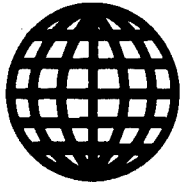


JPRS-EER-90-026  
2 MARCH 1990



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# ***JPRS Report***

# **East Europe**

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# East Europe

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## ALBANIA

### Kadare Reviews Novel Criticizing Secret Police

21000001 Tirana DRITA in Albanian  
15 Oct 89 pp 10, 11

[Article by Ismail Kadare: "'Thikat'—An Important Novel in Albanian Literature"]

[Text] The title of the latest book of Neshat Tozaj is directly connected with its subject. It is a knife with which somebody slashed the tires of the cars of foreign embassies in Tirana. One's first thought is of an action which is intended to jeopardize Albania's relations with these countries. It is very logical that this is the first thought of the Albanian State Security, Sigurimi, workers when they begin to examine the matter.

However, very soon it appears that the slashing of the tires is not an action with political aims but simply the act of a psychopathic woman. Therefore, it is necessary to close the first file, which is too pretentious and open the simple file of a malicious action of an unwitting subject. However, some Ministry of Interior workers have a hard time closing the first file. It is too enticing. It is connected with their careers, with their concrete achievements, as well as with the whole line in their many years of activity, a line which justifies their abuse of power, the violation of democracy and the complete moral and political perversion which accompanies these activities.

Thus, they abandon the real place where they should be carrying out a simple investigation of this simple incident and, with tooth and nail, to pursue the first file, that of deceit. However, deceit has its own logic. According to this logic, they falsify the deed, the act of a psychopath, and turn it into a hostile, organized action and they "transform" the psychopathic woman and the individuals who, by chance, are connected with the knife which she has used, into a clandestine hostile organization connected with foreign countries, etc., etc. In order to carry out this difficult deception, clandestine investigations must be carried out, democracy and laws must be violated, citizens' rights and human rights must be violated and there must be illegal and unconstitutional imprisonments, internments, and pressure. Briefly, in order for a group of degenerate and sadistic workers to achieve their goals, the fates of many people must be crushed mercilessly and unscrupulously.

This is the drama of the novel "Thikat" [The Knives], one of the most impressive works of Albanian literature published during recent years.

The novel "Thikat" gives a precise reply to the question as to how such a thing could happen, how the evil took root and how it developed year after year.

On page 249 of the book where a plenum of the party Central Committee is mentioned we read: "The question

of the Plenum is a shattering one: why has the party and not the Sigurimi exposed all the diabolical plots in Albania up to now?"

Many things are explained by this fatal question which the author took from the book "Titistet" [The Titoists] by Enver Hoxha. The main thing is the logic of this diabolical occurrence. It dictates its own law: if the real evil is not attacked, you will invent and strike at an imaginary evil, fabricated by yourself, on the basis of the dismal models of the Middle Ages and the Inquisition.

At the end of the novel we read: "When he arrived at the Ministry of Interior building he looked at the clock. The massive building was imposing. Looking at the massive building he remembered that Enver Hoxha had called that place where enemies rose up their snakes' nest. The party had to carry on an extensive work, for a long time to exorcize this ministry, in order to destroy the cult of the Sigurimi. What the enemy has done for almost 20 years must be undone in a short period of time."

Page after page and chapter after chapter, the novel "Thikat" demonstrates, in a masterful manner, how dangerous it is when vicious individuals, diabolical and without conscience, rise to important positions, becoming directors and even ministers. The novel "Thikat" presents a broad range of these types, in an uncompromising manner. Their main characteristic is intoxication with power and abuse of power. Day and night, an unhealthy ecstasy accompanies their activities. They have absolutely no feelings for the nation or society. For them, Albania, socialism, and the socialist state are only empty words to be said at meetings. Abusing the concept of the class struggle, they are convinced that there should be no democracy in socialism. Some of them, who are mediocre and inept, hate the skilled and the talented. Since they are uncivilized and uncultured, they hate the civilized and the cultured and hope for the chance to take hold of them and take revenge, that is, to attack them. Since most of evil-doers and mean individuals suffer from inferiority complexes, the attacks on individuals, the violation of laws, of democracy and of human rights give them satisfaction and create the illusion of superiority over others.

This false superiority, this flattery which "Thikat" correctly calls the "cult of the Sigurimi," a formulation which, actually, was taken from party documents, has been nurtured for years by a crowd of flatterers at various levels of society. In addition to these individuals, this crowd is made up of vicious and immoral individuals who are interested in getting the best treatment from these workers; it is made up of unprincipled individuals and careerists who think that this is a sure way to get ahead, by declassing individuals (and this is an irony of fate) who are afraid of them and, finally, by some conformist writers and, especially, filmmakers, who do this out of meanness or in accordance with their training.

Thus, it happens that these workers in a state ministry proclaim themselves, over all others, over the nation, over the state, over the party, privileged and elite individuals, as if they were "aristocrats."

However, only a society which is completely sick can call its own workers "aristocrats." Present-day Albanian society, in its entirety, can never accept them and this is the first cause of their defeat.

It must be said that, just as in other spheres of life, there were among them many individuals who made sacrifices for the country, real people who worked and struggled, day and night, for the people, intelligent and undaunted intelligence agents, who, for years, in the field and in the office, dueled with enemy intelligence services and others who have given their lives fighting with criminals on isolated cliffs, at the border, in the winter; in brief, all those who justifiably are called "secret heroes," since they fought without publicity and they fought against a real evil, not an imagined one. The very name "secret heroes" is eloquent since it is, besides other things, a criticism of the cult and the publicity which the others sought.

It is logical that the writer Neshat Tozaj, himself a Ministry of Interior worker, who admired true heroism in his other works, is revolted and insulted, in his book, "Thikat" by the distortions of the event, by the indifference of those who should have been servants of the people and not the people's bosses.

Generally, it is difficult for a crowd of violators of the laws and of justice to become bosses of the people for a very long time. In particular, this has been impossible in the case of the Albanian people.

There are some reasons why the Albanian people might be sensitive in this regard.

An indigenous European people, contemporaries and neighbors of the ancient Greeks and Romans, the Albanian people are a people with age-old legal concepts. Concepts dealing with the law are among the main moral legacies of a people. Among the Albanians they are known as their thousand-year-old code of laws [The Code of Lek Dukagjin], one of the most original in the history of mankind. Two of the pillars of this Code are the equality of males before the Code (of judgement and law) and protection under the law.

