



# ***JPRS Report***

# **East Europe**

WASHINGTON, D.C. 20540  
Approved for public release  
Distribution Unlimited

19980113 405

**DTIC QUALITY INSPECTED 3**

# East Europe

JPRS-EER-92-165

## CONTENTS

3 December 1992

### CZECHOSLOVAKIA

- Currents Within Meciar's Movement Analyzed [SMENA 29 Oct] ..... 1  
Carnogrusky on KDS Past Mistakes, Current Policies [SLOVENSKY DENNIK 29 Oct] ..... 2

### HUNGARY

- West European Examples of Ethnic Autonomy Cited [Bratislava SZABAD UJSAG 22 Sep] ..... 5  
New Attempts To Prosecute Communist-Era Crimes [HETI VILAGGAZDASAG 24 Oct] ..... 8  
Budapest Districts' SZDSZ Governments Criticized [HETI VILAGGAZDASAG 24 Oct] ..... 10  
Budget Committee Leaders on Situation, Prospects [KOZTARSASAG 30 Oct] ..... 11  
'Privatization' Success Rate Seen Improving [HETI VILAGGAZDASAG 24 Oct] ..... 16  
Credit Guarantee Corporation To Start Operations ..... 17  
    Role Assessed [FIGYELO 29 Oct] ..... 17  
    Entrepreneurs' View [FIGYELO 29 Oct] ..... 19  
Controversy Over Bank Secrets Discussed [HETI VILAGGAZDASAG 24 Oct] ..... 20

### POLAND

- Bielecki on Opportunities for Closer Ties to EC [POLSKA ZBROJNA 28 Oct] ..... 21  
Daily Publishes Security, Defense Document [POLSKA ZBROJNA 13-15 Nov] ..... 23  
Recruitment Procedure for UN Contingent Described [POLSKA ZBROJNA 28 Oct] ..... 30  
Excess Wage Taxes, Budget Deficit Discussed [PRAWO I ZYCIE 17 Oct] ..... 32  
Discussion on Foundation for Industrial Policies [PRAWO I ZYCIE 17 Oct] ..... 33

### CROATIA

- Special Ties for Slovenia, Croatia, B-H Proposed [DELO 16 Nov] ..... 36  
Country Slides Into Deep Economic Crisis [DELO 13 Nov] ..... 36

### SLOVENIA

- Election Prospects for Parties Analyzed [DELO 14 Nov] ..... 38  
Opposition Presents Platform, Candidates [DELO 11 Nov] ..... 41  
Parties Register Presidential Candidates [DELO 11 Nov] ..... 42  
Parliamentary Findings on Wiretapping Refuted [DNEVNIK 11 Nov] ..... 42  
Belgian, Slovene Defense Ministers on Refugees [DNEVNIK 13 Nov] ..... 44  
Adria Airways Denies Flying Arms to Sarajevo [DNEVNIK 13 Nov] ..... 44  
Economic Relations With Hungary Viewed [DELO 30 Oct] ..... 45  
Black Market Activities Thrive in Sandzak [DELO 3 Nov] ..... 46  
Government on Serbian Drugs, Embargo [DNEVNIK 13 Nov] ..... 47

### YUGOSLAVIA

- Opposition Unity, Autonomy for Vojvodina Urged [MAGYAR SZO 19 Oct] ..... 48  
Vojvodina Hungarians To Participate in Elections [NAPLO 31 Oct] ..... 48  
Views, Positions of Macedonian Parties ..... 49  
    VMRO-DPMNE Announcement [NOVA MAKEDONIJA 17 Sep] ..... 49  
    Socialist Party [NOVA MAKEDONIJA 17 Sep] ..... 49  
    League for Democracy [NOVA MAKEDONIJA 17 Sep] ..... 50  
    SKM-DJ [NOVA MAKEDONIJA 23 Sep] ..... 50  
Serbian Firms Circumvent UN Embargo [DELO 13 Nov] ..... 50  
Union Bank Services, Privatization Discussed [EKONOMSKA POLITIKA 9 Nov] ..... 52  
New Development-Investment Program Announced [EKONOMSKA POLITIKA 9 Nov] ..... 53  
Macedonian Interior Minister on Police Reform [VECER 17-18 Oct] ..... 54  
Statistics on Crime in Skopje Reported [NOVA MAKEDONIJA 16 Oct] ..... 56  
Budapest Satellite TV for Hungarian Minorities [NAPLO 21 Oct] ..... 57

### Currents Within Meciar's Movement Analyzed

93CH0075A Bratislava SMENA in Slovak 29 Oct 92

p 6

[Article by Milos Ziak and Jan Langos: "Generational Conflict on the Horizon?"]

[Text] What is happening at present in Slovakia can be explained in altogether different terms from the traditional political ones. In fact, I have a feeling that it is not only possible but also necessary.

We shall understand the conduct of the HZDS [Movement for a Democratic Slovakia] much better if we look more closely at the generational and special-interest composition of its leadership elite. This HZDS elite is at present primarily represented in the National Council of the Slovak Republic [SRNS] and the Slovak Republic Government. The only HZDS nonmembers they accepted into their midst were Cernak (following the last congress of the Slovak National Party [SNS], he became the new SNS chairman) and Toth (the only Slovak from East Slovakia found in the present government). The former, with respect to the economic transformation, has the most important position of triple-minister (economy, industry, trade); the latter is minister of finance.

In general, it can be said that, before the election, the HZDS was built programatically as a heterogenous grouping in the generational and special-interest aspect. It was supposed to be a kind of broad umbrella that was to provide shelter to all of the discontented. However, the preelection reality is quite different from the post-election reality. Someone must determine the direction that is to be followed, and, in so doing, can no longer take into consideration all of the current aspirations of everyone involved, as was possible to do in the preelection program. Rather, the direction and speed of movement after the election reflect the ratio and distribution of power within the core of the power elite. The representatives of this elite must always arrive first at a mutual compromise, or, a certain group represented within the elite must win over for a specific point or other such support within the core of the movement that will be able to tip the balance of power unequivocally to its side.

In the present HZDS power elite, two groups hold the strongest positions. One can be described primarily as a generational group (the generation of 60-year-olds), the other as a special-interest group that encompasses two generations (the generation of 40-year-olds and that of 50-year-olds).

The strongest positions within the generation of 60-year-olds are held by two groups. The first is composed of people who, in their youth, collaborated one way or another with the regime of the Slovak Ludaks (1939-45), or who, at least in the depth of their souls, sympathized with that regime. The most conspicuous among them is Dusan Slobodnik. The other group from within the

generation of 60-year-olds is composed of former communists who started their careers in the 1950's and recently reemerged under the label of reformist communists. The most conspicuous of these are Hvezdon Kocuch, former ideologue of the "third way," and Ivan Luluha, the leading representative of the reform-communist club Obroda after November 1989.

The group from within the generation of 60-year-olds that refuses to follow the habits and way of thinking from the time of both totalitarian regimes, and that, at the same time, refuses to think well of either the Ludak or the communist dictatorships, giving as reason the fact that both led to moral and intellectual corruption of the Slovak population, does not have much influence on the course of events today. We can point out Rudolf Filkus as the most prominent representative of this group. While the two above-mentioned groups are extremely aggressive, Filkus differs from them not only by his sociodemocratic convictions but also by his moderation.

The "Ludaks" and the "reformist communists" are undoubtedly driven to politics by many motives. Both groups probably think they will mask their human and civic failures if they force the younger generations to accept them in the highest government positions. And then there is the long-suppressed desire to bring attention to themselves in a significant way (the "Ludaks" had to wait for this opportunity for 40 years, the "reformist communists" for 20). Their late desire to "make history" at least at the last moment can hardly be evaluated as positive today.

The other motivation for the desire to make their mark in politics is probably their inability to adapt themselves to the new socioeconomic conditions. This inability is due mostly to their age. And so they probably see the only possible source of adding to their relatively low pensions in the "entrepreneurship" consisting of whipping up human passions and promising what cannot be delivered, possibly with the added use of the privileges flowing from their position of power and influence.

The second group with a significant representation in the HZDS power elite spans two generations: the 40-year-olds and the 50-year-olds. This is a group of pre-November and post-November top economic managers who did not orient themselves after November 1989 toward management of their own but, rather, of state property. After November 1989, their objective was to gain or maintain positions as directors of the state economic colossi, and, while others were happily privatizing and doing business, they managed to bring the state colossi—partly with their personal contribution, partly without it—to all-around bankruptcy. The first to bring attention after the election to these newly formed lobbies was Vladimir Miskovsky. They are composed mostly of directors of chemical and heavy machinery enterprises, who are associated in the Union of Industries. (The chairman is Mr. Berghauer, director of the East Slovakia Steel Mills.)

Some time ago, these "managers of state property" at last realized that their postelection strategy was a profound misunderstanding. Today, in an effort to privatize what can still be privatized, they are pressing for changes in the rules of privatization, changes that would put their own personal interests first. That, and only that, is behind the slogan calling for a government-directed privatization and privileged privatization to "proven management" (the term is used in the Concept of Further Course of Privatization, prepared by the SR [Slovak Republic] Ministry for Management and Privatization of National Property). If the plan to have the government determine who belongs in the group of "proven management" is successfully implemented, and if banks are successfully "persuaded" (a number of proposals and statements by government officials prove that the SR Government wants to put under its control the central bank as well as the commercial banks, which otherwise elsewhere in the world have an unequivocally independent status) to grant credit only to individuals approved by the government, nothing will any longer stand in their way of enriching themselves without interference by anyone or anything. Simultaneously with that, the HZDS would at least partly limit the influence of the private ownership sector, over which it has neither influence nor control.

To make it quite clear at which generation this move is mainly directed, it is sufficient to read the statistical review that was published in the daily *TELEGRAF* (19 September 1992). According to it, of the 1,244,000 private entrepreneurs in the CSFR, 277,412 (22.3 percent) are citizens of the SR. Of those, an entire 56.2 percent—that is, 155,906 individuals—belong to the age group born between 1952 and 1967 (that is, between the ages of 25 and 40). Moreover, according to the mentioned study, the "most productive period for entrepreneurial activity in the SR appears to be between the ages of 35 and 38," while the most widely represented is the age category of 36 years (4.1 percent—that is, 11,374 individuals).

These statistics clearly show that, while the previous government at last opened up space for the younger and the younger-middle generations, after the June 1992 election, the direction is again to the benefit of the older and the older-middle generations. In the case of the older-middle generation, this involves mainly the former economic *nomenklatura* of the Communist Party—that is, again only a narrow, select group.

The goal of this move is to limit the influence of the 30-year-olds, in particular, because they were not and are not especially active on behalf of the HZDS. Even Lubomir Dolgos, the only minister in the HZDS government who belongs to the generation of the 30-year-olds, allowed himself to be talked into it. His predecessor, Ivan Miklos (born in 1960), did not hesitate for even a minute in this respect.

The time has probably come to make an explicit appeal to the generation of 30-year-olds to show generational

solidarity and not just look idly on as the HZDS single-mindedly tries to change the ratio of economic influence for the benefit of the state, which today it has totally in its hands, and as it then gradually transfers the state property to the ownership control of its die-hard followers. To date, the only group that has been emphatically heard from on this matter is the Slovak Chamber of Commerce and Industry, which delivered its Memorandum of 1 October 1992 directly into the hands of the SRNS chairman, Gasparovic.

It is equally necessary to realize that the manner in which the members of the SR Government set out to implement the preselection promises of the HZDS can be characterized already today as unambiguous, at the very least. It is becoming clear that especially the influential generation of 60-year-olds in the HZDS power elite (Slobodnik, Kucera, Huska, Lалуha, Kocuch) is no longer able to resolve or even understand the complexity of the accumulated ethnic, nationalistic, religious, economic, social, and internal political and geopolitical problems.

And, as far as the government representatives belonging to the generations of the 40-year-olds and 50-year-olds are concerned (of the total number of 15 ministers 12 belong to these), they would, as is becoming apparent, prefer to continue, together with the democratic right, the transformation of society that was started. At the moment, their efforts are failing because of their lack of individual professional qualifications.

#### **Carnogursky on KDS Past Mistakes, Current Policies**

*93CH0076A Bratislava SLOVENSKY DENNIK  
in Slovak 29 Oct p 4*

[Speech delivered by Jan Carnogursky, KDS chairman and former prime minister of the Slovak Republic, at a party meeting in Bratislava-Petrzalka: "I Do Not Reject Responsibility"]

[Text] The KDH [Christian Democratic Movement] chairman, Jan Carnogursky, spoke as follows at a meeting in Petrzalka of members and sympathizers of the movement:

Since the election, we have been reflecting on the mistakes we made. One of those mistakes is our discounting the impact of the rumors about the KDH that appeared, many of which are unfortunately still circulating. We are perhaps too similar to the conservative parties in that we pay more attention to what the content of our policies is than to their presentation and praise. So it happened that we did not give enough attention to the word of mouth in certain groups of citizens that said the KDH is to blame for everything bad that is happening in the state. It was not just what was said, however, but also the trend in the writings in some of the press. It was not only that we at the time concentrated more on the content of our policies, but we were fully engaged with governmental activities. At the same time, we had only a minority in the

government the entire time, and the resulting decisions were not only a compromise among the parties participating in the coalition, but also a compromise between desires and objective possibilities.

After the 1990 election, the KDH entered into the government because the government coalition at that time was practically the only one that could be brought together in Slovakia. Perhaps only the Greens Party could have been added to the coalition at that time. After the breakup of the VPN [Public Against Violence], I took over the job of prime minister of the government, again particularly because it was the only way out of the political crisis that made it possible for the government to work until the end of the term. Being aware of the joint responsibility for the fate of Slovakia, we were willing to make compromises in the final form of the government decisions with even those who later distanced themselves from their own decisions and based their popularity on the rejection of their own past decisions.

Let us recall some of the decisions of the past, without regard to whether we consider them to be correct or not. They are decisions that today other parties, particularly the HZDS [Movement for a Democratic Slovakia], are attacking. In the fall of 1990, our deputies in the Federal Assembly proposed to another caucus of deputies the issuing of a law that would make it possible to investigate the origin of money. That law was not formulated because of the resistance of other caucuses of deputies of the Czech VPN, and also of the Slovak VPN. The decision on liberalizing prices was approved in November 1990. I consider the decision to have been a correct one, and, therefore, I do not criticize it even today. However, some of the other deputies and government officials of that time, who took part in approving it, are today criticizing it. The language law was approved in October 1990, and the decisive laws on the economic transformation from the elections of 1990 until the beginning of 1991. At that time, the Slovak Government had in the top posts Vladimir Meciar as prime minister, Michal Kovac as minister of finance, Augustin Marian Huska as minister of privatization, and Rudolf Filkus as minister of economic strategy. Today, those people are criticizing and rejecting their own actions and decisions of that time.

The change that took place in this country with the transition from a communist regime to democracy got the name "the velvet revolution." It was a velvet one because no punishment of people took place. An exchange of top employees took place, but only in cases where the staffs of enterprises expressed a lack of trust in the leaderships and elected new ones. Even in those cases, the KDH did not usually take the initiative in their removal. We never threatened anyone by saying that the prisons were empty, and it was necessary to fill them again. We started with the fact that it was necessary to build a new society by leaving the past behind, and with the agreement of everyone who wanted to participate in the creation of a new society. We did not base our

political agenda on constantly searching for a new enemy. We installed people in the important top jobs on the basis of competition, and their political reliability was not one of the criteria. It did not have to be one of the criteria because our policies were so broadly based that we did not have to be afraid of political unreliability. And, thus, today's deputy minister of culture, Ivan Mjartan, for example, in May of that year received a license as joint owner of a private radio station. The minister of culture, Dusan Slobodnik, in December of last year was part of the Slovak delegation at a seminar in Oxford, England. The present chairman of the Federal Assembly, Michal Kovac, who left the government after the HZDS was formed, was offered the job of director of the bank. I could go on with examples.

We considered the national agreement to be at least as important for the building of the society as the economic reform was. Our wonder today is all the greater when we find out how some people are going back to the slogans, and also the methods, of the past. How they change their party membership for the third or fifth time without the slightest embarrassment. Before November 1989, they were in the Communist Party, then they joined the VPN, and today we find them in the HZDS. They convince us that, in the name of their ambitions for power, they are willing to sacrifice everything and everyone. They rapidly forgot about their part in the past bad decisions, and today they accuse my government of everything. We cannot permit them to hide their responsibility for the past, and we must apply the rule that full responsibility for a decision is borne by the one who makes it. Obviously, in accordance with that rule, I also do not reject my own responsibility for those actions that I took, for example, as prime minister of the government.

The Christian and democratic principles in the program and in putting together the KDH are a natural filter through which pass only people who are stable and true to the Christian and democratic principles. We are glad that the unstable people who for a time also joined us have gone away and have thus left the movement internally firm, flexible, and pure. The internal consolidation of the KDH and its capability for action are a great resource for the future.

It is just this internal stability of our movement that makes it possible for us to pursue one steady political line without regard for the attacks that come from one side one time and from a different side another time. Above all, this is true of our policy on the state legal composition. I published the idea of Slovakia as an equal legal part of a broader Central European grouping in the underground periodical ALTERNATIVA under my own name, even before November 1989. After November 1989, I repeated it a number of times, and both the KDH and I constantly made it more specific. Our program on the state legal composition took into regard the national aspirations of Slovakia and, at the same time, the stability of the state, the stability of society, and the security of its citizens. Much earlier than the HZDS, we recognized the economic and political risks involved in

breaking up the state, and we informed the citizens of them. For example, we did not deceive the citizens with speeches on a developmental economic policy, when we knew that the monetary resources for that policy are more than modest. We did not deceive the citizens, for example, by speeches on confederation, when we knew that it takes two for a confederation, and we simply would not find a partner for it.

We consider truthfulness and honesty toward one's voters to be the highest principle of political activity, a principle that is even beyond an interest in the number of votes for us. We knew and said that overcoming the current situation and, even more, the future situation would demand the solidarity of all of the inhabitants of Slovakia. Solidarity without regard for age, religion, political membership, or even nationality. For example, solidarity between young and old means, on the one hand, that the state, by levying certain taxes on working pensioners, would divide the existing jobs between pensioners and young people just starting to work. Solidarity on the part of young people means, among other things, that, by their taxes, they would contribute to the social security fund. Solidarity of the inhabitants of Slovakia would indeed mean a just tax burden, but also mutual support—yes, reducing expenditures and sticking to the

chosen national goals. Solidarity would not mean covering up erroneous decisions made and rejecting criticism under the pretext that criticism spoils Slovakia's image in the world. We are willing at any time to compare our criticism of the government with the criticism of the government representatives aimed at us. The citizens can form their own picture of which criticism is justified.

On 1 January, an independent Slovakia will be born. We will have to see if it is truly independent. However, the KDH will do everything it can to see that Slovakia is truly independent and sovereign, even though we voted against the Declaration of Sovereignty. We submitted another plan to achieve independence and sovereignty for Slovakia. But, when the Slovak Republic is brought into existence on 1 January, we will support it, we will protect it, and we will try to help it with those capabilities we uniquely have. And it is obvious to everyone that our capabilities are different from those of the government. They are possibly even better. We care about Slovakia and feel ourselves to be its patriots. We defended the national rights of the Slovaks under the totalitarian regime and also later, at a time when some of the current nationalists demoralized the nation with international communist workings.

### West European Examples of Ethnic Autonomy Cited

93CH0028A Bratislava SZABAD UJSAG in Hungarian  
22 Sep 92 p 4

[Interview with attorney Dr. Ivan Gyurcsik by Roza N. Gyurkovits; place and date not given: "The Slovak Government Wants To Assimilate, Not Integrate, National and Ethnic Minorities; Autonomy Is the Condition of Our Survival"]

[Text] *"They don't know what they want." This is the most frequent accusation when politicians of the majority nation talk about the endeavors of ethnic minorities to achieve self-government and autonomy. This is how they try to sweep this topic off the table. The majority of Hungarians in Slovakia do not want autonomy at all. This is another favorite refrain when the politicians have to answer why they oppose granting ethnic minorities—in this case, Hungarians—the right to make decisions in their own affairs in the areas that are most important for the preservation of their identity.*

*The conversation below with Dr. Ivan Gyurcsik, attorney, took place because he has been dealing with this question for a long time, and thus it is easy for him to expose the above-mentioned accusations for what they are.*

[Gyurkovits] Let us clarify, first of all, what the term autonomy means. This is one of the most frequently used expressions in our region, but what does it mean?

[Gyurcsik] If we try to interpret the word itself, and translate it from Greek into Hungarian, we could probably render it most accurately as self-government. Then and there—that is, in Greece, where it was conceived—it meant a body that passed laws to govern itself and, thus, in certain cases had the right to determine what will happen. That is to say, those things that are the rules governing the activities and operation of a certain community. This is the most general meaning of the word: autonomy as self-government. According to the storehouse of Hungarian historical concepts, autonomy meant a right for local, legally regulated self-administration, extending to a broader or wider range of people, and usually also to a territory within the state. If one wants to examine the kinds of autonomies that existed in our own region, historical Hungary, in the past 1,000 years, one can talk about autonomies of different kinds. One can speak of the self-government of certain larger geographic-historical units, because Croatia or the former Transylvania had special self-governments. But there were local areas of self-government as well (for instance, those of the Cumanians, Jazygians, and Haiduks). There were also municipalities, the self-governments of which made decisions and issued ordinances within a definite range, which regulated the functioning of that community. Corporations, guilds, universities, and churches also had self-government: No one had the right to interfere in their internal regulations. The broadest range of autonomy appeared in historical Hungary with the emergence of the Estates.

During this time, the sphere of authority of the Estates included the right to pass statutes—that is to say, to determine the principles of their operation; the right to elect judges, priests, and magistrates; the right of public administration, jurisdiction, and security; and the right to send delegates and give orders to the feudal national assembly. The Hungarian bourgeois government was only able to completely eliminate the right of sending delegates and jurisdiction towards the end of the last century. If we regard this area from the point of view of minorities, there existed a special kind of self-government that we could call cultural-minority self-government, because it gave special rights to a community to make decisions on questions in the area of culture and identity. Thus, it enabled a community to decide which essential conditions of jurisdiction and economy are necessary for the preservation of its culture and identity, and the authorities acknowledged them in the form of a law or a constitution.

[Gyurkovits] Thus, the question of the relationship between personal and territorial autonomy, and between cultural and territorial autonomy, is not a recent one. Let us clarify what these forms of autonomy mean.

[Gyurcsik] Basically, two principles can be distinguished in the forms of self-government: the autonomy of persons and the autonomy of territories. Cultural and educational autonomy is sometimes called autonomy based on a personal principle. Cultural autonomy was accomplished in its purest form in Estonia after World War I by a law passed in 1925. One way of creating cultural autonomy is the establishment of a register containing records of the persons belonging to the given minority who, by virtue of inclusion in this register, have the right to elect a body with the authority to make decisions in the areas of culture, education, and the preservation of identity, for which the authorities (the state) provide certain financial guarantees in the budget. Thus, a prerequisite of cultural autonomy is the creation of a decisionmaking body whose exclusive jurisdiction in the areas of education, culture, information, and language use is recognized by the state authority. The necessary financial basis for this must also be legally guaranteed, because a self-government can only function if, along with its jurisdiction, the financial prerequisites of its work are also guaranteed. In plain terms, this means I have the rights and the means to realize my goals. We could mention the model of the Swedes in Finland, where the recognition of the Swedish minority has very strong constitutional guarantees even beyond the cultural autonomy extending to the four areas described above, and as a consequence of which the entire country of Finland is bilingual. The protection of the Swedish language is very strong; for instance, in Helsinki, where the proportion of Swedes is 8.4 percent, the street signs are bilingual, and the name of the city is also posted in Swedish. The threshold for bilingualism is determined at 8 percent, or in a population of 5,000, it is stipulated in absolute figures. There are municipalities where 94 percent of the population is Swedish; these are

monolingual Swedish communities. Cultural autonomy provides the opportunity for the creation of a language zone that allows that language rights be granted by municipalities. But I can also cite the example of the Germans in Belgium. Belgium is a very interesting example because the country is divided by regions, language zones, and communities, and there exists a German-speaking community that attained a broad range of cultural autonomy next to the Flemish and the Walloons. It has a council consisting of nine members, a legislative body with jurisdiction in its own affairs, and an executive body that controls the execution of these laws. Conflicts are settled in court. The conditions of access to the media and budgetary guarantees are also clarified.

[Gyurkovits] These examples can provide guidelines for us, minority Hungarians, in the matter of cultural and educational autonomy. But what is the situation of territorial autonomy?

[Gyurcsik] One of the sages of our century with decisive significance, Istvan Bibo, saw five distinct ways in which autonomy can be created in the 20th century. One way is by a government decision, because granting self-government is one of the best ways of involving minorities in the life of society. The second is by a legislative decision, when parliament arrives at the same conclusion. The third: by guaranteeing this right in the Constitution. The fourth possibility: by international treaties guaranteeing the right to autonomy. This is, for instance, the case of South Tirol, where the Gruber-DeGasperi treaty of 1946 sowed the seeds of later autonomy; the fifth: by international guarantees, as in the case of the Aland islands, where in 1921 the League of Nations in its treaty provided guarantees to the population of the islands, 93-percent Swedish, that the ethnic structure of the area would not change. These are the ways in which autonomy was created in our century.

In the case of territorial autonomies, one must examine what differences they exhibit in contrast to cultural autonomy. For instance, the number of Swedes in Finland shows a declining trend, in spite of the fact that they enjoy cultural autonomy, including even universities, while the the Swedish population of the Aland islands, which also belong to Finland, is growing slightly. This shows what a territory with a special status can mean within a given minority population, where, for instance, the young people are not drafted into the army, but rather serve locally; where citizens with a different nationality can only settle down after a five-year waiting period and with the permit of the communal self-government, but only if they also know Swedish. The difference can lead to different trends even between groups of the same minority with a different status within the same country. From this point of view it is interesting to take a look at the structure of the self-government organs of Aland, and also to see how the state, Finland, is represented in the area. The self-government organs can be divided into four groups. One is the regional parliament, the second is the regional

executive council, the third is the regional governing apparatus, and the fourth is the Aland Delegation. The central government is represented on the islands by the county governor, the county directing council, and the administration of justice. The relations between the self-government and the organs of the central government, as well as the fundamental principles of financial and economic self-government, also had to be determined. Thus, in the case of territorial autonomy, one must determine the revenues and the budgetary support to the given territory. Finally, the ethnic status quo of the territories is protected.

[Gyurkovits] Let me ask you this: The Hungarian minorities who found themselves in the successor states of the Austro-Hungarian monarchy became citizens of other states together with their territories, just as the Swedes of Aland. Still, international opinion about them was different, and is still different today. Instead of ethnic protection, in the course of the past 75 years a policy was followed to settle their territories with the majority population in a sort of internal colonization, and a further decrease of their numbers could only be avoided by ethnic protection. If these minorities were backed by an economically strong mother country, which is dominant in the region, would it be imaginable for them to be granted territorial autonomy in their countries?

[Gyurcsik] The example of Aland can be instructive from the point of view that their problem arose at the same time as that of the Hungarians in Czechoslovakia. Thus, the mechanism they developed to protect their identity—the institutions, jurisdictions, and laws—are important. However, from a historical point of view, I think the situation of the people in South Tirol is most similar to ours. After World War I, they found themselves, together with the area beyond the Brenner [mountain pass in the Alps between Italy and Austria], in Italy as a region with a 90-percent German majority. At the time of Mussolini a deliberate ethnic disintegration took place by settling a considerable number of Italians in these areas. Thus, their genesis is closer to ours. Well then, today in this area the proportion of the German population is about 64 percent, and thus the fate of the two minorities is similar in ethnic and historical terms, but not in terms of international or interstate treaties. Hungary as a loser state of World War I was in no position to force its neighbors, who got out of the war on the side of the victors, to grant guarantees for the protection of minorities.

In the case of Austria and Italy, two countries in an identical position expressed their intention in a treaty to settle the question of the Germans in South Tirol. The treaty itself did not yet mean the realization of autonomy; a long battle had to be fought to achieve it, because in spite of the treaty, Italy thought it could continue its policy of changing the region's ethnic composition. Finally, Austria achieved the goal of protecting the German minority as a protector power. Expert groups worked for long years on the plan package, which



resulted in laws that guarantee the rights of the German-speaking population. I would like to stress that the South Tirol autonomy is not exclusively the autonomy of the German population; more than 30 percent of the people in that area are Italians, and their interests are also considered. According to Professor Ermacora, this is an autonomy based on ethnic equalization. However, the above-mentioned international guarantees were necessary to achieve this.

[Gyurkovits] What is the essence of the South Tirol autonomy?

[Gyurcsik] The plan package determined the tasks in seven points, and this plan package was accepted in 1969 both by the Austrian and the Italian parliaments. On a UN initiative, a bilateral timetable was set up, on the basis of which the following types of steps had to be taken:

- 1) Measures that are possible by changing the autonomy statute in the Italian Constitution.
- 2) Measures that are possible by supplementing the special statute of the region, and also by constitutional law.
- 3) Measures that can be implemented by executive orders, decrees with legal force, and orders connected with the autonomy statute.
- 4) Measures that can be implemented through laws.
- 5) Measures through public administration.
- 6) Evaluation of the measures.
- 7) Creation of a permanent South Tirol committee.

In accordance with the above, the autonomy of South Tirol is guaranteed by constitutional laws, ordinances, and executive orders. They regulate in a detailed fashion the use of language, education, culture, economy, development, central subsidies, local taxes, the issues of radio and television, and universities. They list, item by item, what is optimal from the point of view of the given ethnic group. The minority rights that can be guaranteed in this way might be connected with guarantees for autonomy. If the people who live in the area can make use of their rights, they can govern their province politically and economically, as well. South Tirol counts as a region that provides protection for the minorities in a way that is special even in Europe, because by regulating the rights in a detailed way, it guarantees the rights of not only one ethnic group, but all ethnic groups living in the territory through a balancing among the minorities. Thus, since areas with a mixed population are often mentioned in our country, one must note that in South Tirol, territorial autonomy is in the hands of not one, but two groups, where, of course, both see to it that the ethnic composition of the region will not change to the detriment of either group.

[Gyurkovits] What could serve as a model for us among these European examples?

