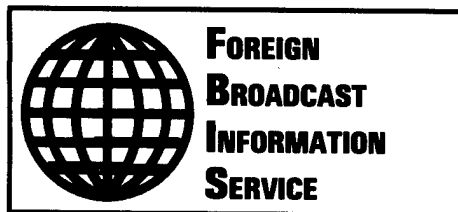
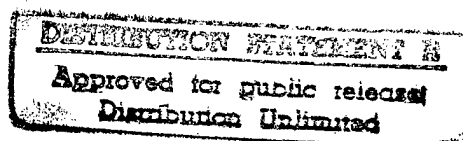


JPRS-EER-92-147
20 October 1992



JPRS Report



East Europe

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East Europe

JPRS-EER-92-147

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Current Problems Facing State, Parties, Leaders

92EP0686A Warsaw GAZETA WYBORCZA in Polish
22 Sep 92 pp 12-13

[Interview with Jan Maria Rokita, chief of the Office of the Council of Ministers, by Ewa Milewicz and Piotr Pacewicz; place and date not given: "The State Is..."]

[Text] [GAZETA WYBORCZA] How many politicians have come to this office seeking favors?

[Rokita] Here, not so many. For the most part, they catch me in the hallways of the Sejm or they approach me as I am entering my car. Once, someone I like and appreciate, took exactly 45 seconds to request that he be part of the government delegation going abroad, that he be made part of a certain foundation and, finally, that he receive a government position.

I am called into the Sejm by phone. As a state official loyal to the Sejm I respond to such calls.

[GAZETA WYBORCZA] Who calls you?

[Rokita] Sometimes a government coalition, more often a small coalition and most often my own party. It is not only the opposition that calls me. Meanwhile, my influence on governmental cadre policy is limited. The prime minister makes cadre decisions autonomously.

[GAZETA WYBORCZA] After speaking with you, Boleslaw Musial, the candidate for Wroclaw voivodship governor from a small coalition (the UD [Democratic Union], KLD [Liberal-Democratic Congress] and the PPG [Polish Economic Party]), resigned from his candidacy. Musial had also been supported by Wladyslaw Frasyniuk's party, of which you were deputy chairman. There is talk that there was some funny business in the UD.

[Rokita] I categorically deny that. In Wroclaw, of the three good candidates (all were nonparty candidates) I chose the man who seemed to me to have the best personality. He is a self-government activist, a professor, in his early 30's. He conducted himself well as the deputy voivodship governor. I proposed him to the prime minister.

I try to choose people who are not associated with local lobbies, who have experience in management and who are not entangled in communism.

Many sensible people live in Poland who are not political party activists.

[GAZETA WYBORCZA] And does the opinion of the three parties, including your own party, or the opinion of Frasyniuk, not mean anything to you?

[Rokita] If Wladyslaw Frasyniuk wanted to assume that position I would not have any doubts that he would be a very good voivodship governor. Please do not think that I did not consult about my choice with such a local authority as Frasyniuk. For me the opinion of local

authorities matters much more than the opinion of political parties, including my own. I believe that parties are not called primarily to recommend voivodship governors, i.e., local representatives of the government.

[GAZETA WYBORCZA] Is the notion of filling positions in the government administration by people who are not involved in communism a matter of decommunization for you?

[Rokita] Yes. I believe that the governmental administration is very sick. I have a precise, if complex diagnosis of this illness. The generation of reformers, my generation, has become involved in work in the administration to a relatively slight degree. While this generation has gained much influence in politics, it has had negligible influence on the administration.

My response to anticommunist slogans is to decommunize by opening up the paths of generational progress for people who have not come into contact with communism in their adult lives. As the youngest government minister I consider that to be my calling.

[GAZETA WYBORCZA] What is the year of your birth?

[Rokita] 1959.

[GAZETA WYBORCZA] Why must we separate people according to age? Is this "generational progress" not a resurgence of Gierek's ideas?

[Rokita] Gierek's? No, that is nonsense. In various countries in which a single-generation political elite took over the authority, reforms became blocked and stagnation set in. In Germany, the generation of politicians that came on the scene in the 1960's blocked German policy in the 1970's and 1980's.

The first generation of independent Poland must be more open to the reform of the state than the Solidarity combatants and still more open than the generation brought up on communism.

[GAZETA WYBORCZA] The young ones to jobs and the others to the firing squad?

[Rokita] It seems to me that you think that I am not completely sane. After all, we are speaking of processes and not of specific people. I do not plan to replace good, middle-aged officials with bad, but younger, ones. But please look at the average age of entrepreneurs who have achieved success or compare attitudes to the market economy on the part of students and people in their 40's.

[GAZETA WYBORCZA] Do you think that you will find people who are willing to work in the administration for low pay?

[Rokita] The vast majority of the intelligentsia in Poland is not inclined to devote effort, time and their emotions to work to rebuild the state. They tend to give casual advice, to offer brilliant ideas and to spend an interesting

half-hour chatting in the minister's office. That was the ethos of the Polish intelligentsia. I found my splendid coworkers among people in their 30's or still younger.

[GAZETA WYBORCZA] Did the government consider using force in the striking plants?

[Rokita] Yes. That possibility was considered. In the government leadership we analyzed the arguments for and against the use of force and made no secret of the fact that we were doing so. Had the "yes" arguments prevailed, force would have been used.

[GAZETA WYBORCZA] We—whom do you mean?

[Rokita] In this government current decisions are usually made in a "nonstandard" way, i.e., by the prime minister, the deputy prime minister and the heads of the interested ministries.

[GAZETA WYBORCZA] Why "nonstandard"?

[Rokita] Because in these decisions, the position of the prime minister is especially strong. The prime minister decides who from the government will enter the decision-making team on the given issue. The entire Council of Ministers [RM] decides on legislative and strategic issues. This facilitates the decisionmaking process, but it requires that the prime minister have a strong personality.

[GAZETA WYBORCZA] Did the president know about the plans to use force against strikers?

[Rokita] If the campaign were to be of a more serious nature, of course the president would have been informed. But please remember that according to the law, the decision on the use of police is made at a relatively low level. The voivodship commander has the right to make it at the request of the voivodship governor. Of course, the voivodship governor does not order the use of force without my approval, and the voivodship commander, in turn, does not issue an order to the police without the approval of his superiors. This is, among other things, a sign of the fear of making decisions of which Prime Minister Suchocka spoke recently at Market Square in Krakow.

[GAZETA WYBORCZA] And did the government not fear making such a decision?

[Rokita] We decided to use force once when it was a matter of removing those who had occupied the building of the directorate in Tychy. That was an example of the optimal use of force: The very approach of the police caused the occupants to vacate the building.

Our strategy was clear: We demonstrated a readiness to negotiate everywhere that the government accepted the strike to some degree, for example, in Mielec. We were uncompromising there where the strike was the result of political madness or of chicanery perpetrated by political activists against workers.

The government knows that everything has its end, and a strike has its end as well. On the psychological level, the element of resistance is important in strikes. In Lubin and Tychy the government manifested greater resistance. That was not easy and it required courage of spirit and the conviction of being right, primarily on the part the prime minister.

[GAZETA WYBORCZA] Is what you are saying not in conflict with the thesis reiterated by the government in the law that it is not a side in strikes?

[Rokita] No. It is not in conflict with that idea. The government is a political side in strike conflicts. The massive wage concessions of enterprise management would be equivalent to an economic catastrophe, and that would encumber the government. On the other hand, decisions regarding the manner of managing the wage fund are sovereign decisions of enterprise managements. Thus, it was not possible to reach a point of wage negotiations with the government. Today, however, I am inclined to admit that the slogan "the government is not a side in conflicts" was not the most fortuitous one.

[Rokita] Did the government, in speaking of the possibility of using force, do so to make a show of its decisionmaking?

[GAZETA WYBORCZA] Of course, but that was only a tertiary argument. The most important thing for us was something else: The entire time we were afraid that the concessions of plant managements assuring that strikes would not end in disaster, would cause an escalation of tasks. If the news had gone out that the strikers will get money, it would have become clear that it would be enough to continue a 50-60 day strike and that it would be possible to get the money from the Suchocka government. This would be tantamount to a wave of bankruptcy encompassing more and more enterprises. I would like to state clearly that if we considered using force, it was to counter the threatening wave of mass bankruptcies of enterprises.

On the other hand, if we had solid management, we would rather wait out the strikes.

[GAZETA WYBORCZA] Archbishop Damian Zimon played a major role to end the strike in Tychy. Did the government agree that he should mediate?

[Rokita] While the strike at the Rozbark mine was still going on, the Silesian bishops put out a nationalistic call for reason and for a return to work. They alluded to the Silesian work ethic and to responsibility for the country. We learned about that appeal from PAP [Polish Press Agency]. I phoned Archbishop Zimon to thank him. Then the bishop said that he was ready to mediate in strike conflicts at the government's request. In the case of Rozbark it did not come to mediation. Archbishop Zimon again proposed his services of good will in the Tychy strike.

[GAZETA WYBORCZA] Did he call you?

[Rokita] He spoke with Jacek Kuron.

[GAZETA WYBORCZA] Who initiated that conversation?

[Rokita] Bishop Zimon. But the prime minister asked the primate, Apostolic Nuncio Archbishop Stoba for his moral support for the reform process. That was discussed at a meeting of the joint commission of the episcopate and the government, the first one to be held for a long time. The church proved to be a good mediator.

[GAZETA WYBORCZA] Now there is a quarrel over interpreting the agreement concluded at the FSM [Compact Car Plant]. Are you not afraid that the strikers' notion that they have been successful frustrates the effect anticipated by the government? For example, the firing of strikers has been rescinded.

[Rokita] No, the firings have not been rescinded. The management has merely set in motion the normal appeal procedure. However, I agree that the very fact of signing an agreement in Tychy, the fact that the strike has not ended in defeat, may be an insufficient signal to society. Perhaps it is not evident enough that we cannot yield in the matter of wage demands. But please remember that the government was not trying to humiliate the strikers.

[GAZETA WYBORCZA] Perhaps it would have been better to allow a certain plant which gives raises projecting future growth to go bankrupt rather than to marshal police intervention.

[Rokita] From the viewpoint of purity of thought you are quite right. However, we cannot permit such plants as Tychy, for example, which has a future, to go bankrupt. But it is true that some plants must go bankrupt.

Moreover, how would this be received by our coalition members, for whom the government's antirecession policy is a litmus test of their reliability with the electorate?

[GAZETA WYBORCZA] Does that mean that the plans for the use of force coincided with the political division in the coalition?

[Rokita] No. While the political divisions are very sharp in the Sejm, in the government the differences are obliterated. The only division I note in the RM is the division into those who are somewhat unyielding and those who are somewhat yielding.

[GAZETA WYBORCZA] Who is unyielding?

[Rokita] Deputy Prime Minister Goryszewski and I are unyielding.

[GAZETA WYBORCZA] Who is soft?

[Rokita] I will not say.

[GAZETA WYBORCZA] In the parliamentary club UD there is talk of the conflict between you and Wladyslaw Frasyniuk, deputy chairman of the UD. Is it true that you would like the small coalition to be transformed into something like the prewar BBWR [Nonparty Block for Cooperation With the Government, 1928-35]? Would Tadeusz Mazowiecki be replaced by Hanna Suchocka as the leader of the UD?

[Rokita] I have the feeling that after two years of the political crisis that led to the destruction of the state, we must amass all the forces that are inclined toward rebuilding it. As you have already said, this mission should be accompanied by the broader access of young activists to party leadership.

For me parties are merely a tool for rebuilding the state; I view the UD in the same way. I would like the UD to recognize, to a greater degree than in the past, that the reformed ZChN [Christian-National Union] can be a reliable partner in rebuilding the structures of the state and a second mainstay of the government.

[GAZETA WYBORCZA] Do you think that it is possible to overcome the animosity of the UD to the ZChN?

[Rokita] There are two divisions on the Polish political scene. In the first place, there is the division into the supporters of the modern liberal society and the supporters of the national tradition, traditional catholicism, traditional mores and the strong influence of the Church. In the second place, there is the division into those groups that support the reform of the state and the rebuilding of its organizational structures, and those groups that continually destabilize the political scene and appeal to society's disenchantment, frustration and poverty—the groups which, in one form or another, try to “play” the slogan “return to the commune.”

For me the question of Poland's future is the question of which of these two divisions will become the axis of the political quarrel. If it is the first division, we are threatened with a religious war, with the checking of the reform process and a sharp social conflict.

I would like the axis of the division to become, on the one hand, those who represent the pro-state option and, on the other, those whom I would call the “anarchists.” I wonder whether the UD will back away in the first case and become involved in the second quarrel.

Then the UD and the ZChN would find themselves in one camp, even though that is difficult.

[GAZETA WYBORCZA] You have not answered whether this concept is supported in the UD?

[Rokita] I am trying to talk. I think that I am succeeding in convincing my colleagues. Please remember that a pro-state stance lay at the genesis of this party.

[GAZETA WYBORCZA] You are telling the people: Suspend your convictions because you are in one political camp. But the coalitions will change, and what of it? Will orientations have to change for the good of the state?

[Rokita] The problem does not lie only in the hasty building of a coalition around Prime Minister Suchocka. That would be a tactical project, and would be overly simple.

I am trying to counter the danger of the breaking off of dialogue between people who want an open, modern society, an open economy, and people who believe in traditional values, a traditional set of mores. Such a division would place the state reformers in the role of enemies of the national tradition. And they cannot allow that to happen.

[GAZETA WYBORCZA] Then do you propose something in the way of self-limiting modernization? We do not understand why self-limitation is necessary.

[Rokita] I buy the term "self-limiting modernization." Reformers must accept the results of the elections in which they have suffered a defeat. This means that the person who wants to continue to reform the state acts against society. The reformers have embarked upon government on behalf of a social group that does not yet exist (namely, the middle class).

This task has been embarked upon many times in the 20th century, but it has always ended by a reign of terror.

I am afraid that our reform may become blocked. Therein lies my fear. That is the source of my immediate choices.

[GAZETA WYBORCZA] Do you believe that you are in order with regard to your party colleagues? You became the minister and then you began to get involved with the UD.

[Rokita] I already answered that question. Perhaps it is amusing, but I am from Galicia, and so the pro-state stance is close to me. In 1990 I said at the UD congress that parties are merely instruments to attain a goal. It would be nonsense if I had to belong to a party, the goal of which is to be larger and more powerful and to have its people like each other and be nice. The task of a politician is to build civilization and not to play games.

[Box, p 13]

Jan Maria Rokita

Jan Maria Rokita was born in 1959. In 1981 he was one of the leaders of the NZS [Independent Students Association]. In the 1980's, he initiated independent publishing activity and was a co-creator of the Roundtable. In the Sejm's previous term, he chaired the Extraordinary Commission for Studying the Activity of the MSW [Ministry of Internal Affairs]. In 1991, he was once again elected to the Sejm as a UD activist.

Former Central Planning Chief Interviewed

92EP0685A Warsaw TYGODNIK SOLIDARNOSC in Polish No 38, 18 Sep 92 pp 1, 6-7

[Interview with Jerzy Eysymontt, chief of the Central Planning Administration in the Bielecki and Olszewski governments, by Jerzy Klosinski and Krzysztof Wykretowicz; place and date not given: "The Truth About the Economy: This Year May Be the Turning Point, But the Next Few Years Must Be a Period of Austerity"]

[Excerpts] [TYGODNIK SOLIDARNOSC] Andrzej Urbanski, one of the leaders of Center Accord, recently wrote that thanks to the Eysymontt plan the Polish economy has rebounded from the bottom.

[Eysymontt] Urbanski referred to the economic concept formulated during the Olszewski Administration. I was one of its authors, but all labels of the "Balcerowicz plan" or "Eysymontt plan" kind are a great oversimplification. Unfortunately, the document "Directions of Economic Policy Until 1994" was submitted to the parliament only toward the end of our government's term. In that document we adopted the assumption that the so-called zero growth may occur this year.

This means that the decline in the GDP was to stop and inflation simultaneously to decrease.

So far our assumptions are proving valid.

Industrial output has begun to rise for the first time in two years, and there exists a chance that it will reach last year's level or may even exceed it slightly. After seven months inflation is about 25 percent, whereas a year ago it was nearly 40 percent. The Olszewski Administration reined in budgetary spending and did not allow an increase in inflation. We initiated antirecession measures, limited as they were. A corrective devaluation of the zloty was carried out and followed by a growth in exports, while inflation remained at the same level. The tax termed "dividend" [tax on enterprise assets] was partially restricted and preparations were made to alleviate the tax on wage increases; this afforded an opportunity for improving the situation at many enterprises.

The Budget May Have Holes in It, But It Is Not Empty

[TYGODNIK SOLIDARNOSC] The budget law is the framework within which the economy of the entire country operates. This law influences all our lives directly. After six months, the planned 30 trillion zlotys [Z] in budgetary receipts did not come in, hence the announcements of cuts in spending. Could not the budget have been more realistic? [passage omitted]

[Eysymontt] Nowadays the situation is worse than it had been when we first predicted it. For example, measures markedly influencing the financial situation of state enterprises were delayed. Above all, the program for enterprise debt relief has not yet been introduced. That program had a considerable chance of getting financial support from the World Bank (\$400 million). I believe

that the introduction of this program by now would have started to produce effects, but for more than a month there had not been any de facto government. The prepared draft laws were pigeonholed instead of being considered by the parliament. Neither the government nor the Socio-Economic Committee of the Council of Ministers held any sessions.

For the time being the financial situation of enterprises is not improving; many of them simply are not paying any taxes, on the assumption that they would not suffer any consequences anyway. This reduces budgetary receipts. [passages omitted]

Positive and Negative Trends

[TYGODNIK SOLIDARNOSC] Could you please identify positive trends as well as perils as regards the present economic situation?

[Eysymontt] There are three explicit symptoms of improvement in the situation:

- the growth of industrial output;
- the slowdown of inflation compared with the previous year, despite the existence of factors spurring inflation;
- the reversal of trends in foreign trade, i.e., the booming growth rate of exports and the slowdown in imports (a positive balance of current payments).

But there also exist some perils. Early this year it was not possible to foresee the consequences of the gigantic drought; farm output will definitely be lower than last year (we had assumed it would be at a level similar to that of last year).

Another peril is the growing surge of strikes and social unrest. These tensions arise for various reasons, with the demands of strikers often being just. But as an economist, I contend that if the state were to succumb to these pressures and give "equally" to everyone (e.g., an across-the-board wage increase of Z1 to Z1.5 million monthly) a sudden leap in inflation before this year is over will be inevitable. Then it would be difficult to speak of maintaining the conditions for stability. On the other hand, I do not agree with the claims that a 30-50 percent increase in food prices is inevitable. I am amazed moreover that representatives of the Ministry of Agriculture present such forecasts in front of television cameras.

In the parliament the "extremist wings" are growing in strength, while at the same time the moderate center, which is a stabilizing factor in any country, is growing weaker. This influences the economic situation, especially as regards our contacts with foreign partners. [passages omitted]

[TYGODNIK SOLIDARNOSC] The banks are fossilized. They are hardly suitable for the role that the Suchocka government wants to assign to them. Might it

not be that, so far as state enterprises are concerned, we are still at the starting point after three years of the reform?

[Eysymontt] The failure of most state enterprises to adapt themselves to the new conditions can hardly be questioned. Above all, the old management structure, which I term the state—worker government system, has been retained. The mentality of the workforces at these enterprises, both employees and managerial personnel, is changing very slowly. The "strategy" of survival remains binding. Besides, many of these enterprises were in debt even before the reform, but in those times credit for manufacturing was not money, with money functioning only in the domain of consumption.

[TYGODNIK SOLIDARNOSC] The lack of response of the successive governments to this situation is perplexing.

[Eysymontt] There could be only one countermeasure: an immediate and fundamental change of the entire system, e.g., the mandatory conversion of all state enterprises to so-called commercialization [to the status of Treasury companies], decreed from the top. This measure was considered, but it would, I believe, meet with social resistance; most worker councils were opposed to it. These councils would constitute a kind of powerful lobby enjoying trade-union support, and chiefly the support of NSZZ Solidarity. Another reason is that, were all the enterprises immediately to convert to this new managerial status, they would remain state-owned, that is they would have to be supervised by specific bodies representing the owner [the state], and this would mean appointing several thousand supervising councils, staffing them with competent individuals capable of efficiently pursuing the interests of the owner, that is, of the state. I think that the Ministry of Privatization would not be able to cope with such an operation. [passages omitted]

[TYGODNIK SOLIDARNOSC] Does the mass privatization program have a chance to become a remedy for the problems of state enterprises?

[Eysymontt] Based on the assumption that National Investment Funds would be created, the draft law presented is, in the present conditions, a realistic proposal and attempts to reconcile two important aspects: the social expectations for receiving measurable benefits for every stockholder, and encouragement of the rise of so-called active investors among the stockholders.

Of course, this proposal may disappoint some people who expect to receive Z100 million each as predicted by Walesa. In no case it will be Z100 million.

Moreover, the public expects that to be real money, whereas it will be distributed in the form of securities, which many people will view as deceit.

Eysymontt's Concept

[TYGODNIK SOLIDARNOSC] The Olszewski Administration prepared a draft law on the Treasury, but one of the first decisions of the Suchocka Administration was to jettison that project. Why has not it been possible for three years to define the meaning of the Treasury?