When the French Revolution proclaimed the famous Declaration of Human Rights 200 years ago, it was based, undoubtedly, on the entire world opinion on law which mankind had worked out with so many dilemmas and so many difficulties over the centuries. The Albanian people are one of the few peoples in the community of nations to have such a heritage, not just a few formulations in the form of maxims and moral teachings, such as, for example, the Assyrian-Babylonian saying, "a tooth for a tooth and an eye for an eye" etc., but a real constitution which covers all spheres of life. Hundreds of years ago, paragraphs 887 and 888 of this

Code (according to the numbering of Shtjefen Gjecov in 1927) clearly specified the equality of individuals before the Code. ("The price of the life of a human being is the same for the good and the bad. Each one stands up and says to himself 'I am a man!' and they say to him 'Are you a man?'"")

The whole core of the Code of the Albanians lies in strict observance of the basic principle: the sanctity of the dignity of the male, his honor, home and life. In other words, respect, albeit in a primitive sense, of his rights as an individual. (Unfortunately, this principle did not include women and this is a tragic defect of this Code.)

This is another reason why the issues of democracy, of respect for the laws and for human rights arouse special interest among our people, just as among all civilized peoples. These problems cannot be explained or skimmed over in cosmopolitan, right-wing or left-wing stereotyped formulas but must be overcome realistically and concretely. It must be said that these things are still treated very little in Albanian literature which is no credit to this literature.

The serious treatment of the vital problems of a people, whether in literature or in the arts, sociology or journalism, shows in essence, the respect which creative artists, sociologists, scholars and historians have for their people. This respect cannot be expressed by outmoded slogans, with excessive use of the word "people." It requires, first of all, a deep understanding of the situation, a knowledge of the history and aspirations of the nation. The problems of democracy and citizens' rights are closely connected with respect for the people. The violation of these rights would mean a loss of respect and a fatal breaking away from the people.

Albanians are few in number but they have an old and dramatic history. The common merits of a people in history are the sum total of the merits of countless special individuals. The relationship between the overall picture of the merits and the number of individuals who are responsible for them determines the indelible socio-genetic type of an individual and a nationality. No matter how few in number a people might be, the important thing is the part of the burden which each individual must carry over a period of years and millennia. Only by being aware of this will a writer or a prosecutor, an historian or a police officer be able to understand what a person is, a person from their Albanian nation, what a unique value he has and how he must be protected and respected.

As was mentioned earlier, this is related to the entire philosophy and thought of the Albanians about the place which the male occupies in society. According to this thought, the individual, as a unique subject, is accountable, both morally and physically, and, therefore, is inviolable and indestructible. The violation of this belief was the most serious crime, one for which the guilty party had to pay with his head. A man was insulted, attacked unjustly and killed. At this moment, life and

time stood still. The Code needs a reason! This was the frightening statement to which the wrongdoer had to respond.

Although it was harsh, restrictive, often logical and not so often illogical, this Code had a strong defense of human dignity and it played a great role in the psychological character of the Albanian and in his self-defense actions over the centuries.

Without espousing the idea of a chosen nation, a special nation, etc. which were not absent in the past, we can say that we can and must utilize the rational core of national pride about which the poets of this country have spoken and written so much. A person was insulted, he was attacked and his rights were violated. This is tragic and unacceptable for any people and for any country. But for those of us who know the history of the Albanian people, the oppression which it has faced for 2000 years, the weight of the trauma and of the pressure affecting each one individually is doubled and tripled for us and is tragic and unacceptable. An Albanian was insulted, abused and unjustly condemned. In this case, time, life and the writer's pen should stand still.

This is what happened to the writer Neshat Tozaj when he learned the story of "Thikat" through his work and was compelled to write about it.

He gives us his testimony with passion and art (those who expected more art in this novel are not aware that sometimes the art of writers has different forms of expression and the composition, rhythm and dramatics of a dossier require as much skill as a sophisticated work). He tells us about a group of workers with high positions, who, drunk with power, trample on their country and people, insult them, imprison them, destroy their lives and their humanity. As "Thikat" relates, these people, one after the other, end up in an abyss, thus, the message of the novel, its appeal against evil, is valid forever.

The novel "Thikat" will disturb the consciences of many people, which will prove its emancipating effect. A society that dares to denounce evil, that will exorcise it even when this is connected with painful things, such as the story told in this book, is a society which is marching resolutely toward progress—a progress that no force in the world can stop.

## CZECHOSLOVAKIA

### Unpublished Nuclear Accident Investigated

90WP0038A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 27 Jan 90 p 7

[Article by Jacqueline Henard: "Nuclear Accident at Ceske Budejovice Disclosed After 28 Years"]

[Text] Vienna, 26 Jan—After 28 years of systematic suppression of news, more and more details have been surfacing in the last few days in Czechoslovakia about

radioactive contamination which has been damaging the health of humans, animals, and plants in southern Bohemia. This reveals the cynicism of the communist regime, which in the past did not inform the population of any danger. The circumstances under which the accident became known also throw an unfavorable light on various Austrian authorities, who were the first to find out about it and did not do anything.

First, the history. At the end of 1962 there was an incident at the southern Bohemian uranium ore processing facility of Mape near Ceske Budejovice in Bohemia. As early as 1963 veterinarians in the region began to notice strange illnesses. When up to 80 percent of the cows suffered from leukemia, the local slaughterhouse commissioned a study by the Ceske Budejovice health authorities. Scarcely had the true problem become known when the Czechoslovak Ministry of the Interior intervened and confiscated the documents. From that moment on, only police doctors were involved in the study. Neither the population nor the health authorities were informed.

Subsequently, an additional 47 "medium-sized and minor" abnormalities occurred at the facility. This has meanwhile been determined by an investigating commission of the Czechoslovak Environmental Ministry. During an incident in 1964, as confirmed by engineer Jaroslav Ruzicka of Czechoslovak television, radioactive water and contaminated sludge sloshed over a dam into the Vltava. Normally, water was "only" allowed to flow into ponds next to the processing facility, from where it seeped into the groundwater. Between 1965 and 1985 the waste water flowed directly into the Vltava, as reported by the factory workers. Since then, the waste has been distributed between abandoned coal mines in the surrounding region. The facility is located in the vicinity of the world-famous Budweiser brewery.

It is still being debated whether Mape releases excessive amounts of radioactive materials even during normal operation. The health damage which has occurred over time can be measured, at least. In the vicinity of the uranium processing plant the number of cancer cases are three times higher than in the rest of Czechoslovakia, which has Europe's highest cancer rate anyway. In 1987, 156 new cases of cancer were recorded per 100,000 inhabitants. In 1983 and 1984 the numbers were still 106 and 111. In Slovakia the national average is below 50. According to Greenpeace, this unusually high cancer rate is also confirmed by the doctors and inhabitants of the region.