[Gyurcsik] No model can be adapted mechanically. However, these forms of autonomy contain elements that, if the political will exists, can be applied in our country, as well. I am stressing the political will, because granting any kind of autonomy is dependent on intention. Thus, one must first ascertain what kind of policies the state wishes to follow towards the minorities in question. In a work prepared for the UN Human Rights Commission in 1977-78, F. Capotorti distinguished four major versions of the relationship between the state and a minority. The first one was the *pluralist* version, the fundamental purpose of which is the preservation of the minority, and which grants the minority great freedom in conducting its own affairs. The second version is the policy of *integration*, the purpose of which is the attainment of equality for various groups in society, at the same time applying special measures to ensure the preservation of the individual groups' unique features. Pluralism and integration can be present at the same time. The third one is the policy of *assimilation*, the purpose of which is the creation of a homogeneous society; here, people belonging to the minorities must give up their traditions, language, and culture, and take over the traditions, language, and culture of the ruling group. The fourth is a policy of *segregation*, the purpose of which is the separation and subordination of minority groups. For us, the two most important categories of the four are integration and assimilation. By integration one means that the state wants to incorporate the given minority into society together with its peculiarities; thus, it accepts the ethnic group with its fundamental identity, which it also wants to preserve. In the case of assimilation, society legislates a way of incorporation as a consequence of which society becomes homogeneous. Thus, the fundamental identity of the person belonging to the given ethnic group cannot be preserved; it can only change. In this way, the person who belongs to the ethnic group becomes different, and is alienated from his own original group in his objective and subjective characteristics in order to become the member of another community. Assimilation can occur in various ways. It can be partial, for instance, when it involves only language differences; or it can be fundamental, when it obscures major ethnic characteristics and only preserves secondary features; or it can be complete, when everything that was characteristic of the ethnic group disappears completely. Assimilation can be voluntary, or it can be forced, when the will of the state prevails. Assimilation depends on the policies of the state which has sovereignty over the ethnic group, and on the ethnic group's will and strength of self-preservation. One can assimilate both individuals and territories. This is why it is important to be aware of the state's policy toward the minority, because we can only answer questions about self-government as a function of this policy. If the state wants to integrate the ethnic groups, then it is worth examining the possibilities of various forms of self-government. But if the state wants to assimilate them, then this is no

longer the case. Then, the state strives for homogeneity, the destruction of the consciousness of identity, group solidarity, and community existence.

[Gyurkovits] For us, Hungarians in Slovakia, a completely fresh Slovak Constitution is a fact. What kind of policy does it indicate towards us? What kind of fate does it intend for us?

[Gyurcsik] When does the policy of a given country strive for the preservation of a given minority? When it guarantees the conditions for preserving our identity, for passing this right on to our children, and for developing this right further. And in order that these rights can be realized, it guarantees self-government in the areas that are decisive from the point of view of identity. We should not be told how we should feel, but should be allowed to tell ourselves how we feel and to formulate the questions that are decisive from the point of view of our survival. These pillars are education, culture, the media, and language; without these, we cannot survive and cannot preserve our identity. These are minimal pillars in our lives. If the state power wants to marginalize us in terms of consciousness, culture, economy, and policies, if it wants to turn us into a folklore group, then it is conducting not a policy of integration, but a policy of assimilation towards us. The present Slovak Constitution does not contain either the right to one's identity or the right to self-government in areas that are important for the preservation of one's identity. Thus, this Slovak Constitution was not conceived in the interests of integrating ethnic groups into society. And because it does not want to integrate the members of ethnic groups into Slovak society while at the same time preserving the peculiarities of these groups, it has the effect of promoting homogeneity and assimilation. Because it does not give guarantees to the minorities for self-government even in the areas most important to their identity, it directly and indirectly strengthens the endeavors of a policy of assimilation. This is the Constitution. For an intellectual who is thinking about the affairs of this region in a responsible way, it is of fundamental interest to examine what kind of a model can be developed in order that no one would, and no one could, classify freedom and equality on the basis of affiliation. The satisfactory settlement of the minority issue is also in the majority's interests; however, an optimal settlement cannot occur without reconciliation. We have the right to preserve our own differences while we pay taxes, work, and respect the fundamental laws of the state, as long as the state respects our right to be different. By this we do not endanger either the country's sovereignty or its integrity, unless the state wants to present us as the enemy. In that case, however, the laws of the state will mean something completely different within a short time, because they will be applied arbitrarily, depending on whom the state wants to present as the enemy.

### New Attempts To Prosecute Communist-Era Crimes

93CH0082B Budapest HETI VILAGGAZDASAG  
in Hungarian 24 Oct 92 pp 78-79

[Article by Gabor Juhasz: "Attempts To Do Justice: Continue on the Zetenyi Path?"]

[Text] Last week the chief military prosecutor rejected a complaint filed relative to the volley of shots fired in Mosonmagyaróvár and confirmed that the culpability of crimes committed in 1956 has ceased because the statute of limitations has expired. Last Friday, the day the announcement was made, Zsolt Zetenyi introduced his legislative proposal according to which only courts could determine in the future whether culpability for a crime has lapsed under the statute of limitations.

No investigation could be initiated regarding the 1956 volley at Mosonmagyaróvár even if retired Colonel Istvan Dudas (the officer who, as a captain at the time, ordered the firing of shots) requested the investigation. The "cruel" neutrality of statute of limitations rules can be seen from the fact that they prevent the relatives of the Mosonmagyaróvár victims from proving or from having proved in the course of a criminal proceeding the guilt of Istvan Dudas, even if they could do so, just as they prevent the retired colonel from forcing a dismissal of charges, even if he was able to prove his innocence.

Chief Military Prosecutor Tamas Kovacs, who holds the rank of a major general, is also a deputy supreme prosecutor. Based on his decision announced last week, the decision of the Győr Military Prosecutor's office refusing to initiate an investigation regarding the volley of shots fired (HETI VILAGGAZDASAG 10 October 1992) fully complied with current law, and thus the rejection of the complaints was appropriate. Zoltan Demeter and five others filed a complaint against Istvan Dudas and his associates on grounds that a war crime had been committed (Criminal Code of Laws Section 158: Use of Force Against Civilians); such crimes do not lapse under present statute-of-limitations rules. This element of a crime, however, was not part of the Criminal Code of Laws in 1956, and the Constitution provides that no one can be declared guilty or punished for an act that did not constitute a crime pursuant to Hungarian law at the time it was committed. Thus, although there is substantial ground to believe that a criminal act has been committed, the provisions of Section 158 cannot be used.

This does not mean, of course, that the volley fired at Mosonmagyaróvár did not amount to a crime. The prosecutor's office took the position that, based on criminal law provisions in force at the time the act was committed, the crime of murder had been committed in violation of Section 278 of Law No. 5 of 1878. This crime lapses, however, in 15 years, and thus the murder committed on 26 October 1956 had lapsed under the statute of limitations in 1971.

"The prosecutor must not place his own moral considerations above the law," the military chief prosecutor said at a press conference last Friday to justify his decision, and stressed that he sincerely respects 1956 and that he has sincere sympathy for the relatives, but "the prosecutor is not the master, but the servant of the law." The prosecutor-general noted that his "colleague from Gyor had not been insensitive either," referring to Minister of Defense Lajos Fur's critical remarks about Colonel Gyula Varadi; he said "no comment," however, to a question inquiring about his view of government and ruling party remarks after the Gyor decision.

It is clear that the prosecutor's office does not want to get mixed up in a dispute with the government, although there is no doubt that this is the first time in years, including the final days of the previous system, that the government has tried to overtly exercise pressure on the administration of justice relative to a criminal act. Of particular concern is the fact that two ministers "having jurisdiction" have done so. One could have explained if, let us say, the minister of public welfare had expressed support of the Mosonmagyaróvár complaint as part of his function as the chairman of a party, but such pressure coming from the ministers of justice and defense appears to be impermissible. (It is impermissible in the case of the minister of defense because while based on the law governing prosecutors, military prosecutors are subordinate to the supreme prosecutor, and only superior prosecutors could instruct them, they are still professional military officers. Much has been revealed about the background maneuvers by the fact that the complaint against the decision made in Gyor has also been forwarded to Lajos Fur.)

The negative response by the chief military prosecutor is particularly embarrassing to Minister of Justice Istvan Balsai, because this is his second fiasco relative to the administration of justice. The first embarrassment came about as a result of his support of Lex Zetenyi last November, a law that was later declared unconstitutional by the Constitutional Court, insofar as every word of the law was concerned; subsequently Balsai joined the ranks of those who regarded the crimes of 1956 as war crimes (HETI VILAGGAZDASAG 3 October 1992); moreover, the new, government-proposed law to do justice also starts out on this path....

At press time it was not clear what the head of the Ministry of Justice plans to do about the decision of the chief military prosecutor, but there should hardly be any doubt that the dispute is going to revive these days, at about 23 October. On 14 October, MDF [Hungarian Democratic Forum] Representative Zsolt Zetenyi, together with his fellow representatives Emil Bogdan and Gyula Fekete, filed a complaint with Supreme Prosecutor Kalman Gyorgyi to find out whether they could declare, for example, the members of the 1956 Kadar cabinet and the then MSZMP [Hungarian Socialist Workers Party] leaders to be war criminals. These new attempts are based on Law No. 7 of 1945: the complainants believe that it could be applied to 1956 based on the

fact that war criminals are defined as follows: "anyone who in any form has pursued or pursues an activity, or encouraged, or encourages activities suitable to render more difficult or to disintegrate the postwar peace of, or cooperation among peoples, or is suited to create an international controversy." In response to our inquiry Zsolt Zetenyi said that in this case one can rule out the statute of limitations, and that their complaint "did not conflict" with the statement of the chief military prosecutor.

Zsolt Zetenyi's legislative proposal introduced on 15 October runs parallel with the complaint; parliament is expected to decide next Monday about debating the legislative proposal. As Zetenyi confirmed, the proposal would authorize only courts of law to declare the lapse of the statute of limitations (namely, as of today, the office of the prosecutor and the police are authorized to determine whether the statute of limitations has lapsed, as shown by the Mosonmagyaróvár case), and thus there would be suits, perhaps guilty persons would be found, but no sentence would be pronounced (HETI VILAGGAZDASAG 19 September 1992). Presumably, the Zetenyi proposal enjoys the support of about 100 coalition representatives; this comes as no surprise because it appears to be rather attractive: Beyond the fact that the concept follows the logic of the arguments supportive of the Constitutional Court decision that declared Lex Zetenyi unconstitutional, it also promises the constitutional state to keep its cake while the administration of justice eats it. At the same time, however, this kind of change in criminal procedures would cause countless difficulties, beginning with the way judges would react to such a proposal, all the way to the question of how much proof could be provided after so many years (as compared to the rest of similar cases, the Mosonmagyaróvár case might be regarded as having been thoroughly investigated; nevertheless, not even in the Mosonmagyaróvár incident is there an accurate number of victims—it ranges between 49 and 105).

Despite the intent of the complainants, the Mosonmagyaróvár case did not become a test case insofar as the statute of limitations was concerned; nevertheless, the case may reveal the way an investigative committee would be received. After rejecting the complaint the chief military prosecutor announced that the prosecutor's office would initiate a "fact-finding investigation" without subsequent consequences under criminal law, to examine the circumstances of the Mosonmagyaróvár shooting incident. One could assume, however, that from the standpoint of ruling party members wanting to do justice, the finding of facts without finding someone guilty would not be satisfactory. As the new Zetenyi proposal indicates, they want a situation in which lawsuits exist, even if punishment fails to materialize in the end.

### Budapest Districts' SZDSZ Governments Criticized

93CH0082A Budapest HETI VILAGGAZDASAG  
in Hungarian 24 Oct 92 pp 76-78

[Article by Endre Babus: "Two Years of Budapest Autonomous Local Governments—The 23 Kings"]

[Text] Elected as lord mayor two years ago, Gabor Demszky was advertised as a "man of action" during the campaign. "My power is only symbolic," the city's first person, a member of the minority party, said a year later, conveying a sense that things were not turning out in Budapest exactly according to his dreams. The balance sheet of the Budapest autonomous local governments at half time shows the quality of SZDSZ [Alliance of Free Democrats] practical politics, because the SZDSZ commands a relative majority in 19 of the 23 Budapest autonomous local governments; moreover, the mayors in 21 districts are free democrats (or persons supported by that party).

A touchy political formula has evolved in Hungary as a result of the opposition having gained control over Budapest. The SZDSZ had been given a chance to demonstrate in a tangible way what appeared to be only a theoretical difference between the liberal alternative and the ruling coalition's Christian-national platform. After a spectacular performance in dealing with theories, the time had come for the free democrats to brandish their governing capability in an area that represents one-fifth of the population of Hungary.

Two years later it is apparent that the SZDSZ is able to respond to the great challenge only to a rather limited extent. Public opinion research probing people's satisfaction with the performance of local governments suggests serious disillusionment (although, it seems, the party has risen from the low point it previously occupied in the people's view). Nevertheless, the fact that the ruling free democrats have lost a series of interim elections called to fill vacated Budapest district legislative seats is most telling of value judgments being made by people. In nine local elections held thus far the SZDSZ was able to win only one mandate, while it lost seven. The plummeting popularity of the free democrats is reminiscent of the MDF's [Hungarian Democratic Forum] "wearing out" at the national level, while the MSZP [Hungarian Socialist Party] makes continuous advances at both levels: Five of the nine vacated representative seats in Budapest were won by the socialists.

The SZDSZ is likely to be forced to pay a heavy price for its unfounded election promises and for its "merits" in disintegrating Budapest. Some voters probably did not forget Demszky's election promise of making deep-seated changes in Budapest, the capital regarded as having the most polluted air on the continent. "An immediate and radical reduction in air pollution must be made. The air quality of the city is intolerable. We have already fallen below every conceivable European standard. Our children are becoming sick, the older people

develop cancer.... Surely, prohibitions must also be established," Gabor Demszky wrote in BESZELO, 72 hours before the elections. One can only guess by now whether the fact that the lord mayor of Budapest was unable to deliver on practically any of his pledges could be explained by the candidate's idealism, or by his inability to act. Insofar as most of the pollutants are concerned, the air quality in Budapest has further deteriorated since 1990 (see boxed item [omitted]), and lung cancer as well as asthma present a greater threat to Budapest residents today than ever before.

Demszky, who declared war on illegally parked cars, but who lost this battle, did not even attempt to take truly draconian steps (such as altogether banning vehicular traffic in various districts). On the other hand, it is virtually impossible to explain why the lord mayor has failed to force through developmental projects that could have produced spectacular results with relative ease. In vain did one of the well-sounding SZDSZ election campaign slogans hammer in the idea that "we need transportation policies friendly to bicyclists and pedestrians"; barely more than nothing has been done between 1990 and 1992 for the growing number of bicyclists in Budapest. In the course of two years, the new autonomous government was able to extend the inherited 18-km bike route by only nine km, but the addition includes the "establishment" of bike routes (such as the Danube Quai in Buda) where most of the investment involved only white paint and a paint brush (to divide the sidewalk between pedestrians and bicyclists). The disillusionment with the free democrats, insofar as one could regard them as an alternative governing force, may be credited to no small degree to mutually contradictory rental housing policies pursued by autonomous local governments controlled by the free democrats. Neither Demszky nor the party headquarters at Merleg Street were able to achieve a situation in which district representatives in various parts of the city elected under the same banner adopt mutually streamlined positions in this regard. Behind the mutually contradictory local policies that led to serious tensions, one finds perhaps the SZDSZ's gravest, but in any event, most spectacular error insofar as government administration is concerned. By adopting liberal watchwords about decentralization and the broadening of sovereignty of local communities (HETI VILAGGAZDASAG 13 April 1992), the party has acted as a catalyst in creating a law for the governance of Budapest based on the "strong districts—weak capital" principle; since then, however, this concept has essentially led to the carving up of Budapest into 22 cities, and to degrading Budapest City Hall, the 23d autonomous local government, to a point where it plays only a federalizing role. This is a negative model, Demszky has bitterly acknowledged since. But this error in judgment, which the SZDSZ later attempted to rectify in vain, not only made the subsequent life of the lord mayor difficult, but it also raised doubts about the feasibility of quickly implementing liberal dreams about dismantling central authority, and, in general, in regard to the radical removal of the state from local affairs.

In the fall of 1990, when it seemed that only the No. 1 leader of Budapest, a quasi-city prime minister had to be elected from the Mrs. Barsi-Demsky-Ungar choice offered, Demsky had become a victim of his own illusions, and the populace of a mistaken belief. Only after the elections did citizens realize that a few days after they cast their ballots a dozen and a half mandarins would step out from under Demsky's cloak—Demsky, whose person singularly embodied SZDSZ policies—and would rally right then and there against their lord mayor. As it soon turned out, these district politicians, most of whom had failed to state their own programs during the campaign (assuming that there had been such programs), held diametrically opposite positions on many issues, except for one: the watchword of "all power to the districts."

It so happened that while in a few Budapest precincts (e.g., the 5th and the 13th districts) autonomous local governments with an SZDSZ majority made a virtual campaign out of selling rental apartments, in other quarters of the city (e.g., the 8th district), city fathers belonging to the same SZDSZ placed obstacles in the path of the legally guaranteed right to purchase rental housing by officially proclaiming a halt on the sale of rental apartments on one occasion, and by informally maintaining a moratorium on another. Statistical data clearly demonstrate this trend: While residents of the popular 2d District were able to purchase 48 percent of all rental housing as of late 1991, the same ratio in the Jozsef and Terez [8th and 7th] Districts was 10 and 17 percent respectively as of the end of last year, despite not insignificant popular pressure. In observing these developments from the standpoint of both grand politics and local politics, it is difficult not to notice that while the politicians of the largest opposition party in parliament launched heavy attacks on the alleged social injustices created by the compensation law in its days, autonomous local governments produced inequities, of a kind that could not be justified even on the basis of historical arguments, in mass proportions, under the direction of SZDSZ city fathers ruling the various districts.

Most likely, the Budapest rental apartment misery has also contributed to the internal crisis experienced by the SZDSZ for the past two years. In several places, the SZDSZ factions in Budapest districts have split precisely because of different views regarding this issue. The situation is only aggravated by the fact that in some places different lines for dividing authority have been drawn between leading local government professionals, local government clerks, and local legislators who hold mandates from the electorate, for example. The legitimate functioning of local governments is made very difficult by the fact that in 10 of the 23 Budapest "municipalities" the original local government clerks are no longer in place, and in Angyalfold and Jozsef City no appointed "scrivener" has been heading the professional staff for more than a year. On the other hand, clerks occupying their positions periodically support the decisions of their employers—the legislative bodies—to

implement decisions that are suspect of being illegal, most likely despite their best professional judgment. At least this is what can be seen from a quick statistical survey, according to which local government clerks had had the courage to announce their separate opinions based on legality in only five instances relative to 247 local government decrees, while the Budapest regional prefect had found 67 "local laws" to be in violation of the law, presumably justifiably so, based on the record thus far.

In any event, a new view that is starting to gain ground among resident groups dissatisfied with opposition local governments is rather noteworthy from a political standpoint for the SZDSZ city fathers. More and more voters prefer to seek legal recourse through the regional prefect's staff that functions as an extension of the central government, because beyond the authority of that office to review the legality of local government action, local organs of the ruling coalition have a political interest in defending "defenseless" citizens from local government "excesses," in order to prove the beneficial effects of actions taken by the Antall administration—even though they would never admit this in public.

#### **Budget Committee Leaders on Situation, Prospects**

*93CH0090A Budapest KOZTARSASAG in Hungarian  
30 Oct 92 pp 42-46*

[Unattributed interviews with Pal Becker, representative of the Hungarian Democratic Forum, and Karoly Attila Soos, representative of the Alliance of Free Democrats, vice chairman and chairman, respectively, of the National Assembly's Committee on the Budget; places and dates not given: "Focal Point; Budget Confrontation"]

[Text] *It is clear by now that this year's budget deficit is going to be close to 200 billion forints [Ft], and that one should count on Ft180-185 billion of deficit (perhaps even more) next year. In its 6 May issue, KOZTARSASAG compared the views of two representatives, one from the ruling party and another from the largest opposition party, regarding the budget situation. We once again compare the two views now that this year's budget law is being renegotiated and the 1993 budget is being negotiated. We once again present statements by MDF [Hungarian Democratic Forum] expert Pal Becker and SZDSZ [Alliance of Free Democrats] expert Karoly Attila Soos. (The former is the vice chairman, the latter the chairman of the National Assembly Committee on the Budget.) Although their points of view have come closer to each other, to use judicial language, confronting the two viewpoints has once again failed to produce results.*

#### **No Political Tendency**

[KOZTARSASAG] Last May Pal Becker estimated the amount of deficit to be accumulated by year's end to amount to Ft120-130 billion and said that "at this moment the deficit does not threaten with any grave

consequence, because it would cause no problem to finance a substantially larger amount of expenditures from savings.... The trouble begins when we are unable to avoid a further decline in economic performance." To what extent did your view change?

[Becker] Insofar as the essence is concerned, I believe today what I thought was true then: The deficit does not cause a big problem in the short term, because savings constitute a large enough source to cover a shortfall in revenues. But this holds true only in the short term. In the longer term it is obvious—and I have been saying this for a long time to both professionals and politicians—that an internal indebtedness spiral breaking loose is just as dangerous as an excess accumulation of foreign indebtedness. Increased internal state indebtedness could turn into a self-fueling process due to increased debt service obligations; in the end this could lead to a situation in which increasingly larger amounts of financial resources would have to be withdrawn from the economy just to finance the state household deficit. It is easy to see that this deprives the country of resources needed to develop the economy. With diminishing resources we would once again require external loans, funds we would use not to stabilize the economy but to cover the state household deficit. This is bad policy.

Nevertheless, I am an optimist. The much-larger-than-expected deficit this year is covered by savings; the deficit can be financed by floating state bonds. At the same time, Hungarian National Bank [MNB] experts report that individual bank deposits are going to increase by between Ft180 billion and Ft300 billion next year, an amount that covers next year's planned budget deficit of Ft180-190 billion even along with the smallest propensity to save, i.e., if the lowest expected amount of savings materializes. If the expected amount of savings materializes somewhere in the middle between the lowest and the highest estimates, the consolidated deficit of the entire state household can be financed from individual savings. Accordingly, one could hope that the deficit would not have a direct inflationary effect. At the same time I would like to stress that economic performance has, by far, not been as weak as shown by statistical data and by tax revenues. Tax experts estimate that unreported income that should otherwise be part of the taxable income base amounts to Ft500 billion on the national scale. This, in turn, represents a state revenue shortfall of a minimum of Ft150 billion.

[KOZTARSASAG] Have the latest, more stringent control measures failed to produce the desired effects?

[Becker] As a result of these measures we could put our hands on about Ft20-30 billion in additional tax revenues, but it is virtually impossible to find all concealed income. The possibility of taxing previously concealed income amounts to a mere illusion. This situation will be remedied in part by the mandatory reporting of assets, and, in part, by the introduction of the dual AFA [general sales tax] rate.

[KOZTARSASAG] A few questions arise in this conjunction: Does anyone know, or does anyone have a hunch as to what extent various taxpayer groups are at fault in concealing income? Let's put it bluntly: How much of the amount of tax fraud is perpetrated by wage earners who perform work on the side in order to modestly or not so modestly supplement their legitimate income, how much could be attributed to entrepreneurs, enterprise managers and to independent professionals, or, God forbid, how much do public officials conceal? And one also wonders whether anyone has given consideration at any given time to the burden to be imposed on low-income strata as a result of taxing merchandise subject to a zero-tax rate at present, thus shaking the already not so stable public confidence? And does the extension of the mandate to report assets to cover all taxpayers amount to adding yet another spice to this crisis of confidence?

[Becker] Insofar as the molding of public confidence and the public mood are concerned, I believe that the various press organs play a rather large, in my view damaging, role when they do not provide authentic descriptions of the background to economic measures. But let's leave it at that. Responding to your first question I must admit: I do not know the ratio by which each stratum could be condemned for concealing income. This is not important from the standpoint of the consequences. It should be obvious that compliance with the rules by everyone would remove all threats to the state household balance, significant amounts could be freed to finance economic development. It was necessary to introduce the dual AFA rate because as a result the tax system will become more clear and there will be less income to be concealed. This is going to happen because, as customary in countries with developed market economies in general, an overwhelming majority of the tax revenues is going to be derived from various types of sales taxes, while the significance of income-based taxation is going to decline.

[KOZTARSASAG] Let me interject a (pseudo)naive question here: The introduction of the dual rate AFA as a whole represents a tax increase. Are you going to simultaneously reduce personal and entrepreneurial income taxes, perhaps?

[Becker] You know well that this is not going to be the case because there is no way to accomplish this with the budget the way it is. This will obviously take place later on because the government is determined to reduce the extent to which income is centralized. By introducing the dual rate AFA we have taken the most important step toward internally streamlining the tax system. We have well-founded hopes that there is going to be less concealed income, because whatever income is expended is going to be taxed. There is hardly an opportunity to conceal income. The reporting of assets also serves the purpose of strengthening the taxpayers' morale. It would be absurd to regard these measures as popular, even though there is no doubt that they serve only the public good. These measures are unpopular because the expenses of people with moderate income will increase

temporarily, and quite obviously, preparing statements of assets will be an uncomfortable thing to do. I would, by all means, introduce the dual rate AFA together with a compensatory tax measure, and the amount of compensation would be covered by increasing tax revenues. Part of this money must be returned to the needy, with the involvement of local governments.

[KOZTARSASAG] The dual rate AFA and stronger control mechanisms are certainly justified, but it is questionable whether the government chose the right moment for introducing these measures. At the same time it is also clear that these measures, in and of themselves, by no means stabilize the state household either in the short run or in the long term. What could reduce the deficit to reasonable levels without causing the seemingly insatiable financial needs of the budget to divert investment funds?

[Becker] I don't believe that there is going to be a "favorable" moment in the next few years for the introduction of the dual rate AFA. In the short term, the state household can be expected to become stabilized as a result of the reviving economy. Economic processes suggest at least a halt in the economic decline next year, but hopes for an approximate 3-percent expansion of the gross national product are not unfounded. Current exports as well as forecasts also indicate that opportunities to export to both OECD and CEMA countries are going to increase. This will boost increased production, increased production creates new workplaces, and new workplaces create increased domestic income, thus also increased domestic demand, which in turn also induces increased production.

[KOZTARSASAG] But how will investments to expand production and to create jobs be financed if savings will be used to finance the budget deficit? And isn't it possible that part of the savings, which undoubtedly represent forced savings due to the uncertain future, will appear in the form of purchasing power at the marketplace? Under such circumstances one could hardly expect savings to increase as anticipated. On the other hand, one could say that the budget deficit is a given factor, because most of it consists of interest payable after the state's indebtedness. Without a large enough volume of savings the deficit would have to be financed by the economy to the detriment of accumulation, i.e., additional resources would have to be withdrawn from the economy. This would create economic decline, not an uplift. Could the ongoing processes evolve this way?

[Becker] This, too, has been considered as an extreme, worst-case scenario. But it is mostly the opposition that forecasts a situation like this; so far government forecasts have proven to be more reliable. After all, the government has accurately predicted future foreign trade, international balance of payments, and inflation trends, as well as the growth of foreign capital investment, while opposition experts provided more accurate forecasts in one respect only: the budget deficit.

[KOZTARSASAG] What long-term solution do you envision?

[Becker] There is no difference in this regard between ruling party and opposition experts: State household reform must be implemented. Based on expenditure standards commensurate with the level of economic development, we must determine the amount to be allocated to cover public expenditures, and the amount of tax revenues to cover these. To accomplish this we must put together a so-called zero-base budget. At present, expenditure projections are based on the expected actual expenditure projections of the previous year. These figures are then adjusted by applying a certain index figure, and are then incorporated in the legislative proposal. This process is inappropriate from the standpoint of satisfying the needs of a modern state and a modern economy.

[KOZTARSASAG] Except that the Finance Ministry argues that all this cannot be accomplished until parliament, in agreement with the various specialized ministries, creates separate laws governing the so-called large distribution systems, and determines what it regards to be state, alternatively local government functions, and what should be entrusted to market processes.

[Becker] This could be true, but even then, the experts must begin working on this. The lack of laws governing the specialized branches should not stand in the way of starting this work. And with respect to establishing standards for expenditures we need to see cooperation between financial professionals and the professionals from the various branches of the economy.

[KOZTARSASAG] During general debate over the 1993 budget guidelines the opposition has expressed a view according to which the proposed budget points in the direction of a development akin to those in Latin American countries. The government wants to establish strict controls over income, and wants to build a strong army and a strong internal security organization to support its policies. This is why expenditures related to the armed bodies have a priority status in the budget. Is this view well founded?

[Becker] No, it is not. The budget guidelines do not have a political bias of this sort. Insofar as strengthening the police is concerned, I recognize a general need for firm police action to suppress ordinary crime whenever I travel in the country. This, in turn, requires the strengthening of the police, and this costs money. Insofar as defense expenditures are concerned, I, myself, am in disagreement with certain aspects of the guidelines. I do not include defense expenditures among the priorities, not because I regard the need to develop our defense structure as unimportant, but because there is a greater need for funding other purposes. One could certainly argue about this, because one cannot disregard the events taking place in the former Soviet Union and the fate of Yugoslavia. A well-equipped, well-trained modern military would certainly strengthen Hungary's

security. Despite this consideration I will state that we have more important things to do than to modernize the military.

[KOZTARSASAG] Certain influential politicians encourage the enforcement of certain strong-arm policies, and this is confirmed by the priority status given to the development of the police and of the internal security organization. Despite this fact, do you believe that the proposed budget is devoid of political content?

[Becker] Yes, I firmly believe that it is devoid of political content. And it is unnecessary to enter into speculations of this kind. I would add this much from my own, personal standpoint: I have been brought up in an environment, and in a way so that I would not support such a political trend under any circumstance, even outside of the budget. That kind of outlook is not my outlook on the world; not only would I be unable to identify myself with that outlook, but I would not even regard that outlook as a basis for debate.

\*\*\*

#### Economy—Underground?

[KOZTARSASAG] As early as last May, Karoly Attila Soos regarded the situation of the state household, and within that, of the state budget, as rather grave, and called for renegotiating the budget law. As you said, this was needed because as a result of interest payable on funds borrowed to finance the increasing budget deficit "the expenditures to be budgeted for next year have already been determined to a significant degree, and there is concern that the budget could create a burden on the economy that would not leave resources to support investments and enterprising." To what extent have your concerns been proven correct?