[Eysymontt] The work on drafting the law on the Treasury was commenced as early as in 1990, but the resulting draft was not even considered by the Mazowiecki Administration. That was due to a variety of complicated reasons. Such matters involve influential vested interests and touch upon very deep recesses in the structure of both present and former systems of society. I acknowledge the importance of what Gruszecki, minister of privatization in the Olszewski administration, termed "the store." He always believed that the government and the ministry should be kept apart from the store. The store is the agencies that try to sell as advantageously as possible—because it affects their material interests—the state assets subject to privatization. The not too felicitous combination of the government with the store at that ministry resulted in the existence of forces that were opposed to the passage of the law establishing the Treasury and the attendant explicit definition of responsibility for public property, which might entail the formation of another institutional structure. Even now the related powers remain dispersed between the Ministry of Privatization and the so-called parent agencies. My favorite topic is the establishment of a ministry of the economy, which would concentrate in its hands program and supervisory powers in the sense of coordinating the government's entire policy on all the sectors, to be concurrent with the establishment of a ministry of the treasury or a similar but differently-named government agency that would focus on managing state property, meaning not just assets that will be privatized but also those that will remain state-owned over a longer period of time. This concerns creating a triangle, as it were, formed of the Ministry of the Economy, the Ministry of the Treasury, and the Ministry of Finance, construed as the Ministry of the Budget, with a clear division of powers.[passages omitted]

How To Arrange the Building Blocks?

[TYGODNIK SOLIDARNOSC] How do you view the economic strategy of the Suchocka government, and who is responsible for it?

[Eysymontt] I cannot assess it, because I still am not familiar with it. Ms. Prime Minister Suchocka declared in her address to the parliament that she was going to present a corresponding program in three months.

[TYGODNIK SOLIDARNOSC] But an outline of this program exists. For example, there are the Pact on State Enterprises, the draft on an enterprise debt relief law, and the program for restructuring state enterprises.

[Eysymontt] Yes, precisely, it is an outline, a set of rather heterogeneous building blocks that have yet to be put

together. For the time being, the question arises, how will these blocks fit each other? For example, I have doubts about the idea of that enterprise pact. I believe that putting together these blocks is a fundamental issue. It may happen that they will not mesh. This is not an accusation but an expression of anxiety, in view of my experience in the government as well. The structure of the Suchocka Government is, as known, rather strange; but I do not want to engage in digressions about personalities, that always being risky. Let me just point out that the leading economic positions in that government are staffed with individuals whose views differ markedly. I fear that something I term the absence of a middle ground may arise, meaning the absence of an authoritative person and also of a person or group of persons capable of reaching good compromises. But perhaps my apprehensions are premature.

An Improvement or a Disaster?

[TYGODNIK SOLIDARNOSC] What future is awaiting us, considering that there seem to be reasons to believe that it will not be a happy one?

[Eysymontt] That is not a question for an economist but for a prophet. Still, I believe that this year may be the turning point. This may be the year in which the economy will either "go up" or "go down" for the next several years. The difference between these two scenarios is fundamental. The optimistic scenario contains, paradoxically, many pessimistic implications to the society. The next few years should be, in my opinion, years of belt-tightening for consumers. The maximum that can be promised is maintaining real consumption at its current low level. Poland's principal chance is to commit all "surpluses"—if the gross domestic product begins to increase—to investment rather than to consumption. At present we are at the verge of total decapitalization of industry and infrastructure, although we have unutilized production capacities. But should positive business-cycle factors appear now, we could be in a situation in which we will be unable to expand competitive output in many branches of the economy, because that would require a general technological modernization. Another consideration is that the commitment of capital—which is generated in particular in the private business sector—to manufacturing must be encouraged. So far the profit margin in merchandising, especially in small-scale retailing, has been substantially higher than in manufacturing. This means a need to save and invest, while at the same time promoting exports very aggressively, because, unless we thus promote our exports, we shall forfeit the opportunity for joining Europe economically.

Economic growth should commence as soon as next year, when we should accomplish, for the first time in several years, an increase in national income. This tendency should strengthen over the following two years. Such is my optimistic scenario. This growth is to be combined with a gradual decrease in inflation, which by

1994 could be limited to some 15 or so percent annually. That precisely is why any destabilizing actor is so dangerous.

The other scenario may seemingly contain popular elements, but these would be advantageous only in the short term. Let us assume that we will adopt more populist solutions, e.g., give each citizen a monthly wage increase of Z1.5 million and decide to pay partially in cash higher retirement pensions and annuities as well as higher salaries for civil servants. In this way we would increase budgetary deficit by some Z120-130 trillion while at the same time achieving an at least partial even if only seeming economic revival.

Then a growth in exports would be hardly likely, but the inflation rate would rise to 100 or more percent annually, because such measures would also rapidly reduce real personal incomes. Then also an agreement with the IMF would be out of the question, that is, the reduction in foreign debt would be suspended if not canceled. Since the World Bank grants preferential credits only to the countries which sign an understanding with the IMF, we would receive no credits for restructuring.

This is a scenario that would make of Poland a marginal country: within a few years we then would become a Third World country, an economically unstable country in which chances for major investments would be minimal, as well as a country that would be a poor partner of the West. Yet it is the West that is the principal area of our future economic expansion.

Division of Responsibility for Defense Explained

92EP0683B Warsaw POLSKA ZBROJNA
in Polish 8 Sep 92 p 3

[Interview with Brigadier General Czeslaw Laszczkowski, chief of the Defense Systems Department in the National Security Bureau, by Lieutenant Colonel Andrzej Medykowski; place and date not given: "Who Is Responsible for National Defense?"]

[Text] Immediately following the creation of the National Security Bureau, that is, at the very beginning of last year, work began to define exactly the responsibilities pertaining to directing matters of national security. More than a year ago, the work of the special interdepartmental committee finished its work and proposed plans for concrete solutions, a matter that was the subject of an interview that General Laszczkowski granted our paper. It would be worthwhile here to recall the basic recommendations of the committee.

Recommendations of the Interdepartmental Committee for Reform in the Organization of National Defense accepted by the Council of Ministers and the National Defense Committee in July 1991, can be summarized specifically in the following statements:

—normative acts in force, specifically the Constitution and the law on universal obligation to defend the

Republic of Poland [RP] (as well as the defense doctrine) are not realistic and require changes;

—they do not adequately describe responsibilities of organs, division of tasks and the system of organizational structures responsible for defense preparations in our country;

—there is a lack of clarity in the division of responsibilities between the president of the RP, the National Defense Committee [KOK] and the Council of Ministers: also, many matters thus far regulated by resolutions of the KOK require new legal solutions adapted to changed conditions in the system;

—there is ambivalence in views as to who should be the constitutional organ in the specific affairs of national defense and security in the future: the National Defense Committee or the Council of Ministers?

It was then decided that in peacetime, decisions pertaining to strategy of national defense and security would be handled by the president of the RP and the National Defense Committee. The Council of Ministers would carry out executive functions related to administration, coordination and supervision.

The basic resolution was that in time of threat and war, decisions pertaining to the defense of the country should be made by a single legal organ: the president of the RP, who should be responsible for directing defense of the country.

[Medykowski] After a year, everyone has gained experience. Is this resolution of the committee and observations related to the controversies between the National Security Bureau and the Ministry of National Defense reflected in the Small Constitution?

[Laszczkowski] The generally formulated responsibilities of the president of the RP, defense and investigation of the principal issues, are specifically such as: general administration of external and internal national security, being the supreme authority over the armed forces of the RP and declaring states of national emergency (martial and special); there will also undoubtedly be a need for the president to make essential decisions pertaining to national defense including especially:

—establishing general policy principles for the country in the area of security and defense and supervising the principal issues in this area,

—defining the directions of defense preparations to be made by the executive organ,

—establishing the organizational principles of the national defense system, specifically the defense of the RP,

—defining the basis for increasing defense readiness of the country,

—implementing general supervision over the state of national security and defense preparations in the country.

[Medykowski] Then what role would the Council of Ministers play?

[Laszczkowski] Using military terminology, we might say that the president would make strategy decisions and the Council of Ministers would ensure their implementation.

The Council of Ministers would, therefore, have jurisdiction over matters related to:

- defining the tasks for all organs and institutions in the area of national security and defense as well as establishing principles of their implementation
- preparation of the administration of national, municipal and economic units and other organizational entities for functioning in time of war, martial state or emergency state
- creation of conditions for proper execution of defense tasks, especially of the defense forces
- organization of preparations in the area of civil defense
- supervision of implementation of tasks in the area of national security and defense.

From what has been said, it follows that the responsibilities of the president of the RP and the Council of Ministers would be divided, but would constitute a single whole. At the same time, this would demand close cooperation between the executive apparatus of both organs, that is, cooperation between the National Security Bureau and the Departments of National Defense, Foreign Affairs, Interior as well as the Administration of the Council of Ministers.

[Medykowski] How have these matters been settled in the proposed Small Constitution?

[Laszczkowski] Constitutional law on mutual relations between the legislative and executive branches of the RP and the territorial self-governments specified a division of the responsibilities of the executive organs. This pertains as well to the sphere of national defense where a real change was introduced in the state organs.

Article 35 of this law provides for the Committee on National Defense, responsible in matters of national defense and security, to cease functioning. Its role will now be given to the president of the RP on the basis of the stipulation in this article that he is responsible for overall administration in the area of external and internal national security. Meanwhile, the National Security Council will henceforth be only a constitutional advisory organ to the president of the RP in these matters.

A more complete description of the responsibilities of the president of the RP, the Council of Ministers and the Minister of National Defense should appear in a subsequent amendment of the law on universal defense obligation, which will be needed to adapt the regulations of this law to the requirements of the Small Constitution. Among the responsibilities of the president of the RP, in the area under discussion, specifically included should be matters pertaining to:

- establishing general principles of national security, including increasing its defense preparedness;
- indicating the main directions for action in the sphere of national security;
- general supervision of the implementation of tasks in the area of national security.

The scope of action of the National Security Council will include matters within the competence of the president of the RP. The Council would investigate problems pertaining to external and internal national security in order to prepare appropriate evaluations, opinions and suggestions, and its determinations would form a basis for required action by the president and other State organs, specifically through issuing appropriate legal documents.

[Medykowski] The president of the RP would occupy the highest post in the structure of executive organs. He should have the potential for efficient administration of the defense system and in this connection, the existence of an appropriate apparatus would be indispensable.

[Laszczkowski] The president's administration of a highly specialized executive apparatus is an obvious matter. The structure and duration of activity of this apparatus should take into account the various functions of the president, especially as the organ of executive power in the general sphere and in the sphere of external and internal security as well as leadership of the armed forces of the RP. In particular, ensuring effective implementation of the president's responsibilities in matters of defense and security and efficient functioning of the National Security Council requires the existence of a specialized executive apparatus. This role could be played by the existing National Security Bureau, which would be a part of the Chancellery. The Bureau would prepare drafts of appropriate documents and decisions and would supervise their implementation.

Also an important responsibility of the Bureau would be managing many essential and organizational matters related to the activities of the National Security Council and the authority of the president of the RP over the defense forces. The Bureau should be managed by the minister for national defense in the Chancellery of the president of the RP; this minister would be directly responsible to the president.

One of the principal responsibilities of this executive apparatus would be supervision of the maintenance of an

efficient system for managing the country and its defense in time of war and emergencies.

Specifically, this apparatus would also be responsible for matters connected with preparing conditions for the functioning of the president of the RP during war, martial state or an emergency.

Formation of Rapid Reaction Force Viewed

92EP0675A Warsaw POLSKA ZBROJNA in Polish
2 Sep 92 p 4

[Article by Longin Szczerba: "Essential Sufficiency: Reform of the Army"]

[Text] At the end of 1991, as a result of work on the defense doctrine and the national strategy, the idea of forming an operational unit with a special purpose out of the current structures appeared. Based broadly on the model of an "alarm subunit," this unit should be prepared in the shortest time possible for immediate use in any region of the entire country, depending on the military situation.

In theoretical studies and in general articles, it functions under the well-known name of a rapid reaction force. Tactical units (brigades) and independent units in a high state of battle readiness and mobility with great fire power and maneuverability would be designated in advance from among particular military districts and branches of the armed forces.

Each unit of the force's constituent parts should be appropriately selected, specially trained, and subject to a joint, unified command. According to the plans, the effectiveness of the conduct of a battle should be determined by extensive maneuvers, operational command, and technical and organizational abilities to implement tasks, both with their military units and on their own.

The idea of forming a rapid reaction force, to some degree borrowed from Western solutions, is not treated uniformly. Moreover, it has aroused considerable controversy. In arguments against it, the opponents emphasize that their chief task is to intervene in parts of regional conflicts in Europe and around the world. On the other hand, the transfer by air and land across a small distance in operational terms simply misses the point.

On the other hand, no one negates the need to have specially selected forces capable of rapidly counteracting an armed intervention of an enemy causing a local conflict.

One must agree with the views that see the strategy of national defense against the background of economic and geopolitical conditions. We have definite economic capabilities and established limits of forces and armaments, which make the state is incapable of maintaining during peace and of developing during an armed threat an army whose size and armaments would be comparable to the military potential of our neighbors to the

west and to the east. As a result, the state will not be able to counteract a military threat in the form of preemptive strikes, brief encounters, and defense maneuvers.

The implementation of goals and tasks of defense in Poland's political and military situation requires the adoption of a defensive and offensive strategy with elements of general national defense (MYSL WOJSKOWA No. 3, 1992).

The character of an armed conflict is determined by the means of shifting to defensive actions, the conduct of the war, and the battle effectiveness of modern weapons. One should assume that the shift to military action can occur as a surprise attack on an operational scale and even a strategic one, without prior concentration of forces along the border.

In this situation, the enemy can paralyze the command system of the state and of the military, and of the air defense; he can also destroy aircraft, the land-based means of AD and AA, and develop a local advantage in the air or over the entire area.

The air-land character of offensive actions carries the threat of simultaneous attack with firepower and forces not only in front of the defensive line but also against objects and regions located in the rear. A consequence of this can be to paralyze the defense which in turn will contribute to rapid penetration by mechanized armored groups deep into the country and to prevent maneuvers with reserves in the direction of the threat. That makes it necessary to prepare a defense not only along the border but also within the country and to have the forces essential to implement it.

In the first stage, these tasks would be performed by a rapid reaction force. During the period of the threat and of war, their role would be primarily:

- to counteract the armed intervention of the enemy in a local area
- to conduct defensive and delaying actions to gain time for operational deployment of the armed forces
- to combat or to participate in combating landing actions by the enemy and to conduct counterdiversionary actions
- to perform raids and landing and storming actions on key facilities of the enemy.

They would also bear the task of obstructing and preventing raids by the enemy, disorganization of the command system and communications and recognizance and attack. They could also help in closing gaps that develop in the defensive groups to protect the wings of their own forces, to support actions of forces fighting after having been surrounded, and also to conduct irregular actions in areas occupied by the enemy.

From this short review, it is clear that the rapid reaction forces in the current scenario of battle can play an important and significant role.

What kinds of functions can they perform during peace? The authors of the idea think that, first, they could participate in extra-military actions, including preserving order and providing protection, to remove the effects of natural disasters and other dangerous events that destroy order and public safety on a large scale. Second, they can participate successfully in United Nations missions.

In general, they should be primarily considered for regions of military danger, including defensive operations and also for conducting special actions, for example, blocking, counter-landing, counter-diversionary, etc., actions in cooperation with local forces (extra-military).

Such a hierarchy of tasks is determined by the need to prepare these forces in particular for actions of an offensive character (about which we have forgotten in our preoccupation with the defensive character of our military doctrine); it also determines their type and equipment and also sets up specific problems of command and training that are not easily solved.

Here a central question appears: How should they be organized and distributed? What should their battle capabilities be?

Let us refer again to the proposals presented in the authors's professional article. It reads as follows: The role and tasks imposed on them almost completely exclude any duality in their designation, composition, or equipment of the time of "W" and "P." Their structure should be uniform and simple in order effectively to ensure immediate implementation of assigned tasks.

What should make up these structures? It appears, given the current organization of the army, that they should consist primarily of commandos and paratroopers, tactical units, and mechanized and land-based air forces able to perform actions independently or to act as support for commandos and paratroopers and mechanized units.

And one more thing. The organization structures of the units in the rapid reaction force should make it possible to maintain the selected forces and resources in the appropriate state of battle readiness (as in a alarm subunit).

If we assume that the newly formed battle groups are to reach the regions of conflict as quickly as possible, they must be able to redistribute their forces and resources in a combined way (air and land). But do we already have such abilities?

There is also no clarity regarding the command of these forces (which is understandable at this stage of work). It should surely be implemented within the general system

of command with simultaneous separation of the operational group, which are to become the command and staff of these forces in the future.

There are many more questions, doubts, and unclear points. Can one today say for what length of battle these forces will be able independently to perform the assigned tasks? What about resupply of food and materials and technical means guaranteeing battle actions? In theoretical studies, it is necessary to speak clearly about them and to verify them during training and decision games.

The idea of forming a rapid reaction force was born in the 1970's in the United States, and the first units of this type were formed in 1980. During that time, similar ideas appeared in France, Great Britain, Italy, and Germany. They showed their worth during the conflict in the Falklands, later in Chad, and in Kuwait. The strategic planners from NATO, as is known, are also planning on forming international tactical unions and operational international paratroop divisions consisting of three brigades: Dutch, German, British, and a Belgian regiment, and a corps of rapid reaction forces consisting of four divisions: two British divisions, an international paratrooper division, and an Italian division "South."

Since the West considers the idea good... but at the foundation of the defensive preparations of the Republic of Poland, as the authors of the "Conceptions of Strategic Defense of Poland" say (MYSL WOJSKOWA No. 3, 1992), "there should be an assumption of self-sufficiency, that is to count primarily on one's own forces. Potential defensive allies...will be an important element..., but they cannot be its basis because of their variability."

Three Phases for Trade Development With CIS

92EP0674B Warsaw RYNKI ZAGRANICZNE in Polish No 111, 15 Sep 92 p 7

[Article by Mikolaj Oniszczyk: "Priorities in Trade With the East"]

[Text] Polish businessmen are increasingly interested in our closest neighbors to the west and to the east. For the first time in three years, a Sejm report recently strongly confirmed this orientation toward being good neighbors not just politically but also economically. As regards, among other things, our neighbors to the East, one of the main lines of government action is to be an export oriented development of the Polish economy.

If that is to happen, the countries of the former USSR must be an important strategic area like all other sales markets for Polish goods and energy raw materials. Regardless of the political transformations, the advantage for cooperation remains the benefits of close proximity, a good transportation and industrial infrastructure, traditions of cooperation and knowledge of one's partners, and an attractive, varied assortment of offers of cooperation given the independence of the former republics of the USSR.

Breakdown, Stabilization, Resuscitation

Entry upon the path of the required normal trade with the countries of the former USSR takes time. But it is essential in order to overcome the existing obstacles and barriers. They are a result of the recession occurring to varying degrees on both sides of the Bug River. A return to active investment activities is essential, not in the traditional way, i.e., by forming investment and production giants, but in the form of restructuring and modernization investments. Further, the barrier of foreign debt, which is more than \$80 billion in the case of our eastern neighbors, must be overcome. It absorbs current convertible-currency income for payments of capital and interest. It appears the structural difficulties of our eastern partners will limit opportunities for development and cooperation over the long-term and certainly through the end of the current century.

Greater opportunities will result from the systemic and economic reforms, including the area of foreign economic cooperation, which demonopolize the organizational and decision structures, break up the powers in the area of foreign trade, activate entrepreneurship in the economic sphere, and create conditions for an efficient economy. For some time yet, asymmetry in the degree of advancement of the economic reforms in foreign trade between Poland and the countries of the former USSR will continue. This applies in particular to the liberalization of trade.

Taking into account these factors, their varied character, and the opportunities for exerting effective influence, cooperation between Poland and the countries of the former USSR will go through three phases to normality.

The first phase, which appeared with particular sharpness in 1991 and is continuing, is the phase of a breakdown in trade with all of the countries of the former USSR.

The decline in turnover between Poland and the countries of the former USSR in 1991 in relation to 1990 is estimated differently by various offices and institutions, but it was no less than 50-60 percent. In 1991, this turnover expressed in dollars barely reached a level of \$3.4 billion, while imports from the countries of the former USSR were higher than exports and were nearly \$2.1 billion. Turnover calculated in transfer rubles continued and was valued at 800 million rubles. The breakdown of Polish investment exports to the eastern markets and the prohibition on barter transactions set up by the authorities of the former USSR in the middle of 1991 and the effects of the structural and systemic factors in the economies of the countries of the former USSR, mentioned above, were of particular significance.

The second phase is the period of stabilization and gradual growth in mutual trade turnover. Signs of a stabilization at a level roughly that of 1991 are appearing in 1992. If the tendency toward stabilization holds in the

current and in the next year, one can assume that along with signs of a slight increase, this phase will last at least five or six years.

The third phase, a continuing growth trend, can occur no earlier than 1998-99. One can assume that it will begin once a level of \$10 billion in trade with all the countries of the former USSR is reached. That boundary will mean that Poland's trade with the eastern countries will have reached the normal stage.

A Geography of Business

Collecting information and penetrating the areas of interest to Polish businesses requires current and long-term analysis of what has happened after the breakup of the Soviet market. One large market is now history. It cannot in any case be equated with the sum of the 15 republic markets in the former USSR. Entirely new areas of economic activity have appeared, and the rules of the game are being established by independent states creating autonomous economic legislation. These rules are increasingly varied among the "15" countries, and they constitute more or less favorable areas for direct foreign economic cooperation. One must know and recognize the new conditions, although they are far from stable and unambiguous.

In this situation, the question arises: with whom to trade or with whom to cooperate? The answer cannot be unequivocal. For hundreds of thousands, and soon for millions of businesses in Poland and the countries of the former USSR, the particular transaction or joint venture producing a profit or incomes is what matters. The geographical aspect can be secondary. From the point of view of the entire economy, of the current and strategic needs at the macro-economic level, however, the geographic aspect appears as the correlation of interests on the basis of consensus, which in a new market economy is not easy to reach.

Operating with a global view of Russian or Ukraine is insufficient. The Russian market—17 million square kilometers—is a continent that must be analyzed in regions, piece by piece. What cannot be seen from Moscow, from the center can be interesting for Polish businessmen in export-import terms within particular economic regions—Western Siberia, Povolzha, or the St. Petersburg region. Today a change in the geographic optics of doing business with the eastern countries becomes necessary. The same applies to the large Ukrainian market or to the Central Asian republics.