The Greenpeace environmental organization has been active in Czechoslovakia since late 1989. Previously, it had already publicized through its Vienna office studies by Czechoslovak researchers concerning the dubious safety of existing nuclear power plants and of those under construction. The Temelin power plant (with four Soviet reactor blocks of type WWER, 1,000 MW each) at Ceske Budejovice, only 50 km from the Austrian border,

was most severely criticized. After negotiations by Austrian Environmental Minister Marilies Flemming in Prague, the construction of blocks three and four was suspended a few days ago; the safety measures at blocks one and two must first be discussed once more with the Soviet development engineers, reported the official news agency, CTK. The reactor technology for all nuclear power plants in Eastern Europe (with the exception of Romania's) comes from the Soviet Union.

Czechoslovak scientists undertook a critical study of Temelin as early as in December 1983. A copy, together with a letter, came into the hands of the Austrian embassy in Prague in May 1989. The letter expressly described the radioactive contamination around the Mape processing facility. The Divicice Agricultural Association reported an increased rate of leukemia and mutations for their livestock breeding, the letter says. The documents are secret and can be found in the possession of a Mr. Jachym of the Ceske Budejovice local government, according to the letter. No action was taken in Austria based on this concrete information, which also reached the Federal Chancellor's Office via the Ministry for Foreign Affairs.

The defective Mape processing plant continues to operate. Of the 650 employees, 55 are in production and 200 are occupied with current repairs. The others work in administration, reports the Austrian news magazine PROFIL. Besides domestic uranium, according to information from Czechoslovakia, not long ago uranium from the FRG also began to be processed at Mape; it comes from the uranium mines at Menzenschwanz which until the summer of 1989 was being processed by the now closed Ellweiler processing facility.

The discussions about Temelin and Mape mark the first time that there has been open debate in Czechoslovakia on the pros and cons of nuclear energy. Critical voices can now be heard from the Energy Ministry as well, which until now did not allow a single critical word about the risks of nuclear reactors in its own country. In view of the catastrophic environmental pollution of thermal power plants, the longing for "clean energy" in the Czechoslovak population is particularly strong. However, it has already become clear during the debate that nuclear energy also produces waste which does not simply disappear.

At the existing nuclear power plants of Dukovany and Jaslovske Bohunice a few fuel rods have already been replaced which are being kept in interim storage there. As provided by an agreement between the Soviet Union and Czechoslovakia, they should actually have been shipped to the Soviet Union for permanent storage. But this is not technically feasible, as is confirmed by the state energy authority Energoprojekt: The rods are too long to ship abroad in the standard containers on railroad cars. A search for a place that is suitable as permanent storage for radioactive waste is now under way all over Czechoslovakia.

## HUNGARY

### Nominating Slip Abuses, Effects on Elections Evaluated

#### Secondary Effects

25000639 Budapest HETI VILAGGAZDASAG in Hungarian 3 Feb 90 p 6

[Article by Endre Babus: "Weeding Out the Elections"]

[Text] At this point already, manipulations with nominating slips have proven correct those who for months ardently criticized the new rules for nominating candidates for parliamentary representatives (HVG 11 Nov 89). As far as our general political conditions are concerned, word that was spread about the buying and selling of slips, about slips used for extortion, and about the collection of blank slips may be disturbing, even if only a fraction of these reports are true. At the same time, the manner in which commentators rush to draw a parallel between the 1947 fraud using blue slips and the present abuses is remarkable. They virtually suggest that dirty affairs like this are unavoidable in the course of multiparty elections.

Hopefully the association made is premature, and not just because the color of today's slips is white or because one can only make nominations with the suspect slips, and one cannot vote by using those slips. The primary difference is that, regardless of how large the present white slip corruption grows, every chance exists for the matter to be closed on the basis of morality and law. One may hope that those who revealed the abuse will not be villified—let's say by transporting them beyond the Northern Arctic Circle like Social Democrat Sara Karig was after she revealed the blue slip fraud in those days—but instead the possible perpetrators of these tricks will be prosecuted on the basis of Paragraph 221 of the Criminal Code of Laws. Because however disgraceful a blue slip election may have been, the real disgrace remains the fact that in those days a scandal with worldwide repercussions did not evoke retaliation.

All of this certainly does not mean that everything regarding the nominating slips is in the greatest order. For example, some individuals just realized why the Hungarian October Party states that the new nomination system raises questions concerning the secrecy of the elections. Namely, Krasso's people, the Hungarian October Party, make reference to the fact that if there will be 10 parties to run candidates in all 176 voting districts, no fewer than 1.5 million voting citizens (20 percent of those eligible to vote) will be forced to publicly declare their political affiliation. One may argue with the views expressed by the "party of the streets" by saying that nominations are not synonymous with elections, or that a periodic open profession of political faith is part of democracy. All this, however, is not reassuring to many,

not even if the National Election Presidium swears that the white slips will be destroyed 90 days after the elections.

What good would it do for a party candidate to acquire white slips at the price of corruption? After all, any candidate who has problems with obtaining 750 of these slips in order to be placed on the ballot can hardly hope to succeed in voting districts having 60,000 voters. This is true, except for the fact that the nominating slips also have a secondary function. Party leaders running on county slates may receive their share of the votes cast for their respective parties if in the given county the party in question was able to run candidates in at least one quarter of the voting districts. (On 25 March everyone will have an opportunity to vote for a party and for an individual candidate.) The situation is similar with regard to the so-called national list which commands 58 mandates. Only those parties may acquire mandates from this slate (in proportion to fractional votes cast for individuals and for county slates) who have been able to establish at least seven county slates throughout the country. A party's ability to accomplish this in only six counties may cost that party the loss of two or three seats in Parliament. This is why the great rush for nominating slips exists today.

The election law clearly prohibits the collection of nominating slips during working hours, while on duty at armed bodies, as well as in mass transportation vehicles and in the patient areas of health care institutions. And if certain political forces try to operate with "virgin" nominating slips, they can do so only at the price of committing a crime, notably the crime of forging a public document.

#### Impact on Outcome Discounted

25000639 *Budapest NEPSZAVA in Hungarian*  
3 Feb 90 p 5

[Interview with Dr. Imre Konya, representative attorney for the Independent Lawyers' Forum, by Nora Rab: "The Victory of Democracy is at Stake in the Elections"; date and place not given]

[Excerpt] [Passage omitted] [NEPSZAVA] The social atmosphere, the living conditions, are not suitable for unclouded confidence. When people are concerned about how they will live today and the next day, society is more sensitive even concerning smaller troubles...

[Konya] A large part of the nominating slip abuse is clearly provocation. It appears inconceivable to me that any decent party would not be able to collect 750 nominating slips. Whoever resorts to fraud with regard to gathering nominating slips aims to discredit the entire election and the multiparty democracy.

[NEPSZAVA] Obviously you are aware of the fact that the most frequent method of abuse is that some people—one cannot tell who and on whose behalf—collect the

nominating slips from the Notices of Voter Registration as if those slips were simple receipts.