[Soos] I have not much to add to this situation analysis at this time, at most I can say that I am sad to see that my concerns are becoming a reality. Had the budget been presented to the House on time, we could have established a somewhat better starting position for next year's budget. Incidentally, the minutes of parliamentary debate prove that in the course of the year-end rush to debate the budget we called attention to the lack of foundations insofar as revenue projections were concerned, but our voice amounted to a cry in the wilderness. At this point the government can't do much more than to request authorization for the higher amount of deficit, then hope for good luck, i.e., the blessings of parliament with respect to both the deficit and the issuance of bonds to cover the deficit. In other words, let me repeat the things that were said in the House: The money is not going to be expended for investment purposes that could provide a developmental boost to the economy, but for financing current expenditures. This then diverts funds from entrepreneurs, maintains high interest rates on loans, projects a large deficit for next year and thereafter, a deficit that will repeatedly prevent the real economy from getting back on its feet. (One suspects already, of course, that the government's

budget projections for this year, as well as for next year are going to be approved by the House—albeit not without debate—because the ruling party majority's voting machine has functioned well so far in such cases. But this will probably require the government, or the largest ruling party to fulfill the expected, still unclarified, special needs to be expressed by the two smaller coalition parties.)

[KOZTARSASAG] This is true, except that all signs indicate that a simple approval by the house is not going to stabilize the budget. What solution do you have for improving the state household situation?

[Soos] There is no doubt that in the long term, state household reform must be implemented. Expenditures related to public service delivery systems must be adjusted to levels the economy is able to bear. We cannot hope to achieve this in the near future, however, if for none other than technical reasons and because the required preparations cannot be made; but it also appears that this would be too big a chunk of political beef for the government to swallow, and perhaps it would not dare to perform this function because it would not want to risk losing its already modest support. Insofar as the near-term prospects are concerned, I do not see this as a rosy situation. The possibility of raising taxes is slim, because the public burden is already almost higher than what could be tolerated.

[KOZTARSASAG] Apparently, the government has a different view of this, because the introduction of the dual rate AFA and the increased rates by which contributions to the solidarity fund are supposed to be made reach deep into the pockets of both the populace and the entrepreneurs.

[Soos] Well, the government must, undoubtedly, take steps to reduce the state household deficit, because sooner or later, the increasing deficit could create grave problems. Insofar as the introduction of the dual rate AFA is concerned, I agree with this idea, although I still regard the difference between the proposed 80-percent lower limit and the 20- or 25-percent upper limit as too large. As shown by experience, such great difference could produce unhealthy changes in consumption patterns; this change could materialize in the form of a shift in demand for goods subject to a lower tax rate, and this would once again reduce the revenues. One has to deal with social welfare consequences, of course. But the equalizing of resources for the poor, and for people in lower income brackets must not be accomplished in the framework of the tax system, it should be accomplished in the form of direct welfare payments. In my view, any social welfare benefit built into the tax system benefits primarily the rich, and there is no need for that.

[KOZTARSASAG] Present plans call for a heavier taxation of the "rich," because income over Ft1 million would fall into the 50-percent tax bracket, if the House adopts the proposal.



[Soos] I believe that social policies that run in the opposite direction from what I propose amount to none other than a populist bow to mass expectations, or let's put it this way: toward the presumed sense of justice of the masses. It only aggravates those who earn a lot of money, it serves as yet another reason to prompt people to conceal their income, and it is hardly going to produce any serious amount of revenues for the treasury because the total excess income subject to higher taxes is going to increase the tax base by only a negligible amount. And state action to prevent people from getting rich cannot serve as a vehicle to enlist the good will of people who earn less money, or, for that matter, of the poor. This has been proven by the policy of playing the equality game during the past 40 years. In well-functioning economies the majority acquires legitimate and decent sources of income as a result of performance-oriented—and therefore fair—taxation and income policies, while the poorest receive support.

[KOZTARSASAG] Would the excess revenues that could be obtained as a result of the dual rate AFA cover social welfare compensation?

[Soos] I am not aware of any calculations specifically for this purpose, but part of it would certainly be covered. Incidentally, the dual rate AFA is needed only to facilitate tax collections. Taxes based on sales can be collected more easily than income taxes. At present the ratio of public funds owed is exorbitantly high. I think it is absurd that social security alone is struggling with receivables amounting to Ft60-80 billion, and this does not include the solidarity fund. There are notorious, conscious nonpayers, because the tax system, the high cost of investment sources, and similarly, the high price and low quality of public services—but one could also say, the entire functioning of the economy—provides a strong incentive for entrepreneurs and private persons to render their activities illegal. Establishing a better way to collect public funds owed is another very timely task faced by the government. The way things are today, expenditures are covered by those willing to make payments, or by those who have no way of evading payment, and this situation results in the most unfair taxation system.

[KOZTARSASAG] Some experts attribute great significance to the Hungarian black market economy. Some estimates hold that income concealed from the tax authorities amounts to 40 percent of the GDP, and even the most conservative estimates put this ratio at 15 percent. These assumptions appear to be proven correct by the fact that while statistics show a decline in production, our exports are rapidly expanding, and while real income is on the decline, bank deposits by individuals, and individual savings increase at a surprisingly rapid pace. What do you think of these phenomena?

[Soos] I regard these estimates as exaggerated, most likely we are dealing with a broad scope of legally tax-exempt activities. For example, agricultural small

production is tax exempt up to a rather high performance level, up to Ft750,000. Increased exports do not necessarily come as a surprise even along with declining production, because domestic consumption has also declined rather forcefully; clever entrepreneurs seek foreign customers, and they are successful in doing so for now. After a while, declining production establishes a limit for how far exports can grow, because the excess volume of merchandise cannot be sold. A truly peculiar and hard-to-explain phenomenon is the fact that savings are on the increase despite reduced average real incomes. Increased savings along with increased income would come as no surprise, but it seems that broad strata of society are trying to establish more reserves for an uncertain future even at the price of further reducing their consumption. But it could also be that it is not worthwhile for people to pay their electricity and gas bills as long as interest rates are high enough. But this, too, has a limit, and the question is where that limit is. The exact ratio of the black market economy makes no difference for the time being insofar as the essence of the problem is concerned. The essence of the problem is that many people do not pay taxes, and no additional revenues are going to be produced by having only a general awareness of this fact. On the other hand, I really question whether the savings will suffice to finance the state household deficit. And this is the real snag in this regard!

[KOZTARSASAG] According to the MNB, this year alone savings have significantly increased, and individual savings, through bond issues, will amply suffice to finance this year's deficit. Official calculations indicate that savings will not decline next year either: The central bank estimates that Ft180-300 billion can be expected to be deposited in banks. Why are you concerned about covering the deficit?

[Soos] According to official calculations the state household deficit will amount to Ft240 billion next year, and based on budget guidelines the government hopes that the entire deficit amount could be covered by individual savings and by tax measures designed to improve the government's ability of collect revenues. I wish it were that way, or let's put it this way: Let it be that way. Except: If the economic decline stops, and if there is well-founded hope for some economic growth, as stated by the government or the Finance Ministry, it becomes highly probable that individuals are going to begin shopping rather than creating additional savings (especially if inflation and interest rates decline even more), because in recent years they were forced to delay so many purchases. At the minimum, individuals are going to consume the interest earned on savings. Quite naturally, long-term growth is conceivable only as a result of more vigorous domestic consumption and investments, even if increased exports constitute the primary growth factor. This is so because export income would obviously be consumed at the domestic market. If this is true, the amount of savings is not going to suffice to cover the state household deficit. We either would have to borrow

funds abroad, or we would have to print money. Borrowing to finance current expenditures is just as bad as printing money. The situation would not be as bad if we had investments, the returns of which would provide excess revenues after completion of the investments. But there are no such investments. So far the government has agreed to short-term financing arrangements only; today's stalemate is a result of that and it is very difficult to climb out of it. It is not even going to be possible to climb out without substantive state household reform. I hope to be proven wrong insofar as the sufficiency of individual savings to cover the deficit is concerned, and hope that growth will occur together with the financing of the deficit.

[KOZTARSASAG] Preliminary indications show that the unemployment rate is going to increase further in 1993, so that there is a good chance that forced savings will increase due to the existential insecurity. Along with this, is increased production based on improved efficiency conceivable?

[Soos] Let it be so, as I said before. But I am more concerned about a further disintegration of the economy due to the state household deficit coupled with certain hasty measures implemented by the government.

[KOZTARSASAG] What measures do you have in mind?

[Soos] Well, for example, the idea of showing the appreciation of securities held by the MNB on the central bank's balance sheet as excess revenues (as a result of amendments to the accounting law). Doing so would wipe out this year's loss incurred by the central bank, there would be no need to burden the budget with additional billions in order to balance the bank's financial statement. Incidentally, this method is being used in Japan; it is not a Hungarian invention. But the way I see it, it does not work in Japan either. Namely: What happens when the prices of securities plummet? This is not exactly an unusual phenomenon at stock exchanges. If that happens, the reduced prices would have to be recorded as losses in the central bank's financial statement, and this loss would have to be financed, moreover, it would have to be financed at the expense of the budget. Problems cannot be remedied with other problems. The Japanese are also aware of these consequences; they have been struggling with this for years. Japanese bankers are familiar with enough usable financial tricks; why follow the wrong example?

[KOZTARSASAG] In the course of debate over the budget guidelines the MSZP [Hungarian Socialist Party] expert stressed among other things that in his view certain political intentions prevail in the 1993 budget, as submitted by the government. This manifests itself in the Finance Ministry's call for an increasingly strong enforcement of the central will. To support this, the government had asked for heavy amounts of money to fund the development of enforcement organizations, the

military, the police and internal security organs. Do you believe that conscious political intentions exist?

[Soos] I, too, have said in the course of debate that assigning a priority status to national defense is unwarranted, on the other hand, I believe that it is appropriate to provide funds for the police to be able to guarantee public safety. To accomplish this we need an organization that is ready to strike, and this obviously involves expenditures. It might be appropriate to accomplish this as a result of regrouping, for example, by strengthening public safety organs at the expense of police squads; in other words, it is not absolutely necessary to directly increase the police budget. And although the government has not distanced itself from such views to a sufficient extent, it has not adopted its ideas as official policy either. Let me at least express this much hope: the government is not going to announce this as its official policy. Nevertheless the fact is that in recent days and months voices and passions that threaten the political system, the peaceful transition, and civil democracy desired by all, have gained strength within the ruling party.

#### 'Preprivatization' Success Rate Seen Improving

93CH0083A Budapest HETI VILAGGAZDASAG  
in Hungarian 24 Oct 92 p 86

[Unattributed article: "Preprivatization; Entrepreneurs Created in the Stores"]

[Text] Compared to the extremely slow beginning, the present phase of preprivatization seems to be successful. At the same time, nearly half of the businesses designated to be put up for auction have not found a new owner yet. According to the officials of the National Bureau of Small Enterprise Development [OKFI], the lopsided balance could quickly change for the better if credit conditions were improved.

Both the opposition and the government registers it as their own success that the sale of a total of 10,153 retail stores which had been designated to be auctioned off is taking place at a relatively good pace. Karoly Lotz, representative for the Association of Free Democrats [SZDSZ], had told HETI VILAGGAZDASAG earlier that the result could be attributed to the fact that the government accepted a large part of the suggestions by his party. On the other hand, Ferenc Madl, minister without portfolio, who used to be responsible for preprivatization, drew attention to the flexibility and problem-solving ability of the apparatus.

Of course, no one can be too proud of the law passed in September 1990, because even some of the experts of the State Property Agency [AVU] thought, without allowing their names to be used, that the product of the lawmakers was disgracefully weak. It is enough to mention only one example: The preprivatization law obliges the AVU to initiate the sale of the designated stores by 18 September 1992. However, the word "initiate" leaves

ample room for interpretation by both concerned parties. Officials of the AVU think that it counts as initiation already if they call upon the managers of the individual stores to take the "necessary steps," or if they arranged for an appraiser to be selected. On this basis, no "initiative" was taken in only 17 cases, while in 49 percent of the designated stores a change of owners has not yet occurred for one reason or another.

Be that as it may, after the earlier heated disputes in parliament preprivatization has ceased to be a political "scandal." By 1 October, in 9,317 stores the application of the law began—appraisal, putting up for auction, etc.—and in 5,214 cases the change of owners has already taken place, with or without an auction. Sale without an auction was made possible by Law No. 54 of 1992, which enabled the managers of 4,700 stores which had been operating under lease or a contractual relationship to acquire the property without competition. However, by the time the law came into force—the concerned parties had to declare by the middle of October 1992 if they wanted to buy the store they managed—in 3,000 of the 4,700 stores either the contract had expired, or they had simply closed, and thus it became possible to put them up for auction. Among the managers of the remaining 1,700 stores, only very few declared their intention to buy, but according to professional estimates, their overwhelming majority will at any rate request this possibility, because they will be able to find out without running any risk what kind of a price the AVU is offering them.

According to previous experiences, the small business loan project plays a serious role in the success of preprivatization. By the beginning of October, 2,278 stores were sold at an auction; in 2,224 cases, a small business loan was requested, totaling 5.3 billion forints. Fifty-three percent of the borrowers were already entrepreneurs; however, 36 percent of them were employed, and 11 percent belonged to the "other" category—they are mainly retired people—and it occurred in only two cases that an unemployed person acquired state or self-government property by means of a small business loan. According to OKFI's analysis, 67 percent of small business loans were spent on purchasing ownership rights by joint ventures, 31 percent by individual entrepreneurs, and in the rest of the cases, only the lease became privatized.

Most of the discussion originates in this latter group, because in these cases the only issue to be decided now is who can take out a lease from the self-government of the given area (HETI VILAGGAZDASAG 6 June 1992). However, when the actual lease is taken out, the self-governments continue to demand two to four times the amount of the previous lease from the new lessee, even though the amount of the previous lease is one of the conditions for auction.

Experts explain that the acceleration of preprivatization is undoubtedly due to the decreased interest rates for small business loans and to the greater efficiency of the

commercial banks that evaluate the loans. Even so, Agnes Csanadi, deputy manager of OKFI, is dissatisfied. In her opinion, the interest rate of small business loans ought to be decreased from the present 16.6 percent to 9 percent—this is what the state pays on its loans—because she thinks that even under the present circumstances, the obligations resulting from taking out a small business loan mean too great a burden to entrepreneurs.

### Credit Guarantee Corporation To Start Operations

#### Role Assessed

93CH0088A Budapest FIGYELO in Hungarian  
29 Oct 92 pp 1, 11

[Article by Mrs. Kornel Apatini: "Medicine With Instantaneous Effect? A Credit Guarantee Corporation at Last"]

[Text] *After lengthy delays and repeated promises by the government, the Credit Guarantee Corporation is expected to be established in the middle of November. On the basis of expectations, we are led to believe that a medicine producing instantaneous effects has been found at last for the illness that prevented enterprises from obtaining credit. Will this really be the case? Will the Credit Guarantee Corporation really mean a breakthrough in credits for small and medium-sized enterprises? Also, what will be different for entrepreneurs? These are the questions answered by Mrs. Kornel Apatini, who is currently director of capital management with TIMESCO, Inc., who was appointed director general of the Credit Guarantee Corporation by the state as the majority owner, and who was entrusted by the Ministry of Finance with the organization of the new institution.*

The regulations for the operation of the Credit Guarantee Corporation will be introduced in a few weeks. In the first instance, the entrepreneur does not have to do anything different than what is necessary to take out any other loan. First of all, he must prepare a business plan; he has to think over the actual results the improvement carried out by utilizing the loan would mean to him; he must closely examine the marketability of his products; in order to safely explore market possibilities, he must seek out potential customers (possibly even collect declarations of intention from them); he must calculate his need for cash at the time each payment is due (actually, a simplified cash-flow plan), and how fast the credit will be recovered. Of course, all of this must be prepared in several variants, because it is in the entrepreneur's fundamental interest that his business plan not only be adequate under the most optimal combination of circumstances, but also that it stand the test when conditions are perhaps unfavorable.

With his detailed business plan, the entrepreneur will go to the credit department of a bank, fill out the credit application form of the bank in question, and then, together with an official of the bank, take stock of his own resources and the securities (real estate, apartment,

summer home, valuable car, etc.) that can be used as a collateral for the loan. The bank will evaluate these items according to its own norms. So far, for the entrepreneur the procedure is identical to what is customary in applying for a loan. The Credit Guarantee Corporation only becomes important to him when, as a result of calculations by the bank, it is revealed that the available collateral is less than what the bank requires for the requested loan. In such a case, the bank will suggest that the entrepreneur avail himself of the guarantee provided by the Credit Guarantee Corporation. Namely, the function of the Credit Guarantee Corporation is precisely to provide guarantees for loans that are not safe for banks because the collateral is less than customary, but otherwise they project a good business goal and promise a profitable return. The Credit Guarantee Corporation assumes a part of the risk of such loans from the banks. The entrepreneur himself will not be directly in contact with the Credit Guarantee Corporation because the corporation and the bank enter into the guarantee contract with each other.

What does the entrepreneur perceive from all of this? First of all, that the credit contract between him and the bank will contain a few items that were included there expressly because of the guarantee provided by the Credit Guarantee Corporation. For instance, being fully aware of his legal liability, the entrepreneur must declare:

- Whether he has a valid loan contract in connection with the present enterprise or with another enterprise in his possession, or even a loan contract entered into with the guarantee of the Credit Guarantee Corporation, and if he ever had a loan that he was unable to pay back completely or in part.
- That he will not apply the present credit towards fulfilling liabilities from other, earlier credit contracts, and that he will use the credit for the realization of the business goal designated in the credit application.
- That he will continually report to the bank providing the credit on the realization of the project in question.
- That he accepts that the bank and the Credit Guarantee Corporation mortgage the means of production purchased from the loan as a security.
- That he assents that the bank and the Credit Guarantee Corporation be allowed to examine the books and have inspections on the spot at the plant of the enterprise or project.

Another difference for the entrepreneur compared to a customary loan application is that the procedure will take 30 days longer. This is the time the Credit Guarantee Corporation has at its disposal to examine the request for a guarantee, evaluate the risk (conduct a market analysis in a questionable case), and, based on these factors, make a decision about undertaking or refusing the guarantee. In case of a favorable decision (which means that the corporation assumes a guarantee

for at most 80 percent of the loan), financing can begin in terms of the credit contract between the entrepreneur and the financing bank. However, if the Credit Guarantee Corporation makes a negative decision, the credit contract will not go through.

The Credit Guarantee Corporation charges a fee for its guarantee services, which is composed of a one-time handling charge of 1 percent and a yearly guarantee fee of 1-3 percent. The bank is obliged to pay this fee to the corporation, but it is evident that it will pass the fee on to the borrower. Thus, a credit taken out with the guarantee of the Credit Guarantee Corporation will be somewhat more expensive for the entrepreneur, but it has the advantage that in this way he will be granted the requested loan even in the absence of necessary collateral.

The operation of the Credit Guarantee Corporation unquestionably serves the interests of entrepreneurs. The "price" will be paid by the founders who provide the resources necessary to launch the operation (about 2 billion forints will be provided by the state, and about 1.5 billion by the banks). It is the intention of all founders that this money serve the goals formulated at the inception of the Credit Guarantee Corporation, namely, to improve the circumstances for the operation of small and medium-sized enterprises. For them, the greatest advantage of the scheme is the possibility to take out loans, and for the banks, the assumption of a part of the credit risk can mean an increased volume of loans, and thus, additional income. The expected "profit" for the state can be the acceleration of the process of privatization, and consequently the recovery of the economy that, through an increased tax revenue in a few years, can ensure that the present investment will be recovered. Of course, this formula will only be true if every participant plays honestly, and if the rules are clear-cut yet safe and protect the interests of the majority of people who intend to apply for a loan.

The Credit Guarantee Corporation will start its actual operation at the beginning of next year. Thus, for those loan applications handed in in January 1993, the banks will be able to provide loan contracts guaranteed by the Credit Guarantee Corporation.

(Our article reviewing credit guarantees from the point of view of entrepreneurs can be found on page 32.)

#### [Box, p 11]

According to information available to FIGYELO, the capital of the foundation that has been pledged so far does not amount to the planned 4 billion forints. The reason for this is that the readiness of both individual banks and the Hungarian Foundation for the Support of Enterprises to give pledges lags behind expectations as well as behind the planned fixed capital projected for the foundation of the Credit Guarantee Corporation.

### Entrepreneurs' View

93CH0088B Budapest FIGYELO in Hungarian  
29 Oct 92 p 32

[Article by Dr. Peter Szirmai: "Credit Guarantee—From the Point of View of Entrepreneurs"]

[Text] *The Credit Guarantee Corporation is soon to begin its operations. Its start has been preceded by heightened expectations, and it is likely that a great part of these is unsubstantiated because a guarantee corporation in itself will not solve all of the problems in connection with providing credit to entrepreneurs, claims the author of the following article.*

The long-awaited institution will not be able to provide resources to banks that cannot give loans because of a lack of resources; it will not create collateral for entrepreneurs who are unable to present even the minimal 20-percent collateral; and finally, it will not provide business ideas for those whose plans the bank does not consider sufficiently profitable.

What the Credit Guarantee Corporation can do is to assist, as a cash guarantor, those entrepreneurs who were until now unable to obtain credit only because they did not have enough collateral to realize their idea, which the bank otherwise considered profitable. Thus, the corporation will share the risk with the bank that provides the credit.

No one disputes that this function is a very important and by all means necessary element in the acceleration of entrepreneurship. Still, it is worthwhile to draw attention now, in the moments before the start, to a danger that might in time encumber or even inhibit the favorable effects of the Credit Guarantee Corporation's operation.

Namely, if the entrepreneur does not pay the prescribed installment on his current loan (the portion of the principal according to the contract with the bank plus the interest), then the bank will terminate the contract within a month in order to be able to call on the Credit Guarantee Corporation at the same time to exercise its guarantee. When this happens, the corporation has no other choice than to bear the consequences of the guarantee, and to start collecting from the entrepreneur, who has only this obligation left at this point.

However, in business practice it is not typical that an entrepreneur or an enterprise, after having paid installments regularly for a long time, will go bankrupt from one day to the next, and must be liquidated, with the remaining installments of the loan being recovered from the income from the liquidation. It is much more typical that an enterprise experiences a temporary shortage of liquidity, and in such a case its liquidation would be detrimental both to the entrepreneur and to society, and in the long run would not profit the bank, either. In such cases, the enterprise ought not to be liquidated, but rather one should negotiate its possible rescue and rehabilitation: How could it be put into a situation in which

it can make up for its lost payments later? However, the practice as currently planned does not provide a possibility to do so.

Two solutions are conceivable. The first and most obvious one is that the banks and the Credit Guarantee Corporation lay down in an agreement that the banks pursue a self-restricting policy concerning these loans. The gist of this policy is that after the first notice they institute a grace period of a month during which time a succession of obligatory steps must be taken. The purpose of these steps is to find out the actual cause of the delay in payment, and with the help of a revision by an appointed expert to ascertain whether the firm can be rehabilitated, and whether its liquidity can be restored.

If in such a case the entrepreneur and the counselor can produce a crisis plan that provides an adequate solution for the bank, then the bank refrains from an immediate termination of the contract.

The other possibility is much more complicated than the previous one and requires a change in the previously stipulated regulations for the operation of the Credit Guarantee Corporation. Namely, in such a case the preparation and acceptance of the crisis and rehabilitation plan would be the corporation's task, in accordance with an agreement with the banks, while it already pays the installments to the bank in place of the entrepreneur. Of course, in this case, the corporation must negotiate possible refinancing with the entrepreneur, which means that the corporation engages in a quasi-banking activity. Its current regulations prohibit this, which is understandable from several points of view.

In a merely theoretical way, another solution can be imagined in which, based on adequate agreements, the Credit Guarantee Corporation enters the scene as a guarantor even before the contract is terminated and pays, let us say, one installment. In such a case the bank does not lose any money, and when the entrepreneur can make payments again, he will repay the amount the corporation paid for him as a guarantor. However, this solution involves numerous legal difficulties, and it is also conceivable that it would induce both entrepreneurs and banks to conduct a somewhat more careless business policy.

The existence of the Credit Guarantee Corporation is only meaningful if its work is long range, continual, and not limited to temporary campaigns when it is possible to obtain credit guarantees. The prerequisite for this is, however, that the capital of the corporation be continually refilled in approximately the first three years of its operation. (In the following years the corporation will be able to manage on the basis of its own plan of liquidity, from its own incoming and returning resources.) If, for any reason, this refilling is omitted—and unfortunately, in the case of other foundations, we have seen this happen in the past few years—then the operation of the

corporation could become paralyzed, and its criteria can become so stringent that its services will become unavailable to most entrepreneurs.

This should be avoided by all means in order that the well-meaning and useful government initiative can indeed fulfill the role which its founders envisioned.

### Controversy Over Bank Secrets Discussed

93CH0083C Budapest HETI VILAGGAZDASAG  
in Hungarian 24 Oct 92 p 91

[Unattributed article: "Mysterious Bank Secrets"]

[Text] Viktor Orban, leader of the parliamentary faction of FIDESZ [Association of Young Democrats], is going to apply to Prime Minister Jozsef Antall to discharge Tamas Szabo, privatization minister, because the latter asked for secret data from the banks, as he said, but it seems that this time FIDESZ was rather wide of the mark. According to present legal regulations, what is regarded as a bank secret is ambiguous, but it is indisputable what Tamas Szabo is to the banking world: the owner. Namely, by virtue of an executive decree on 1 October, he represents the government in the State Property Management Corporation, and because he is the owner, as the banking law puts it, "he is obligated to secrecy without time limitation," even about bank secrets whispered into his ear.

Incidentally, Tamas Szabo is said to have requested the annual and semiannual balances of the banks, the list of their stockholders, and the list of their investments as information necessary for privatization. The annual report is public, in accordance with the law on public accountancy; everyone is entitled to look at it, even make a copy of it, at the registry court. However, the law on public accountancy does not require a semiannual report; based on the banking law, only the State Banking Authority and the Hungarian National Bank can oblige the banks to provide this information. However, according to the banking law, only data "which concern the management of individual clients of the bank and their contracts with the bank" are classified as bank secrets, and it depends solely on the banks' statutes and the attitude of their managers whether they publish the yearly information, which is public anyway, semiannually, as well.

Concerning the public nature of the list of stockholders, the opinion of jurists is divided. Tamas Rusznak, deputy president of the State Banking Authority, opts for publicity as is customary in international practice, with the comment that as yet in Hungary there is no specific prescription regarding the publicity of the book that lists

stockholders. Individual registry judges have diametrically opposed views even among themselves. Some think that because the data of the firms' ownership are part of the register of companies, and according to the law concerning the registry court "data in the register of companies and attachments as proof thereof are public," the data can be regarded as attachments to the register of companies, and thus there can be no doubt about the public nature of the list of stockholders. Others, on the other hand, believe that this would only be the case if the law expressly stated the obligation to register and publish the data of individual stockholders. Incidentally, the managers of banks generally refuse to give information on stockholders with reference to the article of the company law which prescribes that even the stockholder "can only request the management to provide a copy of that part of the book of stockholders which concerns him."

The most debated issue is the public nature of the list of investments. It is a fact that, for instance, based on the law on securities, in the official document necessary for issuing public stocks, the so-called information sheet, investments must be listed item by item, just as the National Savings Bank [OTP] and the Commercial Bank, Inc., did in the 12 October bulletin of the State Bond Authority. Thus, logic dictates that the investments of economic corporations, whether they are banks or not, can only become confidential information if they are declared to be business secrets in the statutes of the corporations.

The action by FIDESZ unfortunately plays into the hands of precisely those banks that would like to publish as little information about themselves as possible. But under market conditions the system of banks is supposed to be just like laundry detergents, and after the bankruptcy of the Ybl Bank, the State Banking Authority, the Hungarian National Bank, and even the leaders of the Banking Association voiced this opinion: The citizens must be provided with information in order to be able to choose between banks. It must not be merely chance that, for instance, the Budapest Bank, which was able to show some profit, held a press conference to present the data of the first six months, and that at the request of HETI VILAGGAZDASAG, the data of the first six months for the information of the public were provided, apart from the OTP, Inc., which has lately made a considerable effort to inform the public, by only a few banks in foreign or joint ownership that have shown a steady profit up to this day: the Middle European Bank of Credit, the Middle European International Bank, the Unicbank, the Inter-European Bank, as well as the Real Estate Bank and the Mercantile Bank.

**Bielecki on Opportunities for Closer Ties to EC**  
*93EP0059A Warsaw POLSKA ZBROJNA in Polish*  
28 Oct 92 p 3

[Interview with Jan Krzysztof Bielecki, minister for relations with the EC, by Janusz Grochowski; place and date not given: "Integration Means Opportunity"]

[Text] [Grochowski] For some time now, Poland has been considered to be a poor relative knocking on wealthy Europe's door. Has anyone noticed that, despite everything, Poland is the most stable country in the eastern half of Europe?

[Bielecki] That is a very interesting question because the answer does not reveal the gyrations Poland has been undergoing in the past three years. We were just about the world's focal point in 1989. Then the situation changed because we were joined by one postcommunist country after another, and the USSR finally collapsed. There was suddenly competition, and, at the same time, we began to undergo political problems as the result of a continual election campaign. We went from our position of unquestioned leader to risking being dropped from major league competition.

We have now come back to the position of the most advanced country in implementing both political and economic reforms. And I am not alone in this view, either. Brussels has also pointed out Poland's leadership. Our tremendous contribution is being noticed. Poland is being seen as a stabilizing factor in this part of Europe, a good role model that could have a favorable impact on the situation in other countries in this region.

[Grochowski] Has this brought about any change in Polish pro-West aspirations?

[Bielecki] In the language of politics, Secretary Manfred Woerner's statement that NATO expansion is not ruled out and that Poland will be one of the first potential candidates, if not the first, constitutes a serious rhetorical change. A few months ago, no Western politician would have uttered such a statement—certainly not without grave risk.

[Grochowski] Manfred Woerner is still rather careful, however. He says it will be possible to accept Poland once the Pact is ready to do so. Maybe he was thinking about our country's readiness?

[Bielecki] I imagine that he was thinking about the broad political context, which implies the necessity of redefining NATO's role in the modern world, because a need for this organization's functioning has emerged, mainly in the context of being an important stabilizing factor insuring security on our continent, as well as insuring that democratic changes occur in Central Eastern Europe. On the other hand, of course, Poland must present itself as a reliable partner.

[Grochowski] Prime Minister Suchocka says that we can join NATO sooner than the EC. Minister Onyszkiewicz

went even further, when he said that this could happen within five years. Is that realistic?

[Bielecki] I consider that very likely. We can say that, although full membership in the EC today could turn out very badly for us, creating tremendous economic upsets and bringing about a collapse in our standard of living, our immediate participation in the Atlantic Pact structures would not create such problems. Army procedures, especially the military aspects of our operating in NATO, are surely far simpler. The application of structures, of a system of command, can be achieved far more rapidly through combined exercises, personal contacts, and gradual modernization of arms, right up to the point of political decisions, which would increase a sense of security in many.

