "promoting interethnic hatred," and so on. He is also known for the "death sentences" he has passed on those who have betrayed him. Thus, he threatened with death Klime Mitreski from Okhrid, owner of a coffee shop and a former VMRO-DPMNE member. In the presence of eight members of the VMRO-DPMNE section in Okhrid, he threatened him in his own coffee shop, saying: "Macedonian fighters! Because Klime is a traitor to the organization, I pronounce a death sentence against him and order that his house be set on fire."

Because of his extremist behavior, he was expelled from the VMRO-DPMNE. He subsequently appeared as the "leader" of the Defense Committee, about which he says that it was set up to defend Macedonia at a time when it had no army of its own and was being abandoned by the Yugoslav Army, with the blessings of the police, and at a time when the police were headed by Jordan Mijalkov, now deceased. Regardless of his bluffing and ostentation, which are functions of political marketing with which he would like to enter the Macedonian political scene along with his organization, Bikheto and his supporters are a reality in the Republic, a reality that could be abused by some political forces, parties, or individuals.

### Effects of Sanctions on Macedonian Economy

92BA1060A Skopje NOVA MAKEDONIJA  
in Macedonian 4 Jun 92 pp 1, 4

[Article by S. Novovski: "Damages of About \$1 Billion?"]

[Text] *Although the negative consequences of the acceptance of international sanctions are substantial, the Macedonian economists believe that this is the only way to bring an end to military fighting. Alternate solutions must be found to compensate for the lost markets, raw materials, communications, and necessary supplies.*

The Macedonian government had no alternative to joining in and accepting Resolution 757 of the UN Security Council. The adoption of the sanctions against Serbia and Montenegro and the Federal Republic of Yugoslavia [FRY] are bound to have an adverse effect on our overall situation and, especially, on the development of the Macedonian economy. However, if as a result of such complex measures the main objective—peace in former Yugoslavia—is restored, there is obviously no question that they must be adopted. Actually, a broad consensus has already been reached concerning the reactions of some Macedonian enterprises to the unfavorable situation in which

they will find themselves, resulting from their acceptance of the political and economic sanctions. Their only hope is that the measures will be temporary and that their impact will not be excessively detrimental to their interlinked and interdependent republic economies.

### Consequences of the Use of Sanctions

Actually, the same conclusion was reached at yesterday's meeting between entrepreneurs and the Macedonian government, at which all possible options for finding optimal ways to protect the Republic's economic interests were considered. According to Dushan Petreski, president of the Macedonian Chamber of Commerce, the leading cadres of our enterprises have consistently decided to support the UN resolution, and there will be no exception in the application of the sanctions. Hence the view of Macedonian managers that not a single collective should question the implementation of the sanctions adopted against the FRY. This, on the other hand, implies making joint efforts to find alternate markets and contacts, as well as assessing the damages this will entail and that must be compensated by the international community.

Petreski explained that, at the meeting with the government, all of the consequences resulting from our acceptance of the international sanctions were objectively considered. The enterprise directors said frankly that the Macedonian economy is already suffering from the blockades imposed by Greece and that any physical interruption of economic relations with Serbia would even further worsen the situation of many of our enterprises. However, virtually no one questioned the adoption of the UN resolution. Thus, Nikola Kljusev, the prime minister, explained that the sanctions will be applied and that steps will be taken to hold liable anyone who does not honor them. The same view was expressed by the managers, who believe that, unless the steps taken to isolate Serbia are fully implemented, it will be impossible to encourage efforts to put an end to the fighting. The conclusion was that, in both the short term and the long term, the sanctions are in the interest of the Macedonian economy. Furthermore, Petreski added, problems involving cooperation with our northern neighbor had already existed and had strongly influenced economic activities and social relations. It is to be hoped that Macedonia, naturally, will be properly understood by the international community both in terms of assessing the damage and the compensation for it as well as its complaint and insistence of ensuring a dialogue and developing good-neighborly relations and cooperation with all of the republics of the former Yugoslavia.

### Alternate Solutions Needed

In the situation in which Macedonia finds itself, on the one hand suffering from the damage caused by the blockades imposed by Greece and, on the other, honoring its moral ties to and solidarity with Europe and the rest of the world in punishing Serbia, the consequences to the Republic's economic life become inevitable. That is why we now feel our great dependence on the Port of Salonika and have yet

to see in its true light the strong ties linking the Macedonian and Serbian economies. According to unofficial data, trade between Macedonia, on the one hand, and Serbia and Montenegro, on the other, amounts to about \$3 billion annually, of which Montenegro accounts for about 10 percent, which could be considered insignificant. Honoring the sanctions means that the damages caused to the Republic by applying the international sanctions could be assessed at a minimum of approximately \$1 billion, which is why it is necessary to find alternate markets and to seek corresponding relations to obtain the necessary raw and other materials that must be procured from other countries.

For the time being, there are no problems with trade, but the question is how the situation will develop in the immediate future. According to Stojan Trajanoski, minister of the economy, the sanctions do not include the transit shipment of goods, and this will be honored by both Macedonia and Serbia. The threat of a full blockade, he said, originates in the south because, if, under these circumstances, Greece were to close the Port of Salonika to goods for this Republic, there would be problems finding proper alternatives. That is why by the 15th both the chamber and the ministry must assess the damages that will result from our acceptance of the sanctions, Trajanoski added, and our requests to the international community must be formulated by 22 June; our request to the UN Security Council also must be resolved over the question of using the Port of Salonika to meet Macedonian needs.

#### **Solidarity and Better Coordination**

The consequences of the application of the sanctions to some larger Macedonian enterprises that depend on international economic cooperation are self-evident. Nonetheless, for the time being, we are totally in the dark as to what

will be the situation in industry or, specifically, with Buchim, Toranitsa, Zletovo, and Sasa, which, so far, shipped their ore to the power plants and manufacturing sites in Bor and Trepca. However, many problems will be facing Jugokhrom, as well, which was to receive raw materials from Kolubara to use some 15,000 tons of dried lignite for production. Zhelezarnitsata needs coke for its production processes, supplies are also needed by Fenimak and the big factories of the only cooperative entity for the production of automotive tires, and the same is true for Ruen, Kheroj Toza Dragovic, and FAC 11 Oktomvri. The damages that will be incurred by these enterprises must be reassessed, and the figures must be submitted to the international community and the United Nations in order for the enterprises to receive compensation and aid in a great variety of areas. The only alternative left is the possibility of developing new markets with our neighbors.

Considering that this situation requires maximum flexibility, the Macedonian enterprises themselves must display the necessary solidarity and, jointly, applying all possible efforts, seek solutions to the problems. Naturally, greater efficiency and coordination by the institutions within the entire system and the ministries and all pertinent authorities are needed. They must now do everything possible to ensure transit shipments and remove the other administrative obstacles blocking foreign trade, which, given the situation, is the only possible way to survive. Unless this is done, the managers will find it difficult to withstand the sanctions they have agreed to honor, and the resulting damages will be even greater. Actually, the Macedonian government has stated that it will do everything possible to reduce the consequences, and there should be no question that the coordinating authority and the government's crisis situation staff will undertake to find the right solutions to all of the problems yet to arise.

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