[Konya] This conduct constitutes not only a violation of ethical rules, but also a crime against the order of elections. Whoever hands over or signs a blank slip is entirely innocent, because such persons were misled. On the other hand, whoever collects slips in this manner commits a crime sanctioned by a prison sentence according to our laws.

Any party attempting to use these methods will be disadvantaged at the elections. I will underscore once again: Whatever happens with the nominating slips does not influence the outcome of the elections, because this is a technical issue. The sole purpose of these manipulations is to prevent the placement on slates of those, let's say, 350 nominees, because in that way we would once again rule out the possibility of holding a real election. [as published]

Anyone could nominate anyone from among his friends or acquaintances if there were no conditions, no advance screening. Or small parties composed of a few people could nominate their candidates.

[NEPSZAVA] The ethical code includes an obligation for those who collect the nominating slips not to disturb the private lives of voters. What should be understood by this?

[Konya] This should be understood to mean that whoever is capable of doing so should announce his goals and candidates by way of advertisements, posters, and flyers. The better known organizations will receive nominations without having to knock on apartment doors. This method cannot be avoided, of course, mainly in the countryside. But those who gather nominating slips must endeavor to perform their function at acceptable hours, politely and with tact. They should not organize a race in trying to obtain more than the needed number of nominations from under the noses of others.

[NEPSZAVA] Perhaps the technical issue of gathering nominating slips was elevated to a significant issue, perhaps because of inaccurate information.

[Konya] My real concern is that it threatens the purity of the election as a whole. Persons discovering problems with nominating slips will feel that once again they are cheating, once again they are cheating the electorate, they want to acquire votes as a result of threats or for money. I will once again stress: Votes cannot be bought. This is true because the 25 March elections are secret.

This is one reason why we added a recommended letter of authorization at the end of the ethical code. Through that letter we inform the public: They have not voted in making a nomination, they have not committed themselves.

It is possible that the election law has some debatable solutions, but these are not of a kind that could cast doubt on the free character of the elections. It could be

that more than one new party or new organization could have come about at a time when this kind of activity involved great danger, and even with regard to persons, one cannot say that those who enter into a political career are guided by careerist ambitions. [passage omitted]

### Case Histories Reported

25000639 *Budapest NEPSZABADSAG in Hungarian*  
26 Jan 90 p 6

[Article by "K. K.": "Fancy Cases"]

[Text] In our Monday article we mentioned the term "campaign scandal" and reported on action violating the prohibition to collect so-called nominating slips prior to 24 January. At that time we did not suspect that we had started an avalanche. Dozens of readers notify us daily about new nominating slip collections and other abuses. The following should provide the flavor of a few of these.

Residents of Kuninga Street in the third district received flyers on 18 January, seeking support for the Alliance of Free Democrats [SZDSZ]. In the same district a young man claiming to be a member of the Hungarian Democratic Forum [MDF] carried around blank notices of voter registration/nominating slips agitating for the completion of the forms. We were also notified about SZDSZ and Association of Young Democrats [FIDESZ] propaganda materials at Martfu, and at the housing development in Bekasmegyér. In the 13th district the advertising slips of the Smallholders party were delivered at Imre Sallai Street. On 22 January, on Szalay Street, in the 5th district, a young man visited residents on behalf of the SZDSZ, but he ran away when asked to show some identification. The appearance of flyers agitating on behalf of the SZDSZ-FIDESZ candidate was also reported from the 15th district.

We were informed of the most clever situation having occurred in Lovas Street, in the 20th district. An unshaven young man and a young woman had the nominating slips signed, and departed without having the upper part of the slip showing personal data completed. The same was experienced at Marx Karoly Street, and in the 4th district Dunasor, as well as in the 18th district Vizonto Street. (The persons reporting gave their names and addresses, of course; they can be found in our editorial offices.)

By presenting these examples we merely wanted to convey the sense that violating the rules of free elections—be that a result of the benevolent incompetence of those wanting to help, or of a desire to intentionally cause disturbance—casts doubt about the purity of the elections. And that cannot be in the interest of any citizen or party.

### More Case Histories

25000639 *Budapest NEPSZABADSAG in Hungarian*  
26 Jan 90 p 6

[Article by "R. T. J.": "The 'Double-Knocker' of Hadhaz"]

[Text] In many places the election committees have not even been sworn in, but on the basis of certain indications we may already swear to the fact that they will have a lot to do.

What happened, and why, in Hajduhadhazteglas the other day, barely after the notices of voter registration/nominating slips were delivered? This is what happened: Soon after the notices were delivered a family member of the People's Party representative appeared. He knocked on the door of a residence. Only a family member of minor age was at home. The visitor persuaded the child to hand to him the blank nominating slip.

Upon their return the couple filed a report at the local election committee claiming that this kind of action violates citizens' rights. At the same time they requested a new notice and nominating slip, and to be sure, they stressed that they had made no statement saying that they would complete their nominating slip on behalf of the above-mentioned party's candidate.

Responding to our question, Dr. Pal Viragh, head of the expert group working alongside the regional election committee, said that the information management group of the county council had prepared itself with expertise and with computers to face anything that may be expected to happen with nominating slips and during the election period. Relative to the Hajduhadhazteglas case he had this to say: It would be best if the organizations involved would investigate cases like this, before anyone else does. The parties are eagerly watching the methods applied by other parties, and irregularities reduce confidence only in the perpetrators of such irregularities.

People's Party County Secretary Dr. Gyorgy Matuz promised yesterday to investigate the case, to apologize to the persons involved, and to return the slips, if indeed they find irregularities.

Only a supplemental suggestion befits the decision which attests to political flexibility: perhaps it would be worthwhile to examine whether the family which reported the case was the only one where they asked for the "blank check" nominating slip.

### More Case Histories

25000639 *Budapest NEPSZABADSAG in Hungarian*  
29 Jan 90 p 4

[Article by "K. E. P.": "'Blue Slips' in the Stormy Corner"]

[Text] According to information contained in the latest issue of the independent public affairs weekly DEL-KELET published in Bekescsaba, on 24 January two



grade school children collected blank nominating slips at Geszt. They completed the slips at home in the name of the deputy chairman of the Bekes County Council grade school (an independent candidate) and delivered the slips to their headmaster at school the next day.

Another item, also reported on the radio, holds that in the Oroshaza area old people were persuaded on behalf of one of the parties to hand over their nominating slips, because pension payments would stop unless they nominated that party's candidate. The other party revealing this case filed a report with the Oroshaza election committee, which convened in response to the report. At the same time an official stated that the election committee would have convened anyway, not because of the report in question, but as a result of a letter received on Friday, in which the party that was caught in the act reported on a third party which collected nominating slips at workplaces prior to 24 January.

There is talk about school children collecting nominating slips on behalf of a fourth party in Devavanya and Ketegyhaza....