[Grochowski] Jacques Delors, chairman of the EC, says enigmatically that it has been possible to amplify cooperation between Poland and the EC. What would this mean in practice? What are the expectations?

[Bielecki] We are interested in more than just bolstering cooperation. Our expectations are quite broader, as people understand. First, we want the dialogue between us to take a more and more concrete form. We want the EC to consider Poland, as we do, to be an important element in the new European order. We would also like the initial economic conditions to be at least partially favorable, just as they were with Portugal, which received very broad technical and financial assistance, expertise, and facilitations in its access to the market, along with the possibility of taking certain measures to protect its domestic market.

[Grochowski] The first ever summit of heads of state of the Twelve is to be held in London on 28 October. This is the group consisting of the top of the hierarchy and the EC leaders.

[Bielecki] The summit will try to work out a position on our cooperation with the EC, so that the final document, which is supposed to reflect the conference of the Twelve in Edinburgh will include the decisions that go as far as possible. There are not many statements that bring us closer to this goal. Now we would like to start putting the necessary financial instruments into concrete form.

[Grochowski] Many Poles are probably aware of the question of what we are actually looking for in the EC. What sort of benefits will the ordinary Polish citizen gain from membership?

[Bielecki] I agree with you that we have to translate our strategic goals into the language of the average Pole because integration is not a goal in and of itself. It is merely designed to lead to a goal. I think our basic goals are to raise our citizens' standard of living and to improve the way the Polish economy operates. Experience has shown that this cannot be achieved in isolation. We have to participate in broadly conceived cooperation and also—we have to say this clearly—to avail ourselves of assistance from countries that are more wealthy than

Poland. This means technical, technological, management, and financial assistance. I think all of this is bound to insure stable development for our country, but, unfortunately, many long years of hard work must come first.

Your question is important to me for another reason, though. When we talk about Poland, we often think only in terms of our immediate interest, without thinking about future generations, to which we also have some sort of obligation. After all, we know that we could improve our living conditions today by changing our economic policy, if we did not care about making things terribly difficult for future generations.

[Grochowski] But we should check the aims and goals by the experience we have already gained. We cannot fail to notice that foreign capital, which can be a potential benefit to cooperation with the EC, barely trickles down to us and comes nowhere near to meeting our needs and capacities. But the lack of stability in Poland is still scaring off foreign capital. What sort of assurances are there that this will change?

[Bielecki] In response to that question, you yourself talked about the lack of stability. We have been living with a constant election campaign for three years. The discussion over intent of next year's socioeconomic policy has also been a political discussion rather than a discussion based on merit. And it would be difficult for this fact to be visible from the outside. Financial involvement in the EC is important, to be sure. We have convinced Brussels that, if the EC decides to help develop our infrastructure, two very important results will be achieved: Poles will be convinced that something new is happening in our country, and other investors will see that the EC is so involved in the success of changes in Poland that it is ready to even invest in that goal.

[Grochowski] When I was talking about instability, I never mentioned political instability. You interjected that adjective. I was thinking more about legal and economic instability, about everything that depends on the country's administration, not about the changing political constellations.

[Bielecki] I do not think we are dealing with instability so much as with building a new legal order for the economy, and, in so doing, we are ushering in certain changes. The need to make corrections in the mechanisms that have recently been created also produce change because of certain errors that have occurred. Let us hope that the work on creating a general legal framework for the economy will soon come to an end. The changes will nonetheless continue for many years.

[Grochowski] Cooperation with the EC provides greater access to modern technologies, but I am doubtful about what we will be able to derive from what is really the most modern and about whether we will be able to take it in.

[Bielecki] Not only do I have not doubts, but also I am absolutely convinced that all of this is possible. Let us

take the example of detergent manufacturers. The world powers invest several billion dollars each year on research and development. Our companies could never match such outlays, but these firms managed to increase the quality of their products in short order, in comparison with foreign capital. Tremendous processing advances have been made in the food and agriculture sector.

[Grochowski] It is true that we have plenty of those powdered detergents in Poland, but we have not been successful with those technologies that determine a country's modern shape.

[Bielecki] Because these branches of industry still have not learned how to operate in the modern world. Poland will not be a leading producer of television sets or videocassette players, but it could be a very good, reliable partner in coproduction. Neither the Polonez nor the Star has met the expectations of domestic customers, and they are even less likely to be able to compete on world markets. In the automotive branch of industry, there are seven or eight companies capable of keeping up in the technological race. Owing to this fact, the quality of vehicles is rising hour by hour. Naturally, Poland must become associated with such a company.

[Grochowski] The elimination of trade barriers is bound to lead to a price decline, which is not happening in our country, unfortunately. Prices of many items are higher in our Billa store in Warsaw than they are in Vienna. The mechanisms of competition do not seem to be working, or, at least, our customers do not seem to be finding that they do.

[Bielecki] Cooperation with the EC enables us to gradually eliminate tariffs, at least on those products that can stand up to tough competition.

[Grochowski] But there is still protection for the producer rather than for the consumer.

[Bielecki] That is a delicate problem. We must protect the producer only to the point where we encourage him, through economic forces, to introduce changes in company operations. A definition has emerged: This pressure also implies the possibility of buying other products, although they might cost more. In our country, unfortunately, there are still efforts on the part of certain individuals to gain extraordinary profits, and these desires ultimately result in higher prices. If a gmina exacts from shopkeepers rents that are extremely high, its budget revenues will undoubtedly go up, but, at the same time, there is bound to be an impact on the people living there whenever they buy anything. Unfortunately, we still have not grasped the principle of large-scale profit based on small unit return, a tenet of market economics.

[Grochowski] But fear rather than the potential benefit is still uppermost in the public mind. We are afraid of



being done in by European power, afraid that the Europeans will buy us out, that Polish agriculture and industry will collapse.

[Bielecki] There really are a great many such fears, according to the research we conducted recently. One can even say that they are justified to a considerable extent, but they do not in any way lead to the conclusion that we should fence ourselves in or alter our goal. We need integration because only integration can provide certain opportunities. On the other hand, fears should be allayed by sound, consistent policy, by being guided by the national interest, and by improving communication with society at the same time. The sore point for all governments since 1989 has been the fact that could not make the leadership's objectives coincide with those of all Poles.

[Grochowski] There is one other very disturbing conclusion from this research: that a sense of hopelessness and helplessness prevails among the managers—that is, among those who are supposed to change our reality.

[Bielecki] Because, first of all, for 40 years these directors have been learning a difficult art, that of making any sort of product at all, and some of them really mastered the art. Today it turns out that just about anyone can produce something. The trick is to sell it. In this connection, we need completely different skills now. We need a knowledge of languages in order to operate on world markets. We need to use modern management techniques, along with the skill to produce information rapidly. Although this often creates frustrations, there is simply no other way to deal with these demands.

[Grochowski] I think integration can help us here.

[Bielecki] It is already helping us. There have been many offers of assistance. We must need to know how to take advantage of them and also to establish firm expectations.

[Grochowski] As the referendums in Denmark and France and attitudes in the British Isles show, Poles are not the only ones who are afraid.

[Bielecki] The problems that have exploded during the past few weeks will have an impact on the process of European integration, although I do not think they will lead to collapse. We are going to be dealing with a large number of changes and additions, and it may simply come to the point where the situation proves the Polish saying that something good always comes out of a bad thing.

[Grochowski] Can a government made up of people like Henryk Gorzewski and Jan Krzysztof Bielecki conduct a cohesive policy for a rapprochement with Europe?

[Bielecki] This is undoubtedly a difficult problem, just as it is difficult for Madame Prime Minister to run a coalition government, but we must try to come to an understanding on the basic issues. Fortunately, the differences that exist apply mainly to the rather distant

future. In this connection, there may be time to come to greater agreement on positions.

### Daily Publishes Security, Defense Document

AU2311162192 Warsaw POLSKA ZBROJNA in Polish  
13-15 Nov 92 pp 4-5

["Security Policy and Defense Strategy of the Republic of Poland"]

[Text]

#### 1. Introduction

Poland's geopolitical situation is particularly conducive to the maintenance of close contacts with many European countries. But, at the same time, its position on the European geographical-strategic axis means that defense and security are key issues in Poland's *raison d'etat*.

The objective of the Republic of Poland is to defend and consolidate its independent, sovereign statehood, which guarantees a respect for human rights and civic liberties. A permanent, secure, and independent national existence is a prerequisite for an efficient democratic system based on the principles of a civic society, and for successful market reforms to improve the national economy. Poland, a country with a 1,000-year-old statehood, accepted Christianity from Rome, thus joining Western civilization. After an interval of half a century, the Polish nation wishes to resume a general civilizational orientation toward the West. By perpetuating its independence and statehood, Poland wishes to participate in establishing European unity and creating a new and just international order

The above preconditions, as well as the nature of existing and potential dangers to the country's security, form the basis of the security policy and defense strategy of the Republic of Poland.

#### 2. Conditions and Dangers

The fundamental changes in Central and Eastern Europe at the end of the 1980's and the beginning of the 1990's have created new conditions for the security of the Republic of Poland.

The Soviet empire collapsed following a rejection of the totalitarian political system and communist ideology. This collapse gave all of the states and peoples of Central and Eastern Europe a chance to liberate themselves from the foreign domination that had imposed the totalitarian political system and communist ideology. Poland was the first country to make use of this chance, followed by its southern neighbors Hungary and the CSFR, countries with economic possibilities and political aspirations similar to Poland's. Soon afterwards, communism was overthrown in Bulgaria, Romania, and Albania. Poland found itself between the unifying Western Europe on the one hand, and a disintegrating USSR on the other.

Membership in the European Community gives Poland maximum hopes of perpetuating its independent statehood and democracy, and successfully carrying out its economic development. This is a geographical-strategic path not only for the political and economic rapprochement, but also for Poland's participation in an effective Western system of collective security.

Our largest and most developed neighbor is the Federal Republic of Germany. Cooperation with Germany is one of the main ways for Poland to join the integrated Western Europe. Also, Poland's economic development calls for the quick establishment of partnerlike links to the German economy.

The collapse of the Soviet empire and the appearance, apart from Russia, of new independent states, especially Ukraine, is creating a new geographical-strategic quality. A completely different balance of forces is emerging in the east of Europe, permitting a permanent increase in the security of Europe as a whole. Poland is making the most of this chance.

However, the changes in the east are causing many dangers that might manifest themselves in the nearest future. It would be dangerous for the countries left over from the USSR to reject the disarmament commitments adopted by the USSR prior to its collapse. That could lead to an uncontrolled escalation of mass-destruction weapons and a lack of restrictions on conventional forces. Also, one cannot ignore the possibility that local conflicts fired by border, ethnic, or economic issues may flare up between the new countries, and that neighboring countries, including Poland, and even the entire region, could be dragged into military operations. A threat to our security could be posed by a giant wave of migrants from the east, from or via neighboring territories, and also by the economic consequences of the severance of trade links, especially the severance of supplies of strategic raw materials or isolation from traditional consumer markets.

Radical political changes also cause a temporary increase in internal dangers. These are mainly political, socioeconomic, and ecological dangers of a nonmilitary nature, but they nevertheless can weaken the country's structure and make it more susceptible to external pressure and infiltration. The inevitable social costs of a crisis in a centrally controlled economy and the costs of reforms, especially recession and unemployment, encourage frustration, mass emigration, crime, and other pathological social phenomena. A climate that encourages a spread of dangerous chauvinistic trends is created. The basic way of opposing these dangers is to accelerate the process of change as much as possible and to curtail the transitional stage. An extension of the period of reconstruction would inevitably increase tension and social unrest.

The democratization of the political system, the introduction of a market economy, and the liberalization of social relations require changes to old structures and

habits, but these changes often encounter firm opposition. Progress in changes is also hampered by the incompetence of a part of the state apparatus and by deliberate resistance by apologetic supporters of the old system and extremist forces. Social consciousness is still frozen as a result of the long years of Soviet influence, which has made it difficult to adapt to the new reality.

Overcoming the recession and permitting Poland's further economic development are important for the speed and effectiveness of the political changes. A universal privatization and thorough change in the system of economic management are essential for this. Partnerlike cooperation with the West and material and institutional assistance from this quarter also have important roles to play here. The success of the changes also depends to a major extent on a reform to the administration to consolidate and stabilize the structure of the state and make it function efficiently.

### 3. External Aspects of Security Policy

#### Basic Precepts

Poland pursues a security policy that conforms to international law, especially the law of the United Nations and other bilateral and multilateral agreements. This policy also complies with the provisions of the CSCE.

We consider a respect for the inviolability of existing European borders, an avoidance of territorial claims, a respect for sovereignty, nonintervention in domestic affairs, and resignation from the use of force to be of particular importance in international relations. To ensure security, our country wishes to cooperate closely with all of its neighbors and has no intention of concluding a military alliance with any one neighbor against another.

We consider neighborly and regional cooperation to be a way of facilitating our joint inclusion in the future European system of collective security. Poland is interested in the establishment of a system of collective security that would embrace Europe and North America. We are in favor of the working out and adoption by all states of a pattern of nonconfrontational military doctrine that calls for increased security not just in a given country, but in other countries, as well, especially neighboring ones.

Poland supports increased openness and the building of international confidence in the military sphere. Eliminating uncertainty and mutual suspicion is an important factor in reducing the threat of war.

The formation of multinational armed forces and Poland's participation therein is an idea worthy of consideration. We consider it possible to form mixed military units with our neighbors. We will continue to send Polish units to take part in UNPROFOR [UN Protection Force] and other missions of the United Nations, the CSCE, NATO, the North Atlantic Cooperation Council, or the Western European Union [WEU].

### Disarmament

Poland supports disarmament initiatives and will continue to take active part in major talks. Of particular importance are negotiations and resultant accords on armed forces reductions, especially conventional armed forces reductions in Europe. Poland will aim to create in Europe a new military order that would eliminate the possibility of surprise attacks and large-scale offensive operations. Our country is in favor of strict adherence to the principle of the nonproliferation of nuclear weapons and the reduction of nuclear arsenals.

The possession of one's own defense potential is one of the basic attributes of our sovereignty. In compliance with the disarmament process, Poland is currently carrying out an essential restructuring and conversion of its armaments industry, which was unnecessarily expanded during the era of compulsory membership in the Warsaw Pact, and tendentiously pointed in a single direction.

### International Cooperation

Poland intends to expand contacts and cooperation in the disarmament sphere with its neighbors and other countries. We wish to develop military cooperation in the spheres of science, training, and culture. We are interested in joint conferences; an exchange of cadets and experienced personnel; and joint exercises, maneuvers, and workshops. We consider it desirable to hold exchange visits and informative events.

In the elimination of potential armed conflicts, Poland also attaches great importance to nonpolitical and non-military fields of human activity. Our country is aiming to expand economic cooperation, and it opposes the application of discriminatory restrictions in this sphere. We oppose the practice whereby some countries use their economic might to impose their wishes on other countries. We believe that economic partnership in the international sphere and a healthy market economy outside the country are important factors in political stabilization, which in turn reduces the danger of armed conflict. We are in favor of facilitating all kinds of human contacts that ensure a free flow of information, cultural exchange, and the elimination of nationalistic prejudice.

It lies in Poland's interests to help shape a system of international security that will eliminate military threats with increasing effectiveness and encourage the formation of a balance of interests and cooperation in the solving of global problems and challenges. The basic principle of our country's foreign security policy is the treatment of Europe and North America as a single security sphere. The European security system that is gradually being formed may turn out to be the main guarantee of Poland's sovereignty and independence.

Poland is acting for the sake of expanding a cooperative security system involving many interdependent international institutions. We intend not only to expand but also to initiate new forms of bilateral links, especially to the neighboring countries, other European countries,

and the countries of North America. We are aiming to take part in multilateral setups such as the EC and NATO. Our country is an active member of the CSCE.

### The North Atlantic Alliance

The North Atlantic Alliance (NATO) remains the main factor of stability and security in Europe. We believe the U.S. military presence in Europe continues to be essential because it exerts a favorable influence on the political changes in Europe and stabilizes the situation on the entire continent.

Poland is aiming to achieve membership in NATO. We will continue to develop our contacts, cooperation, and political consultations with various structures of this organization. We will act for the sake of establishing networks of bilateral agreements with individual NATO member-states on the subject of defense and security. We are interested in developing and intensifying cooperation within the framework of the North Atlantic Cooperation Council, to which we belong.

### The CSCE Process

It lies in the interests of the Polish State to contribute to the work of and increase the efficacy of the CSCE. Our activity will focus on utilizing CSCE institutions and mechanisms to prevent conflicts and dissipate tensions between CSCE member-states. Poland will also support the CSCE-inspired process of broadly conceived European integration and the introduction and implementation of common norms and standards. We will take part in CSCE disarmament talks and assist in creating a system of reduced armaments and military controls on European territory.

For Poland's interests, the CSCE process is of particular importance as a mechanism that stabilizes militarily and politically the new member countries that have appeared on the territory of the former USSR. The CSCE is also consolidating U.S. and Canadian links to Europe and encouraging those countries' practical involvement in European affairs.

### The European Community

The long-term and priority objective of Polish foreign policy is to achieve Poland's membership in the European Community. That will be the best guarantee of our political and economic interests. An agreement on association with the EC has already been concluded. We belong to the Council of Europe, which encourages integration in the broader sense of the word. It is essential to ratify many European conventions and thus adapt our own legal, economic, technical, and ecological rules to European standards.

Poland's political and economic integration with the unifying Western Europe is a long and difficult process. We may be accepted into the EC after extricating the country from its crisis and narrowing the gap between us

and the countries of the West. In the meantime, new countries may join the EC, and the EC may expand its scope.

Poland supports the idea of the EC's assuming an economic-political nature, also involved in security matters. We are monitoring with interest the development of the WEU as a possible future EC military structure and, at the same time, a European branch of NATO. We will aim to develop our relations with the WEU and assume within it the same status as within the EC.

#### Regional and Neighborly Accords

New regional accords have arisen in Central and southern Europe, inspired by geographic and historical similarities or the specific nature of the region in question. They include the so-called Visegrad Triangle—in other words, the cooperation accord between Poland, the CSFR, and Hungary.

Poland is linked to Hungary and the CSFR—soon to be replaced by the Czech lands and Slovakia as separate states—not just by a similar level of socioeconomic development and a similar path of reforms and political strategy, but also by the most recent events in history, especially the energetic struggle against Soviet domination. Effective cooperation within the Visegrad Triangle is a yardstick of these countries' ability to integrate themselves with the western part of the continent.

After the changes the CSFR is going through, and after the emergence of the Czech lands and Slovakia as independent states, the Visegrad accord should serve to further stabilize the political situation in our region and, thus, favorably effect European security. Our common strategic objective is to join the West European system. We have no intention of forming a separate bloc or defense coalition consisting of the three countries, but the possibility of expanding the Triangle (into a Quadrilateral) is not to be ruled out. Poland will do all it can to maintain and develop in the altered situation the cooperation pursued by the Triangle until now.

It lies in Poland's interests to develop friendly relations and cooperation with our neighbors in the East—Russia, Ukraine, Belarus, and Lithuania—based on a respect for the norms and principles of international law. We attach great importance to the treaty with Russia, and we are counting on Russia's adhering to its commitment on the withdrawal of Russian forces from Poland. The system of economic links to the East should create new prospects of regional cooperation that suit our joint needs and interests. In particular, Poland's cooperation with Ukraine should be an important stabilizer to the situation in our region. The Visegrad accord may also play a positive role as a kind of link between the EC on the one hand and Ukraine, Belarus, and other countries of this region on the other.

In establishing relations with the FRG, one should expand the communion of interests that stems from the mutual proximity and European connections of both

countries. It is necessary to overcome the traditional prejudice that is rooted in the mentalities of both peoples. This is a task for not only both countries, but also for the peoples themselves.

In the present situation, when hopes for a permanent clarification of Polish-German relations on the basis of friendship and good-neighborly cooperation are likely to be fulfilled, it is necessary to cultivate contacts and joint activity that are devoid of nationalistic, hegemonistic, or xenophobic undertones. This applies to the political and economic spheres, on a Europe-wide scale and on a regional scale. The FRG is very much ahead of Poland as far as potential and the possibilities of economic expansion are concerned; therefore, we attach all the greater importance to the process of European integration, which makes it easier for us to establish bilateral relations on a partnerlike basis. We are counting on it that European integration will finally enable us to dispense with mutual grievances and prejudice.

#### 4. Economic and Defense Aspects

From the point of view of national security, the primary task of the economy is to satisfy the country's material defense requirements, and, in particular:

- To ensure optimum conditions for maintaining and training the Armed Forces in peacetime.
- To lay the groundwork for the performance of military tasks in wartime and during times of danger to state security.
- To create conditions for the population's survival in extreme conditions.

The economy's tasks in safeguarding national security are set by the supreme legislative and executive authorities of the state and are implemented by all units of the state administrative, local government, and economic administration. The duty to create and maintain an economic and defense infrastructure rests mainly on ministers and voivodes. Activity to satisfy current needs should be combined with defense activity. All regions of the country must be equally prepared to counteract terrorist activity and the effects of natural disasters and other dangers of a nonmilitary nature.

It is the duty of all citizens of the Republic to bear the costs of preserving its independence. At a time of increased danger, requirements may be financed out of sources other than the state budget—for instance, by means of a national loan, deposits, bequests, or public collections. The general duty to defend the country also requires that economic and local government units and individual citizens bear the cost of preparing Poland to undertake its defense. The scope of these duties is laid down in the Constitution and in other legislation.

Domestic industry is the primary source of supplies and equipment for the Armed Forces and for other authorities involved in protecting national security. The functioning of selected defense industry plants will be protected by state guarantees. The state will encourage the expansion of those sectors of the defense industry whose products are considered indispensable on the modern battlefield and are competitive on foreign markets. At the same time, favorable conditions for investing private, state, and cooperative capital in defense activities will be guaranteed. Some producers will also be encouraged to introduce flexible production programs to convert their output to defense needs in the shortest possible time.

The development of scientific research is important for the system of national state security. The state will encourage the expansion of those spheres of science that permit a qualitative and quantitative increase in the country's defense potential. This will be financed out of national funds for scientific research and the funds of individual economic units performing defense tasks.

The hitherto strategic paths of action aimed at preparing the country's economic activity for defense needs will be continued. Work on preparing railroad lines, gas and electricity supply lines, and communications links for wartime activity will be continued, and reserves of food, raw materials, and other materials for strategic purposes will be gathered. Because of the improper distribution of these commodities, they will henceforth be distributed more or less evenly all over the country, and not too close to the borders.

To protect the country's energy needs, crude oil and earth gas will be produced from various independent sources in this decade.

Major possibilities of increasing national security are inherent in international cooperation on the economic and defense spheres. Poland is interested in cooperation in the weapons industry, an exchange of armaments and equipment, and the pursuance of joint research in the defense sphere with the countries of NATO, the CSFR, Hungary, and other countries. This will permit a more effective use of the potentials of the defense industries of the cooperating countries and would be yet another factor encouraging the building of mutual confidence.

##### 5. The Principles of Defense Strategy

The strategic goal of the defense of the Republic of Poland is the preservation of sovereignty, independence, and the territorial integrity of the state. This goal is to be realized through:

- The preparation, development, and maintenance of the defense infrastructure of the state.
- The defense training of society.
- The defense and intervention operations undertaken by the Polish Armed Forces in the event such a need arises.

The defense strategy of the Republic of Poland does not envisage the existence of a specific enemy and a predetermined scenario of military activities. It is directed toward overcoming and resolving critical situations that have a military character.

Poland will seek to solve all disputes by way of negotiation, mediation, conciliation, arbitration, or the international justice system, as well as by the methods employed by the UN, the CSCE, or those used in the future by other organizations of which our country will be a member. In the event that an armed conflict to which the Republic of Poland will be a party (or a participant as a result of international agreements it has concluded), we will actively oppose armed aggression while simultaneously continuing diplomatic efforts with a view to ending such conflicts.

In the event of a war that develops into being more than a local conflict, Poland's strategy will be to offer resistance as long as possible with a view to: preventing invasion, inflicting the maximum possible losses on the aggressor, demonstrating a determination to defend the country, and obtaining time for a response from other states and international institutions. In the event of a lower-intensity conflict, we will pursue independent defensive-interventionist operations with a view to rapidly localizing, halting, and dispersing the hostile invasion grouping. Patrol, protective, blocking, antisabotage, and antiterrorist operations will also be launched.

To safeguard the functioning of the state and the life of the nation in wartime, it will be necessary to realize three groups of tasks:

- Protecting the population and state structures.
- Organizing and supplementing logistic support for the Armed Forces.
- Organizing and satisfying the material and spiritual needs of the population.

The protection of the population and state structures in wartime is ensured by countering penetration by the intelligence and special services of the enemy, enforcing the observance of the law and decisions made by the appropriate administrative and military authorities, and eliminating the consequences of military operations. Organizing and supplementing logistic support for the Armed Forces particularly applies to: bolstering those forces with reservists and conscripts, supplying technical equipment and material, and giving medical assistance and all manner of spiritual services and moral support.

Satisfying the needs of the Armed Forces and population in wartime will also require harnessing the national economy to war goals. It will be necessary to oversee the quantity and range of mass consumption goods produced and to pursue information and cultural activities aimed at uniting the nation around carrying out basic wartime tasks.

Poland's participation in international security systems envisages its military involvement in solving conflicts outside the territory of the country on the basis of binding treaties and the decisions made by appropriate international agencies. Thus, the Polish Army must always be ready to form operational groupings in order to perform various tasks within the framework of military missions and expeditions as part of multinational allied forces.

### 6. The Defense System

To counteract military threats and realize external and internal defense tasks, a Republic of Poland defense system is maintained during peacetime and put into operation in the event of war or the threat of war. Its main elements are:

- The Armed Forces.
- Extramilitary defense cells.
- A system for running defense.

#### The Armed Forces

The Armed Forces of the Republic of Poland stand guard over the sovereignty and independence of the Polish nation. They have a national character and operate in keeping with the Polish *raison d'etat*.

Their main task is to resist any kind of military aggression. The Armed Forces realize that task in cooperation with other defense system structures. In the event that attempts are made to violate state borders, with the intention of depriving Poland of its sovereignty or territorial integrity, the Armed Forces will employ the means and forms of warfare deemed necessary in a given situation. In the event that regular operations cannot be conducted, the Armed Forces will use other forms of warfare, including partisan warfare. In addition, the Armed Forces of the Republic of Poland are prepared to perform tasks stemming from international agreements and commitments binding on Poland when a conflict erupts. The Armed Forces can also be used to deal with the consequences of accidents, catastrophes, and natural disasters.

The Armed Forces of the Republic of Poland are based on a system of compulsory and professional military service. Efforts will be made to increase the level of professional soldiers in the Polish Army to between 60 and 70 percent. Basic weaponry will be maintained at a level that does not exceed the limits imposed by disarmament treaties. The composition, equipping, and deployment of forces on the territory of our country is to ensure maintaining part of the Armed Forces in a state of immediate operational readiness, the efficient mobilization of combat potential, and the transition of the state to a system of war management and supply. Over the next few years, it is necessary to deploy forces in such a way that their deployment will suit the new geostrategic situation in which a sovereign Poland finds itself.

The Armed Forces of the Republic of Poland are composed of three branches:

- Land forces.
- Air and air defense forces.
- The Navy.

Their structures are composed of operational forces and territorial defense forces and means. The operational forces are trained to perform the main tasks in the course of military operations. Territorial defense forces support and provide protection for the activities of operational forces, as well as independently realize protective-defensive operations in given areas of responsibility.

Land forces constitute the core of the Armed Forces of the Republic of Poland. Their function is to repulse land and air attacks by the aggressor by means of active defense operations in cooperation with the remaining branches of the military in any region of the country, in any geographical direction, and with respect to any form of military threat.

Air and air defense forces make up that branch of the Armed Forces that has the highest level of combat readiness during peacetime. Their main tasks are to ensure protection of the territory of the Republic of Poland and to counter violations of Polish airspace.

The Navy's main function is to defend the maritime boundaries of the state, to protect navigation and economic interests in Polish waters, and to defend the coastline in conjunction with other branches of the Armed Forces.

The combat capability of the Armed Forces of the Republic of Poland is achieved through a high level of morale, discipline, and the training of troops, as well as through supplying units with modern weapons and equipment. Improving the organizational structures of the military and the development of the means and systems for reconnaissance, command, electronic warfare, the direction of fire, and air and antitank defense are considered priorities. The efficient functioning of the Armed Forces will be ensured through a system of logistic support for the military, with the use of the potential of all sectors of the national economy assigned for that purpose.

In peacetime, the Armed Forces are maintained in a state of combat and mobilization readiness, ensuring efficiency in the event they have to become operational. Military potential during peacetime is tailored to strategic-operational needs and the economic capabilities of the state. The strength of units and the system for bringing them up to strength differs appropriately in relation to the tasks envisaged for wartime.

The transition of the Armed Forces from the structure and manning levels of peacetime to the structures and manning levels of wartime occurs through mobilization. A basic factor guaranteeing the attainment of the

required combat potential of military units is the planned marshaling of trained reservists, transportation, and material. Apart from military command and management cells, certain agencies of the general government administration and local government will take part in the process. The command of the forces in wartime or in the event of the threat of war is exercised by the military command system of the Armed Forces of the Republic of Poland. It is an integral part of the system for directing the defense of the state.

The commander in chief of the Armed Forces of the Republic of Poland is the president of the Republic of Poland. In peacetime, the minister of national defense directs the overall activities of the Armed Forces.

#### Nonmilitary Defense Cells

Protecting the population from industrial catastrophes, natural disasters, and the consequences of military operations is the constitutional duty of all agencies of government, state and local administrations, and social organizations and economic entities. The tasks stemming from this duty primarily consists in identifying, preventing, and countering all threats that may harm the security of the nation and the state. This applies to the defense system of the state, to public order and security within the state, and to lives and property of the population in peacetime and in wartime.

Serious threats to people's health and property that are not directly connected with military operations are a criminal offense. Preventing as well as exposing and countering such threats is a basic, statutory duty of all specialized services that come under the authority of the Ministry of Internal Affairs: the Office for the Protection of the State, the Police, the Border Guard, and other formations. Assistance from citizens in realizing these tasks is a legal and moral duty with respect to the state and their own communities.

The National Civil Defense Force is entrusted with coordinating the activities of all forces and means that serve to protect the population's lives and property, as well the cultural heritage within the framework of the state defense system. The National Civil Defense Force, in accordance with the provisions of international law on armed conflicts, is charged with:

- Planning undertakings to protect the population's lives and health, workplaces, public utilities, and the cultural heritage from the consequences of military operations.
- Organizing the detection of dangers in the above-mentioned areas.
- Warning and alerting the population and evacuating it.
- Preparing shelter facilities.
- Supplying the population with equipment and the means for individual protection.