One can do business everywhere with equal success with partners from Lithuania or Karelia, as well as with Russians, Ukrainians, or Armenians. With immediate neighbors, certainly, as the current high level of activities in trade of goods in the border regions of Poland, Belarus, Lithuania, and the Kaliningrad district show. Looking, however, at the broader prospects for partnerships, a larger field for activity will always exist for cooperation with Russia, Ukraine, and Belarus as well as Lithuania, and among the more remote areas, with

Kazakhstan and Uzbekistan. They are large, markets eager for sales of Polish products and one of the important alternative sources for supplies of raw materials. As the payment capacity of our partners increases, trade will grow more lively.

Industrial Priorities

Now we are trading whatever is available with the countries of the former USSR. Partly, and only with Russia, on the basis of an agreement at the inter-governmental level, which applies to exports of some foodstuffs for an equivalent in shipments of natural gas and exports of a few other goods for imports of gas and crude oil. After the breakdown in the exports of the electro-machine industry—changes in its structure are significant, but are the result of a wilder process than conscious action.

The data for 1991 show a dominance of Polish exports by chemical products, agricultural products, food, electro-machine products, and metallurgical products followed by fuels and raw materials, a tendency that is continuing this year. The percentage of products of light industry has fallen seriously. The imports from the countries of the former USSR are headed by shipments of fuels and energy, investment equipment, and chemical products.

This structure is transitory and is—as has been emphasized—a product of the bilateral breakdown in turnover in industrial products, i.e., machinery and equipment and in consumer industrial goods. Given the low level of trade, this “first-floor” structure will evolve.

Without deciding its final shape, for it is too early for that, one can already ask: What are we going to sell in the next few years? Passive waiting for “something to change” and to “regulate itself” is a dangerous way to find a place in the markets of the countries of the former USSR.

Now is a good moment, while we are setting up the basic design for economic policy, to attempt to define even in a rough way the priorities for exports of industrial production and exports to the eastern markets while taking into account the priorities of the markets in the East and in the West (in order not to become dependent on one market again) and the directions and opportunities for development of the Polish economy and its import needs. Such an attempt requires not just philosophy, logic, and the method of operation in a market economy that depends on the selection of effective solutions in conditions of limited resources, but the need to define Poland's place on the economic map of Europe and in the internal division of labor.

There is also a need, an opportunity, and a purpose for development and modernization of the Polish export capacity in such areas as pharmaceuticals and cosmetics, processed agricultural products, chemicals, and mineral products (for example, glass), processed coal products, copper, and sulphur. In spite of the breakdown in

shipments to the eastern markets, there will be opportunities for selected products from light industries and some assortments of industrial consumer goods. There is a demand and a chance to sell equipment for agriculture in Belarus, Ukraine, and Russia, especially for the medium-sized and small farms being formed there recently. There are opportunities for sales and cooperation in the area of some kinds of ships, including fishing vessels, not to mention shipyard repair services.

For now, there are no opportunities for finished electronic goods and automobiles. Billions of dollars can be invested here, but we will not reach the level of the competition, and for the “technically average” there are no buyers even in Poland. There are rather opportunities for cooperation and shipments of elements and subassemblies. In all, here I am thinking of aviation, among other things, the future of Polish exports will be tied to cooperation in production. The example of the Transportation Equipment Plant in Mielec is, I think, a confirmation of this situation.

Probably in the near future, the Institute for the Business Cycle and Prices in Foreign Trade will begin studies of the industrial specialties of Polish exports. That is a useful idea.

Promotion—Prima Facie

Until recently, promotion, advertising, public relations, acquisition, and even economic propaganda and fairs and exhibitions for the markets of the former USSR and for the postsocialist countries were treated as theory or ornamentation for the “centralized” management of trade. In the current conditions, the promotion of Polish export abilities is an essential and necessary effort for achieving our goals. This applies in particular to promotion of Polish systemic and economic solutions in the area of foreign economic cooperation, to promotion of economic units wanting to begin cooperation with the East, and for the promotion of goods, what Polish businesses can and want to sell. The need for active promotion has two basic causes: first, the need for an aggressive entrance on the part of Polish producers and exporters into new economic regions, to meet new partners in Russia, Ukraine, Kazakhstan, and in such little known countries, as Kirgiz, Uzbekistan, or Turkmenistan; second from the fact that atomization in the sphere of foreign trade in Poland and in the countries of the former USSR given the universalization of industrial control increases demand to make reliable information readily available and for reliable knowledge of the markets and partners for cooperation.

In order to meet these demands, it is essential to change the organizational and functional network of Polish trade facilities and representatives of industry and foreign trade in the markets of the former USSR. The formation of centers for trade promotion in the important economic regions of Russia, Ukraine, Kazakhstan, and in the Baltic and Central Asian countries and in the Transcaucasus is desirable, although expensive in the

beginning. The plans for these actions have been developed and are awaiting implementation.

Effect of VAT on Budget, Inflation Noted

92EP0672B Warsaw ZYCIE GOSPODARCZE
in Polish No 37, 13 Sep 92 pp 1, 4

[Interview with Witold Modzelewski, deputy finance minister, by Krystyna Sonntag; place and date not given: "The VAT Is Not Just a Tax Revolution: Cheaper Credit Needed, Price Controls Not Excluded, Protection of Small Businesses"]

[Text] [Sonntag] On 1 July, the Sejm, after a first reading, transmitted to a committee the government draft law on the value-added tax [VAT], which in Poland is termed the tax on goods and services, and on the excise tax. If everything goes well, the law will be passed this fall. When will it take effect?

[Modzelewski] Not earlier than April or May 1993, owing to the need for a preparatory period of at least six months.

[Sonntag] This means that another delay for the VAT. The previous governments, those of T. Mazowiecki and J.K. Bielecki, had anticipated introducing it in the spring of 1991. Why is it taking so long?

[Modzelewski] That is a misunderstanding, because the work on this tax, resumed last April, is proceeding on schedule, and as for the decisions taken by my predecessors, I cannot accept responsibility for them. Anyhow, designing a rational tax system is an extremely difficult task, considering that there is no single universal model that always proves true in a market economy. There are only general rules serving as a basis, such as the rules of universality and neutrality, the latter meaning that a tax should not prompt adverse side effects ensuing from the taxpayer's adaptation to the tax constructs. Also to be borne in mind is that the tax system should not be encumbered with fiscal objectives and that budgetary receipts derive chiefly from indirect taxes. Finally, what also matters is that taxes be productive, that is, that they should yield the maximum budgetary receipts in both absolute and relative figures. The VAT, which we term the tax on goods and services, largely satisfies all these principles.

But there is no rose without thorns. The idea of the VAT is simple and lucid, but translating it into reality is much more complicated. In a nutshell, this is a fairly labor-intensive tax for every taxpayer, and also for the Treasury staff and auditors. Its "mechanics," that is, the procedure for determining the tax obligation, is much more difficult than that of the currently mandatory turnover sales tax. Let me point to one other characteristic feature; the VAT is based on the principle of "self-determination," which is precisely what makes it so difficult to the taxpayer. That is why we consider it necessary to grant taxpayers a relatively long preparatory period for adaptation to the new rules. It is worth noting

that in some countries that preparatory period prior to the introduction of the VAT was as many as 12 months.

[Sonntag] That time will be needed by not only taxpayers but also Treasury services. "Self-determination," as you put it, may prompt fears as to honesty in reckoning the tax due, especially in a country that lacks a solidly grounded tax-paying tradition, and the low effectiveness of tax collecting is one of the reasons for the budgetary deficit. What safeguards are being considered?

[Modzelewski] First, contrary to popular opinion, most taxpayers are honest, and that is why the underlying idea in this respect is the principle of limited trust, this being a fundamental element of tax-system philosophy. This has clearly nothing to do with naively opening the door wide to various abuses. Above all, the VAT is so designed that by its very nature it necessitates honest tax-paying, because the documenting of taxation by the supplier (the invoice) serves to deduct this tax in the next stage. Thus, the taxpayer will be interested in scrupulous calculation of the tax due.

As known, the purpose of the VAT is to dispense with multiple cumulative taxation of the same good or service. The tax will be determined not only according to the sales volume of an enterprise, but also with allowance for obligations to the state budget in previous stages of production or in previously concluded transactions. Thus, each time it will not be the entire value of the sold or manufactured merchandise but the value generated in a particular enterprise in the course of manufacturing, processing, or sale, that will be taxed. In practice, a given company will sum up the amounts of the tax due as a function of the monthly volume of sales and compare them with the amounts of taxes paid by its suppliers (the so-called credited tax). The state budget will receive the surplus resulting from a comparison of these amounts for the discrete months. This applies equally to producer goods and consumer goods; the rules for the taxation of both are identical.

As regards your question about the effectiveness of this system, clearly definite normative, technical, and penal safeguards serving to make this tax highly collectible will be designed. A project for the computerized numbering of all taxpayers subject to the VAT is already being prepared. Thus, reaching them will be simpler than at present. An administrative machinery consisting of 49 local Treasury chambers and 320 local Treasury offices, employs more than 20,000 well-trained personnel. But of course, in view of its new functions, it needs to be further expanded. We are planning to hire additional personnel, who will be especially trained for new tasks, and computerization will aid them in their work. I believe that separate sections dealing exclusively with VAT payers can be set up in every Treasury office. At the Treasury chambers there will be so-called commissioners for training chamber employees and instructing VAT payers on the rules for the new tax. Courses for such persons already are beginning. I have sleepless nights not so much owing to the computerization of the Treasury

services, because—I hope—it will be crowned with success, but because of the problem of reaching taxpayers with information about the principles and techniques of the VAT. To us, this matter is an absolute priority.

We intend to utilize the period until the VAT law takes effect in order to wage a broad publicity campaign among taxpayers. A team of technical writers preparing a set of publications explaining all the mysteries of the new tax has already been appointed. These publications will be readily-accessible popular and technical brochures, along with series of press articles (already completed!). We also intend to organize special lectures explaining in practice how to cope with tax accounting, filling out of declarations, etc. We are even considering a series of visits to enterprises in order to familiarize taxpayers on location, by means of visual aids, with techniques for computing the VAT, subject to their consent. The campaign will be waged for six months—four months before and two months after this tax is introduced. The funds for this campaign will be also received by the Ministry of Finance from the European Community's PHARE budget.

Secondly, I would not overestimate the importance of the problem of tax collecting itself as a reason for the budgetary deficit. The rise in tax arrears, especially as regards arrears in the payment of the tax on wage increases and the tax on enterprise assets, has deeper economic causes: The situation of most taxpayers is poor and not improving.

[Sonntag] It can be said that finally the rule of hasty preparation of important tax solutions is being abandoned. But let us consider the VAT on its merit: Will all goods and services be taxed identically?

[Modzelewski] The basic VAT rate is to be 22 percent. But in addition we propose introducing a reduced rate of 7 percent applicable to, among other things, certain items of merchandise for children, goods and services for agriculture, and building materials. A provision has also been made for the so-called zero rate, which is highly important to merchandise exports. In practice, the availability of this rate means that the state budget returns to the exporter the taxes paid by his suppliers. This will serve to treat Polish exports on the same principles as those on which foreign competition is based. Most exporters of goods to Poland avail themselves of precisely such benefits in their home countries. Thus we will be affording the same opportunities to our producers who sell their products abroad. But this does not apply to importers: They will have to pay the full tax rate for the goods they import.

Thus, occasionally voiced fears about greater competitiveness of imports following the introduction of the VAT are groundless, unless the current turnover tax rate assessed on imported merchandise at border crossings is higher than 22 or 7 percent.

[Sonntag] The draft law provides for exemptions from this tax. What would be the grounds for granting them?

[Modzelewski] The draft law proposes two kinds of exemption: by nature of the merchandise or service and by nature of the entity requesting the exemption. In the former case, two lists of tax-exempt goods and services will apply; among other things, this concerns relatively unprocessed foods and so-called noncommercial services, e.g., health care or education. As for the other kind of exemptions, that concerns small businesses, which in most countries receive precisely this kind of protection, and protected workplaces for the handicapped. There is no need for me to justify the last-named.

[Sonntag] What will be the preferences granted to small businesses?

[Modzelewski] As regards small businessmen, we do not want to aggravate their operating conditions. The preferences will consist in granting total VAT exemptions to taxpayers with an annual sales volume of up to 600 million zlotys [Z] who are paying lump-sum income taxes. There also are other considerations: This concerns the cost of collecting taxes from such minor sources and the expenses involved in imposing registration duties on these companies. It does not seem worth the trouble.

[Sonntag] The VAT is a difficult and complicated operation, but we must carry it out, because it is a stage on the road to integration with the European economy. But let me ask you a question on the principle that a bird in hand is worth two in the bush: What is in it for the budget?

[Modzelewski] In the initial period the VAT and the excise tax will not cause a drastic increase in the burden on the current turnover-tax payers. Actually, these taxes should yield somewhat less than the receipts from the turnover tax, that is, about Z130-135 trillion, but subsequently they will bring in higher revenues because, assuming that the inflation will not exceed 25-30 percent, the number of taxpayers will increase. After all, the VAT will apply to many more taxpayers than the turnover tax applies to at present. Consider that this will be a universal tax, payable by every company regardless of the business it engages in. We estimate the number of these taxpayers at just below 1.8 million.

Let me also draw attention to one other advantage of the VAT, namely, its ability to reduce the scale of the so-called underground economy, which so far has evaded taxation. It is simply that it will not pay companies to make purchases without invoices because the impossibility of reducing their own taxes by the amount ensuing from the taxes already paid by their suppliers will harm their own interests. This is precisely what I call "coercive honesty," which will on its own, as it were, make the mechanism of tax collecting more effective. Let me also add that the introduction of the VAT in the initial period will signify revocation of the turnover tax paid by the socialized and private sectors as well as of the border-crossing tax.

We also are preparing other tax measures and ways of streamlining tax collecting that should augment our receipts from VAT and excise taxes.

[Sonntag] So far you have been discussing the advantages of the VAT. How about the inflationary consequences of this tax, which after all are unavoidable considering that it will apply to previously untaxed goods and services. Have corresponding estimates been made?

[Modzelewski] According to forecasts prepared by the Institute of Finance, had the VAT taken effect last May, the price increases would have averaged 4.5 percent.

[Sonntag] But it is hard to believe that the inflation would be so minimal, considering that, e.g., where the current turnover tax rate is 5 percent, the VAT rate would be 7 percent. This effect will be still further reinforced by the extension of the new tax to such goods and services as coal, energy, etc., which previously have been tax-exempt.

[Modzelewski] According to the same estimates, the rate change you mentioned will result in increases averaging not more than 1.6 percent, and besides on the other hand the 1-percent turnover tax on merchandising will be revoked. What is more, the tax rates for many goods will be lower than at present, e.g., for fruit juices, chocolate products, etc. To be sure, a significant increase in taxation will take place in the case of coal, electrical energy, and hot water. In view of the already high cost of living, solutions alleviating the effects of the VAT in this group of goods and services are being considered. But that will require political decisions. For the time being, I can only say that it looks like it is necessary to work out a selective stopping of the increases in the prices of consumer goods and services due to the introduction of the VAT. This concerns in particular the cases in which the VAT rate will be higher than the original turnover tax rate, or goods that have previously been untaxed. Price controls might be necessary in a situation in which the absence of market competition might result in shifting the tax burden entirely or partially on the consumer.

We thus expect that it will be necessary to draw up a list of goods and services which will be temporarily placed under various kinds of restrictions, e.g., in the form of the duty to notify the government about any intent to raise prices or maximize price increases.

[Sonntag] So that is a step backward, despite the fact that we have more than once in the past witnessed the relative ineffectiveness of such measures, is not it?

[Modzelewski] These are myths which clash with the facts. Many countries with a definite market economy have been or are introducing price controls during the periods of tax reforms. In practice, it is possible and not so ineffective to impose on the vendor the obligation of raising prices solely by the amount due to the imposition of the VAT while at the same time allowing for the decrease in prices due to the cancelation of the turnover

sales tax—this is a simple solution that has been tried and tested in many countries.

[Sonntag] In discussions of the VAT attention is often drawn to technicalities, but it is rarely mentioned that the taxation of, e.g., producer goods will contribute to greater demand for credit.

[Modzelewski] True. So far the turnover tax has not generally been levied on producer goods, whereas they will be subject to the VAT. It is thus evident that the introduction of the VAT requires revising credit policies with regard to enterprises next year. Otherwise there will be no production or investments, and the very taxation of all goods, both consumer and producer goods, has to be taken into consideration in the state's fiscal policy, and principally by the banks, which are the key to higher budgetary receipts and to the success of this reform.

[Sonntag] How so?

[Modzelewski] Credit for purchasers of goods which have not previously been taxable should be cheaper and more accessible.

[Sonntag] That is easy to say, but somebody would have to subsidize so-called cheap credit.

[Modzelewski] This is a misunderstanding: We are drafting a forecast of increased demand for credit that allows for its cost and price consequences on the VAT depending on the interest rate. I believe that the need to restructure the tax system will meet with understanding from the banks and the NBP [National Bank of Poland], because it is in the national interest, and also in the interest of the banks. The smaller the payment difficulties of VAT-payers the greater the budgetary receipts and by the same token the smaller the credit granted in return for financing the budgetary deficit.

[Sonntag] Thank you for the conversation.

Opposition by Segment of Society to Privatization
92EP0682A Poznan WPROST in Polish
No 37, 13 Sep 92 pp 15-16

[Article by Mariola Balicka: "Poland for Sale"]

[Text] The paradox in Poland is that while public acceptance for Polish privatization decreases, respect for private ownership and initiative increases.

Polish privatization gets less and less social support. Surveys of public opinion show this; the last wave of strikes also confirmed it.

The explanation for the decreasing acceptance of privatization depends on one's political views. The liberals tend to believe that the necessary social costs of reconstruction are the cause; they bring nostalgia for everything which belongs to the state and is therefore safe, protective, and nondemanding. The false social consciousness brought by communism is to be blamed. The

Left and the trade unions also have a clear view in terms of this dilemma: Social emotions are the reaction to the barbarian sale of the state property, so-called privatization. Such an opinion was expressed in the most extreme way by the National Inter-Union Negotiation and Strike Committee, which in the fourth paragraph of its 21 postulates demands "the immediate immediate abandonment of current chaotic, thieving privatization which serves the political elite and capital."

The reasons for the increasing loss of acceptance of the privatization of the Polish economy are more complicated than those given by the extremists from the Right and the Left. Their roots come not only from very obvious, postcommunist false ways of thinking and equally obvious mistakes in the ways how the privatization should be done. One should look for the causes also in our unreformed state enterprise system. The famous Bermuda Triangle in the management of those enterprises strengthens the attachment of the workers to unreformed state ownership, and arouses fear of change. The influence of the workers' representatives on hiring and firing of managers and all resultant powers, over wages, employment, social benefits, etc., are greater than they ever were during the communist era, and greater than anywhere in the West. On the one hand, this blocks the modernization of the state enterprises, hindering their ability to function as a regular market subject; on the other, it consolidates a belief in a humane relationship between workers and employers. In Western countries, the generally-used managers' contracting system in companies belonging to the state enables them to function according to current market rules and competition; this makes them operate in a fashion similar to private companies. Therefore, in terms of earnings, benefits, and duties of workers, it does not matter too much if they are employed by the state company Renault or if they are employed by the private company Peugeot.

Even if the legal norms that limit workers' benefits exist—such as, for example, a bill on resolving group conflicts that regulates the right to strike—nobody in the state enterprises executes them. For example, during the most recent strikes management and government representatives announce (not very firmly) that according to law the strikes are illegal; and then none of the strikers are punished. On the other hand, the owner of EL-GAZ [expansion not given], Janusz Leksztan, did not hesitate what to do. He fired the strike leaders, despite the fact that they formed a Solidarity local in his company. The confrontation of such totally different attitudes on the part of state and private employers also discourages people toward privatization.

The evidence shows that the authors of our economic reforms from the beginning believed that in the state enterprises, which were foreordained for liquidation anyway, one could give the workers the right to speak and to decide about their company. But where restructuring and privatization begins, there are no jokes: The case goes to the appropriate authorities on high. One can find there an element of rationality: The so-called

working class rarely treats capitalism with enthusiasm. Nonetheless, such an attitude shows signs of self-creating prognosis. The working class becomes totally discouraged about the reforms not only because of the sacrifices it must make, but also because of the loss of control, and the lack of influence on one's fate and the fate of one's company that it experiences.

According to this management principle, the founding organs and the consulting firms make the transformation. Privatization is now in the iron hand of the Ministry of Privatization. Even if the employees have their own concept of privatization—which occurs rather rarely—there is no chance to implant it without the approval of the Ministry of Privatization and the founding organs. The staff of the Warsaw Poultry Enterprises plans to form a joint venture with the shares of one hundred poultry producers, two local private investors and a Swiss company. According to the office of ownership transformation and the voivode, the central office refuses to give its approval: It threatens to "hand the company over to foreign capital for a pittance."

One should say at this point that this particular objection was many times made to the ministry itself. Recently this was done by the Supreme Chamber of Control in the Bistona case. But one should trust the rank-and-file a little; maybe some workers would be happy because of their own privatization. And even if the whole thing failed, there would be no basis for the accusations about the chaotic privatization and Minister Lewandowski.

Pushing the restructuring as an initial phase of privatization without including workforce opinion leads to humorous effects. One could somehow understand, for example, that the evaluation of the newly implemented program of correction at the Ursus plant would be different in the eyes of the workers and the Ministry of Industry. But when the workers insist that such a program was not even implanted, and the ministry says that it has been in place since last October, it means that the whole mechanism of transformation falls apart.