In any event, the Saturday issue of the BEKES MEGYEI NEPUJSAG has a framed announcement on its front page with the following message printed in capital letters: "I handed in my nominating slip already, please do not disturb!"

This is a better invention than the nominating slip; at least it is not so dumb. I cut it out instantly and pasted it on my front door.

#### Weakness of System Noted

25000639 Budapest NEPSZABADSAG in Hungarian  
29 Jan 90 p 4

[Article by "R. T. J.": "In Whose Interest?"]

[Text] Not only books, but also nominating slips have their own lives.

Infallible signs suggest that unlike with lottery tickets, it is possible to cheat with nominating slips. The simplest way of cheating is to acquire blank nominating slips; this has occurred already as we reported in our Hajduhadhazteglas case, and there is a promise from the People's Party that they will investigate the case. On the other hand, the deployment of the notice of voter registration/nominating slips in this manner carries some risk, because the person who completes the form must count on the fact that in case someone files a report, or in the event that there is suspicion and an investigation takes place, the original addressee will not be able to tell whom he nominated. Or, oh yes, he may object because he nominated a totally different person. In this way the person who abuses the notice of voter registration/nominating slip may make a fool of himself.

Collecting completed slips is a less risky venture. The law grants this right to any party or party representative. Thereafter the only open question is whether the slips

will reach their intended destination in every instance. And if they do not, what is the business angle in this matter? Because there is a business angle to this. In Debrecen, for example, one hears rumors that they are selling the slips. The trading rate at the Exchange is between 100 and 200 forints per slip, according to people, but there is a discount on large quantities. Presumably one could bargain down the per slip price to between 50 and 100 forints.

Cui prodest—i.e. in whose interest is this? It is by no means certain that each piece of the "collection" offered will strengthen the buyer's choice of a candidate. This is true, except for the fact that these pieces may weaken someone else's chances, if the buyer forwards only those slips to their intended destination which he likes, and withholds the rest. Or if he sells those slips once again. Should we be pleased that in this respect the laws of the marketplace already prevail?!

It is a matter of political taste whether one coaxes a financially and intellectually needy person into giving away his preliminary vote for pennies. Let's hope for the best; let's hope that the whole thing is only a kind of private action.

Europe, watch out! We are about to begin!

#### Post-Election Coalition Possibilities Analyzed

25000638 Budapest HETI VILAGGAZDASAG  
3 Feb 90 pp 4-6

[Article by political scientist Laszlo Keri: "Pondering Coalition Chances: Who Convinces Whom?"; first paragraph is HETI VILAGGAZDASAG introduction]

[Text] On 25 March, after 43 years, the adult populace may once again elect its representatives from among the nominees of several parties. (By now, more than 50 parties are running in the elections.) Our author, a political scientist attempts to present a sketch of what he believes are the possible combinations and chances of coalition of the largest parties.

In pondering the anticipated results of the coming elections we are not completely without counsel. The late summer elections prompted by recalls, the November referendum, the roundtable negotiations, 23 October, the fate of the curate supervising the radio and television, were all opportunities for clashes, which presented a sketch not only of power conditions, but also of possible lines where political demarcations may occur, thus projecting the outlines of conceivable coalition alternatives. The increasing number of public opinion research surveys also enabled the tracking of rearrangements.

At the moment there is nothing to suggest that any one of the parties would be able to win the elections on its own. It is expected that from among the several dozen parties, each lead actor may receive between 15 and 25 percent of the vote. These are the Hungarian Democratic Forum

[MDF], the Alliance of Free Democrats [SZDSZ], and the Hungarian Socialist Party [MSZP]. Besides being the lead actors, they are also the junctions for the most important political groupings. The next echelon is composed of those who have serious hopes of becoming part of the Parliament, and whom one must consider as future partners in a coalition. They have an expectation of receiving between four and 15 percent of the vote, and include the Association of Young Democrats [FIDESZ], the Smallholders, the Social Democratic Party, and various election federations such as the Patriotic Election Coalition [HVK] or the National Federation of Centrist Parties. Although as a result of a freak coincidence the numerically huge majority of parties may succeed in some individual voting districts, they will hardly exert a substantive influence on the final outcome.

Quite visibly, parties are trying to formulate their own mental images, nevertheless they will be forced to cooperate with others, and it is likely that prior to the elections the greatest variety of linkages will occur, in order to increase the number of votes. Natural inclinations for coalition have already been observable thus far, and it is likely that in the coming weeks they will emerge in an even more pronounced manner (the coalition of small parties, or the cooperation between the social democrats and the trade unions which is in the making and which may produce surprising results if it succeeds).

At the same time an increasing number of people are pondering the possible compositions of coalition governments. The post-election process of establishing a government will create entirely different coalition constraints than those prior to the elections. By then the entire problem will have been narrowed down to participation by a few parties. Quite naturally, this fact will hardly render the situation more simple or more reviewable.

A very likely final outcome of the political developments in the past few months could be a populist-national coalition. It is conceivable that under MDF leadership the People's Party, the Christian Democrats, and perhaps the HVK or the Smallholders, holding on to more than 51 percent of the votes, will form a government.

The other possible coalition government could be rounded out the same way as was done in the November popular referendum: Led by the SZDSZ, a radical-liberal cooperation would include FIDESZ, the Social Democrats, and the Smallholders, if they leaned in that direction. (However surprising it may be, the Smallholders may tip the scale in either of these coalition scenarios. Undoubtedly, many do not take the Smallholders seriously after their latest schism, yet they may claim a substantial mass of voters in the countryside, composed of older people.) As of today, both of the above coalition alternatives appear feasible, at the same time however, both are laden with problems. In either of these alternatives the losing opponent would represent such a strong opposition in the future Parliament that it would be

capable at any time of creating government crisis for the ruling side. Most of the arguments and steps to be taken by the SZDSZ to topple an MDF-led government, and by the MDF to disintegrate an SZDSZ-led government could be drawn up in advance.

The other characteristic of the above-mentioned coalition formulas is the fact that they may be established without MSZP participation. The MSZP is expected to be one of the big losers in this election. This may be true even if on its own, it made a good showing in the elections as compared to its present situation (let's say 25 percent), because even in this way any coalition could be established without them.

One of the most outstanding contradictions in the MSZP is the fact that while it has a number of nationally known (and recognized) leaders who compete for representative posts with good chances, the party itself does not appear to be prepared for the elections. The ambiguous outcome of the October congress was unable to convince the country that a new party was born that cannot be buried under the masses' desire to pay off. Even though public opinion research shows that "it does not matter who wins as long as the winner is not a communist" will be an important motive in voter behavior.