—Protecting assets that are essential for survival.

—Organizing rescue operations and eliminating contamination.

The National Civil Defense Force is to be ensured the conditions and means for operating efficiently. To this end, personnel are trained and assigned, appropriate conditions for the functioning of personnel are created, and personnel are equipped with essential materials and means. Training is organized within the general system of national education, in specialized centers, in regional units of the state administration, local self-government, and workplaces. The mass media are also involved.

Military operations constitute the highest form of threat of the mass loss of lives and property on the part of the population. The use of weaponry in military operations may cause additional industrial and ecological catastrophes. In wartime, the National Civil Defense Force maintains combat neutrality. Its task is to prepare and execute activities that will afford assistance to the population, including the population in those areas that might be temporarily occupied by the enemy.

#### The System for Running Defense

The basic functions of running state defense in peacetime are defined by the Constitution of the Republic of Poland. They are performed by the president of the Republic of Poland, as well as the chairman of the Council of Ministers and the Council of Ministers.

The running of state defense is the responsibility of all agencies of government and the state and local administrations, in line with the defense powers and tasks assigned them by the Constitution and other laws. The common goal is to prepare and maintain state defense capacity at an appropriate level in peacetime and to efficiently develop and use that capacity in the event of war or the threat of war. In peacetime, an appropriate infrastructure ensuring that state agencies are able to effectively perform this task is created and maintained.

Every year, the Sejm approves the level of funding for state security and defense as part of the budget, including funds for the maintenance and development of the Armed Forces of the Republic of Poland. Parliament also approves all other legal regulations concerning defense, and oversees their application.

The president of the Republic of Poland coordinates the formulation of state defense strategy and, as commander in chief of the Armed Forces, determines the main directions of its development. The president is to oversee the course of defense preparations made under the direction of the chairman of the Council of Ministers through ministers, voivodes, and other agencies of the public administration. The president's executive agency in this regard is the Bureau of National Security. The main defense tasks at the governmental level are assigned to the minister of national defense, the minister of internal affairs, and the minister of foreign affairs.

In the event that security is threatened, the wartime system for the running of the state is put into operation. The highest decisionmaking centers in the event of war or the threat of war are the president and the government. The Sejm appoints, for the duration of the war, a supreme commander of the Armed Forces of the Republic of Poland, and, if the Sejm does not convene, he is to be appointed by the president. The supreme commander, who is directly accountable to the president, exercises strategic command over the entire Armed Forces. In peacetime, the president determines the composition and tasks of advisory agencies, and, in wartime, this is done by the president's war staff.

In the event of war or the threat of war, the chairman of the Council of Ministers continues to direct the work of the government, ministers, voivodes, and other agencies of the state administration responsible for the functioning of all nonmilitary state structures. The particular task assigned the chairman of the Council of Ministers and the departments under him is to organize support, supplies, and services for the Armed Forces from the civilian sector and protect the population from the consequences of military operations. Voivodes are empowered to make decisions on defense matters that are binding on all administrative, economic, and local government units operating within the voivodship defense system.

### 7. Conclusion

Detailed executive tasks stemming from this document are to be defined by the appropriate agencies of the government and the state administration as well as by the senior personnel of organizations and institutions, in accordance with their powers regarding defense matters.

This document was unanimously approved at the meeting of the National Defense Committee held on 2 November 1992.

**Recruitment Procedure for UN Contingent Described**  
*93EP0060A Warsaw POLSKA ZBROJNA in Polish*  
*28 Oct 92 pp 1, 5*

[Article by Roman Przewozinski: "How To Join the Polish Military Contingent of the UN Peacekeeping Mission, or Dreams of the Blue Flag"]

[Text] (Our own correspondent) "I lost my job, and the plant I worked in is being liquidated. My wife is now supporting me and our two children. If possible, could I find a job with the UN Peacekeeping Force?" writes Krzysztof M. of Piotrkow.

\*\*\*

Colonel Fryderyk Czekaj, commander of the Military Training Center for the Needs of the UN Peacekeeping

Force in Kielce-Bukowka, has received more letters like that. He estimates them not in tens or hundreds but in thousands.

"The principal motivation of the people asking to be assigned to the Polish Military Contingent in UN missions is money. I would rank the desire for adventure second. There are very few other reasons," the commander said.

How to join the Polish Military Contingent and travel, under contract, to Cambodia, Syria, Lebanon, or Yugoslavia? The communique appearing in the press and on radio and television affords an opportunity for anyone interested in working in vacant positions of soldiers, clerical personnel, military police, medical services, quartermaster services, construction, and machinery operation. The only requirements are Polish citizenship, age no more than 45, physical and mental fitness for professional military service, and knowledge of the English language to the extent required in a given service position.

Col. Czekaj admitted, "We had expected that the communique on recruitment for the Polish Military Contingent would meet with considerable interest, but we did not anticipate that so many people would apply."

### Back to the Army?

Many former military personnel applied to the Kielce center, which is considered a natural and understandable trend. After all, many professional soldiers are in the reserve for various reasons, often beyond their control. Some were affected by restructuring, while others refused to be transferred to another garrison and preferred civilian life; still others were lured by the vision of establishing their own businesses. They doffed their uniforms, donned mufti, and...many are regretting it. Warrant Officer (Res.) Wlodzimierz Wieteska explained this as follows:

"Some of us feel incomplete, as it were, after leaving the Army. We do not succeed in anything we do afterwards. Besides, we increasingly realize that we miss our old military way of life."

Mr. Wieteska used to be a technician at an Air Force unit in Krakow. He left military service 11 years ago. It seems that he tried everything. He wanted to work for Polish Air Lines LOT but had no luck. For two years he was a truck driver in...Tobruk, and then shifted to TIR [Transport International Routier (International Transport of Goods by Road)] and drove back and forth between Italy and Norway. Unfortunately, formerly, while he still was in uniform, life was better. "I am not being sentimental. It is simply that the leopard cannot change his spots," he explained. That is why he arrived in Kielce today and is writing a request to enlist in the Polish Military Contingent. "In this 'peacekeeping' mission I could get hurt, but then, too, there I could be myself," he said.



Other military men use different arguments. Warrant Officer (Res.) Jozef D., of Nysa, was transferred to the reserve as part of Army reorganization and a reduction in force. In 1976, as a platoon leader, he was with the Polish Military Contingent in Egypt, and... "Perhaps I can be of use again?" he asked. In his turn, Warrant Officer (Res.) Tomasz G., of Gorzow, resigned from the Army at his own request. Now he works as a company representative, but... "Still, I would be of more use in the military," he wrote. Master Sergeant (Res.) Adam W., of Pila, would like to join the Polish Military Contingent because it is difficult for him to make a living. Private Piotr L., of Katowice, will not be transferred to the reserve until 13 November, but he does not want to become unemployed and therefore asked Col. Czekaj to consider his application, too. Private (Res.) Piotr Andrzejczak, from the environs of Lodz, completed service in the "Blue Berets" a year ago. He is a vocational school graduate, lives with his parents, collects unemployment benefits, and has no prospects. He would not like to serve as a career soldier in the Polish Army, but serving in the UN mission would be something else.

"I would be more highly paid." He does not beat around the bush.

#### Hope Is Like the Straw Clutched by a Drowning Man

Most of the letters sound depressing. "I am unemployed," Jerzy L., of Gniezno, who supports a wife and two children, explains his request. "I cannot find a job." The letter of Dariusz S., of Skierniewice, last year's graduate of the Warsaw Polytechnic, sounds similar. Antoni B., of Lowicz, learned about the recruitment drive from the Wiadomosci TV newscast and, in his letter, emphasized:

"The communique is to me a job offer made through the Ministry of National Defense. Joblessness and the difficulty of finding employment force me to clutch at any straw, as the saying goes. So, then, please send me an application for recruitment, which will enable me to enlist in the military and, the more so, to defend the national colors in the UN."

Next to destitution, there is also personal drama. Sabina N., a nurse from Wroclaw, speaks German, Italian, and Arabic. Unfortunately, she is 52 years old, which conflicts with the requirement posed by the military. But...

"My grandson is to be operated on in Switzerland, but we do not have the money. My husband is on a disability pension, and my daughter is barely making ends meet because she works as a nurse. I do not know how to beg for help, and so, on learning about the recruitment for the Polish Military Contingent, I would like to join so that I could earn the money needed to cure my grandson. It is thus my great request to you that you give me and my grandson a chance. If I do not pass the training course, it will be God's will, too bad...." she explained.

All kinds of people write these letters. Unemployed and employed persons, young people who just completed

basic military service and persons who are almost 45, persons with elementary educations and university graduates, those with master's degrees and even university professors. With some, it is not material considerations that matter most, and they stress their qualifications. Dr. Grzegorz J. is a surgeon with second-degree specialization, who knows English and French. He has already worked, among other places, at the mission of the International Red Cross Committee in Cambodia and is now offering his services to the Ministry of National Defense. Malgorzata M. of Nowa Huta has a master's degree in Arabic philology and is familiar with Syrian, Jordanian, and Iraqi dialects; she assumes that she could be useful to the Polish Military Contingent. Malgorzata K. of Olsztyn is an assistant to a well-known professor and fluent in English—she is a translator of professional literature—yet she, too, is an applicant. Similarly, Agnieszka B., of Lodz, who finished at the Medical Academy and did research with a scholarship at the university in Rotterdam, has also applied. Another Malgorzata K., a youthful and pretty nurse, added, "With the mission, I could broaden my mind a lot."

#### Waiting for the Verdict

The appearance of the communique resulted in an avalanche of letters and telephone calls. By 15 October, 2,266 requests for service with the UN peacekeeping missions were received. The most numerous were applications for the positions of driver (553), repairman (400), construction technician (310), and computer operator (162). The least numerous were applications for the positions of lawyer (4), ordnance specialist (4), communications specialist (34), interpreter (47), and sapper (57). Only 26 of the applications were from women. By now, however, these figures have largely ceased to apply because, with each day, another sizable bundle of letters requesting enlistment in the Polish Military Contingent arrives.

"Some of the applicants make a special trip to our center. That is pointless. They are merely wasting their money on the trip. We can provide the information by telephone, and it is best to apply by mail for enlistment in the mission," said Senior Warrant Officer Tadeusz Markowski, who, while personally getting ready to travel to the mission in Cambodia, is answering the questions asked by applicants.

Col. Czekaj understands the emotions that lead some applicants to make personal trips to the center. They may believe that a personal meeting will work like magic, or that their coming and an interview with the colonel will "dot the i." Or they want to show the recommendations they earned in military service and to learn whether they really have a chance to serve under the blue flag.

"I calm everyone by telling them that this is not just a one-time drive by the Ministry of National Defense. I also emphasize that every application will be considered individually, and, moreover, within the next few weeks, we shall make the first selections," the colonel said.

In the opinion of Col. Czekaj, the best shall be selected. The applicants selected for personal interviews will have to pass tests in their specialties and in language knowledge. Those who pass through the "screen" of experts and physicians will be assigned to one-month training in the knowledge required for a given mission. If there are more suitable applicants than vacancies in a mission, some of their names will be recorded in computer memories and serve as the center's "reserve."

Col. Czekaj leaves no illusions: "Unless an applicant has the language and the specialty skills required by the UN missions, he hardly has a chance of being considered."

### Excess Wage Taxes, Budget Deficit Discussed

93EP0058A Warsaw PRAWO I ZYCIE in Polish  
No 42, 17 Oct 92 p 4

[Interview with Minister of Finance Jerzy Osiatynski by Krystyna Milewska; place and date not given: "Painful but Necessary Decisions"]

[Text] [Milewska] Why is the government so insistent on the tax on wage increases? If this tax, which, rather, is in the nature of a fine, a penalty, really had such wondrous anti-inflationary properties, they would have manifested themselves even before 1989.

[Osiatynski] The government insists on the tax on wage increases because there is no better way of preventing the depletion of all of an enterprise's assets. In the past few months, it turned out that even the savings gained from the depreciation allowance are being spent by enterprises in order to pay wages to their work forces. At some coal mines, even social security premiums are being diverted to help pay wages. In such a situation, the tax on wage increases is the sole way of cutting short the wage spiral. Certainly, this is an imperfect instrument, but, in a way, it is effective.

Besides, it could very readily turn out that a wage spiral, and, hence, also a cost spiral, could lead to such prices of products that they would cease to be competitive on the market. As a result, wage increases would lead to enterprise bankruptcies. For political and social reasons, it is extremely difficult to shut down enterprises. And, anyway, the tax on wage increases does work. All of the arguments, such as that inflation does exist anyhow and, therefore, that this tax does not work as well as had been assumed, are deceptive, considering that no one knows what the inflation level would have been in the absence of the tax on wage increases. Besides, that tax is a major source of budgetary revenue, estimated to bring in about 17.5 trillion zlotys [Z] this year.

[Milewska] But at the price of lower receipts from income and sales taxes.

[Osiatynski] True, but wage increases would most likely trigger price increases, and, in the latter case, products worth the same amount would be sold, but higher receipts from the sales tax would be doubtful.

[Milewska] But I also consider the tax on wage increases a nasty way of continually reducing real wages. Its whole design is based on this.

[Osiatynski] That is not why it was designed. please bear in mind that real wages would not fall if the coefficient on which this tax is based were higher than unity.

[Milewska] But that has never happened!

[Osiatynski] Industry is in a situation in which it must earn capital for reinvestment. Are you aware that, at present, the share of profits in its income is 7 percent?

[Milewska] So let me ask you another question. Considering that the tax on wage increases applies in state enterprises, why does an opposite mechanism operate at private companies (legal entities)? In other words, private companies raise dividends to shareholders but fail to increase profits. As a result, the decline in profitability is greater at private companies having legal entity than in the state sector.

[Osiatynski] The decline in profitability is due to the shrinkage of markets that has been taking place for the past two years. What is the reason for the discrimination to which you refer in comparing the public sector with the private sector? At state enterprises, there is strong pressure for wage increases, and there is no institutional solution or a structure oriented toward reinvesting profits. There is no pressure to make them profit-conscious. You must admit that this is not the same solution as in the private sector.

[Milewska] But wages in the private sector are higher, and yet profitability is declining more rapidly.

[Osiatynski] As regards wage movements in the private sector, it is no secret to anyone that there exist differences between officially declared and actually paid wages. Besides, until recently, wages in the private sector were lower. It is not unlikely that, at present, we are observing a growing convergence between the officially declared and the actually paid wages as employees in the private sector are becoming more aware that the size of their officially declared wages affects their sickness and retirement benefits. Furthermore, the instances you mentioned, which mean evading one tax only to pay another, are very difficult to prove.

[Milewska] In that case, should not the tax on dividends in the private sector be eliminated, specially in cases in which the dividends are reinvested? After all, at the present time it pays more to save in banks, because banks pay a high and tax-free interest rate, than it does to reinvest the dividends in manufacturing, considering also that the profits are taxed.

[Osiatynski] For this reason, we have started to consider the possibility of imposing a tax on the interest rate paid to savings depositors.

[Milewska] The previous government promised to gradually lower the income tax payable by legal entities. Does that promise still apply?

[Osiatynski] It is not being considered.

[Milewska] So, then, the taxing of the profits of joint-stock companies will continue to exceed 50 percent. In addition, there is the 40-percent income tax and the 20-percent tax on the dividends paid to shareholders. Will it still pay shareholders to raise wages instead of increasing profits?

[Osiatynski] I do not know if you will like what I say next, but that trend may be counteracted by raising the income tax ceiling to 50 percent, which we are proposing to do next year.

[Milewska] But 50 percent as the ceiling on the personal income tax was proposed half a year ago! The Sejm rejected that proposal and, as far as I can recall, you also opposed it.

[Osiatynski] You have a good memory, but the situation is changing. We are facing the threat of a high budget deficit, and that alone justifies the proposed belt-tightening for all social groups.

[Milewska] Why are the state budget funds for social services dwindling while the cost of administering those services remains the same? The school tuition for my child is constantly rising, and a growing amount of money and parental effort is spent on school repairs, but the number of educational administrators has not decreased. The growth in unemployment is occurring solely in manufacturing, but there are no cuts in the personnel of central and local administrations and the like.

[Osiatynski] You are right. In that connection, an under secretary of state was appointed in the Ministry of Finance with the object of preparing a reform of government personnel—that is, developing institutional solutions for greater financial discipline in the funding of education, health services, and social services. But, then, one cannot expect miracles overnight. The preparation and introduction of such reforms unfortunately take time.

[Milewska] I know that comprehensive solutions, including those of the health insurance system, take time. But, if personal spending on health care and education is growing, why can we not at least deduct those expenses from our income taxes?

[Osiatynski] But, please—our budget deficit at the moment is greater than admissible, yet you are proposing more tax deductions. In the best case, budget receipts by the end of the year will total Z303 trillion. I can borrow Z6 or 7 trillion outside the banking system. Until the end of this year, I will probably get nothing from foreign sources. I will be able to sell perhaps Z30 or 40 trillion in bonds outside the National Bank of Poland. Our ability to spend more is contingent on what we receive from the

National Bank of Poland. A part of the spending limit allowed by the law represents inflationary financing. Increasing that limit will really be like playing with fire.

#### Discussion on Foundation for Industrial Policies

93EP0057A Warsaw PRAWO I ZYCIE in Polish  
No 42, 17 Oct 92 p 4

[Interview with Wacław Niewiarowski, minister of industry and trade, by Zdzisław Zaryczny; place and date not given: "A Pact Instead of a Packet of Laws"]

[Text] [Zaryczny] The first hundred days of work of Hanna Suchocka's Cabinet have gone by. Appraisals of that government are quite varied; it has not yet even been decided whether it is a leftist or a rightist government. For example, Richard Bugaj labels it right-wing and John Olszewski calls it left-wing. How do you, in the center, view this government?

[Niewiarowski] Throughout the world, governments and parties identify themselves according to their attitudes toward the economy. In our country, that attitude is not always clear. Besides this, you are asking about a government that is of the coalition type, built by groupings of various political coloring. The government includes the Democratic Union and the Christian-National Union, although those parties are not monolithic today. If one wanted to find some kind of middle there, I would say that Prime Minister Suchocka's government is a government at the center, perhaps with a slight leaning to the right. But that does not mean much, in my opinion, either for this government or for the Ministry of Industry [MP].

[Zaryczny] Why not?

[Niewiarowski] No one is going to apprise us of our political options, only of our activities, chiefly in the area of the economy, and, in that area, the issue is really activities and not a series of programs, visions, declarations, wishes, and the like. This government has no time for perfecting coalitional links; it must seek to solve mounting problems as they occur.

[Zaryczny] You have to admit that, after 100 days, the balance of government possibilities does not look impressive. It is not known whether the president will sign the "small constitution," which permits, among other things, the issuance of legally valid decrees. The negotiations over the State Enterprise Pact are fraught with difficulties. The Sejm is on the verge of rejecting the program for universal privatization. This means that the primary instruments making it possible for the government to operate effectively are "frozen."

[Niewiarowski] Everything really revolves around the pact. For my part, I believe that the State Enterprise Pact, regardless of whether it is adopted, is not the tool for remedying the economic situation, unless an active industrial policy is adopted that will generate economic development over the next few years.

[Zaryczny] It is known that, when Minister Jacek Kuron announced the idea of the pact, a packet of new regulations on the status of the state enterprise was appended at the MP. The pact took the place of the packet, it may be said. It is also significant that the MP does not participate in negotiations with labor unions. I sense some bitterness in your appraisal.

[Niewiarowski] That is your hypothesis. In my judgment, the pact could become a perfect helping tool, making it possible to moderate conflicts and social stresses. The pact and a new concept of industrial policy can work together splendidly. I would remind you that such an idea exists; a team of our experts preserved a document entitled "Assumptions for Industrial Policy," which has for many weeks been waiting for acceptance by KERM [Economic Committee of the Council of Ministers] and the Council of Ministers.

[Zaryczny] I hope that is not the only accomplishment of the ministry. What is the origin of such opinions as the one in WPROST, that, next to Minister Dyka, you are the "most indolent" member of the Cabinet?

[Niewiarowski] Why don't you ask the editorial office of WPROST? I am not going to comment on what they say. Anyone who wishes to evaluate the government or our ministry based on these hundred days must recall the nature of the period and the stresses and menaces that marked it. Today I have the satisfaction that we were successful in somehow unloading in some way the most difficult conflicts, but very few people know how much energy and time that cost. From the beginning, I held the view that we must exhibit patience and the will to have a dialogue. No solution using force entered into play for me. In a certain sense, they were also precedent-setting strikes; for the first time, public opinion stopped treating them as signs of the "them-us" conflict—that is, the conflict between those in power and society as a whole. The awareness prevails that conflicts should be resolved where they arise—that is, in plants—taking into account their specific character, their financial situation, and the like. The notion of industrial strikes has become universal. I would like to stress that there have been no differences of opinion in the government regarding an appraisal of these strikes, of the demands and the tensions. I believed, despite this appraisal, that they must be ended in order to give the government a few quiet months, an opportunity to show its dynamics and the pragmatism we have been promising all along, which this government certainly needs.

[Zaryczny] Is it your opinion that the strikes were ended through an initiative of your ministry?

[Niewiarowski] In mining strikes, yes, especially when we were successful in focusing the discussions on substantive matters and "straining out" wage claims from them. It was the same at Ursus. This had a big influence on other sectors because everyone was watching to see what the miners would do. Elsewhere, protests were hanging by a thread, but, thanks to the earlier talks, we

were able to avoid an outbreak of strikes. The main argument we used in the talks was: "We know what has to be changed: allow us to do it."

[Zaryczny] Even when "Assumptions for Industrial Policy" becomes an official program of the government, not much comes out of it. The situation in state industry continues to be bad; whole sectors are waiting for the "liquidator's knife" or for complicated operations that will restore health.

[Niewiarowski] I know what the realities are. We are observing a one-of-a-kind oddity. Production is rising. On the other hand, at the same time, the financial condition, enterprise profitability, has worsened.

[Zaryczny] And what comes next in that situation?

[Niewiarowski] That is a question about breaking the recession, about the tools needed to do that. We have included our answer in "Assumptions for Industrial Policy." That is obviously connected to our financial outlays. I estimate that, to realize the proportions included in "Assumptions," it is necessary to have, over a 10-year span, the sum of 500 trillion zlotys.

[Zaryczny] Where do you expect to find such a sum?

[Niewiarowski] We will surely not get such an amount from the budget, and we do not expect that. Let us expect the workplaces to earn the majority of that money themselves.

[Zaryczny] Many directors of state firms consider your statements a bad joke.

[Niewiarowski] The jokes are finished. When I say that the plants will earn their own money, I am thinking of other plants, plants brought back to "health" functioning in a healthy atmosphere. We say, for example, an end must come to the stage at which everyone has a share in decisions. We believe that employee self-government is finished. The enterprise board and not the trade unions must play a decisive role in the enterprise. And then, when we speak, for example, of restructuring the metallurgy industry, it is based on the assumption that, by the year 2002, seven mills will close, and approximately 80,000 workers will lose their jobs. Work will have to be found for them in other places, and production will decline to 10 million tons of steel per year—and we still definitely want to restructure. Of the 80 plants in the armaments industry, the government is restructuring only 28. At the same time, 10 of those plants are to become companies in which the state treasury will have 100-percent participation, and so on and so forth. We say openly what must be done to remedy the situation and what must be abandoned. That is not a collection of slogans or wishful thinking. They are concrete proposals and avenues of approach. It is industrial policy published for 10 years, subject to revision, but fully implementable.

[Zaryczny] And is the state, specifically the government, to be the leader in this "avenue of approach," the

guarantor that the "bankrupt estate" the powerful state industry has become will not go completely bankrupt?

[Niewiarowski] No one will free us from this responsibility. The assumptions indicate the actions to be taken today, tomorrow, or during the transitional period; they are not policy for a state with a stabilized economic situation. They will be in effect for only a certain period. As the situation improves, we will gradually move away from state intervention.

[Zaryczny] "Intervention" sounds too general.

[Niewiarowski] The following principle is in effect. We have divided state enterprises into three sectors, in which industrial policy will have various faces. The fuels-energy sector, due to its strategic importance to the economy, requires constant state intervention. That does not mean that it will remain exclusively in the hands of the state; we are allowing privatization here, including privatization with the participation of foreign capital. We do not envisage any obstacles to foreign firms' holding the majority of shares in refineries or mines, for example. The condition is that the security of the power industry in Poland must not be threatened. Another sector is high-energy and capital-intensive industries—for example, the ferrous-metals and steel industries, cement plants, shipyards, paper plants, the heavy chemicals industry, and the like. Here, large-scale restructurization efforts must be embarked upon. This sector must also be assured extensive funding from the World Bank, the European Bank for Restructuring and Development, various foundations, and the budget, as well as from other sources. The finalized transaction for the sale of the majority of shares of the Warsaw Works to the Italian concern Lucchini is a pilot project in many regards. Finally, the third sector encompasses those fields that are now experiencing regression but that may, in the future, play a role to spur progress in the Polish economy. That is why we call them the "high-opportunity sector." They include, among others, electronics, the automotive industry, and the light and pharmaceuticals industries. The further they are from the strategic sector, the less state intervention. What we recognize as the minimum fits within the concept of advising and promotion. Regional policy is also a very vital element of state interventionism. For example, we plan to equip the Agency for Industrial Development better with funding and to activate it so that it can aid the numerous agencies for regional development that are already in operation.

[Zaryczny] I appreciate your optimism, but I am afraid that the assumptions lack allies. It is characteristic that the youngest and the best educated workers in the state enterprises were in favor of the August strike. But they should be a lobby pressuring for rapid reforms. Likewise, the group from the opposite pole of the social hierarchy—the so-called big capital—which has become disenchanted and somewhat scared off by events in the form of the arrest of key businessmen or the press attacks on well-known firms, is not eager for cooperation with the state. Instead of investing in Poland, big capital is choosing Austria, Luxembourg, or the

RSA [Republic of South Africa]. The talk is that more than \$800 million has already been invested. What, then, are you waiting for?

[Niewiarowski] We must, above all, gain allies in the government. I do not wish to take away any of the tools any minister has in his hands. On the other hand, I would like to coordinate the utilization of these tools in the sphere of state industry. That is all. You say that no allies are evident for our industrial policy. But, if we show that we know something, that we know what we are dealing with and that we will achieve something, if government policy stops being associated merely with closings and liquidations and shows that it is possible to also renovate and the like, if we have such examples, if we accurately point out the sources of success, then I think we will also find allies. I believe in this; otherwise, it would generally not be worth starting anything. It would be enough to sit quietly and wait "because they will change this government anyway."

[Zaryczny] I already hear comments that the minister of industry is again alluding to steering the economy by hand. Meanwhile, the work forces of mines and shipyards may have the impression that they are put out for sale—and for a song, for foreign capital. Where does the truth lie? What place do you see for your ministry in the future?

[Niewiarowski] We must return to the essence of the matter: The parent organ, which performs the function of proprietor, is the minister of industry for state industry. And it cannot be that in the economy to which we aspire. Almost all of us agree that we are moving toward capitalism (without saying the word), in which the proprietor stands somewhere on the sidelines, pushed to the rim, and, in an area that is his domain, others who are not necessarily smarter act and do as they please. I repeat: I do not want to compete with anyone, but it is precisely in this field that the MP must be the most important; it must create policy in this area and, to this end, obtain the indispensable authorizations. Of course, a few state enterprises will remain for a time, but they will be a definite minority. At some point, a single ministry of the economy should arise, and the MP should disappear naturally. For the present, however, it is needed. The undervaluing or the ignoring of this fact by the previous government was, in my opinion, one of the mistakes Leszek Balcerowicz did not foresee and did not avoid. In general, the MP under my direction wishes to continue the Balcerowicz plan, but with the revisions described in "Assumptions for Industrial Policy."

[Zaryczny] Your attempts to shift industrial policy to a higher place in the hierarchy of the importance of state affairs have more or less as much of a chance as does the government of Ms. Suchocka.

[Niewiarowski] I would put it another way: The opportunities for this government are in proportion to the opportunities for its industrial policy. That is perhaps the most important conclusion from the first 100 days.

[Zaryczny] Thank you for the interview.

**Special Ties for Slovenia, Croatia, B-H Proposed**  
93BA0243B Ljubljana DELO in Slovene 16 Nov 92 p 2

[Article by Joze Pobjic: "Should Slovenia Establish Ties to Its Neighbors?"]

[Text] *Dr. Zdravko Tomac: Slovenia, Croatia, and part of Bosnia-Herzegovina should establish ties following the model of the Scandinavian countries.*

Lendava, 15 Nov—"Ever since the 14th LCY Congress, and even during the period after both countries' independence, Slovenia and Croatia have made their moves in collapsing Yugoslavia and on the international scene together, so to speak in tandem. Afterwards, when the Yugoslav Army, after its attempt to subordinate Slovenia, decided on a backup plan according to which it abandoned Slovenia and attacked Croatia with its full force, Slovenia started to outstrip its neighbor in becoming part of Europe, and Croatia suddenly felt like a runner who gets into a crisis during a race, but his comrade will not wait and runs ahead."

That is how the vice president of Croatia's SDP [Party of Democratic Changes], Dr. Zdravko Tomac, viewed the fundamental causes of the present disagreements between the two neighboring countries at last night's talk on the topic of "Good Neighbors or Enemies?," which was arranged in Lendava by the United List of the SDP [Party of Democratic Reform]. Borut Pahor, deputy chairman of the Assembly's commission on international relations and vice president of the Slovene SDP, also took part in the talk.

Dr. Tomac advocated having Croatia, Slovenia, and part of Bosnia-Herzegovina establish ties with each other following the model of the Scandinavian countries; all of them together would separate from the Balkans and link themselves to the countries of Central Europe: Italy, Austria, the Czech Republic, Slovakia, and Hungary. Such a concept is also advocated by Franjo Tudjman, who has therefore called for the presidents of the Central European countries to talk about that concept this year. "If we agree politically that we want that kind of comprehensive solution, all our mutual disagreements will be over with," Zdravko Tomac also said, and stated that the only problem was that first the war in Croatia and in Bosnia-Herzegovina would have to be stopped.

It is Borut Pahor's conviction that the reasons for the exacerbation of relations between the neighbors are the difference in visions of their paths to the international community, underestimation of the problems with independence, and the expectation that everything would be resolved through inertia.