The classic example of discouraging people from ownership transformation is commercialization of enterprises, or the formation of one-person corporations of the state treasury. This needs the approval of workers' councils, but it is widely known that they are not motivated by reforms but that they do so to escape taxes on above-the-plan growth of wages and dividends. It is also known that the transformation has a strictly formal, not practical character; for hundreds of enterprises, commercialization has become a so-called "waiting room" or cul-de-sac. In this situation the only discernible social effect of commercialization is the liquidation of workers' self-government. This was the reason why the 21 postulates mentioned above include a demand to liquidate the law on one-person corporations of the state treasury, which ended social control over state property.

The example of commercialization also illustrates perfectly that another quality of the transformation in

process is its unclear character—particularly as regards ownership. Here we have state treasury corporations, yet there is no state treasury, a small detail. Building a kind of capitalism in which a central variable—the owner—is only an unclear fiction creates a muddle. Another example: it would be interesting to find out what percentage of Polish adults understand the difference between enterprise liquidation based on Paragraph 37 versus Paragraph 19 of the state enterprises privatization bill. And the matter is important, because 2,000 enterprises are already concerned; critics say that this is too important a matter to entrust to the workers of the Ministry of Privatization. Even the respected *ECONOMIST* failed while trying to explain the principles of the general privatization program.

The next factor in the increasing distance between the process of privatization and social attitudes is an unfortunate idea that the profits from sales of enterprises should be transferred in full to the state budget. The authorities still cannot decide whether privatization should be a historic structural transformation of the state, or a way to patch the hole in the budget.

The success of this transformation depends on, among other things, whether and how fast the enterprises will feel the blessed results of privatization—including in the form of influx of necessary investment capital, with which the enterprises are purchased. Because otherwise there will be a feeling that somebody is making profit, but not the one who should make that profit.

And finally we should mention that which has become a symbol of Polish privatization in the eyes of the nation: the various scandals which accompany the process. We pay for each scandal with increased suspicion, which appears as attempts to expose everybody and everything. But no matter who is right in the case of the sale of Bistona—the Supreme Chamber of Control or the Ministry of Privatization—the case of Bistona will remain in the nation's memory as an example of selling national interests for nothing.

Jacek Kuron during the August strikes said that his biggest failure, the greatest failure also of the first Solidarity government, was the lack of society's participation in the changes. The Pact on State Enterprise that he has proposed is an attempt to draw conclusions from the last failure, and an attempt to socialize the reforms. Among other things, it can guarantee the continued presence of the workers' representatives on the board of trustees of the new corporations. The Pact refers to Western models of workers' participation. The problem is whether the proposals included in the Pact are satisfactory for the rebellious union leaders and the often anarchic workforces; the medicine might be not effective when administered too late.

One of the most interesting problems is the paradox that, along with the decrease of acceptance for privatization, social respect for private ownership and initiative increases in Poland. Therefore, if one sets up a grocery

stand with money borrowed from one's brother-in-law, or if five friends sold their cars to form a joint venture from nothing, these are actions worthy of social respect and approval. If we try to privatize a similar grocery stand, or if the private joint venture is formed from the sale of a state enterprise, that can only mean a suspicious business. Maybe it is not the ideal of private Poland itself that has hit bottom, but the centralized way in which it is being carried out?

The principle that "society and the workers do their thing, while the privatizers and privatization do their thing," leads to a very confusing situation, the first symptoms of which we witnessed recently. A breeze from the world outside, from the Big Capital, blew into Poland: the Ministry of Privatization sold a company in Kwidzyn to an American giant, the International Paper Company, for \$120 million. Almost the same day, a few hundred kilometers away, the strike committee in the Polish Copper Mine announced a takeover by the workers to control one of the biggest enterprises in Poland. The latter case brings alive for us the most bolshevik-like level of communism: the takeover of companies by workers' councils. It did not make any impression on the representative of the owner or on the Ministry of Privatization. The idea failed, but maybe soon an even more determined strike committee will try to push this idea. One thing is clear: There is no place for both a bolshevik and a capitalist Poland. One of them must lose.

Prognosis for Universal Privatization Program

Views of Sejm Deputies

92EP0688A Warsaw *GAZETA WYBORCZA* in Polish
21 Sep 92 p 15

[Article by U.S.: "Endowment With Property or Expropriation"]

[Text] The government maintains that universal privatization is an opportunity to improve the economy and make owners out of Poles. Deputies from the opposition respond that the improvement is not all that certain, whereas expropriation may occur instead of endowment with property. The Sejm has not yet resolved what to do with the draft PPP [Universal Privatization Program].

On Saturday, the government released the Universal Privatization Program that was under development for almost two years.

In the opinion of the Minister of Privatization Janusz Lewandowski, the program will bring about the restructuring and privatization of companies taking part in the PPP and make it possible to comprehensively endow adult Poles with property. This draft is supported by the World Bank. Besides, there are realistic opportunities to obtain credit from the European Bank for Reconstruction and Development for restructuring enterprises covered by the program, stated Minister Lewandowski.

What We Know About the Universal Privatization Program

The program calls for the simultaneous privatization of about 600 state enterprises. These are supposed to be somewhat larger and better than a majority of state companies (for example, they must have after-tax profits). The government assumes that companies participating in the PPP will have a combined book value of about 150 trillion zlotys at the time of privatization.

In keeping with the government draft, the average Pole will begin to directly participate in the program in 1994, when he will be able to buy one stock unit of the program at a post office or bank, and will directly become an owner of a proportion of the companies privatized under the PPP. One share will cost no more than 10 percent of the average wage. Everyone who will have turned 18 before 31 December 1992 will be able to buy stock units.

A stock unit will consist of one share of each of about 20 National Investment Funds, established especially for this purpose, which will manage companies covered by the PPP.

Stock Units, Shares, Funds

However, the simultaneous privatization of all companies taking part in the program will occur before units of stock are distributed. With a view to speeding up and simplifying privatization and reducing costs, the government plans that no costly and protracted appraisal of enterprises will be carried out. The investment funds will receive 60 percent of the stock of companies taking part in the program. For each company taking part in the PPP, one fund will receive 33 percent of the stock, and 27 percent of the shares will be distributed among the remaining funds.

Employees will receive up to 10 percent of the stock of their enterprise free of charge. The state will keep the remaining 30 percent of the shares. Eighteen percent of all shares from this pool will be allocated to retirees, annuitants, and employees of the sector financed from the budget, to whom the government must give 29 trillion zlotys, in keeping with a ruling of the Constitutional Tribunal. The state will draw profits from the remaining portion of the "government" stock, or will allocate it, for example, to pay reprivatization claims.

Management Companies

Qualified management companies selected through bidding will manage the investment funds. These companies may be either foreign or Polish. Their task will be to cure companies under their supervision, obtain funds for investment and the upgrading of "their" enterprises, and in some cases, sell them.

The companies managing funds will get money for their work; a considerable proportion of the compensation will depend on the financial performance of the companies whose shares the fund holds. The government

maintains that, as a result, the management companies will be interested in maximizing the profits of these companies.

The PPP and the Exchange

The stock of companies taking part in the PPP will be quoted (and therefore, sold and bought) on the exchange.

In the opinion of Securities Commission Chairman Leslaw Paga, a special trading floor should be established on the exchange for such trading. This would mean that trading in the stock of companies covered by the PPP would proceed independently from trading in the stock of companies already available on the exchange.

It will also be possible to sell or purchase additional stock units of the National Investments Funds in the secondary market.

Deputies on the PPP

Presentations by clubs suggest that, despite their reservations, the UD [Democratic Union], the KLD [Liberal-Democratic Congress], the PPG [Polish Economic Program], the SLCh [Peasant Christian Party], PChD [Party of Christian Democrats], and the PL [Peasant Party], that is, the groups which have formed the government, are in favor of forwarding it to Sejm commissions. While criticizing the government draft of universal privatization, deputies representing the PSL [Polish Peasant Party] and the KPN [Confederation for an Independent Poland], and the ZChN [Christian National Association], which belongs to the government coalition, have not stated unambiguously whether they favor rejecting it, or forwarding it to commissions. For their part, the SLD [Alliance of the Democratic Left], RdR [Movement for the Republic], and ChD [Christian Democrats] clubs introduced a motion to reject the PPP draft.

According to Professor Jozef Kaleta (SLD) and Ryszard Bugaj (Union of Labor), impoverished citizens who need money will get rid of the stock units of the National Investment Funds. The enhanced supply of these stock units in the market will cause their prices to fall. This will provide an opportunity for a small circle of rich domestic capitalists and foreign investors. As they purchase stock units on the cheap, "for peanuts," they will take over the economy, and the citizens will have their property expropriated, rather than be universally endowed with it.

It may so happen that the heads of the funds get together and agree on actions which are "harmful to the economy," said Zbigniew Woroszczak, noting in the process that he is an opponent of the conspiracy theory of history.

Maciej Srebro (ZChN) stated that, in the opinion of the Main Council of his party, the government PPP is fraught with the subordination of Polish companies to foreign capital, and that it is unfair that only adults may take part in it.

According to the PC [Center Accord], the "superpower" of the Ministry of Privatization should be taken away in the process of work on the draft in Sejm commissions. For example, the government, in coordination with relevant commissions of the parliament, rather than the Ministry of Privatization, should make decisions on filling positions on the boards of directors of the companies taking part in the program. As we were told by Adam Glapinski, the PC is of the opinion that, instead of units of stock "in abstract funds," the people should receive the stock of specific enterprises which they select.

Marek Zielinski (Solidarity) said that, in the opinion of the union, in addition to the 10 percent of shares free of charge, the employees of companies should be entitled to buy at least another 10 percent of the shares at preferential prices. There should be no charge for participation in the PPP.

Jan Zylber (PPG) and Andrzej Raj (KLD) stressed that curing 600 companies participating in the program will entail improvements in "the situation of thousands of their subcontractors," and will thus have an antirecession effect for the entire economy. Zylber also observed that common people do not know about the PPP, and for this reason, the government should "get through to the people with it."

The discussion on Saturday was interrupted because of lack of time. It will be continued the day before the next meeting of the Sejm. A vote will also be held at that time.

[Box, p 15]

Accusations Most Commonly Made by Deputies

- the endowment of citizens with property is illusory. The citizens, who will be indirect owners, will not have any influence on the management of enterprises participating in the program;
- the threat of the monopolization of the economy by a dozen or so National Investment Funds and the transfer of economic power to outside control;
- there is no guarantee that the financial position of companies participating in the PPP will improve. The budget may lose by virtue of this.

Privatized enterprises cease to pay the tax on above-the-plan growth of wages and the dividends to the budget. Budget revenues will fall unless these enterprises generate greater profits on which they will pay the profit tax.

Author of Program Speaks

92EP0688B Warsaw *POLITYKA* in Polish
No 39, 26 Sep 92 p 5

[Interview with Janusz Lewandowski, minister of privatization, by Jerzy Baczynski and Jacek Mojkowski; place and date not given: "Into the Wind"]

[Text] [POLITYKA] The results of voting in the Sejm were not the best they could be in your case. More deputies were against you as minister of privatization than in favor. You held on to your position only thanks to legal procedures envisaged for the recall of ministers. Do you intend to resign under the circumstances?

[Lewandowski] For two months now, I have been attacked from the right and the left. I have already grown somewhat resistant to it, all the more so because for all of last year, I moved ahead in a crossfire of accusations many of which ruled one another out. Let me review them: Some claimed that we were privatizing the economy too quickly; others that we were privatizing it too slowly; some said that we were selling too cheaply; and others that we were selling at too high a price; and so on. The nature of accusations at present is similar, and this is why I do not intend to resign the position and give ammunition to my opponents to the effect that their criticism was correct, "well, since he is leaving himself..." I would like to establish through positive examples that privatization does not amount to "plundering national wealth," as my opponents suggest. Therefore, I will be staying in my post.

[POLITYKA] Did the result of the vote in the Sejm come as a surprise to you?

[Lewandowski] The result of the vote is the outcome of the opposition settling old and current scores with the government. The desire to destabilize the government was the motivation for many votes against me personally rather than any particular concern about the future of privatization. What is depressing about it is that the political tug-of-war, as usual, takes place in the sphere of the economy.

[POLITYKA] However, a critical report by the NIK [Supreme Chamber of Control], which evaluated the operation of the Ministry of Privatization in 1991, when you were its head, provided an occasion for the dispute. You reject most of the accusations. Is this to say that the Ministry of Privatization operated well, and it was the NIK that did its job poorly?

[Lewandowski] The NIK report is fair, but it has one defect: The NIK, in principle, investigates how the operation of an office complies with legal norms, whereas we operated in a sphere in which law was only being created. The report is a kind of static snapshot and does not reflect the dynamics of phenomena; it shows neither the history of a transaction nor its current consequences for an enterprise. NIK auditors have instruments for analyzing institutions already in existence. It is harder when these patterns must be used on an office at the stage of being established, which is what the Ministry of Privatization was in 1991. Legal confusion with regard to the ways of carrying out privatization combined with this. Under such circumstances, any obscure passage may be interpreted as an irregularity, mistake, or abuse, especially given that "searching for a hole in what is whole" is the trait of inspectors

throughout the world. However, I will admit frankly that, on the other hand, this report was a sensation of sorts for me: After all, despite the universal need to find a thief, the ministry was not accused of corruption....

[POLITYKA] Let us discuss a couple of negative cases that were brought up most often in the debate by deputies. The case of the furniture factory in Swarzedz is the ultimate proof that privatization results in losses. Preparing this factory for privatization cost more than proceeds from the sale yielded.

[Lewandowski] Swarzedz was the only case in Poland in which a factory had its debt retired prior to privatization. This affected the cost. The meaning of this decision, which was made in accordance with the law, should be compared to the fate of the nearby Tonsil, which is actually choking in a debt trap. This is point one. Secondly, in the case of Swarzedz, the people bought some stock by paying in state bonds, which was not entered in the books on the budget revenue side. Besides, it is overlooked that the sale of a company to a foreign partner is not a usual operation whereby payment is made for goods: Apart from price, we try to negotiate obligations to invest in an enterprise. The effect of this is stretched out over many years, and cannot be determined simply in the categories of "debit and credit." Having sold the paper mill in Kwidzyn for \$120 million, we established that investment in it will amount to \$175 million. This is not net revenue of the state budget from privatization; however, the economy unquestionably profits from it. The case of Swarzedz was similar. I will tell you as a curiosity that the issue of Swarzedz was showcased at a seminar in Tokyo organized by the World Bank for specialists on privatization in Eastern Europe as a textbook example of a transaction which was accomplished well....

[POLITYKA] However, the NIK report says that, contrary to your assurances, you carried out the sale transaction in that case in violation of the law.

[Lewandowski] We did not violate laws in any respect. The accusation by inspectors concerns the fact that we made shares available, free of charge, to bank employees who took part in privatizing Swarzedz. On our part, it was a form of paying the people for the service provided (so-called success fee). They did their job with lightning speed, though they could have dawdled at it for weeks. We sought to give incentives to work to those who sit at the windows and deal with customers directly rather than to the management of the bank. Besides, had we been clinging to all formalities for dear life Swarzedz would not have been privatized to this day. After all, it was not entirely clear that ownership issues were involved, and yet there was no law on reprivatization.... This was a great argument in favor of doing nothing and waiting for the Sejm to approve it. We accepted a different principle: To proceed after all. We agreed with the former owners that they would retract their claim in exchange for five percent of the stock.

[POLITYKA] Another accusation leveled in the Sejm is that the ministry retained expensive Western consulting companies, ignoring the fact that more inexpensive domestic companies existed.

[Lewandowski] At the beginning of the existence of our ministry, the circumstances forced us to do it. To be sure, we had, and we have now, excellent civil law practitioners, administrative law specialists, and penal law experts. However, at the outset we lacked domestic lawyers who knew foreign languages and economics, specialists on commercial law and capital transactions.... It is in the area of banking and finance that the lag of our civilization is the most apparent. Also, expertise was transferred to Poland at the same time through the participation of foreign experts. By now, Polish companies are beginning to submit winning bids. Besides, my observations suggest that a great many domestic consulting companies operated on the principle "we do not advise what is best but what the management likes the most." For example, the first offer by a prospective buyer of Kwidzyn was \$40 million; after foreign experts joined in, we succeeded in driving the price up by a factor of three. So, was their compensation high? Indeed, but both the enterprise and the budget made money off it. Unfortunately, we will keep facing the same choice here: To do it well and expensively, or cheaply but just any which way.

[POLITYKA] You were accused of managing to fulfill only one-tenth of the plan for revenues from privatization in 1991: Instead of 15 trillion zlotys, 1.7 billion were generated. It is suggested that it may be the same this year.

[Lewandowski] This is what happens when myths are mistaken for reality. Plans for 1991 were adopted in the fall of 1990, when the optimistic belief was that the resistance of the economic matter would not be great, and that privatization would generate large revenues. This was naive, and by now everyone knows it. However, this does not prevent the opponents of privatization from coming back to the same accusation of "failing to raise revenues." As far as this year is concerned, the team of the previous prime minister generated for the state the ridiculous amount of 700 billion zlotys in seven months, explaining this away by "house-cleaning in the ministry." As a result, privatization was spinning its wheels. We are now trying to reverse this: Within two months, we have finalized transactions worth 2.8 trillion zlotys. If we succeed in selling one tobacco factory the budget plan for this year will be fulfilled. However, the lack of so-called "peasant consent" is an obstacle, as well as the lack of a response to the question of whether a foreign partner may be involved in a tobacco monopoly.

[POLITYKA] The antiprivatization campaign continues. Do you feel backed into a corner?

[Lewandowski] From 1990 on, I faithfully rooted for Leszek Balcerowicz when he was mercilessly attacked from all quarters. His example goes to prove that, in

order to accomplish something in our country, one must go into the wind. I have now become the bad guy in economic changes. I have reconciled myself with that somehow. My family members, who fail to understand why the opponents are so furious, are another matter.

[POLITYKA] Do you really take the accusations as calmly as it outwardly appears?

[Lewandowski] No, first of all, the indiscriminate choice of words and leveling of charges without proof maddens me. Helpless anger overcame me when I watched on TV Ms. Jaworowicz's program "Issue for a Reporter," which, in essence, played the role of a minute of hatred. Now that TV journalism is supposed to be on the air "live," I am inclined to prove how much manipulation and bald lies there were in this program when it came to the issues of privatization.

[POLITYKA] They say that you have taken someone to court....

[Lewandowski] Indeed, a KPN [Confederation for an Independent Poland] adviser Jedraszczyk for insulting and slandering me. I am also moving against the Union of Real Estate Property [as published] for calling me a "fence."

[POLITYKA] Even if you win a lawsuit or two, it will not change the generally bad atmosphere for privatization....

[Lewandowski] The environment for an anti-privatization campaign appeared during the "war at the top" and the election campaign. This was when they began to talk about privatization in terms of fear rather than hope. This became embedded in public consciousness. Many groups are trying to capitalize politically on the fear of the people. I expect that the universal privatization program will now become a new target, following an unsuccessful attack against me.

[POLITYKA] How do you intend to change this unfavorable attitude toward privatization, which is indicated by all public opinion surveys?

[Lewandowski] Nothing helps the cause more than a good example. We would like to show that privatized companies do not at all go bankrupt; nor do they contribute to unemployment. There is proof: Wedel-Pepsi, Polkolor-Thomson, Pollena-Unilever, Raciborz-Henkel... We will explain the guidelines and operate under public scrutiny, naturally, without violating the principles of trade secrets. For example, when it comes to social issues, we want to bring about a clash of arguments at the enterprises and bring trade unions and representatives of the foreign investor face to face. The object is for the people to grasp the truth, which is that the contract price for the sale of assets is not what they expect, but usually what a buyer is inclined to pay for it.

[POLITYKA] Is the recently proposed pact on state enterprises an attempt at making the responsibility for privatization fuzzy and shifting it to the work forces?

[Lewandowski] The pact is a flight of sorts from volcanic terrain, which is what the state enterprise is about. We would like to bring about the formation of a grassroots movement in the matter of the privatization of enterprises, getting the work forces involved in this. However, I would not conceal that I see certain pitfalls in this, for example, that everybody will want to develop employee stock ownership all of a sudden. This is catchy from the social point of view, but it is not generally rational for a poor economy. The sale of stock to employees will end up in the enterprise incurring debt anyway. After all, the people themselves are in a position to purchase assets worth several hundred million zlotys, whereas billions are required for a transaction such as this. They will borrow in order to have it their way. To be sure, they will own the enterprise but the economic position of the latter will not improve an iota; only the debt will be still greater. To my mind, qualitative changes in industry will only occur when foreign investors with large amounts of proprietary capital are allowed to take part in privatization. Our own, domestic investor is in a position to wring out a few million dollars, at the most, when purchasing a single plant, whereas 10 times more is frequently necessary.

[POLITYKA] They say about you that you behave like a doctrinaire privatizer, that you are somewhat like Hilary Minc, except with the opposite sign....

[Lewandowski] Hilary Minc was building an economic utopia, whereas privatization amounts to the return to personal, private property from the fiction of common property. We are doing this in Poland in a pragmatic manner, going along with the suggestions of work forces. There is not a whiff of dogmatism in it.

[POLITYKA] Thank you for the interview.

Regions Threatened With High Unemployment

92EP0671A Warsaw ZYCIE GOSPODARCZE
in Polish No 36, 6 Sep 92 p 2

[Article by Irena Dryll: "Locales of Unemployment"]

[Text] There is already a new list of localities especially threatened by high structural employment; a resolution of the Council of Ministers on this matter was signed by the prime minister on 24 August. That list includes all the gminas in Lodz and Walbrzych voivodships as well as 182 gminas in other voivodships. The original version listed several hundred gminas, but, owing to lack of funds, the government decided to shorten it. The principal, but not sole, criterion was a high rate of unemployment, exceeding in most cases 25 percent. In some localities on that list every third or even every second able-bodied person is jobless.