Supposedly, many arguments support the idea that a change in the system would be best expressed if the successor to the MSZMP [Hungarian Socialist Workers Party] would receive no place at all in the new government, and if no representative of the earlier system, regardless of the level at which he served, would receive a place. Nevertheless, I believe that the process of changing the system has begun already in several important areas in the course of the past two years, and for this reason the issue of continuity in government must not be neglected. (The heirs to most ministries could hardly do something entirely different from their present predecessors, because slowly, the entire government is adopting demands placed from the outside, as a result of constant pressure exerted by the opposition.)

If the ability to govern becomes a key issue in the coming years, I find it worthwhile to at least theoretically suggest the possibility of a coalition government based on an SZDSZ-MDF-MSZP cooperation. Undoubtedly, at first this suggestion does not appear to be sane, because at this time each of these parties are showing their inability to cooperate. All three large parties possess features which constitute their strength, and which at the same time represent shortcomings in the other two parties. All three parties could make mutual concessions in areas in which the other two parties discover cause for suspicion. The MSZP should abandon its privileges and its dreams about privileges. The SZDSZ should yield with regard to the perception that the change in system must be viewed only the way the SZDSZ sees it. The MDF should ponder which parts of its populist-national-Christian heritage may be continued, and how much of it is outdated. Along with this mutual inclination to yield, ample room would be left for each party to retain its characteristic

feature: the SZDSZ's global outlook receptive to everything that is new, the MDF's familiarity with the people and with the countryside, and the MSZP's experience in government administration and in the exercise of power. For the time being there is no sign whatsoever of such a coalition. Nevertheless, if a coalition like this were to come about prior to the elections, it would be an absolute winner, so much so that it would remove all the seriousness of the elections: It would be a suspect reminder of single-party, single-candidate elections. Despite this fact, consideration should be given even to a coalition composed in this way, because it is the diversity of the participants in this coalition that could moderate the hardly tolerable huge societal pressure that is expected to burden the future government.

One could easily perceive an election outcome in which the majority of votes are divided between the SZDSZ and the MDF. In this case, following a sharp delineation of opposite sides, the constraint and responsibility to govern jointly may be delineated in a similar manner. The fact is that during the past few months the two most significant opposition organizations turned against each other, and inflicted upon each other some hard to forget injuries. Still, one must not from the outset declare the chances of such a coalition to be hopeless, and it would be appropriate for the leaderships of both parties to give some thought to this.

The following remarks may help in understanding all of the above:

—There are very many undecided voters who postpone their decisions to the final moment. (If we add up the number of those who still do not know for whom they will vote, and of those who are uncertain whether they will maintain their present choice in late March, as well as those who vote for small parties and whose actual view becomes significant only in the second round of elections, it turns out that these represent 54 percent of those eligible to vote. Research findings also shed light on the extent to which we must count on voter behavior linked to persons and likings.) The parties are trying to support the best known people, for this reason several writers, actors, and artists are included in their slates. Based on nominations made thus far, one is prompted to at least ponder the possibility that Fero Nagy, Professor Kiszely, and Gyorgy Markos will debate, let's say, the budget in the not too distant future with, for example, Jozsef Szekhelyi, Ivan Darvas, and Balazs Szuhay.

—In certain settlements, on an occasional basis, some quite different models of coalition and cooperation evolve than one would think based on formula that are involved in greater politics. (In Pecs Voting District 1, for example, FIDESZ is not running a candidate because the MDF candidate is fully acceptable. Allegedly, in one of the Gyor election districts the MDF and the SZDSZ support the same candidate against the MSZP.)

The approaching elections may be accompanied by a large number of, and many kinds of, incalculable developments which cannot be tracked. This fact underscores even more the significance of the responsible composition of future coalitions. Although for the time being neither the subject, nor the content of these are known—at best, the expected time at which they may come into being may be known—one thing is certain: The creation of such coalitions must take place in public, and not as a result of private negotiations conducted by the elites of one or two dozen leaders of a few parties.

### Platform of Entrepreneur's Party Released

25000640A Budapest FIGYELO in Hungarian  
25 Jan 90 p 10

[Unattributed article: "From the Entrepreneurs' Party Program"]

[Text] The Entrepreneurs' Party has as its goal the realization of the political interests of private persons and associations, partnerships, economic interest representative organizations, and alliances providing industrial services and engaged in commerce, transportation, agricultural production, and other activities.

In the Entrepreneurs' Party's view, private ownership and the role of private enterprise in the economy will suddenly increase in the coming years.

On behalf of entrepreneurs, the Entrepreneurs' Party demands its share in the exercise of power of a free, democratic country, in formulating political, social, and economic conditions, in placing the economy faced with collapse back on its feet, and in halting impoverishment. The party deems necessary certain regulatory actions which stimulate rather than paralyze the free evolution of profitable enterprises, which even at this time represent a significant value.

The party objects to a personal and entrepreneurial income tax system which unfairly strikes and gradually impoverishes workers, agricultural workers, the intelligentsia, persons making a living out of wages and salaries, and entrepreneurs.

The community of entrepreneurs and small producers numbering in the several hundreds of thousands wishes to take part in the legislative process, in the preparation and creation of laws which affect the entire nation. It intends to do so through its representatives running for election on behalf of the Entrepreneurs' Party.

The party stands for the operation of laws which ensure free and unlimited opportunity for private and small ventures, and for partnership responsive to market conditions, which have proved their viability before. They want laws which ensure the evolution of individual abilities without barriers and brakes, and provide financial and moral recognition to the societally useful achievement of every honest working citizen.

They support the modern renewal of entrepreneurs' interest representation bodies. They want interest representation which strives for the interests of entrepreneurs with all legal means, at every level and without fear, and which seeks societal recognition of the populace which utilizes the products and services offered by the private sphere—interest representation which stands up for the equal treatment of every citizen, including entrepreneurs, as compared to other social strata. They demand that those who engage in entrepreneurial activities with their own, their families', or their small communities' financial, intellectual, and physical resources in the public interest, and incur risks and accept greater than the average burden, shall receive distinguished treatment as compared to mostly failed "socialist" large plants which drove the country into a grave crisis.

They strive for more equitable opportunities than before for highly taxed entrepreneurs whose income has been reduced and who wish to establish small and medium-sized plants, and a higher rate of employment for those who became unemployed in the state sphere, and for aged people receiving small pensions who are able to work only part time.

The party supports the establishment of an independent private entrepreneurial social security system capable of formulating a fair pension system proportionate to premiums paid.

The party endeavors to establish a separate ministry for private entrepreneurs, to be headed by entrepreneurs managing private enterprise.