**Country Slides Into Deep Economic Crisis**  
93BA0214H Ljubljana DELO in Slovene 13 Nov 92 p 6

[Article by Zorana Bakovic: "The Croatian Worker Wants a Normal Life"]

[Text] *A general strike has been postponed, to be sure, but the father of the people will have to devote himself seriously to economic problems; will he even "sacrifice" Sarinic?*

From our correspondent.

Zagreb, 12 Nov—At the end of last week an agreement was concluded between the government and the trade union, through which they succeeded in postponing the general strike that was supposed to start on Friday. Yesterday, and on the same day that they started, negotiations were also concluded between government and workers' representatives on the guaranteed personal income for November.

Since the worst crisis in relations between the authorities and the workers in the new Croatia has only grown into haggling over whether the guaranteed individual income will amount to 38,000 Croatian dinars (100 German marks) as the trade union members demanded, or 28,500 dinars, as the government and the Chamber of Commerce are offering, this time they will perhaps only be able to conclude some kind of compromise. The fact that some discussion of the cost of labor has started in Croatia, even though the ruling HDZ [Croatian Democratic Community] is trying to postpone this topic at least for a while and is therefore pushing it behind national interests, actually indicates that the real problems are only now coming to the surface.

In fact, it has happened for the first time since the establishment of an independent Croatian state that Croatian President Franjo Tudjman has not been able to prevent the beginning of a public discussion of this issue, in which there is no external enemy that could be blamed. This time the Croatian worker, who is already almost starving, has pointed a finger at the Croatian authorities and demanded at least a normal life, if not a good one (as he was promised by everyone). We could say that it is precisely in this regard that there has been a great reversal. The father of the people will finally have to devote himself seriously to settling economic problems, or else prepare for the beginning of the end. It is true that there is one more possibility that the HDZ has already tried to use: specifically, to blame the trade union members for preparing, in the name of the workers, a general strike "that does not have any connection with the social situation, but is instead a political strike that is also supposed to achieve political results." When HDZ Executive Secretary Ivic Pasalic, in addition to these accusations, recently announced that the authorities "would not permit anyone to organize chaos in the name of some sort of concern for the workers in Croatia," he obviously made an unforgivable mistake. That self-defense, in fact, was completely similar to the arguments of the former communist authorities, who during the decades of their rule saw strikes as only an attempt at political subversion. This was completely clear to everyone in Croatia at the time, both to those who were in favor of an immediate general strike, and also to individuals who thought that it was necessary to

wait with this serious measure until there was more of a possibility of achieving the desired goals.

President Tudjman now has another possibility of surmounting the present crisis by sacrificing one of his subordinates. There are signs indicating that that victim, if problems with the trade unions become even more complicated, could even be Prime Minister Hrvoje Sarinic. By having the agreement between the workers' representatives and the government representatives replace the government's unpopular decree on wages and social measures, they in fact indirectly admitted that the government, and Sarinic, were wrong when they issued that decree. It is true, to be sure, that Tudjman already announced the "end of the war" in Croatia some time ago, and thus practically gave the green light for bringing up other, i.e., nonwar or postwar problems, but it is also true that Sarinic, when he presented his new government in the Assembly a few months ago, bombastically stated: "God has sentenced us to success!"

It is obvious, however, that at least for now God has sentenced Croatia, i.e., including its workers and its president, to a lack of money. That is precisely why it will be necessary to reach a compromise in connection with this as soon as possible. There is no money for increasing personal incomes, and it is also currently impossible to obtain it anywhere. The representatives of the authorities are justified in saying that if they fulfilled the trade unions' demand inflation would increase further, and that would mean a new obstacle to Croatia's admission to the International Monetary Fund and other international organizations on which this state's future depends. Tudjman, to be sure, can promise once again that if everyone is patient just a little longer, the "splendid foreign policy activity" of his emissaries will bring Croatia into the society in which the redeeming financial formulas are concealed.

All those who are living on only half the money that a person otherwise needs to survive, however, have less and less patience. This patience is drying up, just like the amount of food that they can buy with their wages every month.

**Election Prospects for Parties Analyzed**

93BA0246A Ljubljana DELO in Slovene 14 Nov 92  
p 25

[Article by Marko Pecauer: "Power for Some, Honor for Others"]

[Text] *What could the elections bring us? We will elect the Republic president, the State Council, and the State Assembly. Our votes for individual parties and candidates will also determine how Slovenia will be led in the future.*

The votes that voters will give to individual parties in the 6 December elections will not only determine how the new Slovene parliament will be composed. Their votes for an individual party will also determine what the new government will be like. Coalitions will be formed depending on its composition, and depending on who is in the government and who is not, we will talk about who is in the opposition and who is in power. How Slovenia will be led in the future depends on how the government will be composed—and that is actually what the whole electoral race is all about.

We will only be able to give an answer as to what this year's elections have brought us after the new parliament elects the new government. The new government, in fact, has an extremely large role under the new Slovene Constitution. It is no longer, as in the old system, merely an executor of the instructions given to it by parliament. It will become (at least operationally) the most important ruling body, whereas the office of Republic president, for instance, will become completely marginal.

Of course, the government is elected by parliament. That is why the relationships of the parties in parliament will determine how it is composed. If only one party obtained a majority in parliament, then things would be simple: That party would appoint its own ministers, who would carry out the party's program within the government. Something like that is currently virtually impossible in Slovenia, however. It is unlikely that any party would receive more than half of the votes; if some party even receives more than a quarter, it will be a big success. It will consequently be necessary to form a coalition of several parties.

In the 1990 elections, the largest percentage of deputies' seats in the Sociopolitical Chamber (which we elected according to a proportional system, just as we will now elect the State Assembly) was received by the SDP [Party of Democratic Reform], but that did not bring it a seat in the government. The government was put together by the Demos coalition; the six parties that composed that coalition jointly had a majority in parliament. The Demos coalition, however, had already emerged before the elections; before them the parties had already signed a firm agreement on joint action.

Before this year's elections, no coalition has emerged yet (for now). The parties are waiting for the outcome of the elections, and stating that they are prepared to cooperate

with any party (except possibly the SDP). They are not joining preelection coalitions, partly because of Demos's bad experiences with a firm preelection alliance before the previous elections, and partly because of the great uncertainty about the outcome of the elections. Only the parties in the coordinating group of nongovernment parties (the Liberal Party, the National Democratic Party, the Slovene People's Party, and the Slovene Christian Democrats) have reached a preelection agreement, and that is still only for candidates for the State Council.

**Unknown Factor: the Voters' Behavior**

The outcome of this year's elections is a big unknown factor. Even public opinion polls cannot be a reliable indicator, since the respondents are not being asked the same question that the voters will answer in the voting booth. Specifically, the polls are only asking which party the respondents will vote for. There will be 23 names of parties and 23 names of candidates on the ballot; the important difference from the polls is that there will be different names in each of the 88 electoral wards. It is impossible to know how the voters will behave, since in the past there has not been any voting like that, and we also cannot decide from their behavior to date. Will they decide on parties, or candidates? Every vote is a vote for a party and a candidate at the same time. Some people will vote for a party, and others will decide among the names of the candidates who will be offered to them in their electoral ward. Many people may thus decide on the resounding name of the candidate of one party, even though they said in the polls that they would vote for a different party, which did not offer a very attractive candidate in his area.

Additional confusion is also introduced by the large number of lists outside the parliamentary candidates that will appear in the elections. The supply of parties is becoming immense. It is hard for many voters to decide among the 10 parties represented in the present Assembly, let alone recognize the new ones that have appeared recently—not to mention the difficulties that will be caused for them in distinguishing among similarly named parties, for example among the Liberal Party, the Liberal Democratic Party, and the Liberal Democratic Party of Slovenia.

The general assessment is that the nonparliamentary parties do not have much chance of getting into the State Assembly, and if one of them does succeed, it will have minimal representation. There probably will no longer be room in the new State Assembly for all the parties that are now represented in the Assembly. If it is nevertheless possible to draw any conclusion from the public opinion polls, who will lead the state will be decided among four parties:

- The Democratic Party [DS].
- The Liberal Democratic Party [LDS].
- The Slovene Christian Democratic [SKD].



—The SKD and the United List.

The SDP is acting as part of the United List, as the largest party, together with the Workers Party, the Democratic Party of Retirees, and the Social Democratic Union. The results of public opinion polls of different subscribers differ to some extent, but mostly all of them put the LDS and the SKD (which should get approximately equal numbers of deputies' seats) in first and second place, and the SDP and DS in third and fourth. For the time being all the other parties are lagging behind.

What are the possible government coalitions like, then, and who will be in the opposition? There are several scenarios in circulation. Everything, of course, depends on the (quite uncertain) results of the elections. Everything indicates that whatever the result is, the coalition will consist of two strong parties (in a proportional system, of course, parties with 20 percent of the votes are strong ones), with the participation of another one or more smaller parties that will ensure a solid majority in parliament. We have found out from experience recently that it is difficult to rule without one. The mandate for putting together the new government will probably be obtained by the president of that coalition party which receives the most votes, and the president of the second strongest party will become a minister.

We have dealt with several possible versions of the course of events after the elections. Of course, this is speculation, but all the preelection events are based on that kind of speculation.

#### A Coalition of the LDS and the SKD

If we stay with the results indicated by the polls now, the LDS and the SKD will be the two strongest parties in the State Assembly. Both parties are already thinking seriously about possibly having to join a coalition after the elections. Of course, they are cautious in their public statements about this, and they are avoiding a clear answer to this question. The SKD only said very clearly that it was prepared to cooperate with any party except the SDP, just like the LDS, which, however, did not rule out the SDP as a possible partner. In several statements, however, one can detect that they are primarily preparing their own party rank and file for this possibility. Lojze Peterle, for example, thought that there were still few people like Drnovsek and some of his colleagues in the LDS. In his opinion, however, those people could form a party of the Genscher type, and it would be possible to cooperate with that party. Janez Drnovsek has also already expressed a favorable opinion of the Slovene Christian Democrats.

Recently significant changes have been occurring in both parties; the more moderate part of the party is growing stronger and the more radical one is weakening—the left wing in the LDS, and the right wing in the SKD. Through several personnel measures, Janez Drnovsek tried to strengthen the so-called entrepreneurial faction in the party and weaken the former "ZSMS [Socialist Youth

Union of Slovenia] people." The prominent people, no longer that young, who have been attracted into the party should help it to create an image that will no longer have anything in common with the former impetuous and youthful rashness of the ZSMS. The same is true of the SKD, in which several key positions in the party have already been taken over by members of the so-called secular faction. The latter thinks that the party has been seriously harmed by the fanatical fighters who came into politics "out of the sacristies." In the previous system those people really could not gather anywhere else. This, however, caused them to deal with politics in an amateur way and to be too tied to the church. In this year's elections many "fanatical fighters" can be found as candidates for the State Council, and consequently they will not be in the State Assembly.

In the event that a coalition between the LDS and the SKD does happen, it will certainly cause tensions within both of these parties, and also other voters might ask both of them unpleasant questions. In fact, up until now both parties have portrayed each other as serious opponents, and they will continue to do so, at least until the elections. The advocates of a coalition, however, answer that then there will be four more years until the next elections. All sorts of things can happen during that time, and if the coalition is successful the reservations will slowly disappear.

This coalition will only succeed if it concludes a firm agreement, even before putting together a government, on a government program that the government will then carry out. This agreement will have to be quite specific, since the parties differ considerably. It will also be necessary to think carefully about who will be put in the government. Its prime minister will probably be the president of the strongest party, and the president of the second party will probably be the foreign minister—i.e., Janez Drnovsek and Lojze Peterle, in one post or the other. If mutual tensions arise between them, that will be fatal to the coalition.

If the parties themselves do not achieve a solid majority in parliament during the elections, a third coalition partner will naturally be needed as well. There has not been any extensive consideration of this, since everything depends on how the other parties will fare. We can assume, however, that in this case the third partner could be the Socialists or Social Democrats, whose programs (and leaders) could be acceptable to both. The Greens may also be involved here, if they succeed in getting into parliament. In general, these three parties are of interest as a third partner in very different combinations.

A coalition of the LDS and the SKD with a possible third partner currently seems to be the most likely solution, although at first glance it is somewhat unusual. Perhaps that is precisely why there is so much discussion of it. All the following ones that we mention seem less likely, although not impossible.

### A Coalition of the LDS and the United List

A coalition between the LDS and the SDP (and the United List), with the cooperation of several other parties, would to some extent renew the current government coalition, with the SDP just having a larger role in it. The question is primarily what the Democrats' role could be like. The current government coalition is not a particularly solid association. It emerged out of political necessity, as a sort of anti-Demos coalition. An attempt at closer cooperation among these parties in this year's elections was unsuccessful, even for the elections to the State Council. Of course, it was a question of how many seats an individual party would get. The LDS was particularly dissatisfied with the number of seats allocated for its candidates. One can thus not expect any particular sentimentality, even in the name of continuity of the current government.

It would probably be somewhat easier for this coalition to achieve a joint government program, since the ideological differences among the parties are not as large, and especially since their relations are not as burdened with the past. The ZSMS wing could become somewhat strong in the LDS, and the managerial one in the SDP; the LDS would probably move somewhat more to the right, and the SDP somewhat more to the left.

After the SDU joined the United List, the managerial faction gained considerable power. It is likely that the parties that are cooperating in the United List will never be independent parties again. Sooner or later there will be a unification congress, at which these parties will unite into a party with a new (leftist) name. From the standpoint of the project that the SDP assigned itself of being the center for the unification of the left, its participation in this coalition would certainly be a step backward. That coalition would probably also hurt the LDS's image as a traditional liberal party. Finally, the opposition will also have the argument that the old communists have come to power again.

It has not been possible to detect any particular contacts between the LDS and the SDP regarding possible cooperation. It is true, however, that both parties are participating in the government, where they are not exactly on a combative footing, but there are no particularly cordial relations between them either. In this coalition, the position of prime minister-designate would probably fall to Janez Drnovsek.

### A Coalition of the Democrats and the United List

The Democrats are in an awkward position with respect to a coalition alliance. Unofficially, neither the LDS nor the SKD wants them as a coalition partner. It is true that this has not been officially discussed, to be sure, but it is also true that where there is smoke there is fire. In any case, it is still most likely that the Democrats, if they are the strongest party, will join a coalition with the Reformers—if the latter obtain enough deputies in parliament, of course. Of course, the Social Democrats would suit the Democrats much more as their chief partner, but what

can be done, when they do not have enough support, at least according to the current measures?

To be sure, the entrepreneurs in both parties would probably get along well together, and so the emphasis in the government's work would probably be on these issues. In spite of the parties' diversity, cooperation would perhaps be even easier than with the old friends of both sides. This coalition's most likely prime minister-designate is Igor Bavcar. Certainly the coalition could also draw in other smaller parties, so that the "little coalition" would be expanded.

### A Coalition of the Current Nongovernment Parties

If the Liberal Party, the National Democratic Party, the Slovene People's Party, and the Slovene Christian Democrats jointly receive more than half the deputies' seats, they will certainly form their own government. Then the SKD will not leave the present coordinating group of nongovernment parties, since that coalition will guarantee it a much more comfortable rule than a coalition with any ideologically more distant party. In spite of this, that rule would not exactly be comfortable either. There is a serious rivalry between the SKD and the SLS, since they are competing for a similar circle of voters with similar starting points in their programs. Also behind them is the story of their unsuccessful attempt to unite or at least come close together, several old criticisms, and also new ones regarding the designation of candidates for the State Council.

For the time being, things do not seem very good for this coalition's parties in measurements of the mood of public opinion. If they nevertheless achieve a majority in parliament, then it is almost certain that the strongest among them will be the SKD, and that means that the prime minister of that government will be Lojze Peterle.

The Christian Democrats are not counting too much on the possibility of such an outcome. It is rather a backup option for them. It is probably the only possibility for the other parties to come into the government, and they are consequently dependent upon the Christian Democrats in this. The latter, however, did not want to commit themselves to any solid preelection coalition, although serious discussions of this have already taken place.

### A Little Coalition

The idea of an alliance of the Democrats, Social Democrats, Socialists, and Greens was essentially more alive in September than it is today. A lot was said about a "little coalition." At that time, with an extensive advertising campaign (which they started first, and thus gave the public the impression of a large, important party), the Democrats succeeded in achieving a high popularity rating in public opinion polls and putting themselves alongside the previous three big ones (the LDS, SDP, and SKD). In the meantime, the Socialists and Social Democrats did not succeed in uniting; the parties' leaderships would perhaps still agree to something like that, but there would be serious resistance within the parties,

especially the Social Democrats. The other parties in the ill-fated "little coalition" were thus no longer equal partners with the Democrats; people started to say that the Democrats had grown wings.

Today the Socialists are probably the only ones that are still counting slightly on the possibility of a "little coalition." This coalition would only have some chance for success if it were concluded even before the elections. Even afterwards it would probably have to attract some other party in order to guarantee itself the necessary majority in parliament. If it did succeed, the prime minister, in all likelihood, would be Igor Bavcar, as the president of the strongest party. The government's activity would probably labor under the problems necessarily caused by a coalition with a large number of parties, with which we became quite familiar through the activity of the last two governments. Finally, such a government necessarily causes instability in the long term.

All the possible coalition alliances that we have discussed here, of course, are on the level of speculation. It is precisely such speculations, however, that the parties thinking about their campaign measures are now engaged in. On one hand, they have to be harsh toward their opponents, and establish themselves as recognizable entities, but on the other hand they must not be too critical of everyone, since they do not know who they will have to cooperate with in the future.

As we have already mentioned, the outcome of the elections is extremely uncertain. It is for this reason that all the parties are indecisive about alliances after the elections. For the time being, the only thing that is certain is that no party will be able to rule alone after the elections. The electoral system allows them to wait and see what the outcome of the elections will be like. With the current ratio in the parties' popularity among the voters, however, this may also cause some problems.

If the electoral result is clearly that one party will receive many more votes than the others, then the formation of the government and the opposition will be simple. A coalition will obviously be formed around the strongest party. It will be somewhat more complicated if several parties achieve an approximately equal result. The decision on which of them will form a coalition and propose the prime minister-designate will require long negotiations. Intrigues and the formation of very different combinations of small parties that would jointly be stronger than the strong parties are possible. The new Republic president will then also be drawn into the game, since his role is to propose the prime minister-designate to parliament.

In this article we wanted to point out primarily the fact that the elections are not just a matter of who will sit in which chair in parliament. We are also deciding how Slovenia will be led in the future. We can be criticized on the grounds that by portraying the above-mentioned four parties as the favorites ahead of time, we are actually just

making favorites out of them. It seems necessary to us to talk about this as well, however, and thus explain the reasons for some events during the preelection period.

In general, this year's elections are probably the last ones in which the media will give such balanced attention to all those who have decided to participate in the elections, regardless of what their importance was in the past and how much they proved themselves before the electoral commission started to gather candidacies. Finally, that behavior by the media, when they give equal treatment both to established parties and those that arose at the last minute, is one of the causes of the instability in political life.

### Opposition Presents Platform, Candidates

93BA0214E Ljubljana DELO in Slovene 11 Nov 92 p 2

[Article by Marko Jakopc: "The List Parties Have Already Coordinated Their Goals"]

[Text] *Joint approach by the Party of Christian Socialists, the Worker's Party Forward, and the Free Party of Slovenia.*

Ljubljana, 10 Nov—The coordinated points of the joint electoral program, the list of candidates for the elections to the State Assembly, the joint national list, and their principal goals were outlined today by the representatives of the List composed of the Party of Christian Socialists, the Workers Party Forward, and the Free Party of Slovenia. At a press conference, the representatives of those parties said, among other things, that in terms of their political orientations and goals they were not classified as the left, the center, or the right, but instead simply occupied the space that was previously empty.

The president of the Christian Socialists, Dr. Matija Kovacic, stated that all the parties of the List, in the joint electoral program, were advocating a socially just society, a market economy with a human face, and having the most important natural resources remain in the hands of Slovene citizens. He emphasized that the social welfare components of social life should by no means be left merely to charitable establishments, but instead the state should take care of them. The state, however, should not just grant people social rights, but should instead allow them to take care of their social position by themselves.

He added that the List parties advocated the equality of knowledge, capital, and labor, and furthermore devoted most of their efforts to those parts of the population which were still contributing their labor to these processes. As he also stated, the economy should not be an end in itself, i.e., they should give more support to what might be slower but, on the other hand, was a higher-quality and more just development of the state. When he spoke about his own party, he claimed that it was certainly derived from the historical roots of Christian socialism of the Krek type, but he nevertheless did not

have an exclusivist view of it, but rather was using it as a sound basis for work in the future.

Jurij Bavdaz of the Workers Party Forward said that two years ago the party actually emerged from the workers' desperation and sense of great danger. In fact, they were afraid that as a result of the right wing's organization and aggression, they would be left completely without rights, work, property, the possibility of joint decisionmaking, and in short, on a road forgotten by everyone. Free Party President Peter Zidar emphasized that his party primarily advocated having women, invalids, and the poor obtain the possibility of equal participation in decision-making. He explained that the party was only founded at the beginning of this year, and consequently it was venturing into political waters completely without any burden from the past, but with numerous experts from different fields.

Marko Nemeč, head of the List parties' campaign headquarters, presented the candidate lists for the elections to the State Assembly. He said that they had lists prepared for eight electoral districts, and they included 66 candidates, since some of the candidates would be for several electoral wards. There are 21 candidates from the ranks of the Christian Socialists. From the Workers Party Forward, there are seven candidates, and from the Free Party, 37 candidates. The list also included 23 independent candidates. In this regard Nemeč particularly emphasized that the list also included 22 women (33 percent), which no other party in Slovenia had managed to ensure. He added that because the competition was too severe, they had given up on candidates for the State Council. The representatives of all three parties assessed their chances in the elections as good.

### Parties Register Presidential Candidates

93BA0214F Ljubljana DELO in Slovene 11 Nov 92 p 2

[Article by Matjaz Ernožnik: "Gros Will Not Run for State President"]

[Text] *The Liberal Party will support Alenka Zagar-Slana's candidacy; Gros will be a candidate for the State Council.*

Ljubljana, 12 Nov—Vladimir Gros will not be a candidate for president of the Republic, but instead for a deputy in the State Council, in two electoral wards, Gorica 1 and 2, as was stated in today's Liberal Party press conference. Gros has justified his decision with the words that he will be better able to advocate the party's demands for instituting a law-governed state and parliamentary democracy in the State Council.

In the elections, the Liberal Party will support Alenka Zagar-Slana. Her lack of burdens from the past, calmness, and circumspection are the characteristics that a good state president must have. With her, it should be easier for Slovenes to forget the difficulties of the communist regime, and protect themselves from threats of

dictatorship. In fact, the Liberals are criticizing candidate Milan Kucan for overstepping his authority, responsibility for obstructing the work of the Constitutional Court, and the formation of a personality cult after the style of Kim Il-song. He allegedly used illegal methods of violating human rights by wiretapping, signed secret regulations on instituting martial law in Slovenia, and through his conduct, hinted at strengthening a presidential system and not a parliamentary one.

Gros also addressed several criticisms to the deputies in the Republic Assembly. The irresponsibility of some people in the Demos coalition allowed the spring coup in the government. In spite of the scheduling of the elections, the deputies are still engaged in passing key laws, which will only burden and block the work of the next Assembly.

### [Box, p 2]

According to unofficial data, eight candidates submitted applications for presidential candidacy before the deadline: Stanko Buser (Slovene People's Party), Ivan Bizjak (Slovene Christian Democrats), Darja Lavtizar-Bebler (Socialist Party of Slovenia), Jelko Kacin (Democratic Party), Milan Kucan (Independent), Ljubo Sirc (Liberal Democratic Party), France Tomsic (Social Democratic Party of Slovenia), and Alenka Zagar-Slana (National Democratic Party of Slovenia). All candidates still have an opportunity to withdraw.

### Parliamentary Findings on Wiretapping Refuted

93BA0214A Ljubljana DNEVNIK in Slovene 11 Nov 92 p 3

[Article by Meta Roglic: "Political Conflict at the VIS's Expense"]

[Text] *Minister Igor Bavcar asserts that they did not violate the Constitution; the members of the commission for oversight of the work of the VIS [Security-Information Service] insist on their findings.*

Ljubljana, 11 Nov—On Monday the Assembly's commission for oversight of the work of the VIS ended its discussion of the so-called wiretapping scandal, and consequently also provided the public with several findings. Among other things, these say that (in the commission's opinion), after constitutional amendment LI went into effect (on 27 September 1989), in several cases the VIS did not observe constitutional norms.

"After the law on changes and additions to the law on internal affairs went into effect (on 16 May 1991), there were violations of legal norms in certain cases, in which the VIS used special operational methods and means." These findings were unanimously supported by all eight of the commission members present. Yesterday, Interior Minister Igor Bavcar and VIS Director Dr. Miha Brejc responded sharply to these conclusions.

At a press conference, Igor Bavcar said that today's situation was similar to the one four years ago. Just as Slovene politics tried to hide behind certain general findings in the case of JBTZ [Jansa, Tasic, Borstner, Zavrl], the statement by the commission for oversight over the VIS is also trying to conceal the entire background of the so-called wiretapping scandal with completely general sentences about illegality and unconstitutionality. Consequently, just as four years ago he defended the rights of the people who were wrongfully accused, today he will defend his rights and the constitutionality and legality of his own work and the work of his colleagues. Specifically, he cannot permit political fighting and party quarrels to be at the expense of the police and the VIS, which bore the bulk of the conflicts in last year's war on their own shoulders.

At the same time before independence, the VIS, according to the interior minister, monitored all key Ljubljana-Belgrade communications. Immediately after assuming his tasks as minister (on 24 May 1990), he informed the entire Slovene political leadership—the president of the Presidency, the chairman of the Assembly, the prime minister, the defense minister, and several other officials—of the people who were being wiretapped. On 23 April 1991, in one of the routine inspections, a three-member working group from the Assembly's commission for oversight over the work of the VIS also learned of these names. "The Assembly commission consequently already knew all these facts a year and a half ago, and consequently they all know that no one wiretapped Mr. Ciril Zlobec," Igor Bavcar said. In conversations on 17 June and 24 June 1991, according to Igor Bavcar, Ciril Zlobec allegedly stated the planned date of Slovene independence and the Slovene state's basic measures for independence. The interior minister immediately informed the president of the Presidency and the defense minister about this. With the delivery of a transcript of the conversation to Milan Kucan, with a request that he talk with Ciril Zlobec, he considered the matter to be over.

In this regard Igor Bavcar emphasized that even at that extremely sensitive time they did not violate the Constitution and the law. He himself did not permit the ministry to function arbitrarily and without the cooperation of parliament's oversight body for a single moment. Igor Bavcar explained this statement of his by saying that on 16 May 1991 the law on internal affairs went into effect. After that date, the VIS still monitored a certain number of telephone junctions, namely on the basis of decrees already issued according to the previous legislation. Nevertheless, at their request, there was a meeting at the Supreme Court as early as 19 April 1991, which was also attended, in addition to the Interior Ministry employees, by the Supreme Court judges and Peter Bekes, chairman of the Assembly's commission for oversight of the VIS's work. That group's position was that the new law could not apply retroactively, and that the courts would not decide once again on decisions issued according to the old law, and thought that the

deadline for the coordination of all decisions at the court was 1 July 1991. Both transcripts of Ciril Zlobec's conversations were authorized before that.

The interior minister noted in this regard that it seemed that Peter Bekes had gotten retroactive amnesia. The guidance that he had given was obviously no longer important. In any case, during his term the chairman of the Assembly's commission for oversight of the VIS's work received 198 VIS reports, but never informed the commission's members about them. He likewise did not inform them about the meeting at the Supreme Court.

Igor Bavcar stated for their information that the Geneva conference on the former Yugoslavia was meeting the next day in Geneva, and that its working group on the economy had included in its agenda an item on the reconstruction of the former Yugoslavia....

Igor Bavcar ended yesterday's press conference with words about the significance of the fact that the Assembly commission's accusations were very similar to Zmagoc Jelincic's accusations at his Monday press conference. He also decisively rejected "all the allegations stated at Jelincic's press conference."

And what do some members of the Assembly commission for oversight of the VIS's work think about Igor Bavcar's statements? Regarding the above-mentioned accusations, Peter Bekes said that they involve a well-known allegation that we are familiar with from less glorious periods of European history, and that is built on tailored truths and half-truths. The generalization that he knew everything stands on shaky ground; it is true that he received some reports that were marked top secret, state secret, eyes only, and which also contained instructions inside that the documents were to be sent back after he read them. As long as the VIS director had not given his consent that the chairman could show those reports to all the members of the commission, as Peter Bekes said, he acted in accordance with the above instructions. According to him, they obtained some information on the basis of the work of the three-member group that the commission appointed for operational oversight of violations of the secrecy of written and telephone communications. The group kept the commission continually informed of all these actions, and only in one case reduced the specific elements to a general statement that was not contrary to the established truth. Peter Bekes also emphasized that consideration of constitutional amendment LI threw a completely new light on the entire issue, and proved the unconstitutionality of the VIS's actions. He also acknowledged that the three-member group had overlooked that amendment. "In this case we can also talk about my responsibility, but that does not relieve the Interior Ministry and the VIS of their responsibility."

Yesterday we were also able to obtain statements from some members of the commission for oversight of the VIS's work, and absolutely all of them, regardless of their party membership, insist on the position that in some

cases during the VIS's actions there was a failure to observe constitutional norms and a violation of legal norms. All those who were not members of the three-member working group also emphasized that they did not know about the wiretapping. Thus, Vika Potocnik stated that she only learned about it when their commission started to deal with it, i.e., a full month ago. She learned, in fact, that in several cases there were wiretaps, but she could still keep hearing claims that it was being done legally.

Andrej Ster likewise emphasized that he did not know about the illegal wiretaps, and that only the three-member group was supposedly informed about it, and no other member of the commission. Andrej Ster also stated several comments about the commission's work and about chairman Peter Bekes's "cryptic answers" when he was asked about several documents that will still have to be explained at the next meeting. That, however, did not change their statements on Monday about the illegality and unconstitutionality of the VIS's work. He also thought that the Assembly had to state an opinion as soon as possible on the findings.

Milan Vovk likewise emphasized that he adhered to the positions in the Assembly commission's report, which the Interior Ministry considered contentious. In his opinion, with the above-mentioned report they had acted in accordance with the principles of a law-governed state.

**[Box, p 3]**

Igor Bavcar: "The story we are listening to today is a story about the relations within this commission and about the incompetent work of its chairman. Mr Bekes's full turnaround does not represent only his personal dimension. People, who during the preparations for independence engaged much of their forces against independence, are now also pretending ignorance."