The first list, dating from the times of ex-Prime Minister Bielecki (May 1991) contained both abovementioned voivodships and only 42 gminas. However, unemployment is growing. At the end of July 1992 the number of registered unemployed persons was 2,409,000, that is,

112,000 more than at the end of June and 253,000 more than at the end of December 1991. This increase is chiefly due to the fact that this year's school leavers were registered at employment offices, as well as to group layoffs. The unemployment rate (ratio of the jobless to the employed) at the end of last year was 11.4 percent, whereas now it is 13.1 percent. This ranks Poland in the fourth place in Europe (higher unemployment last year was recorded only in Ireland, Spain, and Yugoslavia).

The gminas with high unemployment awaited the promulgation of the list anxiously, owing to certain preferences and tax exemptions it accords to such gminas. Companies operating in these gminas have the right to raise their depreciation rates maximally, and the gminas themselves may apply for subsidies from the state budget for funding investments that would create new jobs, as well as for additional funds from a special Labor Fund reserve for active forms of combatting the effects of unemployment. Companies with the participation of foreign capital which invest more than 2 million ECU's [European Currency Unit] in a high-unemployment region are eligible for income tax exemptions, and enterprises that hire additional manpower have the opportunity to be taxed in a less burdensome form (the so-called tax card).

This is nothing new, and since that is so, the question arises: if things have been so good, why are they so bad? Why has not the situation improved in the gminas figuring on the list for more than a year now? The reasons vary, and some preferences proved to exist only on paper: There was a shortage of funds for actively combatting unemployment; the funds available for unemployment benefits sufficed just barely; the barrier of 2 million ECU proved too high, the tax relief provided for companies providing new jobs was too small, etc., etc.

A quite symbolic example could be Lodz Voivodship, named on both lists: at the end of the first half of this year nearly 105,000 jobless persons were registered in this voivodship, of which more than 84,000 in the city of Lodz alone. During that period only one unemployed person was granted a loan (33 million zlotys [Z]) to establish a business. No loans for creating new jobs were granted. A total of 522 persons, of whom 430 women, were trained or retrained, and this "absorbed" only 0.7 percent of the expenditures on unemployment, with 2.5 percent spent on community work for 1,873 persons. Altogether, about Z11 billion, or 3.2 percent of total expenditures, was allocated for active forms of counteracting unemployment. In the light of the estimates of the Lodz Voivodship Employment Office, which set this year's needs in this field at about Z260 billion, this is a drop in the bucket. However, as soon as in June, Z34.6 billion was granted, and for August as much as Z134 billion was promised to Lodz and other local employment offices in the voivodship (Pabianice, Zgierz, Ozorkow).

The grants and promises are linked to the late—end-of-June—passage of the Budget Law, which allocates certain funds (Z636 billion) for subsidies of investments serving to increase employment in the high-unemployment gminas—with the Council of Ministers having determined only recently the procedure for applying for these subsidies—as well as funds for active forms of counteracting unemployment. Out of that amount (allocated from the Labor Fund) it was decided to distribute Z500 billion, of which the above-mentioned Z134 billion for the Lodz Voivodship. As determined by the Lodz Voivodship Employment Office, the largest part of that Z134 billion will be spent on communal work projects (Z67 billion) and public works (Z33.5 billion), with the remainder to be spent on occupational training (more than Z20 billion) and loans (Z13.4 billion).

But the question remains, will this succeed? First we had too little money and now we have too much. For the first half year the lack of funds was an obstacle, and now a rich man's troubles have appeared. All that money, down to the last penny, has to be spent by 31 December. There would be no problem were it not for the caps on the money to be spent on communal work, on training, on loans, and on public works. The last-named may comprise solely investment operations which require construction materials and equipment. The assumption is that the gmina pays for them from its own budget while the employment office pays the wages. But in many cases the gminas (not only in Lodz Voivodship) lack funds, especially toward year end, and so try to abstract some of the employment office's funds to pay for the cost of materials and equipment.

It seems that it is not enough to include a gmina on the list of the high-unemployment gminas and to provide the funds for active forms of counteracting unemployment. If the funds are to be utilized for their designated purposes and not just spent any which way, something more has to be done. Employment offices should be endowed with a legally defined explicit power to dispose of these funds as they see fit in relation to local needs. I believe that the abolition of the rule of spending funds closely up to the caps established for specific types of expenditures should be abolished.

That is a straitjacket within which it is difficult to move. The unemployed are, e.g., extremely unwilling to engage in public works, which they consider as something degrading and shameful. At the same time, they are overwhelmingly anxious to obtain loans. Perhaps then it would be worthwhile (on assuring the monitoring of the borrowers) to analyze the structure of the needs and desires of the unemployed and not to treat them as just impotent people on whom anything can be imposed? As we know, loans will not replace public works, but what concerns me is the method of approach and eventual shifts in the structure of funds. "Had these funds been available earlier, some solution better than unemployment benefits for 25,000 people would have been

found," judged Maria Mielczanek of the Analysis Section of the Lodz Voivodship Employment Office.

Since we are speaking of unemployment benefits it is estimated that in three months they will expire for about 40 percent of the unemployed, because, under the amended law, they are granted for 12 months, and there exist no chances for hiring the chronically unemployed. In Lodz Voivodship the forecasts are still worse. Even now, of the approximately 105,000 jobless, 38,500 are no longer collecting unemployment benefits. On 1 January, such persons will account for as many as 100,000 out of some 160,000 unemployed—that being the estimate for then. Social welfare will not cope with this.

That also is why the additional funds for active forms of counteracting unemployment are welcomed with hope and relief, but also with apprehension as to whether they can be utilized within such a short time limit, given the existing spending caps. Some of the persons whose unemployment benefits will expire will benefit from these funds in various other forms. But even assuming a certain necessary—in my opinion—flexibility in the allocation of funds, a sizable group of the unemployed will be left unaided—also in the sense that the expiration of the right to unemployment benefits automatically entails loss of the right to public health care.

In such a situation, employment offices in the high-unemployment regions, including the Lodz Voivodship Employment Office, suggest that unemployment benefits be extended for an additional six months. The Council of Ministers is legally empowered to issue an executive order to that effect.

The second well-known and long-discussed issue is that of early retirement of employees with specified seniority and at a specified age in the high-unemployment regions. Lodz proposes investigating the possibility of employing in their stead jobless school graduates, whose numbers are growing at a horrifying pace. This is a well-known issue and the Ministry of Labor and Social Policy is "shortly" to consult the trade unions on the latest related proposals. We shall see what happens. At any rate, it is worth bearing in mind that the heated discussion during the determination of the list of high-unemployment localities was concerned chiefly with these two issues rather than with the otherwise important issue of accelerated depreciation rates. I believe that it is time to resolve these matters.

The decision is difficult, not just financially: Another large group of employees would be retired. But it does not seem possible to postpone resolving this and other issues relating to unemployment. The public expects, as opinion polls reveal, the government to focus primarily on halting unemployment, whereas the government has its own, somewhat different, priorities, headed by privatization. It would be good if privatization were to halt unemployment. But as known, initially the situation is rather converse: Privatization reveals hidden employment and adds to unemployment. How can these two

options be pragmatically reconciled, considering that social instability is the price of their mismatch? There is only one answer: An attempt has to be made.

Goals, Actions of Credit Qualifying Commission

92EP0687A Warsaw RYNKI ZAGRANICZNE in Polish No 107, 5 Sep 92 p 8

[Article by G.K.: "Credits Consonant With the Government's Preferences: The Commission's Opinion"]

[Text] For two years now, roughly once every three weeks, the Commission for Qualifying Credit Applications has been meeting at the Central Planning Office. During that period 55 applications were received, with 30 applications, for altogether \$1.3 billion, having been evaluated positively.

"The Commission does not allocate credits. I repeat this at every meeting. It merely makes evaluations and presents proposals for granting government guarantees of foreign loans borrowed for the purpose of carrying out investment projects, and that only in the event that the foreign lender or Polish bank applies for such guarantees," said Zbigniew Kopyra, the director of the Bureau for Qualifying Credit Applications at the Central Planning Office.

Solely for Restructuring

All credits offered to Poland by the governments of other countries and international financial institutions (European Development Bank, World Bank, European Investment Bank, etc.) are in material form and can be allocated for financing projects in domains whose nature the foreign lender has coordinated with the Polish government. Thus, these credits cannot be utilized arbitrarily. Consonant with the government's preferences, foreign credits can be allocated solely for restructuring the Polish economy. In this connection, a list of priority domains for the utilization of foreign credit sources has been drawn up. These include:

- Proexport projects, regardless of the branch or sub-sector of the economy or the mode of ownership in question.
- Infrastructural projects (telecommunications and postal services, banking and financial services, airfields and harbors, highway and ferry border crossings, packagings, quality control, merchandise markings, standardization of norms).
- Petrochemical and gas-processing projects.
- Modernization projects implemented as part of government programs for discrete industries (fuel-energy, cement, large-scale chemical, and shipyard industries, along with railroading).

This list of priorities is considered whenever a Polish investor applies to government institutions for official support in the form of NBP [National Bank of Poland] or

state-budget loan guarantees, needed in the event that such guarantees are demanded by foreign lenders. This list also applies when foreign lenders ask whether a particular investment project is accommodated within the government-preferred directions of economic growth.

What the Commission Requires

Every investment project for which a government loan guarantee is to be granted must be evaluated from the macroeconomic standpoint and from the standpoint of its consonance with the government's priorities. This precisely is the purpose of the interministerial Commission for Qualifying Credit Applications at the Central Planning Office. The applications are considered on the request of the foreign lender, a bank, or the Polish borrower. This evaluation is mandatory for all projects requiring government loan guarantees, regardless of the size of the credit.

Irrespective of the macroeconomic assessment, in every individual case the credit project must undergo a microeconomic assessment by a bank. The bank determines the degree of risk involved in implementing the project, and it may also point to the need for a reguarantee by another bank, for additional comakers, and possibly also for state guarantees of the project in its entirety or partially.

However, in cases in which the investor's own collateral or the loan guarantees of a Polish commercial bank prove sufficient—in Poland there are about 30 commercial banks; the Western governments show most confidence in the Bank Handlowy [Bank of Commerce], but international financial institutions accept guarantees from some 8-10 largest banks—intervention by the Polish government is unnecessary and the adopted procedure for making evaluations and recommendations is not needed.

Requirements for Government Loan Guarantees

Every application filed with the Bureau for Evaluating Credit Applications at the Central Planning Office should include the following attachments:

- A filled-in "identification card" of the application for a guarantee or opinion of the Polish Government on the project being implemented with the participation of foreign credit.
- An abridged feasibility study, examined and evaluated by the bank that will provide banking services for the project, and by the bank receiving the foreign-exchange credit from the foreign partner, along with a declaration of readiness to finance the project.
- The written opinion of the Ministry for Foreign Economic Cooperation or of an appropriate foreign trade enterprise on the possibility of selling abroad the anticipated quantities of products manufactured as a result of the completed project.

—In the event of a state enterprise, the written opinion of a parent agency on the project in question.

—Documents on the merit of the project, relating evaluations by a bank, consulting companies, and the foreign supplier or executor.

The application is, together with these attachments, considered by the Qualifying Commission. If its evaluation is positive, the application is, along with a special recommendation, transmitted to the Ministry of Finance; a government loan guarantee automatically means an encumbrance on the state budget, and hence only the Ministry of Finance or the Council of Ministers may grant such government loan guarantees.

In the 1992 state budget 8 trillion zlotys [Z] has been set aside for government loan guarantees. So far the overall value of the credits specified in the applications filed exceeds this amount by Z2.5 billion.

And in Practice?

The interest of both state and private companies in foreign credits is great. This is nothing surprising since these credits bear an interest rate of 12 percent annually whereas in Poland loan interest rates hover at 50 percent. The value of the agreements signed between Polish and Western banks is estimated at \$5.5 billion. So far \$1.7 billion of this amount has been utilized. But it should be borne in mind that not all of these credit lines are open for immediate utilization. Some are scheduled for 1993-95 and later.

Above the discussion centered on money. But in practice things are different. Most often the interested parties receive credit in the form of machinery and equipment deriving from the country granting the credit. The repayment is in the form of exports of the goods manufactured, most often to third countries. The profits from the sales are transferred to the lender's account via the bank servicing the Western company.

So far a positive macroeconomic evaluation along with recommendation for a government loan guarantee has been accorded to 12 projects (for an overall total of \$386,600,000), along with the promise of such a recommendation, to one project (\$5 million), and a generally positive macroeconomic evaluation, to 17 projects (aggregating \$751,100,000). Only three projects were negatively evaluated. The remaining 22 projects have been either deferred upon promising a positive macroeconomic evaluation or transmitted for a decision to the Council of Ministers.

The promise is given in cases in which a positive evaluation is contingent on, among other things, an assessment of the project by the Ministry for Foreign Economic Cooperation, e.g., in the case of the purchase of a steel casting facility for the Stalowa Wola Steelplant. The largest investment projects that have been accorded a positive evaluation along with a recommendation for a government loan guarantee include:

—the purchase of automatic-dial offices by the General Directorate of the PPTiT [Polish Post, Telephone, and Telegraph] from Alcatel, a Spanish company (\$78 million), and the construction of a multi-line steel rolling mill at the Baildon Steelplant (\$74.5 million).

Currently, a government loan guarantee is being awaited by the Opole Electric Power Station—for the time being the commission has not yet issued a recommendation—whose generating capacity will affect the fate of the Polish energy industry until the year 2010. The filtration facilities—for it is these rather than money that this power station needs—are to cost 375 million DM.

On the other hand, such enterprises as hotels have little chance of gaining a positive evaluation from the commission or its recommendation for granting them loan guarantees. Such projects are most often evaluated negatively, because investments of this kind are not included among the priorities of the government's economic policy. At present special attention is being paid to promoting investments in liquid waste-treatment plants. Recently, seven producers of gluten-free foods also received government loan guarantees.

Monitoring Government Loan Guarantees

Government-guaranteed loans are monitored by the Ministry of Finance. Every recipient has been provided with an information card that is updated once every three months. This chiefly concerns checking whether the loan is indeed being utilized in accordance with the purposes for which it was granted, and whether the recipient (the enterprise) has a positive financial standing, because only then it can settle its obligations. No instances to the contrary have been recorded so far.

In the opinion of the Central Planning Office, the lender's requirements are usually extremely high, and a similar caution is shown by Polish banks, which shun dubious investment projects. That it is worthwhile to apply for a positive evaluation by the commission has been ascertained by many companies. There has been no case in which a project rejected by the commission was granted a government loan guarantee.

Foreign Involvement in Telecommunications

93WT0005A Warsaw GAZETA BANKOWA in Polish
No 38, 20-26 Sep 92 p 36

[Article by Iwona Ryniewicz: "The Stick and the Carrot"]

[Text] Telecommunications may well be the most dynamically developing area in our country in the last two years. It is a fact that we started out from a very low level (just over eight telephones per 1,000 residents—the next to the last place in Europe). However, this provided an opportunity to build a modern network to world standards "skipping" from mechanical (analog) technology to digital and optic fiber technology.

Naturally, this opportunity was seized upon by the world leaders in telecommunications. The Polish Ministry of Communications, the owner and operator of the public network, was bombarded with offers to deliver various systems of telephone exchanges, equipment, transmission devices, and so on. Against the background of large companies, Polish enterprises in this sector did not look impressive. It was known that they would not be in a position to stand up to the competition, all the more so because the technology race in telecommunications takes place among a leading group consisting of a few concerns that, in addition, merge and acquire one another.

In March 1990, the KERM [Economic Committee of the Council of Ministers] adopted a document that amounted to a projection of the development of telecommunications in Poland until the year 2000, and mapped out avenues for action in this area. In view of technology and technical considerations, the document called for restricting the number of systems used by the public network while imposing no restrictions whatsoever in other areas (telephones, fax machines, modems, and so on). The objective was to protect ourselves against an uncontrolled influx of imported exchanges to the public network and the dependence of our market on these exchanges.

Theory and Practice

It should be mentioned on this occasion that, from the point of view of the Ministry of Communications, which is responsible for the condition of the public network, it makes no difference who delivers the equipment, provided that it meets qualitative requirements. However, the interests of the network operator are not identical with those of telecommunications enterprises, or the interest of the economy in general. This necessitated the introduction of other selection criteria, taking into account other interests, in addition to the qualitative criteria.

The Ministry of Communications resolved that it would select the suppliers who would offer the most favorable credit terms and would set up production in Poland. Actually, loans were provided. Companies "arranged for" loans from their governments on favorable terms, or extended credit themselves on better terms than regular commercial credit. Telecommunications in Poland were also supported by loans from international financial institutions.

It was not so easy with production in Poland. To be sure, Western companies started joint venture companies with Polish producers, but those were a smoke screen rather than full-fledged economic undertakings. The small authorized capital of such companies and their peripheral position with regard to enterprises that have committed to them did not give the impression of a serious operation. However, this ensured that a slot was "sewn up" among the suppliers for the Ministry of

Communications (that is, the PPTiT [Polish Administration of Posts, Telegraphs and Telephones] and subsequently the company Polish Telecommunications Ltd).

Joint ventures in telecommunications were formed during the period when the old law on companies with foreign capital prevailed. Enterprises (previously state owned) that joined such companies certainly counted on latching onto something, be it employment for several dozen people or profits from possible services to the company. Meanwhile, the companies restricted themselves to establishing their offices, and hiring and training employees.

No Real Incentive

Automatic three-year tax exemptions proved an inadequate incentive for investing considerable capital in Polish enterprises. It appears that two factors were crucial: First, the legal and property status of such enterprises; second, the fact that at the same time, potential Western investors were the largest exporters of finished equipment to Poland.

In October of last year, the minister of communications took advantage of his statutory powers and issued an executive order on standards and telecommunications systems used and installed in the territory of the Republic of Poland. It was aimed at forcing a reduction in the number of systems operating in the public network (ideally to two or three), and forcing foreign suppliers to undertake production in Poland. The executive order envisaged the local input coming to 50 percent of the value of equipment delivered. This means that the operator of the Polish public network will not purchase wholly imported systems.

Three Powers

Efforts are underway to precisely define what will be included in the 50-percent local input. The Ministry of Communications, the Ministry of Privatization, and a consulting company that has been contracted to prepare a sectoral study for the electronics industry, including telecommunications, are taking part in the efforts.

The position of the Ministry of Communications remains unchanged. Obsolete equipment will not be purchased just because Polish producers do not manufacture anything else, nor will exclusively Western equipment be purchased uncritically. However, we have been waiting in vain for Polish and foreign telecommunications companies to get together for more than a year now.

The Ministry of Industry and Commerce, the parent agency of enterprises, has not developed any concept for the future of this industry. The Ministry of Privatization has taken up the matter in parallel.

It is clear that, in the absence of an opportunity to acquire majority shares of Polish enterprises, no large concern will decide to make major investments, which is

what the telecommunications industry needs. In turn, the above is impossible without transforming enterprises into companies of the State Treasury, which is what the Ministry of Privatization is working on.

It is premature to discuss the results of such work. Likewise, it is unknown if the current foreign partners of companies to which the ZWUT [Telecommunications Equipment Manufacturing Plant], WZT [Warsaw Television Plant], or Teletra belong will decide to buy out the shares of these enterprises after their privatization, or whether there will be competitive offers. However, it is certain that the production of some of the equipment in Poland is a condition for enforcing the provisions of the aforementioned executive order of the minister of communications. This gives reason to hope that a satisfactory solution for the telecommunications sector will be found.

[Box, p 36]

The end of 1990 was marked by several joint venture partnerships in the area of telecommunications, namely:

In September 1990, the SETEL partnership was established having the following partners:

- the Spanish concern Alcatel SESA: 51 percent;
- the State Teletransmission Enterprise in Warsaw: 34 percent;
- Elektrim: 15 percent.

At the time the partnership was established, its authorized capital came to 1.5 billion zlotys. Its purpose was to start up the production of teletransmission and switching equipment.

In November, the Telekom-ZWUT in Warsaw entered into a partnership with the German concern Siemens. At the time the agreement was signed, its authorized capital came to 13 million German marks (75 billion zlotys), of which the ZWUT contributed 51 percent in the form of premises for production. The objective of the partnership was to produce digital telephone exchanges. Their production was scheduled to begin late last year, but this did not happen.

At more or less the same time, the Alcatel CIT Poland partnership was established. Its partners were as follows:

- the French concern Alcatel CIT: 55 percent;
- the Telekom Teletra enterprise from Poznan: 35 percent;
- Elektrim: 10 percent.

The contribution of the ZWUT to the partnership with Siemens was made exclusively in tangible form, whereas Teletra contributed solely capital to this partnership. The latter did not take over any segment of the assets of the enterprise. The plan was for the partnership to successively start up the production of elements for

digital exchanges. Several weeks ago, representatives of the French concern announced that they would seek to purchase shares of the privatized Teletra if this becomes possible.

Draft Law on Public Television Discussed

92EP0668B Warsaw *RZECZPOSPOLITA* in Polish
10 Sep 92 p 5

[Article by B.M.: "Draft Law on Radio and TV Ready: Anti-Commercials and Pirates"]

[Text] Deputies on the Culture and Media and Legislative Committees anticipate that the law on radio and television will be voted on at the Sejm's plenary session at the end of September and beginning of October. On Wednesday (9 September) the joint committees finished their work on the draft law after nearly 12 hours of deliberations.

The bill provides for the appointment of a National Radio and Television Council as the primary organ regulating order in the airwaves. It will be headed by a chairman appointed by the president. The council will issue licenses for broadcasting programming by private radio and television stations.

On Wednesday, after animated discussion, the deputies decided that public television will form a single entity State Treasury partnership that will consist of Networks I and II of Polish Television [TVP] and regional centers. The draft law accepted by the committees provides for full independence for current public radio stations as a State Treasury partnership. The State Treasury will represent the minister of finance in the radio and television partnerships.