### **Open Letter Warns: Stalinists Still Dominate Reformed Church**

*90EC0312A Budapest KEPES 7 in Hungarian  
No 2, 13 Jan 90 pp 4-5*

[Open letter addressed to Interim President Matyas Szuros, Premier Miklos Nemeth, and Culture Minister Ferenc Glatz, by retired Presbyterian minister Jozsef Elias: "Stalinism in the Churches"; first paragraph is KEPES 7 introduction]

[Excerpts] In his open letter Jozsef Elias does not write about an internal affair of the Presbyterians. For decades, the churches in Hungary were directed by one and the same office, and the same persons approved the appointments—and even today the persons appointed by these officials occupy leadership positions in churches. We could also put it this way: The offices that directed the lives of churches also directed our entire lives. This is why we are looking forward to receiving comments from Presbyterians and non-Presbyterians, from the faithful and from atheists, and to the Debrecen minister's thoughts which stimulate debate.

Dear Mr. President, Mr. Prime Minister, and Mr. Minister!

I am addressing the three of you jointly not in order to save paper or my writing efforts, but because I must write to you concerning a matter pertaining to the churches—and primarily to the Presbyterian Church—which posits uniformity in the relationship between the government and the church. My letter is prompted by the societally asynchronous situation which at present constitutes a heavy burden on the relationship between the Hungarian state and the Hungarian Presbyterian Church. By a societally synchronous situation I mean one in which representatives of society—in the context of my topic: representatives of the state and the church—negotiate and make valid decisions in the same time period, and with the same force of legitimacy from the standpoint of law, morality, and reality. In other words, a situation in which, from among the negotiating partners, the state negotiates truly on behalf of the state, while the church negotiates truly under the authority of the church. An asynchronous situation is the opposite: In conversing with each other, the state representative does not speak for the state, and the church representative does not speak with the authority of the church; it is totally indifferent from the standpoint of the validity of negotiation whether only one or both parties are incompetent insofar as official capacity and authority are concerned. [passage omitted]

The situation is highly grotesque. Undoubtedly, you have done much in the interest of discontinuing our nation's Stalinist oppression. Similarly, one cannot argue with the fact that you endeavor to remedy the injuries inflicted upon the church by the State Office of Church Affairs, and by the Religious Affairs Division of the Ministry of the Interior, so that the path can be open to services rendered by the church. The absurdity of the situation is reflected in the reality that you are expressing regrets about harm caused by Stalinists, to church Stalinists occupying rather conspicuous positions, meaning that church Stalinists are assuring us of the fact that there is, and will be, freedom of religion in Hungary at present and in the future. Your acceptance of present bishops and archdeacons as partners negotiating on behalf of the church willingly or unwillingly strengthens the position of church Stalinists. It would be impossible to presume that you—as if you had just arrived from another planet—are not aware of the fact that during the past 40 years the bishops and archdeacons of the Hungarian Presbyterian Church were placed in their undeserved positions by the Stalinist party and state leadership. Barna Sarkadi Nagy—whose present appointment I must regard as anachronistic and as a measure that shakes confidence—should prove that our present bishops and archdeacons may thank their appointments to the absurd theatrical performance which our presbyteries had to agree to if they wanted to protect their minister, who could be held responsible. It is well known that if a minister did not make his presbytery implement the will of his superiors, he was transferred soon thereafter. They were forced to go along with the humiliation of being able to "elect" their bishop and archdeacon from "among" a single minister whose "election" was

approved in advance by the state authority. Most recently there has been a single case only in which presbyteries were able to choose from among two pre-approved persons, except for the fact that both persons were of the same kind: Both were selected by Imre Miklos.

I realize that you are responsible leaders burdened with concerns. Your strength is finite, meaning that your attention cannot extend to everything. Nevertheless, because the affairs of the Presbyterian Church are not peripheral in the new society, we must ask the three of you to discontinue this asynchronous situation in society. Since it was state power that perpetrated the above described legal injury, and since the present government is the legal successor to that state authority, it is the obligation of that legal successor to work toward our presbyteries regaining their Biblical right for the free—uninfluenced—election of our bishops and archdeacons, a right that was won by the efforts of Istvan Bocskay, and that was stolen. I am not requesting you to interfere in the affairs of the church (I would strongly protest such action.) I am requesting instead that you liquidate the consequences that resulted from a series of interventions by the Stalinist party state. Among other matters, you could discontinue negotiating with the “church” agents of the party-state.

Thanks to the “benevolence” of the party state, for 40 years the entire Hungarian Presbyterian Church was subject to a church press, which, with its own Marxist boredom, desolated Presbyterian thought, and refused to reflect any and all authentic manifestations of true Presbyterian spirituality. A party-state does not exist now, and there is no state party either, but thanks to the “benevolence” of your indifference to this date, the same persons remain in the Presbyterian press oligarchies. Thus one may understand the passion manifested by the editorial office of REFORMATUSOK LAPJA which exerts forceful propaganda for the continued survival of their own sponsors, the state agency dealing with churches, and incites opinions against those who take a stand in the interest of purging the Presbyterian Church. They project an image to the Hungarian and foreign public that we, who struggle to cleanse the church, are endangering the church’s present and future by disturbing the “reformist” salvaging of highly placed agents (terminology that is very reminiscent of Imre Miklos’ phraseology.

To use a symbolic term: The “Ferenc Munnich Society” is in power at the Hungarian Presbyterian Church, and therefore it would be impossible for you to get stuck at the point of indifference you have manifested thus far.

I do not wish to detail the foundations upon which these persons, who successfully lobbied for and acquired their positions as a result of artificial elections, stand with regard to fidelity, character, and integrity. Rather than characterizing these persons I will point out only this: Intent on retaining their stolen positions by all means, they try to accomplish their goals by “mingling” with

state factors as reform campaigners, by giving unctuous sermons, by organizing statements of fidelity which become comic in the end, through actions taken by hyper-pious circles, with so-called rehabilitation initiatives, by striking sympathy on the part of Hungarian Presbyterian churches abroad, and if needed, by threatening letters from anonymous writers, and by maneuvers to emotionally move people. In Lajos Mesterhazi’s play “The Fourteenth Commandment” the Budapest reporter asked the village teacher whether there were any Stalinists left in the village. The teacher joyfully responds: There aren’t any left, except for one, that is: the protestant minister.

In brief: You cannot pretend that you are not aware of whom the party-state placed in leading positions in the Hungarian Presbyterian Church over a 40-year period. For this reason you must not regard as church leaders the “church people” appointed by the party-state. Their apostate existence is not denied, but instead is underscored by the fact that they happen to have a minister’s diploma in their hands. You are expressing regrets for the Stalinist destruction, for the planned withering of churches, to those who were the instruments of the State Office on Church Affairs in this destruction and withering away. Would you perhaps want to force us to remain under the leadership of those who for 40 years were vigilant in watching ministers who served their assemblies effectively, in other words ministers, and who, because of such effective service, had to be transferred quickly to a place where they could become lesser obstacles to implementing the liquidation plan of State Secretary President Miklos? You have a moral and a legal obligation to free our church from state agents elevated to state leadership positions by the predecessor state.