**[Box, p 3]**

VIS Director Miha Brejc informed journalists about four meetings last year of the Assembly commission for oversight of the VIS's work, at which they never noted any irregularities in that service's work. He also said that the VIS had a court order for all new cases in which it had started wiretapping after 16 May 1991. In any case, before Pekre events, they allegedly monitored 40 individuals on 53 telephone exchanges.

**Belgian, Slovene Defense Ministers on Refugees**

*93BA0214C Ljubljana DNEVNIK in Slovene 13 Nov 92 p 10*

[Article by (tp): "Three Hundred Belgian Houses in Savudrija"]

[Text] *Janez Janez and Leo Delcroix on refugee issues; the problem of the refugees has to be solved in Bosnia-Herzegovina.*

Strunjan, 13 Nov—Yesterday morning Slovene Defense Minister Janez Jansa and Leo Delcroix, defense minister of the Kingdom of Belgium, met in the Tartini villa in Strunjan. "This is only the first meeting and the first step, but I hope that we will meet soon and that we will then have more time available," the Belgian guest said during a brief meeting with reporters.

Yesterday the Belgian guest was on his way to Savudrija, where his soldiers are setting up 330 prefabricated houses for 2,500 refugees. During the meeting in Strunjan, he could not help giving a high assessment of Slovenia's cooperation in the international efforts to resolve the crisis in the former Yugoslavia.

Janez Jansa added in this regard that he and his Belgian colleague had agreed that during the coming weeks they would meet for a longer talk with the assistance of both countries' diplomatic services.

"Belgium is one of the first states," Minister Jansa said, "that took seriously Slovenia's position that the issue of the refugees should be resolved as close as possible to their home, since otherwise we help the ethnic cleansing. In this short meeting we exchanged views on everything that is happening south of us. Belgium is an active participant in the activities of the world organization and the EC for resolving the Yugoslav question, and consequently its defense minister has abundant information about everything that is happening.

"The minister and I noted that we had identical positions on the refugee issue, and I suggested to him that assistance in building housing for the refugees also be provided in secure zones in Bosnia. I cited for him several areas where it would be possible, according to our information, especially now, when such a view of secure zones has also become the Security Council's official position.

"The minister and I were also in agreement on the danger of a spread of the conflicts to Kosovo, Macedonia, and Sandzak, which in our opinion could lead to a regional military conflict. The consequences of this are now unforeseeable, but in any case negative," Janez Jansa also said.

**Adria Airways Denies Flying Arms to Sarajevo**

*93BA0214D Ljubljana DNEVNIK in Slovene 13 Nov 92 p 10*

[Article by (rs): "Adria's Planes Without Arms"]

[Text] Ljubljana, 13 Nov—Adria Airways has decisively rejected the allusions by the Carinthian journal KLEINE ZEITUNG that it was been involved in transporting arms to Bosnia-Herzegovina, which we reported on in DNEVNIK. Last October, when it was supposed to have happened, Slovene airports were closed, and so until 25 October Adria's planes were flying out of Graz.

On the day mentioned, 7 October, they flew the regular Graz-Sarajevo route, and from there the plan continued on a charter flight to Istanbul. There were only passengers on board, and no cargo was registered. The article in the Austrian journal mentions that this plane is still at the Graz airport. That is certainly not true, since more than a year has passed since then. Everything indicates that the Austrians confused last year and this year.

The only plane that landed in Austria this year and last month had engine difficulties because of an intake of birds, and it was repaired between 6 and 16 October. Under UNPROFOR [UN Protective Forces] supervision no aircraft are flying to Sarajevo now, including Adria's. In any case, Adria Airways says that it has been accused several times in the past for carrying arms.

### **Economic Relations With Hungary Viewed**

93BA0175A Ljubljana DELO in Slovene 30 Oct 92 p 3

[Article by Ivan Gerencer: "Something Is Obviously Going Wrong in Business With the Hungarians"]

[Text] *Extremely good political cooperation; unused information system; in eight months, we sold only \$38 million in goods to the Hungarians, but bought \$84 million in goods.*

Murska Sobota, 29 Oct—In spite of very good political cooperation, something is obviously going wrong in the concrete economic relations between Slovenia and Hungary. Thus, only five socially owned Slovene enterprises and four private ones are participating in the fall international trade exhibit in Zalaegerszeg in the neighboring Hungarian county of Zala. Except for Lendava's Ilirija-Vedri and Radenska, these are small Pomurje enterprises (Purlen, Pan-Agra, and Blesk-Livarna) and four Ljubljana private businessmen who are interested and also have specific interest in penetrating the interesting Hungarian market with their goods.

And what is the reason for such great abstention on the part of Slovene enterprises at the exhibit, to which, for example, the Austrians and Italians, and to a somewhat lesser degree the English as well, devoted extremely great attention, since their enterprises are the most numerous among the 170 exhibitors? Our enterprises quite certainly cannot complain that the state is obstructing them in seeking partners in Hungary, as was true at one time with the planned economy. In one year Slovenia, among other things, has concluded a trade agreement with Hungary, an agreement on air transportation, etc.; the neighbors agreed on building a railroad between Murska Sobota and Monoster in Porabje, reached a very important agreement in principle on a mutual road link, which for both states also means an open transportation route between Western and Eastern Europe, etc.

In addition to agreements and treaties at the highest state level, the Slovene Chamber of Commerce is also very supportive and also making concrete efforts on behalf of more tangible economic relations through the Pomurje

regional chamber. Through the Chamber's signing of three agreements with Hungarian regional chambers (Szombathely, Pecs, and Győr) in the past year, it has offered entrepreneurs an opportunity for faster mutual familiarization and also for the possible initiation of concrete cooperation. The Slovene and Hungarian chambers have also been connected to each other by a computer information network, so that our enterprises and theirs could draw information from it for planning possible joint business. One of the Slovene enterprise representatives at the fair in Zalaegerszeg admitted that so far he had not even once pressed the computer's keys to find out anything more about any Hungarian enterprise.

To be sure, his frank admission should not be generalized without specific evidence, but it is certainly not far from a general truth that Slovene and Hungarian economists, with some honorable exceptions of course, are still mostly successful at talking rather than acting. Both are steadfastly repeating that they still do not know each other well although they had and still have ample opportunity to get to know each other. Besides the abovementioned unused computer data system the three very well attended meetings (the so-called exchanges) between Slovene and Hungarian entrepreneurs in Szombathely, Radenci, and the agricultural fair in Gornja Radgona have produced no agreements except for trade, at which Hungarians definitely excel. In an eight-month period, we sold \$38 million in goods to Hungarians, but at the same time bought \$83 million in goods.

With such a trade balance, the result of a classical trade and not the result of operational production cooperation, or possibly even the result of joint investments, one should consider whether it is only the fact that we in Slovenia have not yet completed the privatization process that is to blame for such a level of economic relations. The director of a large Hungarian enterprise said that at this time he was not concerned about the security of his investment in Slovenia (which could be worth \$3.5 million), but rather about the smallness of the market in which he could sell goods and products from the joint investment.

It is also true, however, that for the most part neither our enterprises nor the Hungarian ones have their own capital for investments, and at the same time, their joint interest is too small for them to find a third partner who does have money through their joint resources, even if it is only a bank. At the fair in Zalaegerszeg a Ljubljanska Banka representative claimed, to be sure, that his bank was in favor of any good transaction between Slovenia and Hungary, but that it was true that because of the lack of capital it would rather support transactions in which there would be a quick turnover of capital, i.e., in trade and not in production. Thus, the two smaller mixed enterprises that were established with the Hungarians there by Lendava enterprises, and several good coproduction arrangements between Pomurje and Hungarian private businessmen remain, for the time being, an

achievement in the area of higher forms of economic cooperation between Slovenia and Hungary.

### Black Market Activities Thrive in Sandzak

93BA0175D Ljubljana DELO in Slovene 3 Nov 92 p 6

[Article by Branko Jokic: "The Biggest Black Market, Which Does Not Have an Equal in the Balkans"]

[Text] *In Novi Pazar, the center of Sandzak, the shortage of goods that is otherwise characteristic of Serbia is not even felt.*

From our correspondent.

Novi Pazar, 2 Nov—"Mister, do you need any gasoline? Do you want cigarettes, foreign exchange, gasoline coupons? Do you need larger amounts? Would you like to sell anything? You won't get as much for foreign currency anywhere else...."

That is the usual reception that a foreigner experiences when he arrives in Sandzak and its capital, Novi Pazar. You are wrong if you think that it involves an "ordinary" offer and the innocent smuggling transactions that you encounter everywhere in Yugoslavia, where the desire for profit has overshadowed all other feelings and even regret for the casualties, and where the war, as the writer Miodrag Bulatovic wrote (when he was describing a war in this region half a century ago), "has become much better." Novi Pazar is something special in this regard. At this time it is essentially the biggest black market, which does not have an equal in the Balkans. You can get anything in it, from the most trivial necessities to the most valuable Persian rugs, from gold and jewelry to Colts, Scorpions, machine guns, bombs, and mines.

Novi Pazar, although it constantly lives in fear of war and the Serbian pogrom, which, according to the majority Muslim population, is already moving from Bosnia to this area, has kept, out of everything that was characteristic of it, the overflowing shops that sell legally, and the narrow alleys into which adroit and resourceful merchants boldly entice a passerby in order to offer him something that he will not find anywhere else. Otherwise, Novi Pazar is swarming with police and the taverns are crammed with soldiers.

The displays of Novi Pazar shops offer southern fruit, imported clothing and footwear, and also imported livestock. In butcher shops, of which there are allegedly more here than anywhere else (they literally come one after another), you can buy the freshest and also the cheapest meat. They say that it was "bought" in Bosnia and that it was "brought by refugees" from there.

In front of the Vrbak Hotel, on the promenade, in the narrow alleys, in tearooms, and at meatball [cevapcici] stands, millions of marks change hands every day. Both the products and the foreign exchange come from all parts of the Federal Republic of Yugoslavia [FRY], from Bosnia-Herzegovina, Slovenia, and Croatia, but mostly

from Bulgaria, Romania, and Turkey. When there was the biggest shortage of gasoline, it was possible to buy it here for three marks a liter, in unlimited quantities.

Those who previously devoted themselves to trading in better markets no longer mention Trieste since they have started to come to Novi Pazar. The same thing is true of Istanbul, since everything that they have there can also be obtained in Novi Pazar. The market seems too crowded for all the tables, and on market day (which is almost every day) the streets generally turn into open-air shops. Someone noted that 117 buses were coming to Novi Pazar every day, either as an intermediate station or the final one.

Noteworthy experts claim that this biggest Balkan exchange office and trading post, which operates according to the principle of "I came, I saw, I bought," is of interest to both the White Eagles and the Green Berets. From under their coats they offer you part of their "war loot," and officers of the Yugoslav Army and paramilitary formations can only note that someone is stealing weapons and ammunition from their storage depots and tents. They can look around here for them, in the Novi Pazar market, from which they usually do not travel much further. They are bought by both Serbs and Muslims, who are waiting for their long-predicted "day of judgment."

That is not the only business in this region, however. In fact, people do not only sell in the market, and not only "perishable consumer goods" go into the trafficking. In Novi Pazar you can also easily find a connection who, "through his connections," will enroll you at a college in Istanbul, Izmir, or Ankara, especially if you are a Muslim, or even at the famous al-Ashar in Cairo. Some people can enroll there for free (several thousand have already enrolled that way, mostly Sarajevo students), and others for foreign exchange. Everything will be easier and cheaper, they say, when a Sandzak university is opened soon in Novi Pazar.

People are still trading in white slavery in Sandzak. Even an old man can buy a pretty girl, and for a little more money, of course more out of fear, it is also possible to change her religion.

Because of all this trade, fear has taken up residence in the Sandzak population. They are all afraid for their souls, since they know quite well that it is precisely that "article" that the traders treat most badly. Then Novi Pazar, even though these are now the "worst European backwoods," instead of replacing the flea markets in Trieste, would turn into the biggest and most tragic, and at the same time also the cheapest and blackest of all black markets, in which human souls are sold.

"Gasoline, marks, cigarettes....," shout the locals, and they make an effort not to think about that other completely possible market....



**Government on Serbian Drugs, Embargo**

93BA0214B Ljubljana DNEVNIK in Slovene 13 Nov 92  
p 3

[Unattributed article: "Slovenia Will Soon Be Richer"]

[Text] *Serbian drugs do not violate the embargo; negative government position on the leather factory in Gocova; our property from the former SFRY; privatization of military apartments under the housing law.*

Ljubljana, 13 Nov—Slovenia is not violating the embargo by selling Serbian produced drugs in drugstores again. In fact, many people are criticizing it for this, and the American press is incorrectly explaining that the Defense Ministry imported these drugs directly. To be sure, that ministry approves the release of commodity reserves, and it also did so three weeks ago when the government decided that it would release Serbian drugs from the reserves, which had been stored in warehouses for a long time and the shelf life was expiring.

The government explains, as Minister of Commerce Davor Valentincic stated at a press conference after yesterday's government meeting, that it is a fairly large amount of drugs. If those drugs were simply thrown out, the damage would amount to 47.7 million toalars. He also thinks that Slovenia is not violating the embargo by doing this, because it imported them previously. Serbia is not benefiting from it now at all, and Slovenia would be the only one to suffer the damage.

The former SFRY's property on the territory of Slovenia is no longer questionable. At yesterday's meeting the government concluded that on the basis of the fundamental constitutional document on the autonomy and independence of the Republic of Slovenia, the constitutional law for implementation of that document, and in accordance with the principles of international law on the succession of states with respect to state property, archives, and debts of 1983, the former SFRY's real estate and movable assets on the territory of Slovenia have become the property of the Republic of Slovenia. According to the government's decision, the Ministry of Justice and Administration is to prepare, by 20 November, a proposal for registering this property to the Republic of Slovenia. Nothing, however, will happen with the construction of a leather factory in Gocova near Lenart. The government, in fact, accepted the position of the Republic Institute for Land Management and the Ministry of Environmental Protection and Land Management that the Lenart municipality's program plan for

building that factory was not coordinated with the Republic land use plan, and that it was not even possible to coordinate this action with the Republic plan. If the Lenart municipality persisted and started an initiative for changing the Republic plan, it would have to define thoroughly the characteristics and effects of the planned action. The government would only begin the procedure for changing the plan in the event of a positive assessment. In any case, the construction of the leather factory is not acceptable because of the specific vulnerability of the environment at that location, permanent use as farmland, water management reasons, flood protection, protection of the water quality, and the problem of waste, as the Ministry of Environmental Protection explained in detail in justifying the decision, as Miha Jazbinsek stated at the press conference. Also dropping out of the plan is the Schmidt-Feldbach firm, which informed the ministry in writing that it was stopping the project and withdrawing the application, since it had received incorrect statements about the general conditions and incorrect facts about the amount of water in the Pesnica and also about the lack of coordination between the municipal plan and the Republic one.

[Box, p 3]

**Privatization of Military Apartments**

The government decided that the customs service and military apartments for which housing permits were obtained in accordance with the regulations in effect in the Republic of Slovenia would be privatized in accordance with the housing law. The Ministry of Environmental Protection and Land Management, in cooperation with the Ministry of Justice and Administration, the Ministry of Finance, and the Ministry of Defense has to submit to the government by 20 November a proposed decree on carrying out the privatization of these apartments.

[Box, p 3]

**Coordination of the Budget**

In the government's opinion, a change in the denomination of the budget is necessary, but will have to be carried out within the limits of the funds that are actually available. The government therefore yesterday designated the starting points for preparing the change in denomination. In doing so, it proceeded from the authorization in the law on the Republic of Slovenia's budget for 1992, and noted that the budget could be coordinated at 233 billion toalars.

**Opposition Unity, Autonomy for Vojvodina Urged***93BA0172A Novi Sad MAGYAR SZO in Hungarian  
19 Oct 92 pp 1, 3*

[Article by Marta Varju: "Democrats, Let Us Unite! Convention of the Civilian Alliance in Novi Sad; Principal Goal Is Freedom and Bourgeois Democracy"]

[Text] The auditorium of the Arena movie theater in Novi Sad was filled yesterday [18 October] at 1100 hours. Nebojsa Popov (Republican Club), Vesna Pesic (Serbian Reform Party), Dragan Veselinov (Popular Peasants' Party), and Nenad Canak (Vojvodina Socialist Democratic League) addressed the audience at the convention of the Civilian Alliance organized by the Vojvodina Socialist Democratic League. The organizers also invited representatives of the Democratic Party, the VMDK [Democratic Alliance of Vojvodina Hungarians], DEPOS [Democratic Movement of Serbia], and the Vojvodina Journalists Association. Among them, the greatest success was Mile Isakov (Independent Journalists' Association), who started his speech with the words that in Serbia journalists are free; namely, they were freed of all responsibility, and can talk nonsense with impunity. Since he worked for Novi Sad Television, he meant first of all television journalism. He proposed that because one-fifth of parliament is occupied by the opposition, and there are five television stations in Yugoslavia, in the future elections at least one of these stations should be offered to the opposition.

Vesna Pesic was greeted with prolonged applause even before she went up to the microphone. Right away she said that she does not feel like a guest in Vojvodina, because she is from Vojvodina, and thus she can rightfully demand constitutional autonomy for Vojvodina, equality for every nation and citizen of the region, and the preservation of the existing multicultural traditions. In her opinion, society should be fundamentally reformed, and in order to do this, every party with a democratic orientation should gather around the Civilian Alliance. One should do away with the mistaken notion that the only good Serbian is the one who shoots. The monopoly of the Socialist Party must be broken, and the economy must be restored. In the name of the 10,000 starving people she almost shouted: "It is enough! If we want to remain sane and healthy, the madness must end!"

"Democratic Serbia cannot have a future until it recognizes complete autonomy for Vojvodina," Nebojsa Popov began his talk. "A free and democratic bourgeois society can only be created if free citizens live in free cities; for this very reason, the traditional freedom of Ujvidek [Novi Sad] and Vojvodina must be protected," he said, and called for the unification of the democratic opposition, which in his opinion is necessary to topple the socialists' power and for the opposition to finally acquire enough seats in parliament necessary for the establishment of democracy.

Dragan Veselinov spoke, in a rather ironic tone, of Bozovic as a so-called Vojvodina cadre who deceived the peasants and is devoting his efforts to plundering Vojvodina. "This cannot go on," he declared in a loud voice, and said repeatedly that the people of Vojvodina must retain Vojvodina, otherwise the entire country will go bankrupt. He spoke of the equality of national minorities, and put great emphasis on nurturing ties between the nations; moreover, he in fact said: "Let us protect the minorities, because without them, there will be no Vojvodina." The wealth and diversity of Vojvodina can only be preserved by cooperation; one must strive to create a European region here, and not to accomplish, as the politics of Bozovic does, that the plains of Vojvodina bring forth only weeds. Dragan Veselinov also asked the democratic opposition to support the elections, but only if they take place in an adequate manner. The members of the democratic opposition are the politicians of peace, and they all want the same thing.

"Four years have passed since the antibureaucratic revolution, when 'the people happened,' after Kertes 'opened our eyes.' Since this great moment, many things have happened here; among other things, the number of refugees in Vojvodina reached 320,000. On the other hand, 200,000 people from Vojvodina, mostly intellectuals, were forced to flee, and the number of the disabled reached 45,000. This year, 5 percent of the children cannot be immunized. All of this we have the occupying Milosevic regime to thank for. We don't even have to pass judgment on Milosevic, because the people themselves will do so," we heard from Nenad Canak. He blamed the socialists for completely monopolizing television, and especially Novi Sad Television, which pursues such a provocative policy that if Goebbels applied as a journalist, he would be regarded as unqualified.

"Lies have become truth, and truth is labeled as a lie. This is the policy they pursue, and their means are extortion, deceit, and misrepresentation. Most recently, the regime in power started to persecute judges. Judges who are not members of the Socialist Party are regarded as undesirable. The Milosevic-Seselj-Bozovic trio have the audacity to classify Serbians into good ones and bad ones. In Vojvodina many people are apprehensive, most of them of ethnic cleansing, but perhaps one must be even more apprehensive of political cleansing. We must be governed by one single aim: the creation of Vojvodina's constitutional power. In uniting the democratic opposition, we must keep one criterion in mind: that we are all against the war. Our political goals are irrelevant; the important thing is that we all want peace, and demand the cessation of the war, or the start of a great war against Milosevic."

**Vojvodina Hungarians To Participate in Elections***93BA0172C Subotica NAPLO in Hungarian 31 Oct 92  
p 1*

[TANJUG report: "VMDK To Participate in Elections if DEPOS Does Not Call for Boycott; Andras Agoston and Dr. Sandor Pall at Assembly of Belgrade University Students"]

[Text] The VMDK [Democratic Alliance of Vojvodina Hungarians] will participate in the impending elections, unless the DEPOS [Democratic Movement of Serbia] decides to boycott the elections, Andras Agoston, president of the VMDK, said at the assembly of university students Thursday night.

Sandor Pall, member of parliament for the VMDK, thought that the federal election law that divides Vojvodina into two election districts is not good. He added that with such districting, the VMDK, so far the only legitimate representative of the Hungarian minority, will lose the votes in Syrmia and South Banat.

"The division into two districts is detrimental not only the Hungarian minority, but to the other minorities as well, because they cannot send representatives to the federal parliament."

On the situation before the elections, Pall said that "the Socialists have organized very well; the opposition has more or less a walk-on role, and the public does not have the critical mass that could start changes."

Agoston spoke in support of a dialogue and the realization of the principles of the London conference. He said that the Federal Government assured the VMDK that they are willing to start a dialogue, but the VMDK is "a little dissatisfied with the attitude of the Serbian authorities, because no negotiations have taken place up to this day."

At the assembly organized by the parliament of university students, Agoston emphasized that Vojvodina Hungarians "are not separatists, and are for solutions within the borders of Yugoslavia."

Agoston informed the university students about the "autonomy concept" advocated by the VMDK and emphasized that the VMDK "wished to create conditions under which Hungarians can be engaged in preserving their identity."

### Views, Positions of Macedonian Parties

#### VMRO-DPMNE Announcement

93BA0016A Skopje NOVA MAKEDONIJA  
in Macedonian 17 Sep 92 p 4

[Unattributed article: "Concealment of Illegal MVR Actions"]

[Text] A public announcement by the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] stated that two months have passed since the exposure of the political affairs related to the establishment of paramilitary terrorist organizations ("Blue Bird") and the forbidden anticonstitutional eavesdropping of the VMRO-DPMNE by the State Security Service. Regretfully, the public was not given the names of those responsible, nor was it informed of the outcome of the

event. The stubborn silence and indolent attitude of the involved state authorities—the government, the Ministry of Internal Affairs [MVR], and the Commission for Supervision of the State Security Service—cannot be interpreted other than as an effort to cover up and conceal the gravity of such illegal MVR activities and help the main performers of this police-political put-up job avoid responsibility: Republic President Gligorov; Minister of Internal Affairs Ljubomir Frckovski; Slobodan Bogoevski, SDV [State Security Service] deputy secretary; Deputy Minister Dobri Velickovski; and service chief Mite Apostolovski.

Particularly worrisome is the silence maintained by the Macedonian public prosecutor, who has still not filed an indictment against such people although he has sufficient information concerning irregularities committed in the service, which most directly violate the constitutional principles and rules governing the proper functioning of a law-governed state in the Republic of Macedonia, the VMRO-DPMNE communication reads.

#### Socialist Party

93BA0016B Skopje NOVA MAKEDONIJA  
in Macedonian 17 Sep 92 p 4

[Unattributed article: "Request for Membership in the Family of European Socialist Parties"]

[Text] On this day the Socialist Party of Macedonia addressed a letter to the Socialist International congress, which opened last night in Berlin, with sincere wishes for successful work.

In a letter addressed to the congress and, personally, to Felipe Gonzales, its president, the Socialist Party informed them that for the past two years a socialist party has been functioning in the sovereign, independent, and peace-loving Republic of Macedonia.

It requested, with this application and the applications submitted by other leaders, that the party be accepted as a member of the socialist parties of Europe and that our representatives be invited to attend their regular meetings.

The letter stresses that the Republic of Macedonia is noted for having proved and for continuing to prove that it is a small, peace-loving country that, from the very beginning, has insisted on the peaceful and constructive resolution of the Yugoslav crisis. We hope, the letter reads, that you will not forget the support you received from the Socialist Union of Macedonia, to which our party is the legal heir. Hence we take the liberty to request of you personally and of the other leaders of the socialist parties in Europe to press in your countries for the broad international recognition of the Republic of Macedonia.

### League for Democracy

93BA0016C *Skopje NOVA MAKEDONIJA*  
in *Macedonian* 17 Sep 92 p 4

[Unattributed article: "Macedonia Must Reciprocate"]

[Text] The League for Democracy has publicly protested the improper behavior shown by the Republic of Macedonia related to the humiliation inflicted by Greece, the more so since, due to the composition of the government, such behavior seems to be dictated by the Albanian coalition partner. The Macedonian public knows that, during their visit to Athens, the leaders of the PDP/NDP [Party for Democratic Prosperity/National Democratic Party] leaders questioned the right of the Republic of Macedonia to bear that name. Currently representatives of these same parties are members of the Macedonian Government and are responsible for the destinies of a country that they do not recognize in words or actions. Therefore, it turns out that the permissible attitude of the government in this difficult period is, actually, a considered policy, reads the public announcement of the League for Democracy.

The League for Democracy reminds the government of the principle of reciprocity, which is supported by any member of the international community concerned about his existence and reputation. In order to prove that it is a country worthy of respect, the communication states, the Republic of Macedonia should suitably respond to the Greeks' uncivilized behavior.

### SKM-DJ

93BA0016D *Skopje NOVA MAKEDONIJA*  
in *Macedonian* 23 Sep 92 p 4

[Article by J.K.: "Union of Democratic Forces' Initiative"]

[Text] Journalists attending yesterday's press conference of the SKM-DJ [League of Communists of Macedonia-Movement for Yugoslavia] Republic Committee were informed of that party's initiative to create an alliance of democratic and patriotic forces of the Republic of Macedonia. That party has already addressed letters to the chairmen of most political parties and associations, as well as to public and cultural workers in Macedonia, on establishing a union that would act as a permanent democratic forum and discuss topical issues of Macedonia's social development.

According to party chairman Gojko Gruevski, the complex developments of Macedonia require active contacts among all democratic forces. The SKM-DJ believes that the Macedonian democratic and patriotic forces must open a constructive debate in order to find the real answers to the vital questions asked by the citizens of the Republic and issues concerning its ideological development. The need for establishing a union of democratic and patriotic forces in the Republic of Macedonia, it was stated, also calls for "taking up the defense of truth and

preventing the rule of lies and disinformations." According to that party's initiative, such a union would work in an atmosphere of tolerance and understanding, and all political parties or associations within it would preserve their autonomy.

### Serbian Firms Circumvent UN Embargo

93BA0214G *Ljubljana DELO in Slovene* 13 Nov 92 p 6

[Article by Kresimir Meler and Mirjana Glusac: "Billions of Dollars in Illegal Trade"]

[Text] *Belgrade already started to prepare for the imposition of sanctions back in late spring; the main traders: Jezdimir Vasiljevic, the Karic brothers, Captain Dragan...*

Even years before the next to the last war (i.e., World War II), a scandal erupted in Serbia because of the smuggling and disappearance of a large amount of sugar, in which Rade Pasic was also involved, who was the son of a politician of that time, Nikola Pasic, nicknamed Baja. In a parliamentary discussion that took place at the opposition's request, Baja defended his mischievous boy with the words "What is so terrible about the fact that some sugar disappeared?"

"You know, my son likes sugar!" In the same way, the international public has recently been closing its eyes to a much more dangerous phenomenon. Individual European and also non-European states are trying in different ways to help the Federal Republic of Yugoslavia [FRY], in order to make it easier for it to survive the trade and oil embargo.

It has been determined that preparations were begun for the imposition of sanctions against Serbia and Montenegro considerably earlier than we thought until now. It is known that preparations were started for the possible imposition of Serbia's economic and political isolation as early as late last spring, when Slobodan Milosevic, Jugoskandik owner Jezdimir Vasiljevic, Major Veselin Sljivancanin of the counterintelligence service, Aleksandar Vasiljevic, retired Major General Nedeljko Boskovic, Borisav Jovic, and current Serbian Prime Minister Radoman Bozovic met on Sveti Stefan. At that meeting Aleksandar Vasiljevic proposed closing the discretionary funds at embassies and then transferring that money to the accounts of enterprises that would be established in other countries—naturally, where financial regulations and regulations on the registration of foreign enterprises were not too strict.

### The "Cypriot Connection"

The Cyprus branch of Jezdimir Vasiljevic's Jugoskandik was among the first to be established in that way. The initial capital amounted to somewhat more than \$2 billion. The money was collected from naive Serbs who coveted the high interest rates promised at a bank that Boss Jezda opened exclusively for that purpose in Belgrade. Soon thereafter Dafina Milanovic opened an office of her Dafinament bank on Cyprus, and later

Jugometal and Genex also moved to Cyprus; the latter was already known previously as an enterprise that was equally controlled by the counterintelligence service and the State Security Service. The Karic Bank, which was founded about five years ago by the Karic brothers, allegedly to finance Serbs who "live in hostile surroundings, and whose existence is therefore endangered," is also something special. To a considerable extent, the uprising of the Serbs in Croatia was also financed through this bank, with which Dragan Dragisic's Domet stock company in Zagreb publicly collaborated for some time, along with several other prominent Croatian enterprises. Furthermore, a large number of the houses (actually villas) that were built in the southeast part of Zagreb by the "endangered Serbs" were built with loans from the Karic Bank.

What are the Karic brothers involved in now? They have opened their own office in Nicosia, Cyprus, within the framework of the A. K. Cosmoserve enterprise. That gigantic enterprise (actually it is only a large enterprise on paper) also conceals some of the property of the Momir Bulatovic-Milo Djukanovic duo. These Montenegrin politicians have a 52-percent share in A. K. Cosmoserve, and a joint enterprise that changed from Trade Parts (this was founded by the former Montenegrin LC) to Trade Parts Ltd. Where did they get the money for all this? They collected most of the money by importing weapons for the needs of the Yugoslav Army, which bought them two years ago from the Lebanese Christian militia. A considerable part of the money was also brought by the commission that Jezdimir Vasiljevic gave them because they agreed to sell him (actually Serbia) part of the coast with the most exclusive tourist complex that Montenegro has ever had.