Provisions allowing partial commercialization of regional centers aroused a great deal of controversy. This concept was rejected in the final draft.

"Partial commercialization could be an opportunity for weak centers," argued Janusz Zaorski, president of the Radio Committee, representing the government's position. "The centers's situations are very disparate; some of them are already completely self-sufficient (Katowice center), while others do not have their own studio (Poznan center). The money sponsors would bring in would help in the stations's development. I think we will return to this proposal during the Sejm's plenary session."

"I managed to convince the deputies that private stations are not interested in buying up junked stations, but in obtaining free access to their frequencies to which public television stations are entitled by virtue of the law," said Marek Markiewicz (NSZZ Solidarity). "I am glad the idea of commercializing the centers, which would lead to the disappearance of the programs we produce, was rejected."

The National Radio and Television Council will decide whether new regional centers will emerge and whether they will obtain a frequency to broadcast regional programs.

The bill provides that broadcasting radio and television programs without the required license will be crime rather than a misdemeanor, as it is now, and will carry a penalty of two years in prison. The deputies expressed anxiety over the anarchy reigning in the airwaves.

"I would set up a strict barrier for pirates," declared Jacek Maziarski (Center Accord). "Recently we have had to deal with an attempt by pirates to establish faits accomplis. The public is outraged."

Old, New Advertising Regulations Reviewed

92EP0650A Warsaw *RZECZPOSPOLITA* (ECONOMY AND LAW supplement) in Polish 24-25 Aug 92

[Article by Andrzej Tomaszek in two installments: "When Advertising Is Unfair"]

[24 Aug p IX]

[Excerpts] [Passage omitted]

Soon we shall see a law on combating unfair competition—its draft is already in the Sejm. It is similar to the German law against unfair competition, passed on 7 July 1909 and amended a couple of times, which for more than 80 years formed the basis for judicial decisions and was quoted in the legal literature. If the draft is accepted as written, the German literature on this subject may be very helpful in applying this law.

Unfair practices come in many forms and methods. According to the terminology of the draft, an "act of unfair competition" may include the following:

- marking or naming an enterprise or goods and services so as to be misleading;
- violating the secrecy of an enterprise;
- inducement to break and fail to fulfill a contract;
- casting aspersion and approving without basis;
- imitating a product;
- impeding access to the market;
- unusual selling methods and unfair advertising.

Everyone of these practices deserves separate treatment, but the phenomenon we encounter almost every day—unfair advertising—should be dealt with first.

The expansion of advertising in the Polish mass media is a fact. We are already becoming accustomed to its presence in all areas of our life. The absence of comprehensive legal regulations facilitates its abuse, and after all, unfair advertising is harmful not only to market competitors but also to consumers.

The draft that has been prepared describes what types of advertising will be inadmissible because they constitute unfair competition.

Misleading Advertising

[Passage omitted]

As is rightly pointed out in the draft law, in evaluating an advertisement all of its components must be considered, because the deception may apply to the person producing the product or offering the service, to the quantity, quality, component parts, method of execution, utility of goods or service, and also the price and origin of the product. The danger that the text of the advertisement will be understood incorrectly cannot be averted by printing an explanation elsewhere, or one that is unproportionally small, because in making a decision, the first impression received by the purchaser is the one that counts. The terms used in the advertising slogans must conform with their popular understanding.

In advertisements on the Polish market the adjectives used relatively frequently to describe the producer or product are "the best," "the greatest," and "the only." The new law should make it possible for competitors to verify these descriptions. The firm that is advertising is required to furnish true information about itself. Therefore, adding on years or sizes or presenting a bogus product of one's enterprise is inadmissible.

Fears About Effectiveness

The draft law provides for separate regulations forbidding the dissemination of untrue, imprecise, or misleading information about an enterprise or entrepreneur (particularly about the persons managing the enterprise, the goods manufactured, and the services offered), or about the enterprise's economic or legal situation for the purpose of giving an advantage by doing so. An act of unfair competition is also the use, in the enterprise's operations, of untrue or imprecise titles, degrees or other information about the qualifications of the employees, or distinctions or awards for goods and services, if as a result of this the customer may be misled. The perpetrators of the mentioned acts will be subject to fines or reprimands. Both of the mentioned regulations appear to be very much needed in Poland's present economic situation and in conformance with the solutions accepted in countries that have a developed market economy. But their construction (in the first, the requirement of intent by the direct perpetrator, in the second, the result in the form of the possibility of misleading the customer) arouses fears as their effectiveness.

Good, Meaning Not Worse Than Average

Every unit of the product should really have the features the advertisement indicates. The advertisement may refer to the opinions of experts if they are not incidental and have not been questioned. If the results of tests on a given products are cited, the consumer has the right to expect that no unit of the product is worse than

any of the units that were tested. If the product is described as "good," its quality cannot be worse than the average of those on the market.

Giving untrue information about the composition of a product is misleading. In accordance with Article 15 Paragraph 3 and Article 32 Paragraphs 1 and 2 of the law dated 25 November 1970, citing, in an advertisement, misleading data as to the properties and amounts of nutrients in food products and condiments and beverages, is forbidden. The advertising for these products should contain the information about their ingredients that is important to the health. Thus far, we do not have out any judicial decisions of our own on this subject. According to the German courts, the cackling of hens is not allowed in an advertisement for noodles if these noodles are made from powdered eggs and not from fresh eggs, or if the product is described as "natural" when chemical agents are used in it.

Eau de Cologne Does Not Have To Come From Cologne

The consumer frequently decides on a purchase because of the origin of the goods or services. In such cases, using false or deceptive geographical names directly or indirectly indicating a country, region or place of origin, is an act of unfair competition. This indication may be expressed both in word as well as in a characteristic symbol, e.g., a flag, picture of a person, foreign word or sentence. The buyer is misled if a part of the production process that is important for the specific product, occurs outside of the place to which the advertisement indicates. For example, Dutch cheese and Indian tea should come from precisely those countries, even though they may be packaged elsewhere.

However, it should be remembered that in reference to some products, the geographical designations do not indicate their place of origin but are a symbol of a concrete product. Thus Cologne water does not have to come from Cologne and *Wiener Schnitzel* does not have to come from Vienna. [passage omitted]

Conflicts With the Law

An advertisement that conflicts with the law, in the interpretation of the draft, is also an advertisement that conflicts with the principles of social coexistence or strikes at the dignity of man. Such advertisements are already forbidden by the law on the press dated 26 January 1984 and the ruling of the president of the Radio and Television Affairs Committee dated 15 July 1990 on the principles of advertising on radio and television programs. The new law will forbid them in any form. But although the problem of conflict with concrete provisions of the law does not raise any questions, the application of the other mentioned criteria is open to the possibility of interpretation.

It is sufficient to look at newspapers to be convinced that the law on sobriety, dated 26 October 1982, which in Article 13 Paragraph 3 forbids the advertising of alcohol products, is not being observed. Nor is the prohibition

on the advertising of drugs, covered in Article 4 Paragraph 2 of the law dated 10 October 1991 on pharmaceuticals, medical materials, apothecaries, wholesale houses and pharmaceutical supervision, being respected, limiting it (e.g., in the above-mentioned ruling of the Radio Committee president) to medicines obtained with a prescription.

Together with the passage of the new law, it is suggested that both these prohibitions be liberalized in accordance with the solutions accepted in the EC countries.

[25 Aug p VI]

[Text] In the preceding article attorney Andrzej Tomaszek wrote about two types of unfair advertising: that which is misleading and that which conflicts with the law. We will conclude this subject today.

Personal advertising refers to the personal characteristics of the offerer, and not to the material features of the subject of the offer. This type of advertising may refer to race, sex, nationality, religion or political viewpoints, thus under the new law it will be inadmissible.

Irrelevant Advertising

This advertising appeals to the feelings of the customers by evoking fear, taking advantage of superstitions, sexual motives, or the confidence of children. Taking advantage of human emotions is in conflict with fair competition. The courts will determine when we are dealing with this.

Hidden Advertising

We are dealing with this kind of advertising when people are being encouraged to obtain goods or services while giving the impression that neutral information is being furnished. It appears in many forms—from a published private letter to a filmed program, but we find it most often in the mass media. This type of advertisement has been prohibited in Polish Radio and Television since 1990. This has not prevented cases of advertising appearing in information and publicity programs.

Onerous Advertising

It interferes with privacy by touting customers in public places, sending unordered goods, abusing technical means of information transmittal in offering goods and services. And this type of advertising will be forbidden by law. The courts will have to determine the boundary between making a nuisance of oneself and acting within the law.

The draft law does not contain a prohibition on the use, in an advertising campaign, of nonprofessionals and outsiders. We can only hope that such activities will take place within reasonable limits.

Comparison Advertising

In our future law on combating unfair competition, comparison advertising will be prohibited, "unless it

contains information that is true and useful to the customer." Such a provision is open to a great deal of interpretation. We have to hope that Polish courts in the inevitable, of course, trials, will make appropriate use of the judicial decisions and legal literature of other countries.

In extreme cases, when unfair comparison advertising is fraud, defamation or libel, its perpetrators can be brought to trial under Articles 205 or 178 of the penal code. In the new law, the dissemination of untrue, inaccurate, misleading, or libelous information about another businessman or enterprise, and especially about the persons directing the activities of an enterprise, the goods manufactured by it, the services offered, the prices applied, or about its economic or legal situation, for the purpose of harming the businessman or enterprise, qualifies as a particular type of aspersion and is punished by a fine or reprimand.

Television Advertising

The draft law will not contain regulations pertaining only to this type of advertisement. Advertisements on Polish television are seen by the broadest circle of buyers and the slogans they contain are, in accordance with or contrary to the intentions of their authors, quoted and commented on in daily conversations, thus they deserve special attention.

In accordance with the ruling of the president of the Radio and Television Committee, dated 14 July 1990, advertising on Polish television cannot take up more than 15 percent of program time and occupy more than eight minutes per hour. Advertisements can be broadcast between programs and during breaks in programs that are made up of autonomous parts, or in other programs of a similar structure.

This ruling also defines the rules for advertisements in sports matches. The advertisement may not reduce the quality of transmission, divert attention away from the action or interfere in the obtainment of a full picture of the events. The organizers of a sports event and the television station doing the broadcasting usually consult with each other as to the conditions of the advertisement. In accordance with the rules in effect in Polish television, advertisements should be distributed in fixed places on one level, and especially not between the camera and the place of action, and the size of the advertising space may in no way obstruct the field of vision of the action. The advertising space may contain only three of the following elements: name (firm), trademark or logo, and a single noun describing the goods or service. Advertising on the uniforms and equipment of the players may appear only in those sports disciplines where this type of advertisement has already been accepted. During the broadcasting of sports events all audible advertising is prohibited.

Sponsored Program

A sponsored program is one that is financed at least partially by a third person and the viewers are informed of this at the beginning and end of every broadcast. A sponsored program cannot serve political interests or attempt to shape the opinion of the viewers to a concrete reality. Thus it cannot be an informational or publicity program with a sociopolitical theme. A sponsor cannot obtain direct economic benefits from a broadcast program nor can it lead to the conclusion of a commercial transaction. An account of a specific event (a sports tournament or an exhibit) together with information about its sponsors, is admissible.

The rules in effect in Polish Television do not deviate from those presented above. In sports programs, the name, logo or picture of the sponsor can be promoted. The name, logo or sound signal of the sponsored can occupy, depending on their number, from 10 to 25 seconds. One person cannot sponsor programs occupying more than 10 percent of the air time. The sponsor can also furnish a ready-made program (e.g., film or film serial), purchased by himself, in return for the promotion of his firm or trademark or in return for making air time available to broadcast the advertising of other persons (barter sponsorship).

Product Placement

In Polish television, the advertising of a producer, or offerer of services, who performed free or purchased things used in the production of the program, is admissible. Information as to the origin of these objects may be given only in the printed material at the end of the program. Prizes awarded in contests may be demonstrated along with information as to the persons who donated or produced them. Judicial decisions and the legal literature after the new law on combating unfair competition goes into effect should determine if and when this constitutes hidden forbidden advertising.

Teleshopping in Polish television is admissible and may occupy an additional 5 percent of air time.

In addition to the order forbidding hidden advertising in Polish television, the following other types of advertising are also forbidden: advertising that conflicts with the law, personal advertising, irrelevant advertising, advertising that promotes behavior that is threatening to health or safety or is damaging to man's natural environment. In particular, advertising of products that mask the effects of the consumption of alcohol, fortune-telling services, matrimonial agencies, and private detective agencies, is forbidden.

The use of subliminal methods, i.e., appeals to the subconscious, are also forbidden. Nor may the private life of individuals be depicted for advertising purposes without their knowledge and consent.

Cancer Rates for Highly Polluted Regions Noted

92WN0771A Warsaw *ZYCIE GOSPODARCZE*
(*ENVIRONMENT AND LIFE* supplement) in Polish
No 22, 30 Aug 92 p III

[Article by Jolanta Matiakowska: "Death Maps: Laboratory Above the Smokestacks"]

[Excerpt] Cancer morbidity is increasing at a shocking rate in Katowice Voivodship. More than 7,500 people die of cancer each year, and about 8,500 new cases are recorded in the same period. Epidemiological data show that cancer will attack about 30 percent more people during the next 10 to 15 years than in the past, for people living in Silesia, that is.

So much for statistics and forecasts, which are heartless and anonymous. They say little about the causes underlying this very disturbing phenomenon. Specialists from Gliwice's Regional Center of Oncology are in a position to interpret much of the statistical data because they know how to use it. When and if the GOP [Upper Silesia Industrial District] ceases to be one of the most acute cancer centers does not depend on them, however.

The multiple-trial research that Professor Mieczyslaw Chorazy and his group have been carrying out on the biology of tumors leaves no doubt. The devastatingly damaged environment in Upper Silesia is having an adverse effect on human health. The air in Silesia (to say nothing of the other components of the environment) contains tremendous amounts of chemical substances that would never appear under natural conditions. The concentrations of suspended particles, free-falling particles, sulfur dioxide, nitrogen oxide compounds, fluorine, formaldehyde, phenol, ammonia, lead, cadmium, and benzopyrene are many times greater than the levels allowed by international standards. Permissible daily and annual concentrations are consistently exceeded. Besides these compounds, however, there are, after all, also several hundred types of aromatic ring hydrocarbons in the air of Silesia. Carcinogenic and mutagenic compounds have been identified among them. The Silesian population has 22 of Poland's 28 most frequent illnesses. Forty-five percent of all pregnant women here have problem pregnancies. The country's highest infant mortality rate per 1,000 births occurs in the cities and towns of the GOP. The increase in malignant tumor morbidity among men in Katowice Voivodship ranks among the highest in the world. At the same time, the threat of lung cancer is rising among women. These and the other miscellaneous data showing the level of the Upper Silesian population's health in relation to environmental pollution still provide the basis for only a partial reading concerning the impact, but in the case of tumor epidemiology, the data are sufficiently disturbing to cause real alarm!

The world medical community has been pointing out for a long time the genetic code risks to workers employed in harmful industries (coking plants, steel mills, chemical

plants, and so on). Scientists from the Gliwice oncological institute discovered dangerous genetic damage to chromosomes not only in the Silesian coking plant workers they examined, but also in others, in the 150 people selected at random in Zabrze and Gliwice who were not engaged in harmful industry but lived in the areas where such industry had the greatest impact.

Professor M. Chorazy says: "In some of them we discovered damage to the genetic material of the chromosomes. Changes in life cells caused by toxic chemical compounds surrounding us are identical to changes typical for the initial stage of cancer. Therefore, there is a grave danger of degrading the biological level of the present population and its offspring."

Are we dealing with a ticking genetic bomb? Is it counting down the seconds even now?

Cancer can develop in hidden form for many years, deceptively. Their present levels have inclined oncologists to examine reports and data showing environmental pollution in Katowice Voivodship going back several years, even well over a decade.

A high point was reached in the 1970's, especially in terms of air pollution. The past and current ecological situation, and the still growing threat of cancer, made Silesia and its residents a living research laboratory. Specialists from the most famous cancer research centers in the United States, Europe, and Scandinavia are interested in Silesia. They have sometimes supported and participated in Gliwice research. This June they came quite willingly to the Oncological Institute for a symposium entitled "Assessing the Cancer Risk in Upper Silesia."

The report compiled afterwards confirmed the influence environmental pollution has on adverse changes in human cells. Air pollution was shown to be a factor in lung cancer morbidity. It is essential that epidemiological research take into account other carcinogenic factors, such as smoking, interior household air pollution, alcohol consumption, eating habits, and the cancer history of members of the immediate family.

These issues are not new to specialists of the Gliwice Oncological Institute's Independent Cancer Epidemiology Laboratory, which Dr. Brunon Zemla directs. As the only such laboratory in the country and one of only a handful throughout the world, this laboratory conducts research still mindful of other indexes important to the epidemiology of this disease in Upper Silesia. For example, it differentiates cancer risk among people who have lived in Katowice Voivodship since birth from those who have migrated there.

As is true in the case of natives of the region, it turns out that the longer one is exposed to toxic factors, the greater the risk of contracting this type of disease. People migrating to the area, 90 percent of whom come from a rural environment outside of Silesia, are not free of the risk either, if they live and work in the areas where the

industrial emissions and municipal pollution are greatest, but researchers still did not note for their group as great an increase in lung cancer morbidity as for native Silesians.

Epidemiological research must continue. Gliwice epidemiologists and scientists have raised many questions. One is why the number of certain types of cancers is increasing while the number of other types is decreasing? Do the elevated radiation levels in the ever-deeper mines have an impact on the particular types of cancer that are characteristic of miners? What is the best way to prevent an invasion of tumors?

The mere recording of oncological morbidity and mortality is not adequate to combat cancer effectively. The statistics merely portray the drama of the situation and the extent of the risk.

The Katowice Voivodship maps showing residents' mortality indexes portrays the situation and risk in the most illustrative way. The mortality maps are frightening. Researchers at the Independent Cancer Epidemiology Laboratory drafted the maps using the International Disease Classification. They show the places where the highest cancer morbidity overlaps the most polluted places in Upper Silesia, along with the location of the worst industrial polluters and densest population. The maps show that the incidence of cancer is not the same throughout Katowice Voivodship.

The maps show clearly that men residing in Chorzow, Chranow, Czeladz, Laziska Gorne, Orzesze, Ruda Slaska, Swietochlowice, Trzebinia, and Wolbrom face the greatest risk of cancer, as do those in gminas like Kuznia Raciborska, Lubomia, Pawlowice, and Toszek.

Women residing in Bukowno, Bytom, Chorzow, Czeladz, Katowice, Kuznia Raciborska, Leszczyny, Laziska Gorne, Piekary Slaskie, Siemianowice, Swietochlowice, Trzebinia, and Zory and the parish of Krzanowice are most likely to die of cancer. Men usually die from lung cancer, women from breast cancer.

As in any other population, the incidence of cancer among Upper Silesian residents is closely related to age. In 45 cities and towns in Upper Silesia, men die more frequently than women, especially men above 40 years of age. On the other hand, the largest number of deaths among women is noted in the group ranging from 20 to 40 years of age, and the chief cause here is cancer of the reproductive organs. As indicated on the map, the high and very highest cancer mortality among men, which for men reaches nearly 300 cases per 100,000 people in Kuznia Raciborska, covers 64 percent of the towns of the GOP. Eighty-four percent of the cities and towns in the Upper Silesian complex have percentages reflecting very high or the very highest mortality for women. This puts Katowice Voivodship right at the forefront of nations, between second and fifth place for men, and between second and fourth place for women. Silesia cannot stand up to a comparison with a similar region, like the Saar

Basin, for example, where the mortality from such diseases is far lower, nor with another similar region like the Latino industrial-agricultural district in Italy, where the situation is still better. Only the indexes for northern Czech region or the southern Moravaian regions can compare with the Silesian regions.

The system cannot be changed right away, but it must not be made worse for lack of money needed to examine and treat patients. General prophylaxis would permit early detection of the disease at stages when it is curable. Nonetheless, because of lack of funding, the Cancer Biology Laboratory of the Oncological Institute in Gliwice has been forced to end cancer research it had begun on children from the GOP towns at greatest risk,

although the initial results showed changes in the genetic code of some young patients. The real cancer explosion and the cramped quarters at the Gliwice Oncological Institute today will extend the time patients must wait to receive rapid, accurate diagnosis and to begin effective treatment. In this way, each year nearly 2,000 people assigned by region to the Gliwice Oncological Institute will lose their chance for a normal life.

The new beds at the Oncological Institute, although essential today, will not arrest the expansion of cancer. Knowledge about it is still more important, along with a proactive attitude on the part of people threatened with it, who still react to information about it with...fear. [passage omitted]

Foreign Minister on Relations With Croatia

93BA0045A Ljubljana DELO in Slovene 3 Oct 92 p 20

[Interview with Slovene Foreign Minister Dimitrij Rupel by Romana Dobnikar-Seruga; place and date not given: "Also Raised Voices"]

[Text] [Dobnikar-Seruga] The official report on the Zagreb talks between Sarinic and Drnovsek last Wednesday said that they were "frank." Does that, in everyday language, mean that they were sharp and even antagonistic?

[Rupel] I could say that the talks really were rather sharp and that a certain nervousness could be sensed on the Croatian side, not so much with the prime minister as with Deputy Prime Minister Milas. I received the impression that in their estimation Slovenia desperately needed some sort of success in the negotiations with Croatia. They repeated about 10 times that they understood that we would have elections, that our government had to show some results at home....

[Dobnikar-Seruga] Was their impression correct?

[Rupel] For a long time now we have been trying to solve several urgent problems, and we kept sending more and more proposals, agreements, drafts, and so forth to Zagreb. Well, we received responses to our initiatives only rarely, or not at all. That is why Prime Minister Drnovsek decided to cut through that inertness in an unusual way. He charged his adviser, Dr. Andrej Kumar, with trying somehow through party channels to reach an agreement on some of the main unresolved issues. I was very skeptical myself about what we could actually agree on. In the end, we were in an impossible position, when the Croats sent us very late, just before the meeting, their version of the controversial memorandum that was missing the positions that had been agreed upon by the group of experts, while on the other hand completely new ones were added, such as the one on Sveta Gera. We briefly conferred before leaving for Zagreb on whether we should even go.

[Dobnikar-Seruga] It was heard that Prime Minister Drnovsek would not even go to Zagreb if he did not sign anything there. Was that the case?

[Rupel] We assumed that the meeting would not show any particular results, but we decided to go anyway, at least to show our good will and somehow break the ice so that a dialogue could start. What surprised us most of all in Zagreb was when they clearly told us that they were repudiating the economic agreement that we had already signed.

[Dobnikar-Seruga] They had not let you know that previously?

[Rupel] They never said so—exactly the opposite. In the expert groups' talks, it was always said that the Croats would ratify that agreement, possibly with a certain addition or without it. It was only in Zagreb that Prime

Minister Sarinic informed us of the decision by the deputies' club of the ruling HDZ [Croatian Democratic Community] that it would not ratify it. That fact, of course, governed all of our talks. We decided that we would not follow the agenda proposed by the Croatian side, and that instead we would have a frank discussion about all possible issues, after which we would see what we could even agree on. Their impression was that we were plainly seeking any sort of success or achievement, despairingly and desperately, which is not true, of course, although we want to resolve several issues.

[Dobnikar-Seruga] Did they explain to you in Zagreb how they conceived of a new agreement on economic cooperation? In their opinion the original version did not take enough account of realities.

[Rupel] It primarily has to do with the definition of social property, and the Slovene property in Croatia. In this regard it is necessary to distinguish two things: One is private Slovene property in Croatia, vacation homes and so forth. That has never been controversial for them, and I think that it would be very hard for them to allow any sort of change in its status, because it is something sacred in international relations. What the legal framework will be like, along with taxes, is another question, but that property is not threatened. The problem is legal persons' property, and the Croats have some special theories in connection with this; there is a great deal that is still unclear. We want to reach an agreement on the status of that property and have it recognized as Slovene national or state property. Well, the Croats have very interesting ideas about its being social property without any national identity. Of course, we also know about the controversial nature of social property, but these were still investments by Slovene enterprises! But even if we start to talk about how Slovenia's social property on Croatian territory is controversial, then the Croatian ownership share in the Krsko nuclear power plant is also controversial, and then Ljubljanska Banka is even three times more controversial. I think that the Croats have still not finally considered this problem, and that our side has enough arguments to make them think.

[Dobnikar-Seruga] Some of the media are creating the impression that we Slovenes and the Croats do not like each other too much, and that we have a poor opinion of each other. Can awkwardness or distrust be sensed at the highest political level as well?

[Rupel] I would not talk about those feelings, but I must say that I was really surprised, since during lunch, when we put the papers aside, our tongues were loosened and we essentially had a very pleasant conversation. In the official talks, however, voices were raised very high here and there, for example when there were several demands, such as the withdrawal of Territorial Defense forces from Sveta Gera, that were presented in the form of an ultimatum....

[Dobnikar-Seruga] What do the Croats consider the problem in Sveta Gera? How is it that it is only controversial now?

[Rupel] During the war we seized a stronghold, and drove out the JNA [Yugoslav People's Army], which was in it before. At that time there was not even the slightest sign of any Croats, and no one even asked about this. We still felt like allies. Now the Croats have become more precise about this. Since I am obviously not an expert, I do not know precisely where the border runs—certainly close to that point. Nevertheless, as we know, the land border has not even been defined or marked, and it will still have to be determined. Now I still do not have an answer, and I do not want to give one, because it would prejudice the work of the competent authorities.

[Dobnikar-Seruga] You nevertheless agreed in Zagreb that the border problem would start to be discussed by the so-called diplomatic commission.

[Rupel] We were convinced that such work could only start on the basis of the previous agreement, of which we sent them two versions, and the procedural rules for that commission. Well, that document was not signed, but the commission will start work anyway. It is completely all right, but we could have agreed on this a long time ago. The methodology will be that the commission will determine the disputed points that we will try to resolve in accordance with some specific procedure, from Sveta Gera, which is perhaps such a disputed point, to the last point of land in Istria, for example. The maritime border is a completely separate case, which experts on international maritime law have to deal with, and the commission on the land border is only loosely connected with it. In short, there is a whole series of issues that have to be resolved in turn, if we want to arrive at a good result. The Croats, however, wanted to solve the problem of Sveta Gera and the Piran Bay at the meeting, by simply putting maps on the table, which of course is not done at a summit meeting. Prime Minister Drnovsek told them, "Listen, I do not even know how to read these maps!"

[Dobnikar-Seruga] And how do the Croats envision the regime in the Piran Bay?

[Rupel] We did not even talk about it....

[Dobnikar-Seruga] Doesn't it seem to you that the Croats would like to determine the border in a hurry?

[Rupel] They would like to achieve a definite political result. The negotiators obviously received very strict instructions for Wednesday's meeting. As far as Sveta Gera is concerned, they would like to show that they are in control of the situation. Well, I ask you! I think that the issue has to wait until we settle it in one package along with all similar cases.

[Dobnikar-Seruga] What about the incidents with Slovene fishing boats? Did you say anything about this? It seems that each side has its own position regarding them.

[Rupel] There has never been a maritime border between Croatia and Slovenia, and it still has to be defined. How it is defined will depend on the last point on land, or on an agreement, for instance, within the framework of the Geneva conference. Things are open in this regard, and it is necessary to act cautiously. Until we settle this it is meaningless to say who has a right to control what point in the Piran Bay. The agreement that the representatives of the interior ministries concluded, for instance, only allows the Croatian police to pursue a smuggler leaving their waters in our part as well. The heart of the problem is that it will depend on the quality of our free access to international waters whether we have a right to more or less free passage through Croatian waters. Other solutions are also possible, for instance, we could sail through Italian waters, which is certainly ridiculous, but obviously it is easier to reach an agreement with the Italians than with the Croats. As far as fishing is concerned, the latter are convinced that our lives depend on a fishing agreement with them, which is certainly not true. We can catch lower-grade fish on the open sea, in Italian waters, or somewhere else.

[Dobnikar-Seruga] You recently expressed the opinion in the commission on international relations that it would not be sensible to link the signing of an agreement on the Sentilj-Zagreb highway to an agreement on the regime in the Piran Bay. It turned out in Zagreb, however, that it was precisely this Pym road that was our main negotiating trump, which should be exploited well.

[Rupel] Thank God, it is. The Croats are also obviously aware of the waning of international financial institutions' interest in this road, which was of very high interest two years ago, but not at all now, because of the war. To make things clear, however, Slovenia is also interested in this road, and moreover in a package with the Koper-Lendava and Gorica-Lendava road. With their Pym road, the Croats would be able to establish a nice connection with this transversal one of ours. I think that its construction is in our mutual interest. They threatened us in Zagreb, saying that they would inform the international public that we did not want to build that road.... We want to, of course; the only question is when, and with what financial assistance. We will not allow ourselves to decree all the parameters of the construction. We would very gladly cooperate with the Croats, both in this project and in all others, if we could only talk cordially and calmly about everything.

[Dobnikar-Seruga] Can you sum up, in a somewhat schematic way, the issues on which our interests are fairly convergent with theirs, and those where we differ the most?

[Rupel] Our interests are mostly compatible. A settled border and good relations with Slovenia are very important to the Croats, perhaps even more than to us, since their eastern and southern borders are extremely problematic. I do not know why they would create difficulties on the western border. We also want good relations, and we would like to trade with the Croats. It is true,

however, that they are economically weaker, and that also causes a certain nervousness in Zagreb. Their exports to Slovenia are growing, and our exports to them are declining. If Slovenia closed the border, they would be left without a significant market. The point on which there is most disagreement, however, is Ljubljanska Banka.

[Dobnikar-Seruga] Was it discussed at the latest meeting?

[Rupel] No, we sort of put it in "parentheses," saying that it was part of the economic agreement and that we would wait for them to send some sort of draft from Zagreb.

[Dobnikar-Seruga] Croatian President Franjo Tudjman will come to Ljubljana in mid-October. Do you think that this visit could have a significant influence on Slovene-Croatian relations?

[Rupel] I hope that the visit will take place as agreed, and since the president has very great decisionmaking power in the Croatian political system, we expect that with his authority things could move ahead from this standstill. I am not pretending that everything could be solved at once, but I think that there will be a positive contribution.

[Dobnikar-Seruga] Doesn't it seem to you that now is the worst possible time to settle difficulties with Croatia? The election campaign is beginning here, and the opposition will certainly make good use of the issue of the border with that state, fishing, and so forth.

[Rupel] It is quite certainly a sensitive time, especially since the opposition is hinting to the Croatian side that things will be this way and that after the elections. The fact that the opposition, if I may say so, is playing with state and national interests is completely unacceptable to me politically. I think, however, that the Croats will soon determine that even after the elections in Slovenia they will be dealing most with the same people they have dealt with in the past, and this will weight the scales in favor of reaching an agreement.

Hepatitis Outbreak in Refugee Camp

93WE0033A Ljubljana DNEVNIK in Slovene
6 Oct 92 p 24

[Article by Miran Subic: "Hepatitis Rages in Hrusica"]

[Text] Jesenice, 6 Oct—Asked about the problem of heating the barracks where 463 refugees are housed, Branislav Petrovic, leader of the working group that manages the refugee center in Hrusica, said yesterday that the weather knows no delays and has no consideration for bureaucratic snags and other such matters. The majority of the refugees are women and children. The center will be sealed off until 26 October because hepatitis has raged among the refugees, consisting mainly of women and children, for some time. This is a normal procedure to prevent the spread of an epidemic. At the same time, the community health service is issuing warnings about the critical health situation in the community. There is a definite threat of intestinal diseases; some symptoms already point to a possible typhoid fever outbreak. It is mentioned that 2,260 refugees, 1,003 of whom are children under 15 years, are registered in the community. Most of them live with acquaintances, friends, and relatives in Jesenice.

"We expect a visit by the representatives of the Republic Office for Refugees on Thursday. Some things will be cleared up then," Petrovic said. "A special report on refugees is being discussed today by the local government, which has already alerted the republic authorities about the situation in Hrusica, where up to now there has been no revolt. At the last meeting with barrack chiefs at the center, there were no emotional or other outbursts. The problem of heating and the beginning of school instruction (money is a problem) were brought to the attention of authorities. Refugees asked not to be separated because they have gotten used to each other," Petrovic said, emphasizing that their food supply has been guaranteed. However, there are no funds available for schooling or heating.

The conditions in Hrusica are not at all good. Caring for refugees in individual homes will also become more burdensome. All this aggravates the refugee situation in Jesenice. So far all solutions have been implemented too slowly. Bad weather with low temperatures has worsened conditions at the center, where there are over 20 hepatitis patients.

Correspondent Talks to Bosnian Combatants**Muslim Fighters Interviewed**

92AE0545A London AL-SHARQ AL-AWSAT in Arabic
25 Jul 92 p 5

[Unattributed article: "Muslim Fighters Use Hunting Guns"]

[Text] I left the city of Konjic and headed to the highest point of the mountain, where the first lines of confrontation between Muslim and the Serbian forces to control this strategic position allow its occupants to aim their artillery fire very accurately at the desired targets. It also opens the road for the Muslim forces in Konjic to meet with their counterparts coming from Mostar toward Sarajevo. The journey took two hours on a road just like the one that I previously described, except that the rain made matters a little more complicated. At a wide turn, our vehicle skidded and turned 360 degrees. I can only imagine what would have happened if we had been faced with such a situation on a narrow road. There is no way that we could go back, and I kept myself busy looking at some of the houses. The owners of these houses had insisted upon not leaving their homes or, more accurately, their mountains. They were waving to us and giving us the victory sign. At long last, I reached my destination. I heard artillery shots, and they were not in greeting. The shots were in retaliation for artillery shelling from the other side. On the highest trees, I found two green flags, one with the crescent and the other had inscribed on it "There is no God but Allah, and Muhammad is His Prophet." Seeing such a flag in such a post overwhelmed me. The young heroes welcomed us very warmly. Some of these young men were no more than 16 years old. My admiration of them was equalled only by my disappointment. What would have been the result if this energy had been directed toward developing the land and living peacefully! But war was imposed upon them, and there is no retreat. One of the fighters told me that the only alternative is to be annihilated, an expression he had heard from the president of Bosnia. After listening to the list of "don'ts," I started to move around the posts. A few meters away, there was a small tent hidden behind the trees in which there was a miniature operations room, a radio receiver, and maps spread on a table. Close by, one of the guns was shooting at the Serbian posts. I approached the gun to take a photograph, but the leader asked me to keep away from it. When I asked him why, he gave me a reason that made me laugh as much as it made me respect the will of these people to achieve victory. This gun was taken by the Muslims from a military museum in Bablantsa [as published]. It was made in 1918. The ammunition that they had was not compatible with it, but they were able to change it a little bit to make it fit. They expect it to explode anytime while it is being fired. One of the fighters told me: "We fight with everything we can, even with knives and hunting guns, but, thank God, we have managed to achieve some victories and capture large amounts of Serbian weapons. These are not, in fact, their

weapons, because the Muslims have supplied this army for a long time. But the Muslims were deprived of their rights, even in the Army." This statement of discrimination was confirmed by Mayor Razim Hadzic of Konjic, who told me that according to the official percentage of Muslims in all Yugoslavia, there should have been 24 Muslim generals in the Federal Army, but they only allowed three Muslims to reach the rank of a general. I was also told by 'As'aad, a leader of one of the posts who had been a captain in the Yugoslav Army before he deserted, that the Muslims in the Yugoslav Army did not have any rights. So not only are they short of weapons; they were deprived of experience by the Army, although I could say that the live battles have provided them with such experiences.

The Bride Gun

I continued my tour among the posts, where nerves seemed to be calm, despite the cruel war, and there was a deep-rooted faith that victory is inevitable. Everyone was saying that they had not expected matters to go as far as they did and that is why they were not ready for the war. They could not imagine that there was such a volcano of hatred boiling within these people and that it would explode with blood hatred and mutilated bodies. One fighter kept quiet for a while and then said: "Look at this bride. It is a 130-mm gun. We do not use it except when we have to because we do not have enough ammunition for it, and our high commands call us everyday to see if it is doing fine. In fact, I found some of the fighters treating it very gently. They covered it with a dark cloth and hid it among the trees." The fighter said that soon the gun would be moved to a post near Sarjevo, the city of heroes that will be conquered very soon, God willing. I went back to ask 'As'aad about the direct objective of the current fighting. He said that when the war with the Serbians started inside Konjic, the Serbs were carrying their weapons and taking their positions around the city, just as they did with Sarjevo. They started the shell the city, aiming mostly at civilian targets. "But, thank God, we managed to organize our ranks quickly, stand on our own feet, and liberate our city and the surrounding areas. We are now in the last stage of cleaning up," he said. He added that there are 3,000 fighters at the front, and our enemies are superior because they have heavy and long-range artillery. "But we trust in God and in ourselves, and we hope that we will march quickly to the city of steadfastness, Sarajevo."

To the High Commander

My escort told me that we had to leave. The high commander of the area was waiting for us at the command post. We started to leave in the car, but four fighters stopped to salute us. Each of them said something that was very short, but much better than a thousand articles. The first said: "You do not know how happy it makes us when our Arab brothers visit. We have been waiting for you since the morning hours. The Croat fighters are visited by their brothers from all over the world, and only you have visited us." The second fighter

said: "Tell your Arab brothers that the Muslims of Bosnia and Hercegovina have fought in Palestine and Afghanistan. It is your turn now to fight with us." The third fighter said: "Do not worry too much about what is happening. God willing, we will be victorious. Islam has been here for more than 500 years, and it will remain here indefinitely, God willing." The fourth fighter concluded the meeting by saying: "The fighters you see here are from the brigade that specializes in suicide actions. We were all persecuted under communism, but we are starting the rebirth of Muslims in the Balkans." I left without being able to say anything. What could anybody say to such people. Each one of them was hurt. One saw his father slaughtered in front of him; another one saw his daughter being raped, and another was brutally tortured before being released in a prisoner exchange. But they changed their anger to unyielding willpower. Thirty minutes later, we reached the headquarters of the high command. There were the same green flags, and a very modest tent. A few meters away, one of the shepherds had devoted himself and his family to serving the commander and his aides. There was a tree and a table into which some of the visitors have engraved their names, some of which were in Arabic. On the tree, there was a sign that said "Office of the High Commander." The man embraced us, and I began by him why would a rich man like himself, who had lived all his life in Europe and had become so rich would leave everything, donate all of his money to buy weapons, and come to the front, where he is being exposed to extreme dangers? Commander Zain Eddin said that this war, no matter how harsh or how cruel, is the golden opportunity for the Muslims to have a state in the middle of Europe. "Under no circumstances did we start this war. It was imposed on us. Our only alternative is to be annihilated. Our Serbian enemy uses Israel as a role model, and we cannot negotiate with them at all," he said. He then added: "I salute you for your courage. We are very close to a city called Nefnacia [as published], the main position of the Serbian forces in Hercegovina." Wishing that he had never told me that, I instantly remembered the danger that I was in. But he broke my train of thought when he stood up and pointed to a nearby mountain. With tears in his eyes, he said: "In six areas behind this mountain, our people were subjected to indescribable massacres. The Serbs took 900 women and children, whom we have not heard anything about." I asked him if he thought Serbia was waging a national or a religious war. He answered: "Before World War II, there were 141 mosques in Belgrade. Only one remains. It is both a national and a religious war because they are avenging their defeat by the Turks, who defeated them at the Battle of Kosovo, after which Islam spread in this area." I asked him what his most pressing problem is. He said: "Securing weapons. The Croats get their weapons from Croatia; the Serbs get their weapons from the Federal Army and Serbia, and we are left without any support. We have managed to get some weapons, but we have not been able to arm more than 50 percent of our people in this area." I asked him about the European role and the possibilities of armed intervention. He said: "We hope

that this will happen, and we hope to liberate our land ourselves. Our relationships with the West are not very good. It seems that they are waiting for the largest possible number to be annihilated before they intervene to rescue the rest." He added that even the visit of President Mitterand was not very good. "It's enough to say that the Serbs were happy with it, which only means that it was to their benefit." We went with the commander to look at the Serbian posts through a telescope. While we were doing this, he warned me to keep my head low. The sun was about to set as I was leaving the post, but the fighters will remain alert and the guns will continue to roar until God puts an end to such a catastrophe.

Democratic Action Party Leader

92AE0545B London AL-SHARQ AL-AWSAT in Arabic
25 Jul 92 p 5

[Unattributed article: "Chairman of the Bosnian Democratic Labor Party: 'We Were the Last To Carry Arms and Will Be the Last To Put Them Aside'"]

[Text] In an exclusive interview with AL-SHARQ AL-AWSAT, Mr. Salim Sabic, the deputy chairman of the Democratic Action Party that represents Muslims in Bosnia and Hercegovina said that the Serbian's nonadherence to the agreements would lead to war all over the Balkans, including Macedonia, Sandzak, Kosovo, and Greece. He added that military intervention would be the only response to the Serbian's failure to adhere to their commitments.

About the Bosnian leadership's plans for intervention, he said: "The form is not important to us what is important is the destruction of the Serbian military capabilities. Of course, the existence of a naval power in the Adriatic is not in vain. He added: "Our experience with the Serbs proves that they never keep their promises and that is why we have to be ready to face all possibilities and never trust any peace treaty until peace is actually realized." In response to a question from AL-SHARQ AL-AWSAT about whether foreign military intervention would ultimately prove to be in favor of the Muslims, he said that the Bosnian Serbs have Serbia to supply them with arms and ammunition. He said that the same applies to the Croats; while the Muslims in Bosnia have no one to support them. That is why the only solution is the foreign military intervention. He added: "In any case, such intervention would not be in Bosnia, but would be in Serbia."

In response to a question about whether there was pressure from Europe on the Muslim leadership in Bosnia to accept the principal of dividing the land between the three nations, he said that the West has only to prepare the circumstances for coordinating relations between the Serbs, Croats, and Muslims. Commenting on some of the Croatian voices in Bosnia that are calling for a cease fire and for joining the mother country Croatia by declaring Hercegovina an independent republic, Salim Sabic said: "There are some extremists

among the Croats, but this problem should not complicate the issue. We think it is an internal problem, and the Croats have to purify their own front. As for the Croatian Government itself, it has clearly and frankly recognized the Republic of Bosnia and Hercegovina. In his speech at the Helsinki conference, Croatian President Tudjman clearly recognized the borders of the Republic and signed a treaty to this effect. It is widely known that the Croatian Government supports the Croats inside Bosnia, which means that it will not support the extremists. I think this problem will be solved very quickly."

Responding to some of the Muslim's charges that their leadership did not arm them before the war, Sabic said, "We were demanding a country, and we were doing that peacefully. If it were not for Alijah Izetbegovic, our president, who has talked extensively about weapons and the Bosnian Army, we would not have been able to have a country. The Serbs themselves would not have expected that we would be recognized worldwide." He added that President Alijah Izetbegovic is a seasoned politician who, through his wisdom, managed to gain the recognition and respect of the world. "In spite of all that, our people are armed, but facing the fifth strongest army in the world is not an easy task, especially because they have pulled all of the units from Croatia and Slovenia and stationed them in Bosnia. I say that it is true that we were the last to carry arms, but we will be the last to put them aside."

Data on Land Ownership Structure in Bosnia

93BA0040A Belgrade ILUSTROVANA POLITIKA
in Serbo-Croatian 29 Aug 92 pp 27-29

[Article by Slobodan Milosevic: "Land Titles From Bosnia"]

[Text] Much is known about the Serbs, and at the same time, however paradoxical it might sound, in this time the truth about them and the areas in which they have lived and do live is almost entirely unknown. Thanks to a combination of various circumstances, oversights, and interests, that truth has been locked up in the darkness of dusty censuses and Turkish account books filed away long ago...and even in certain ideological vaults.