#### Agency for Resettlement

In time, business on Cyprus grew considerably, and so now deals are going on before the eyes of the Cypriot and Greek authorities, and also the UN forces stationed there, that Al Capone would not have been ashamed of. These deals also include the ethnic cleansing of parts of Croatia, Bosnia-Herzegovina, and also Serbia, from which Croats, Muslims, and Albanians have to be driven out. These deals are directly tied to the elimination of Banja Luka's resettlement agency. Specifically, the Banja Luka municipal government received a letter from the second department of the Yugoslav Armed Forces' Security Administration, saying that it was necessary, because of the "unfavorable view of the international public, to cease further work by the agency," and that its powers would be assumed by the EVRORAZ stock company, which would also thus receive the agency's former headquarters in Banja Luka, and the status of a foreign legal person that had its headquarters in Nicosia as part of Jugoskandik. No one at the resettlement agency and EVRORAZ has to be afraid that he will be left without a job. All the employees and coworkers hired will transfer to EVRORAZ, which at the same time will also take over all the agency's rights and obligations, and will be registered as an "enterprise for trade in real estate

and personal property, marketing, and the transportation of people and goods." The agency's director is Milos Bojnovic. The same document also specifies cooperation with Domet, which will represent EVRORAZ's interests. Mutual claims will be settled in dollars or German marks, specifically through commercial banks on Cyprus and the Karic and other banks and agencies. Actually, this has only changed the headquarters of the agency for importing and exporting people.

These are still far from being all the business relations that Serbia is maintaining through Cyprus. A few days ago we received information about how the Serbian authorities were making extensive use on Cyprus of forged documents from the Vuteks enterprise in Vukovar, in the name of which they are purchasing raw materials for their textile industry from Iraq—from third countries, of course. The most important intermediaries in these transactions are the Cyprus Offshore Bank in Nicosia and Jugobanka's office in Baghdad. No less important is the role of Marko Milosevic's enterprises in Nicosia and Singapore. Through these enterprises Serbia is exporting fruit juices, and also revolvers, spare parts for tractors, and various other goods to the markets of the Middle East and several West European and overseas countries. Almost \$3 billion has come into the FRY's treasury from these exports.

In order to acquire the largest possible amount of money, which they need for warfare, and also in order to get to safety in the event of danger, they have started to transfer gold from the Belgrade National Bank's vaults to the vaults of the above-mentioned Cyprus Offshore Bank. The owner of the Cyprus Offshore Bank is Branko Kostic, and the co-owner is Bozidar Stevanovic, commander of the air force and anti-aircraft defense of the Yugoslav armed forces. They have thus already taken out of Belgrade (under the division of assets the gold would possibly belong to someone else) about 30 kg of gold, some of which they have sold, and used the money to buy oil and weapons, which they mostly purchased in China, and some also in Zimbabwe, Brazil, and Panama. Marko Milosevic's enterprise Interexport (of which Slobodan Milosevic and his wife Mirjana Markovic-Milosevic are co-owners) was the intermediary in the sale of the gold and the exchange of gold for weapons, and the payments were made through the Cyprus Offshore Bank. For several tens of thousands of shells for mortars and cannons, large amounts of mortars, and other military equipment, Brazil and the Sonangol enterprise were paid somewhat less than \$2 billion. Among other things they also purchased spare parts for tanks and electronic surveillance equipment. They also purchased a large number of spare parts for MiG-21 and MiG-29 aircraft, and agreed on the purchase of several MiG-23 (FLOGGER) aircraft. As we learned, they are supposed to buy 15 such aircraft. At the same time, the above-mentioned Serbian enterprises are purchasing parts for the so-called "Super Top" (actually a missile device) which is being built near the Aleksin mines under British-Iraqi license.

In addition to this, Serbia has signed an agreement with Russia and Ukraine under which it is to supply these two states with a specific amount of food in exchange for oil and weapons. After all this, it is possible to conclude that just like Cuba, Serbia could live quite well in spite of such an embargo for at least another 10 years. The trade in goods, in fact, is as large as the whole of the former Yugoslavia had before its collapse.

[Box, p 6]

NEDELJNA DALMACIJA's reliable and well-informed sources, from which we were also the first to learn about the violations of the trade and oil embargo and the so-called Cyprus connection also emphasize at the same time that the revelations so far are only the tip of the iceberg. They claim, in fact, that the real value of the goods illegally flowing into and out of the FRY and the transfer of money in the last few months exceed \$10 billion.

[Box, p 6]

As part of Jugotourist's representation, an enterprise has also been established on Cyprus that operates as the "Plitvice Lakes Tourist Agency," the owner of which is Sergije Veselinovic, the self-styled president of the Obrovac municipality and a member of the government of the "Republic of Serbian Krajina." The enterprise's co-owner is Sasa Karadzic, Radovan Karadzic's son.

#### Union Bank Services, Privatization Discussed

93BA0244D Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 9 Nov 92 p 30

[Article by V. Gr.: "Union Bank Privatized"]

[Text] The Union Bank started as a purely socially owned bank, to be privatized after two years of operation. Specifically, when it was founded the bank's capital was social, owned by 41 founders in the agrarian field (fruits, vegetables, and forest products), and today, of the total capital of 250 million dinars (increased from 2.1 million), 70 percent is privately owned. The dynamic events in the monetary area have obviously increased private firms' interest in investing in this bank's capital. According to Dragoljub Vukosavljevic, Union Bank's president, this is a case of manager privatization. The profits earned and their distribution, after ensuring dividends for the "initial" founding shareholders, allowed the managers (employees) to designate that additional capital in their own names. Of course, this was a significant motive for the bank's successful and high-quality operation. This was particularly shown in business with foreign countries, in which Union Bank, according to Mr. Vukosavljevic, has one of the best teams in this area of operation.

The bank's payment transactions with foreign countries (it has large and small authorization for foreign transactions) in the two years of its operation amounted to \$600 million. Furthermore, even today, under the conditions

of the general blockades and sanctions, the bank is working with foreign countries and conducting payment transactions; it is exporting and receiving foreign exchange earnings in accounts at 52 banks in the world, which which it has established current account relations. This is proof that the foreign blockades and sanctions are relaxing, but only with respect to banks of a certain ownership type, that are creditworthy, and that have never ceased operations because of illiquidity. As the people at Union Bank say, this is a result of the bank's lasting commitment to follow profitable programs, regardless of the ownership form of their origin.

The Union Bank's main business is the financial coverage of exports of fruits, vegetables, and forest products, and it covers through credit 50 percent of these Serbian products. Those exports allow the bank to profit (part of the payment transactions) \$100 million a year. At the beginning of the imposition of the foreign sanctions and blockades, it seemed that the Union Bank's payment transactions would also be permanently blocked in their entirety, as a result of which it requested "assistance" for the first time from the National Bank in the form of the primary issuance, for financing the purchase of these products and appropriate storage of them (freezers) until the lifting of the sanctions and their final export. The bank succeeded in this, but it should be mentioned that it had certain difficulties in regard to the extent of the primary issuance drawn, since additional interventions were needed because of the changes in the dinar's exchange rate that occurred at the beginning of July. The dispute with the auditing bodies (there were a total of 12 audits) regarding the special-purpose use of the primary issuance was thus smoothed over.

With a capital of 250 million dinars and a potential of 1.4 billion, or over 150 million marks (the status at the end of September), the Union Bank is among the medium-sized banks. Its advantage is that it does not have a legacy of losses and failed investments, which means that its balance assets are high-quality, without any need to purge them of bad items not yielding any interest. That basis for creditworthiness gives it room for much broader investments than it is allowed by the so-called multipliers (the ratio of capital and investments) in article 16 of the Law on Banks. That is why it feels that article 16 of the Law on Banks should be modernized so that it will not obstruct business.

A characteristic of the Union Bank is that it is not covering its material operating expenses by earnings from interest on investments, but rather by earnings that it obtains by performing various banking services (payment transactions, business with citizens, etc.). The material expenses include employees' salaries, which are secret, and more than half of which are variable. The bank uses earnings from interest on investments to cover all the liability expenses that it has on the basis of deposits and savings (it is keeping up with the race in interest rates to attract savings), and then uses them (active interest rates) to ensure the revaluation of capital, as well as dividends on permanent deposits (in 1991 they

were 26 percent, and in 1992 they will be about 30 percent higher, although it is still too early to talk about it, since there are still two months until the end of the year).

The Union Bank's new services include making available over 600 safe deposit boxes at the branch at 34 Bircaninova Street, which is attracting more and more citizens at a time of growing crime. Citizens will be able to keep valuable objects—gold, jewelry, and works of art—in the safe deposit boxes.

**New Development-Investment Program Announced**  
*93BA0224A Belgrade EKONOMSKA POLITIKA*  
*in Serbo-Croatian 9 Nov 92 pp 15-16*

[Article by S. Pejovic: "Old Slogans in a New Package"]

[Text] *Although memories of the Fair for Rebirth or the Great Investment Cycle have not yet faded, the Serbian authorities are offering a new development-investment program.*

Last week, at a meeting of the Serbian Chamber of Commerce, more than 100 directors of the largest Serbian industrial and commercial enterprises (with the presence of representatives of the highest political, banking, and scientific institutions) supported the Serbian authorities' latest proposal for initiating a great investment cycle. The project is now called "Stimulating Production by Carrying Out Development-Investment Programs in Serbia," and contains projects in the following order: railroad modernization, construction of the road network, and then an irrigation system, a gasification project, river fleet construction, development of the Golija area, and finally, a program to substitute for those projects which were previously bought from the now independent parts of the former Yugoslavia.

From the standpoint of a "multiplier effect" the most attractive one is the railroad project, because "the Belgrade ZTP [Railroad Transport Enterprise] has the kind of projects that ensure employment" of the now otherwise unemployed, the machinery and electrical industries' capacities, but also builders. Thus, for example, Nis's MIN [Nis Mechanical Engineering Works] could immediately start business worth over 1,200 million dinars (the production of dumptruck cars, the reconstruction of railroad track cranes, etc.), while Belgrade's Minel would ensure business worth over 30 billion dinars involving electrification, reconstruction of the existing network, and the delivery of equipment. Of the builders, Zemun's Planum would fare the best in arrangements with the railroad, by building the Trifkovic tunnel and the Batajnica-Indija express line (almost 1.4 billion).

The road industry's programs are somewhat more demanding from the standpoint of the necessary amounts of money, since it is necessary to complete the roads between Belgrade and Pancevo (\$40 million),

Dobanovci and Bujanj Potok (\$400 million), and Feketic and Subotica and the state border (\$60 million). The profit, however, does not just lie in the fact that completing these roads would establish the framework of a network of modern highway routes through Serbia; it would also revive most effectively the production potential of Krusevac's 14 October as a producer of construction machinery, which has been moribund for years, and the ball that starts this machinery going would transfer its impact to the production of hydraulics, motors, transmissions, steel, and so on.

The irrigation system's program should "cover" 20,000 hectares of arable land. The cost of the system, depending on its type, is between \$3,000 and \$6,000 per hectare. In addition to the fact that droughts could no longer do millions in damage, activation of the project would immediately allow Sever and Koncar in Subotica, Jastrebac in Nis, DMB [expansion unknown] and IMR [Rakovica Motor Factory] in Rakovica, Sloboda in Cacak, Milan Blagojevic in Lucan, Rumaplast in Ruma, and of course a large number of small, primarily private, enterprises to flourish. Anyone who knows, even in the roughest outlines, what the business of these enterprises is will easily conclude that the project of irrigating 20,000 hectares will initiate the production of electric and diesel motors, regulating and measuring equipment, plastic products, and so on.

The gasification project is enormous both in its spatial scope and in the number of enterprises of various types that it can involve. The director of one enterprise announced on the spot, "I am ready to put \$5 billion in this project" (you read right: \$5 billion).

River fleet construction is a project that has already been approved by the Republic government, which calculated that it should provide \$24,650,000. The implementation of this project also has several dimensions: it provides work for 11 Serbian shipyards, and improves the utilization of facilities at many other enterprises in the metal processing sector, and the crowning effect lies in effective inclusion in what is already being contributed by the Rajna-Majna-Danube Canal.

The Golija area was in this package for several reasons. The establishment of a local infrastructure would activate resources there and would be a sort of opening up toward central Serbia, but also a test for new approaches to underdeveloped areas. Perhaps the closeness of Kosovo was decisive in not having Vlasina, for example, in Golija's place.

Finally, the program for substituting for products that previously came to Serbia from other parts of the former Yugoslavia is actually the substrate and technological peak of all previous investment undertakings. In that regard the Republic Development Fund, which has in any case already been designated as the organizational, financial, and operational manager of the entire program, has already scheduled a competition for approving funds for financing this substitution. Although a detailed

list of what will not be bought in the future in Slovenia, Croatia, or Bosnia has not yet been compiled, groups of products or enterprises that will undoubtedly have priority in that competition can already be recognized, for example, heavy forging equipment, transmissions, household appliances and components for them, measuring and regulating equipment and hand tools, trolleys, equipment for the electrical industry, and so on.

A vital prerequisite for the investment-development program thus conceived is its organization—first organizing the sources of financing, and then guiding them. The sources have already been found in the (rebalanced) Republic budget, along with the issuance of short-term bonds (the beginning is planned for 18 October), and finally, “certain credit-monetary policy measures,” i.e., in that policy’s “slight restrictiveness.” As far as controlling the money is concerned, at least experience is not lacking, and a central institution has been founded—the Republic Development Fund.

#### **Macedonian Interior Minister on Police Reform**

93BA0186A Skopje VECER in Macedonian  
17-18 Oct 92 pp 4-5

[Interview with Interior Minister Dr. Ljubomir Frckovski by Branko Geroski; place and date not given: “Tough Guys Are Softening Up”]

[Text] *Interior Minister Dr. Ljubomir Frckovski talks about results achieved thus far in police reform.*

*About a year ago, immediately after the inauguration of the internal affairs chief, Dr. Ljubomir Frckovski, fundamental reforms were instituted in the police system. In the interim, public political figures appeared on the surface to concern themselves closely with the men in blue, on a case-by-case basis, as is customary with us. What has been going on under the surface over this period and what has been done about the reforms that were announced represent the subject that we discussed with the current interior minister.*

[Geroski] Will the change in the makeup of the government have any effect on the pace and nature of the changes you are promoting? After all, depoliticization of the police was to have been at the heart of the reforms, and in the new government you have been put forward as a party candidate. Is this not a contradiction?

[Frckovski] The program that the ministry has undertaken is the basis by which I am identified. The compilation of slates of candidates of one or more political parties is a common practice in parliamentary systems, something that is not determined by strict party definition of personality but is rather a question of an array of circumstances. Consequently, the program for depoliticization of the police and establishment of its place in the system in the future is a fundamental task that I expect us to accomplish during this term in office.

#### **Stress and Effects**

[Geroski] Do you mean that we should not expect a change in strategy?

[Frckovski] That is not all. Implementation of the general policy in this sense should be speeded up and its terms defined in detail. A certain practice is already in place in the MVR [Ministry of the Interior], something for which I believe I personally deserve credit. However, all this should not be associated with the minister as a person; we are trying to operate on the basis of a group consensus. The fact that we have survived several incidents (loss of documents and the like) relatively easily and painlessly is due to the circumstance that there was a clear-cut impression inside the ministry that the political accusations coming from outside are fabricated. You can manipulate all of them to conform to your position if you are the minister, but people will separate what you say from what you do. If people are convinced that you are doing what has been agreed upon, then the influence of political accusations from the outside is diminished.

[Geroski] On one occasion you stated that these political pressures were political tests that had to be passed. So, do you believe that you have successfully passed these tests?

[Frckovski] It is not only that we passed these tests quickly and effectively, but that we are already experiencing the positive results of this stress. That is to say, there is improvement in the mechanisms that we did not examine promptly as points in which the program might be inferior. Consequently, the cohesion of police personnel is increasing, and on a sound basis.

[Geroski] To my knowledge you have already carried out two rounds of personnel changes. If conditions are as you say they are, does this mean that this part of the work has been completed?

[Frckovski] The main part of it has been completed. Moreover, it was an enormous amount of work done at a blistering pace.

[Geroski] This surely is stressful to the police system itself.

[Frckovski] Yes, it has been stressful to the police system itself, but the stress has been harmful only if the personnel selected are not suitable for what is termed the police structure, which must now operate under the direction of these personnel. However, if we get along with the personnel, this has the effect of energizing the mechanism.

#### **Strengthening the Ethnic Makeup**

[Geroski] You have stated that within the framework of a normal procedure and criteria for hiring police personnel you will strengthen the ethnic composition of the police. Neither the Albanian nor some Macedonian parties appear to be satisfied with these steps. Why?



[Frckovski] I would not like to comment on the satisfaction or dissatisfaction of the political parties. The important thing is that the MVR has adopted a clear-cut position and is efficiently enforcing this position. We have established quotas for admission of students of the ethnic groups both to the police academy and to the intermediate police school. In contrast to what you are saying about the comments by the parties, there has been a good response. Three times as many candidates as anticipated have applied. On the other hand, the competitive examinations initiated in the police at a high level have now been suspended. Only one thing remains; specifically, acceptance of policemen by the ethnic groups. And so we have remained fully consistent in this direction as well.

[Geroski] This presumably cannot be accomplished on the basis of an action program.

[Frckovski] You are right. Nor can police personnel inside the MVR be co-opted. It is a matter of a normal process of replenishing the staff. We have already had results in Tetovo and Gostivar. We are satisfied with the first groups we have received, both with their educational level and with what may be termed the human element. In addition, we have also promoted these ideas (as well as some of our perceptions of individual events that cause reactions above all among the Albanians) in talks with Mr. Arens (reference is made here to the three-way talks with the Albanians—Editor), and I think that we have encountered complete understanding and acceptance of our arguments.

[Geroski] The detachment of State Security to form a separate agency has long been a project of yours. Is something holding it up? Are their serious misunderstandings, or is it something else?

[Frckovski] No, it is not being held up at all. The problem, if it is one, is that this project has followed a normal course: definition of the project, preparation of a working version of the text of the law (the text will go through the normal procedure next week), definition of the relations between the agency and the MVR, methods of supervision, channels of command, and so forth. We have established an important institution and at the same time are setting a new standard in power sharing with the MVR. This means in effect that the internal affairs law will be amended, and later we will also fit the administrative services draft into this context (work with foreigners, passports, individual identity cards, and so forth). In so doing we will define the ultimate aspects of these bodies.

#### Corruption and Image

[Geroski] One of the aspects of the reforms initiated is that of the relationship of the citizen to the police. The public has made a variety of comments about the new image of the police. Some people say that your presence on the streets is too prominent, that crime is flourishing,

that you have been corrupted. Others view with sympathy your sometimes spectacular actions to defeat organized crime, prevent smuggling of contraband, and so forth. What has actually changed over this brief period?

[Frckovski] There is a slightly unusual situation in this transformation of the political system. The police, perhaps fortunately so but not always in proportion to the operation of the other agencies, is proving to be the most highly exposed part of the system. In a situation as tense as this (problems of a social and international nature, and of an international scale), I am more than satisfied with the way the police is behaving. I can honestly say that there is less corruption in the police than in any other area of government. However, precisely because it is the function of the police to prevent corruption, it is painful when a case of it occurs in the police. I nevertheless maintain that in this respect we are comparatively better not only than the police systems in Bulgaria, Albania, and Serbia, for example, but also than divisions within the system. This is no consolation at all, of course, and we are accordingly trying to prevent this dangerous disease at all levels. As regards the image of the police, which, I venture to say, is rapidly improving, I will point out that you cannot control all possible cases, but I believe that the behavior of the police toward citizens is moving in the direction of being that of public servant. We have repeat offenders here and we have tough guys, especially in the outlying areas, where this situation antedates my taking office a year ago. But when the changes are firmly in place, these things will be taken care of in the process.

[Geroski] Of course, people do notice well educated and civilized policemen as well as the corrupt ones.

[Frckovski] You place particular emphasis on the relationship between the policeman and the citizen when the citizen is a victim, when the policeman must also be a psychologist, when he is the first person with whom a traumatized citizen comes in contact. And here, aside from his round-the-clock commitment, we demand that the policeman take a proper, mild approach. And I believe we are succeeding. My view is that from top to bottom the police system is coming to understand what is required. In addition, we insist that personnel attend foreign language courses. As you know, we have in the MVR a highly developed information system that also requires commitment on the part of each employee. Tomorrow we will have individual identity cards, probably in the form of credit cards, and a special computer subsystem for verifying identity, or additional machines for this purpose.

[Geroski] And all this is to be mastered by an average policeman?

[Frckovski] Absolutely, and despite the original distance that personnel feel separates them from this intensive influx of technology taking place over a short period (new computers will now be used for passports, for

individual identity cards, and possibly for driver's licenses as well), I believe that the personnel will adapt rapidly.

#### International Contacts

[Geroski] The MVR has of late noticeably intensified its international contacts as well.

[Frckovski] This was bound to happen, not just because of the new management but because of the logic of dealing with crime, which has an international dimension. We have held and are holding talks with the police systems of neighboring countries, and we have set out to establish contact with around a dozen European countries, from seven or eight of which we have had positive responses. In the near future we will exchange instructors for training of special units with Turkey, and probably also with Germany and Great Britain. Our people will go abroad to take training in fighting crime in various areas (especially for fighting the drug traffic and for antiterrorist operations), and instructors will come here from abroad. This has now become a daily routine in which a special division of the MVR is engaged. We have also been invited to attend a meeting of the Interpol executive committee in Dakar, Senegal, at which we will verbally present our membership application, which is to be placed on the agenda. We otherwise maintain close contact with Interpol and make specific arrangements with it.

[Geroski] Consequently, despite the fact that the Macedonian police has not been officially recognized, communications are being maintained?

[Frckovski] You see, all these major political topics relating to recognition, the name, and so forth, are at one level. In general I think that all the ice around us is melting. At a pragmatic level, service by service, we already have close international contacts. This is one of the signs that we have been seriously accepted as an international agent who knows how to take care of himself. A particularly high value is attached to this in all political contacts. Particular value is attached to the stability of Macedonia, the reforms in its security systems, and the amount of information that we can share with other intelligence services as a service on an equal footing with them. This is not something happening very often in the countries of the East and in the countries with whom we share borders.

#### Statistics on Crime in Skopje Reported

93BA0148B Skopje NOVA MAKEDONIJA  
in Macedonian 16 Oct 92 p 5

[Article by Z.P.: "Thefts Rank First"]

[Text] *A characteristic feature of the first six months of this year was a drastic increase in property crime, mostly major robberies—almost double the number compared to the same period last year.*

The overall social and political situation has substantially contributed to an increased crime rate in the Republic. This particularly applies to Skopje, where most of the crime was committed. According to the information of the Ministry of Internal Affairs [MVR] on the overall crime rate, increasingly this main city is becoming the "Mecca" of criminals operating in various fields.

In the first six months of the year alone, 5,500 crimes were recorded, 5,296 of them, or 96 percent, classified as crimes of a general nature. The material damages, caused mainly to private property, according to the MVR information, amount to about 550 million denars. Such figures, in themselves, are no indication whatsoever, although compared to the same period last year crime in Skopje showed a 75.2-percent increase. A drastic increase of 82 percent in general criminal activities was noted (2,890 for the first six months of last year and 5,296 for this year).

Another characteristic feature for that period was the tremendous increase in property crime, manifested by extensive robberies and increased number of crimes committed by unidentified criminals. The number of violent daring crimes has doubled and, of particular interest, crime has become much better organized and more professional. Furthermore, there has been an increase in crimes committed by minors and children (603 last year, 884 this year), as well as in the number of repeated crimes, which increased by 53 percent. Major thefts (2,891) and ordinary thefts (1,235) accounted for 91 percent of all crimes against property. Most of them involved cars, stores, stands, and residential premises, from which durable goods, gold, jewelry, money, clothing, cigarettes, and other items were stolen. Compared with the same period of last year, the number of stolen motor vehicles (168) increased by 21, which is not substantial. The MVR explains this as the result of several successful actions to detect the automobile thieves last year, during which two organized groups of Bulgarian citizens, one group of Romanians, and several "teams" from Kosovo and Montenegro were exposed.

Within that period, the Skopje Internal Affairs Administration solved 2,023 crimes and another 107 from last year, thus reaching a relatively satisfactory level of 45.6 percent and, along with cases in which the perpetrators were caught red-handed or identified by other means, all in all 3,200 cases were solved, which equals 58 percent efficiency.

As for crimes against life and bodily harm (103), their number is almost the same as last year's. Seven murders were recorded. Unsolved among them was the murder of Bosko Dejanovski, whose body was found near Oresani Village, and two murders of newly born infants, found in garbage cans on Avnoj Boulevard.

Therefore, the most worrisome in Skopje's "criminal bulletin" is the tremendous increase in thefts, which is steadily rising. What is frequently emphasized by MVR

officials is that a greater number of delinquents carry firearms and frequently do not hesitate to use them against the police as well. Thus, in the first six months of this year there were six attacks on MVR personnel, as a result of which two officials were slightly wounded.

### **Budapest Satellite TV for Hungarian Minorities**

*93BA0172B Subotica NAPLO in Hungarian 21 Oct 92  
p 17*

[Article by Zita Bajcsy, including interview with Zoltan Siflis, sociographer and founder of the video enterprise in Backa Topola, Vojvodina; place and date of interview not given: "An East Central European TV and Video Studio in Hungarian: Dunasat"]

[Text] In September of this year, on the initiative of Dezso Abraham, first secretary of the International Transylvania Foundation, a foundation was created with the purpose of supporting the study of the cultural, social, and historical values of Hungarians both in the Hungarian Republic and beyond its borders, adapting them for video and film, and at the same time promoting the broad dissemination of programs by electronic media, including satellite transmission. "The foundation is not directed against anyone, and it is independent of every party," we heard at the Budapest symposium held in connection with the initiative.

For Hungarians living beyond the borders of the mother country, it is very important to be able to see programs concentrating on cultural values. The government foundation in charge of satellite transmission is certainly counting on the opinion and cooperation of experts beyond the borders, because they have real and up-to-date knowledge of what is of greatest interest to the Hungarian public who lives there and who is still, for the most part, insulated from Hungarian sources of information and is still alarmingly uninformed. After the foundation was registered, a board of directors was created in which Felvidek ["Upper Country"—northern Hungary until 1920, now Slovakia], Sub-Carpathia, Transylvania, Vojvodina, and Hungary are represented by one member each. The task of the board of directors is to create the prerequisites for the operation of the studios to be established, as well as to monitor whether the editorial offices are operating in accordance with the goals determined by the foundation.

The Vojvodina representative on the board of directors is Zoltan Siflis, founder of the video workshop in Topolya [Backa Topola] and author of many sociographies about the peoples of Vojvodina. We talked with him.

[Bajcsy] What will this satellite program mean to Hungarians beyond the borders?

[Siflis] So far, programs on the cultural and political life of Hungarians beyond the borders have only occasionally appeared on Hungarian Television. When they

appeared, they were made by professionals from Hungary, and because of this the programs often had a different perspective than that which represents how the people who live there really feel. First of all, because the authors had only superficial information, which is no wonder, since they did not live with the problems they explored. On the other hand, no professional team has emerged yet beyond the borders of the mother country.

The television stations there were—or still are—mouthpieces of the individual parties in power. The editorial and cultural policies depended largely on how the current power wanted to regard the minority problem, and how it wanted to transmit it to the world. Thus, the editorial offices depended on the expectations of the current power, even if they tried to be authentic. In contrast, the programs prepared by DUNASAT will be completely independent in their editorial policy and their finances.

[Bajcsy] Isn't it somewhat of an illusion to talk about the creation of an independent editorial office when we know what a hard struggle is being fought for the media?

[Siflis] The entire work presupposes a fairly democratic social system. Of course, to ensure that the regional studios can work freely in Vojvodina, in Subcarpathia, or in Felvidek, and that the technical and professional staff will not be endangered only because it makes programs according to its own conscience, conditions must change.

[Bajcsy] Then Vojvodina will for the time being not participate in the programs on DUNASAT....

[Siflis] This is not completely the case. The foundation will operate a joint editorial office in Budapest—where the broadcast takes place, as well—which will make programs about Vojvodina, too, at certain intervals; for now, with the help of Hungarian Television. But we already have some finished projects, a part of which was made at the video camp in Topolya. We also have the filmed sociography on the events of 1944, which I made with the help of Karoly Dudas and Marta Blasko. To get back to your question, the important thing is to establish a team of TV editors who do not have just a secondary role in disseminating minority culture, but are the determinants of it. Hungarian Television only provides the technological background, and does not interfere in the editorial work.

If we look at Vojvodina, we must divide the prerequisites into two groups. There is an actual system of prerequisites: journalism, staff, and the existing practice of television. In this case, Novi Sad Television enjoys a monopoly, so to speak. This television is evidently not unbiased, and often it is not even able to adequately treat every minority problem, not to speak of the fact that it does not prepare programs for Hungarians who live in Hungary, Sub-Carpathia, Felvidek, and Transylvania. DUNASAT, on the other hand, will try to involve Eastern Middle Europe, and it wants to present not only the life of Hungarians, but also the culture of the

majority peoples and nations with whom the Hungarians coexist. We will translate a part of these programs, so these peoples can come closer to each other. We would like to create positive values, but primarily we strive for objectivity.

[Bajcsy] Very many people have left Vojvodina, including journalists. Whose help are you counting on?

[Siflis] There are only a few really dedicated professionals in Vojvodina. They could not have been nurtured here, because our television did not support this. Even at the television, only the most devoted remained, and they often had to pay a dear price for their survival. To be sure, many people left. Still, there are perhaps editors who, if they can work under different circumstances, will make different programs. Also, we must cultivate a young guard who believes in a different kind of television. Professional exchange will also get under way. Of course, we must get acquainted with each other, which can best be done through the works of individual regions. The foundation will soon organize a conference for

television personnel that will be centered around products from the workshops of minorities beyond the borders. There we can assess what level everyone is on, and what they need.

[Bajcsy] When is the program expected to start, and who can watch it?

[Siflis] As soon as an editorial office is established—to begin with, in Budapest—that can ensure the operation of the program, transmission will begin. It can be received by a satellite dish. We are aware of the fact that in many places the financial situation of the minorities is such that they cannot buy a satellite dish. For this reason, we would like to utilize city cable television channels and regional studios by renting transmission time in their programs.

Finally, we would like the Serbian state to accept the existence of an independent TV studio, which they only have to tolerate. If, for political reasons, this is not yet possible, we already have an intellectual workshop. For the time being, this means a lot, too.

NTIS  
ATTN PROCESS 103  
5285 FORT ROYAL RD  
SPRINGFIELD VA

2

BULK RATE  
U.S. POSTAGE  
PAID  
PERMIT NO. 352  
MERRIFIELD, VA.

22161



This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

#### SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.