The new demands of the times have made it indispensable for the complete data on the Serbs and their ethnic areas and on the conditions and manner of their inward and outward migration and movements to be systematized and gathered in one place.

That undertaking has been tackled by the personnel, professors, assistant professors, and research assistants of the School of Geography of Belgrade University with the help of other specialists (historians, ethnologists, demographers...). The project was headed by Dr. Jovan Ilic, professor. The result of this effort performed during a pronounced financial shortage is the scholarly publication *Etnicki prostor Srba* (*The Ethnic Area of the Serbs*) comprising four monographs and thematic ethnic atlases with precisely drawn maps.

Dr. Milena Spasovski, professor in the School of Geography of Belgrade University, explains: "The School of Geography of Belgrade University undertook extensive scientific research in order to finally present in one place to our own public and that of the world the facts pertaining to the political-geographic and ethnodemographic issues on the space of AVNOJ [Antifascist Council of the National Liberation of Yugoslavia] Yugoslavia. That job has taken more than a year now, and the scientific program is now being carried out: The publication *Etnicki prostor Srba*, within which the monograph *Etnicki sastav stanovništva Bosne i Hercegovine* (*Ethnic Composition of the Population of Bosnia-Hercegovina*) is right now being published, and the thematic atlas *Etnicki prostor Srba u BiH* (*Ethnic Area of the Serbs in B-H* [Bosnia-Hercegovina]), which contains 11 ethnic maps with the legend given in Serbian, English, French, Russian, and German, will also be printed by the end of September. Those maps show in detail, at the level of individual settlements, the territorial location of ethnic communities in B-H from 1910 to 1991."

The Birth of a Third People

The purpose of the atlas is to define the ethnic area of Serbs in Bosnia-Hercegovina, and it is intended for a broad domestic and foreign public.

"This is the first time to date," Dr. Spasovski mentions, "that the facts which are the truth about the Serbian people and its human potential and spatial location have been analyzed and presented on a scientific basis. The first book and the atlas, which are now being published, deal with this subject matter in B-H, and the other three monographs will deal with *Etnicki sastav stanovništva Srbije i Crne Gore* (*Ethnic Composition of the Population of Serbia and Montenegro*), *Brojno stanje i razmestaj na teritoriji avnojske Hrvatske* (*Size of the Population and Location on the Territory of AVNOJ Croatia*), and *Etnicki prostor—etnodemografske i politickogeografske karakteristike i problemi* (*The Ethnic Area of the Serbs—Ethnodemographic and Political-Geographic Characteristics and Problems*). The latter book will be in English."

The first volume is the scholarly monograph *Etnicki sastav stanovništva BiH*, and the thematic atlas contains exclusive maps on the ownership structure of private landholdings of households whose heads declared themselves to be Serbs in the 1981 Census (we are publishing this map as an exclusive in this issue), and then maps on the genocidal suffering of the Serbs and the emptying of Serbian ethnic space by settlements and elsewhere (this we will be publishing in the next issue of ILUSTROVANA POLITIKA).

"When we speak about the three present ethnic communities in Bosnia-Hercegovina," Dr. Milena Spasovski says, "we should bear in mind the indisputable fact that there were only two communities on that space before the Turkish conquest: the Serbs and the Croats. The Muslim community arose during the time of Turkish

rule through the gradual islamization which was encouraged by the government authority and which embraced a sizable portion of the population. People's motives were dual: to avoid the difficult living conditions that affected the oppressed Christians and to obtain the privileges enjoyed by members of the prevailing Islam religion."

What the Turkish Record Books Say

The Turkish population censuses, the Turkish word is *defter*, indicate the size of the population and its religious composition at the beginning of Turkish rule. For example, the *defter* dating from 1468/1469 records on the present space of B-H 37,125 Christian households and only 332 Muslim households! The population *defter* of the Province (Sanjak) of Bosnia (not including Hercegovina) in 1489 indicates 25,068 Christian and 4,485 Muslim homes.

"Because they had a key role in government administration and the military organization, the Muslims lived predominantly in urban settlements and fertile river valleys. This had an essential effect on the present distribution of the population in Bosnia-Hercegovina. These are the facts, and they simply must be borne in mind, although today many people argue that we should not go back to history and concern ourselves with it," Dr. Spasovski is categorical.

In preparing the ethnic maps, the scholars of the School of Geography of Belgrade University did not concern themselves with the needs of day-to-day politics nor the aspirations and desires of ethnic groupings. They accepted as authentic scientific facts only the relevant data on the basis of the dominant ethnic group for each settlement and presented those facts on the area of the settlement as shown by land records. This method provides the most precise and authentic picture of the distribution of the various nationalities and of the entirety of their ethnic space in all four monographs, but the one for Bosnia-Hercegovina is particularly important.

"It is extremely important to emphasize and realize that the potential of the population, as far as scientifically verified methods are concerned, is not examined solely on the basis of the number of people, but also with respect to the associations in which they live: households, settlements, and territory. Thus, for example, according to the 1981 Population Census, the Serbs had an absolute majority (50 percent of the population or higher) in 2,439 settlements, or 41.4 percent of all settlements in B-H. At the same time, a very high degree of ethnic homogeneity (90.1 percent or higher) of the Serbian population is evident in 1,705 settlements. Settlements with a 50-percent or higher Serbian population comprise 27,255.2 square kilometers, which, according to the 1981 Census, represented 53.3 percent of all the territory of Bosnia-Hercegovina."

The Right of the Private Owner

An important datum, especially if we bear in mind the fact that Western democracy respects exclusively the ownership philosophy in which the owner of a landholding has the absolute right to that holding and defends it with weapons against unknown and uninvited trespassers on it, is the ownership structure of the stock of privately owned land.

"The map which ILUSTROVANA POLITIKA is publishing as an exclusive in this issue, and which, incidentally, was shown for the first time at the London conference on the crisis in Yugoslavia, was drawn up precisely on the basis of those data. That is, in the ownership structure of the stock of privately owned land, specifically in Bosnia-Hercegovina, households whose heads declared themselves to be Serbs in the 1981 Census held 51.4 percent of the privately owned land. It is also a fact that at the same time the percentage of Serbian households in the ownership structure of total landholdings is greater in many settlements than the total share of the Serbian population in the total composition of the population of B-H. The map of the ownership structure of the land which we present clearly indicates that in many B-H settlements where the Serbs do not have an absolute domination in terms of the number of households headed by Serbs, these households do own more than 50 percent of the private land stock," Dr. Spasovski emphasizes.

On that basis, the ethnic area of the Serbs in B-H constitutes more than 50 percent of their territory. If we add to this that what up until now has been government forests and pastures must be returned to private ownership, then the ethnic space of Serbs, according to scientific analyses and proven data, represents even more than 60 percent of the total territory of Bosnia-Hercegovina.

"The territory on which members of the Muslim ethnic community in B-H dominate is considerably smaller. In 1981, Bosnian Muslims had an absolute majority in 2,179 settlements, or 37 percent of the total number of settlements. The area of those settlements amounted to 13,197.6 square kilometers, or only 25.8 percent of the total area of Bosnia-Hercegovina. Households whose heads declared themselves to be Muslims in the 1981 Census possessed only 27.3 percent of total B-H landholdings," Dr. Milena Spasovski explains.

The Favoring of the Muslims

These figures prove the indisputable fact that Muslim households are strongly concentrated in urban environments and valleys characterized by higher population density. At the same time, this considerably smaller Muslim ethnic area possesses a considerably stronger economic potential and share in the gross income of B-H, which bolsters the obvious economic favoring of the Muslim ethnic population over the Serbs and Croats.

"When we speak about the Croatian population in B-H," Dr. Spasovski emphasizes, "its population potential is considerably smaller; they have an absolute majority (50 percent or more in the 1981 Census) in 1,016 places, or only 17.3 percent of the settlements. Those settlements with a majority Croatian population comprise 8,494.8 square kilometers, or 16.6 percent of the territory of Bosnia-Herzegovina. Households whose heads declared themselves to be Croats in 1981 possessed only 17.7 percent of the private landholdings. All the research has also confirmed that in the case of the Croatian population there is an evident consistency between the share in the population, the share of land ownership, and the share of the area embraced by ethnically homogeneous Croatian settlements, 18.4 percent of the population, 17.7 percent of private landholdings, 17.3 percent of ethnically homogeneous settlements embracing 16.6 percent of the area of B-H."

The Serbian and Muslim populations show considerable disproportions: In 1981, Serbian inhabitants comprised 32 percent of the total population of Bosnia-Herzegovina, Serbian households possessed 51.4 percent of the private land, and ethnically homogeneous Serbian settlements represented 41.4 percent of all settlements and 53.3 percent of the territory of Bosnia-Herzegovina.

At the same time, the Muslim population in 1981 represented 39.5 percent of the total, the households of that ethnic grouping owned 27.3 percent of the private land, their ethnically homogeneous settlements represented 37 percent of the total number of settlements in B-H, comprising 25.8 percent of the total land area of what was the central Yugoslav republic at that time.

"Nor is it unimportant that the 1981 Census also recorded that in 223 settlements of B-H none of the three ethnic populations had an absolute majority. Those settlements embrace 1,656.6 square kilometers of area, or 3.2 percent of the total area, and these are ethnically mixed settlements whose inhabitants are mainly members of the Serbian and Muslim population. At the same time, it is extremely important to emphasize that we have obtained data showing that the private landholdings of members of the Serbian people are larger than that indicated in the monograph and on the maps of ethnic-specific ownership distribution, but that those holdings were not included in the total percentages and graphics because these are Serbs who under various conditions, for various reasons, and in various periods of time moved out of B-H, but they retained ownership of the land of their ancestors. These people have not given up their land, they have neither sold it nor exchanged it, so that it continues to be theirs, and thereby it also belongs to the Serbian ethnic space. We have respected the basic scientific postulate with which we began: to record the population and ownership of land, ethnically homogeneous entities, areas, and settlements on which the members of the ethnic populations of Serbs, Muslims and Croats are present and living at the moment," Dr. Milena Spasovski, professor, emphasized in conclusion.

Private Landholding According to the Nationality of the Head of the Household in B-H According to the 1991 [as published] Census, in percentage

Serbian	51.4
Muslim	27.3
Croatian	17.7
Other	3.6

Opening of Zagreb-Belgrade Highway Anticipated
92BA1442E Belgrade POLITIKA in Serbo-Croatian
12 Sep 92 p 1

[Unattributed article: "Cedric Thornberry, After Talks With Croatia's Deputy Prime Minister: Opening of Zagreb-Belgrade Highway Soon"]

[Text] Zagreb, 11 Sep (TANJUG)—The head of the civilian division of UNPROFOR [UN Protective Forces], Cedric Thornberry, announced after talks with Croatian Deputy Prime Minister Ivan Milas that "within a few days we can expect the opening of the Zagreb-Belgrade highway." In Thornberry's opinion this should contribute to normalization of the situation.

He also said that NATO can help the United Nations in monitoring heavy weaponry and Bosnia-Herzegovina air space if the former organization asks to.

He warned, however, that it would be a worse thing for NATO to "initiate action for the sake of action," in other words to act without a clear political goal around which all interested parties could rally.

Content of Draft Law on Yugoslav Army Discussed

93BA0033A Belgrade BORBA in Serbo-Croatian
25 Sep 92 p 7

[Article by Gradisa Katic: "A Year in Uniform, Two in Civilian Clothes"]

[Text] *Military service will last for 12 months, and for recruits who want to fulfill their military obligation without weapons, in civilian service, twice as long—24 months; recruitment, as a rule, at age 17, and departure for the army after age 19; only citizens of the Federal Republic of Yugoslavia [FRY] can serve in the VJ [Yugoslav Army], and military obligation ceases after age 60; a change in ranks is not planned.*

In the future military service will last for 12 months, as specified by the draft Law on the Yugoslav Army. A recruit who for religious or other reasons of conscience wants to fulfill his military obligation without weapons, in civilian service, will have to "work off" a period twice as long—24 months. A soldier who wants to serve in civilian service must submit a written request 15 days before recruitment. Civilian service is performed in health care organizations, general rescue organizations,

and organizations for rehabilitation of the disabled. A recruit in civilian service is completely identical in terms of rights and obligations to other VJ soldiers.

According to this draft (which has all of 398 articles), the recruitment obligation occurs in the calendar year in which an FRY citizen reaches age 17, but he is sent to perform military service, as a rule, after age 19. If a recruit has not graduated from secondary school, he will leave for the army when he graduates, and when he is 21 at the latest. Military service is performed before starting university studies, but in exceptional cases (prescribed by the minister of defense) it can be done after graduating from a university, by age 27 at the latest. In the event of a state of war, the republic president can order that recruits aged 17 can also be sent to perform military service.

According to this law, only FRY citizens can serve in the VJ, but in exceptional cases, in wartime, individuals who do not have Yugoslav citizenship can also do so if they join the VJ. The commander in chief of the VJ is the republic president, who commands in accordance with the constitution, the law, and the decisions of the Supreme Defense Council, which can transfer specific jobs in commanding the army to the chief of the General Staff. According to this law, military personnel are soldiers, cadets at military schools, active military personnel and individuals in the reserves, and also professional members of the army (soldiers and sailors under contract), and in the event of war they can also be reinforced by volunteers. Reinforcement of the army or individual parts of it can also be done by a general or partial mobilization.

The following disciplinary penalties are stipulated for disciplinary infractions by active military personnel: suspension of promotion for a period of six months to three years, reduction in wages from 5 to 10 percent for a period from one month to one year, return to the formation position of the immediately lower rank for a period of one to two years, imprisonment for 20 days, and dismissal from a position as a military officer with a prohibition against reappointment to that position for a period of one to three years. The most serious penalties are loss of rank and loss of active military service. The maximum disciplinary penalty for soldiers and cadets is detention for 20 days.

Military personnel's wages will depend upon their rank, position, length of service, and bonuses for special conditions of service in the army. As the draft law provides, soldiers and cadets are entitled to monetary benefits which are determined by the minister of defense.

A soldier performing military service is entitled to 15 days of regular leave. To award special effort and success in the service, 30 days of leave can be approved in one

calendar year. For the performance of particularly difficult work harmful to one's health, there will be up to 30 days of paid leave per year for recuperation.

The sixth section of the draft Law on the Yugoslav Army provides for a monetary fine or the penalty of imprisonment for up to 30 days for a recruit who does not respond to the summons from the competent military territorial body, without a justified reason. The same penalty is also provided for a military conscript who arbitrarily leaves a military exercise or other military service. A monetary fine or a penalty of up to 15 days' imprisonment is provided for a recruit or military conscript who does not report within the prescribed period to the competent body at which his military records are kept. Monetary fines are also provided for employment funds and enterprises which do not provide certain information about individuals subject to military service.

Women are not subject to recruitment or military obligation, and the military obligation ceases to apply to men after age 60. The service of active officers is terminated if the health service determines that they are permanently incapacitated, if they leave their post or are unjustifiably absent from service for five days continuously, if they are evaluated as unsatisfactory twice in a row, and if they lose their rank or are disciplined by the loss of service. Service is also terminated when an officer completes at least 30 years of service, if the service requires it, or when the following ages are reached: 52 for a noncommissioned officer, 55 for officers up to the rank of captain first class, up to 57 for majors and colonels, and up to 60 for major generals and colonel-generals.

The draft law does not provide for changing the ranks in the VJ.

[Box, p 7]

Use of Weapons

Military personnel have the right to carry and use weapons, in accordance with the rules of the service. Authorized military personnel serving in military security or military police can use weapons and other means of coercion in performing the functions of military security or military police under the conditions prescribed by law for authorized internal affairs officials.

[Box, p 7]

Transfer From the JNA [Yugoslav People's Army] to the VJ

Active officers, noncommissioned officers, and military employees of the JNA who do not accept being transferred to being active officers or noncommissioned officers in the VJ or who do not have FRY citizenship will cease to be on active military service within a period of 30 days from the day that this law goes into effect.

Weapons Smuggled, Traded in Macedonia**Tetovo Black Market**

93BA0017A Skopje NOVA MAKEDONIJA
in Macedonian 22 Sep 92 p 5

[Article by I.S.: "Croatian Channels for 'Tested' Pistols"]

[Text] *How the Tetovo Smugglers Acquired and Sold Weapons*

The weapons are sold for 2,000 German marks [DM] apiece. Seljam Tjazimi, who was found on the run, turned himself in to the police.

Tetovo, 21 Sep—Four days ago, two weapon-smuggling channels into Tetovo were interrupted by the Department of Internal Affairs in Tetovo in collaboration with the Ministry of Internal Affairs of the Republic of Macedonia. Let us recall that 18 submachine guns and automatic rifles, two attachments for rifle grenades, one revolver, and large amounts of combat and pistol ammunition of different calibers, including the so-called exploding ammunition, were discovered and confiscated in several houses in the Tetovo villages of Gorno Sedlartse and Tenovo, as well as in Gostar.

Because of their past activities, the organizers of the channels and the intermediaries in the sale of the weapons were deprived of their freedom. They included Abija Dzhevad, 40, a private pastry cook who lived and worked for a long time in Nova Gradishka, Republic of Croatia; his brother, Abija Hasan, 27, of Gorno Sedlartse; Muarem Tjazimi, 32, a truck driver from the village of Tenovo; and Temza Mustafa, 40, of Gostivar, in whose house the weapons and ammunition were found. In addition, the authorities discovered more than DM24,000 that came from the sale of the weapons, and two vehicles with which the weapons supplied were transported into Croatia and through Hungary, Romania, and Bulgaria into Macedonia—namely, into Tetovo Province, at the Deve Bair border crossing.

In addition to finding and confiscating the weapons, the authorities are working intensively to identify and discover the buyers and other details.

And, while the authorities are working, the public is manifesting a lively interest in every possible detail connected with this extraordinary smuggling channel. We have learned that, up to now, the uncle of Muarem Tjazimi, Seljam, 48, was on the run, but today he turned himself in to the authorities in Tetovo and was imprisoned. It is emphasized that the employees in the Tetovo Department of Internal Affairs have carried out the operation to date in a synchronized and organized way, with a small number of people, without using force, and with no more significant resistance than the attempt by Muarem to escape under subterfuge of being allowed to get his coat, upon which he was quickly overpowered. He had already been arrested by the authorities several years earlier, when a pistol he had had in his possession

without permission was confiscated in a coffeehouse in Gostivar. The greatest quantities of weapons—eight automatic rifles and large amounts of ammunition—were found at Abdija Dzhevad's house. The neighbors of the dental technician, Nedzhat Ahmeti, when they saw him leaving his house with his briefcase in his hands and in the company of a policeman, thought he was in conflict with the law, assuming he was concealing in the briefcase a greater amount of gold for filling teeth. They did not think it was a question of weapons and ammunition. It is characteristic that, in addition to the weapons and ammunition found, along with several new ones there were also old, already used ones. The original price at which they were offered amounted to DM2,000, but bargaining and a reduction of several hundred DM was permitted, especially for those who purchased more pieces and ammunition at one time.

All in all, these smuggling channels are the largest ones discovered to date in this district, but they are not the only ones. This year, Ismet Petai, 44, from the village of Zhelino, who was found on the run, was discovered. He was investigated by the authorities and convicted for trading in narcotics and weapons, and three automatic rifles and large amounts of ammunition of various calibers were found at his house. Likewise, in May of this year, nine pistols were confiscated at the home of a private innkeeper who comes from the Tetovo village of Nerashte but works in Skopje.

Ohrid Gang

93BA0017B Skopje NOVA MAKEDONIJA
in Macedonian 22 Sep 92 p 5

[Article by D.P.: "They Extorted Money for 'Protection'"]

[Text] *An organized group of criminals is caught in Ohrid.*

Tsvetko Matlioski, Ilche Dzheparoski, Vlado Stojkoski, and Vancho Dukoski extorted money from several owners of entertainment and commercial operations for their alleged "protection," with intimidation, blackmail, threats with weapons, and physical attacks.

Working to verify and confirm certain information about criminal activity of organized groups in the Ohrid district, the district organization and unit of the Ministry of Internal Affairs in Ohrid on 20 September 1992 arrested Tsvetko Matlioski, Ilche Dzheparoski, Vlado Stojkoski, and Vancho Dukoski, all from Ohrid. It has been confirmed that, for a long time, they operated as members of an organized group, and with intimidation, blackmail, threats with the use of firearms, physical attacks, forceful behavior, and disruption of the public order and peace, they extorted money from many owners of entertainment and commercial businesses in Ohrid for their alleged protection.

Because it was learned that the members of the group illegally possess weapons and are involved in the distribution of narcotics, the same day 13 searches were carried out in the houses and motor vehicles of the members of this group and their helpers, in which two Skorpion machine pistols with four clips, one 357 Magnum revolver, two 7.65-mm pistols, one sporting gun, and a large amount of bullets and ammunition were found and confiscated.

The district organized unit of the Ministry of Internal Affairs in Ohrid brought criminal charges for "unauthorized possession and the bearing of weapons" and "forceful behavior" against Vlado Ruvinov, 35, who also

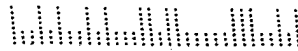
has been confirmed to be a member of the above-mentioned group and who at the present time is outside of the territory of the Republic of Macedonia, as well as against Tsvetko Matlioski, 31, and Milosh Dimovski, 32, all from Ohrid, and against Ilche Dzheparoski, 28, Vlado Stojkoski, 28, Slavko Vojneski, 36, and Zhivko Plevn-aroski, 32, all from Ohrid, for criminal activity of "forceful behavior."

The Ministry of Internal Affairs of Macedonia is taking measures to clarify and document other criminal matters, in particular "extortion" from other people who were in contact with the above-mentioned members of this criminal group.

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