At every post in our church we want to see ministers and lay persons whose feascance, blamelessness, and fidelity is beyond reproach. Our request from the government is simple: It should declare that the government does not regard as church leaders those whose elections prior to 1 January 1989 [as published] as bishops and archdeacons were tied to conditions established by the state, and that the government is willing to negotiate only with persons who were freely elected by the presbyteries after 1 January 1990.

If you, Mr. President, Mr. Prime Minister, and Mr. Minister, do not insist on continued negotiations with compromised Stalinists with regard to Presbyterian church affairs, no argument could justify the rejection of my recommendation and the failure to reach a corresponding, appropriate decision.

In closing, I would like to make clear to the present leaders of Hungary that I have no personal interest whatsoever in writing this open letter. I am 75 years old, one who “planted a walnut tree but cannot collect walnuts from that tree,” because none of my family members pursued a career in the church.

Just as the 16th Century reformers of Hungary used the Old Testament in a classic way as the source upon which to base their evangelic message, I will also quote from the Old Testament to support my letter: I wrote, because "I must not be silent for Zion's sake, I must not rest for Jerusalem's sake, until her truth shines like the light of dawn, and her liberation like the torch in the night." (Isaiah 62:1)

Respectfully: [Signed] Jozsef Elias, Presbyterian clergyman, retired pastor.

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Jozsef Elias was born in Budapest, in 1914. He completed his studies at the Theological Academy of Papa, then served as assistant pastor in Cegled, alongside Bible

translator Dr. Sandor Czegledy. As head of the Presbyterian Church's Good Shepherd Mission, he saved the persecuted beginning in the fall of 1942. After the war he was named one of those Europeans who saved people and was awarded a high level decoration. He continued his support of the persecuted by speaking out for deportees in 1951. At that time he was forced to resign as head of the mission. Meanwhile he was left without a pulpit and a job while providing for three of his children. (From a legal standpoint the Good Shepherd Mission has not been discontinued to date, but it was made to wither after Jozsef Elias' removal.) After 1956 he became assembly pastor first in Szigetszentmiklos and later in Debrecen. He served as the last pastor of the Debrecen University Church. He received disability retirement from that post in 1973. Several of his books have been published in the West.

## GERMAN DEMOCRATIC REPUBLIC

### New Orientation for Military Sports Organization

90EG0136A East Berlin *SPORT UND TECHNIK* in German No 1, Jan 90 pp 6-7

[Interview with Dr. Werner Eltze, deputy chairman, GST Central Executive Board: "GST—Open for Everyone"; date and place of interview not given]

[Text] [SPORT UND TECHNIK] Many comrades and many readers of our periodical keep asking why the general public knows and cares so little about the problems arising from the reformation of the GST [Society for Sport and Technology] which are being discussed so passionately in the sections and basic organizations.

[Eltze] I am sorry to hear that. However, The GST's SPORT UND TECHNIK is a monthly rather than a weekly, as is the case with the DTSB [German Gymnastics and Sports Federation] paper. SPORT UND TECHNIK—and its chief editor knows this even better than I do—takes so long between issues that the dialogue between this periodical and GST members or readers is bound to proceed rather slowly. Nevertheless, we are doing our best. Editorial boards of dailies exercise their discretion about the space they allocate to the GST and its problems—and just now there are more important issues on the agenda.

Elf99 [not further identified] and DT 64 [not further identified] have shown great interest in the presentation of our kinds of sport. We will afford them all possible support—and of course the same continues to apply to the daily press also.

Full and part time GTS officials carry out most of the work involved in carrying on the dialogue with members, note their input and, together with them, purposefully get on with the renewal. I know they are doing just that in most of the kreis organizations—expertly and prudently.

[SPORT UND TECHNIK] The abolition of obligatory premilitary training as a part of professional education has been generally welcomed. This approval is most marked with respect to the premilitary training of motorized riflemen. On the other hand, many youngsters ask whether there will no longer be any opportunity for them to prepare themselves in the GST for their conscript service or enlistment in the professional Armed Forces. Let us just consider such things as the preparation for and issue of the truck drivers' licence.

[Eltze] The GST continues to provide such facilities—only now on a voluntary basis and during leisure hours. That includes the acquisition of the truck drivers' licence.

[SPORT UND TECHNIK] Can this licence be acquired in the GST only by people preparing themselves for service in the Armed Forces?

[Eltze] Certainly not. Even in the past not only future soldiers utilized GST facilities in this sphere. Each year roughly 140,000 citizens acquired a driver's licence with us. That amounts to some 35 percent of all licences issued annually in the GDR. In fact, now that we no longer have to look after the obligatory training of future military drivers, we can offer more and more varied opportunities to the public, not only with respect to class E but also to drivers' licences class A, M, and C. All citizens as well as industrial and agricultural enterprises are entitled to use our facilities. We are, therefore, able to provide a substantial contribution to reducing the backlog of applications for driver training.

[SPORT UND TECHNIK] Where should interested parties apply, who wish to acquire a driver's licence for the classes you mentioned?

[Eltze] To the respective GST kreis executive.

[SPORT UND TECHNIK] Let us return to preparation for conscript service or enlistment in the Armed Forces. Are there any other possibilities?

[Eltze] Indeed there are, in the various sports offered by the GST. I could imagine, for instance, that a boy wishing to become a sailor would go in for marine sports and another, possibly intending to become a communications officer, might join the radio sports section. All this, though, will be the individual's decision, nobody will require him to do any such thing—not even the military district command at the time of registration. Young men who would like to be Air Force pilots may prepare for their military career at GTS flying schools in accordance with a plan coordinated with professional training. But let me emphasize once again that all this is to happen on a basis of total voluntarism.

[SPORT UND TECHNIK] Does the GST need a new charter?

[Eltze] Absolutely! First of all, as I said before, there is no longer any obligatory premilitary training, and second, the rules on internal organizational democracy require fundamental revision. Last November, therefore, the central executive meeting set up a working group which will submit the draft for a new charter to the extraordinary central executive plenum next February. This draft will then be presented to the members for their discussion. The extraordinary GST Congress in 1990 will again discuss it and presumably enact the new charter.

[SPORT UND TECHNIK] What is to happen to GST training centers? They represent great material values, including thousands of hours of voluntary work by our comrades. Some have long been centers of sporting and social life in the respective region. Is that a good approach to make them useful for all citizens?

[Eltze] I certainly think so, and many comrades in various kreises have already put forward ideas and proposals. Former training centers in some kreises have been transformed into GST clubs, marine or diving

clubs; in other words the kinds of sports carried on by the GST have found a home there. But of course we are not just concerned with a new name but rather with the new context of our work. We wish for these facilities to help satisfy the various leisure interests of our citizens, with particular emphasis on young people. Ranging from disco events in conjunction with the FDJ [Free German Youth] via brigade evenings or carnival festivities to shooting matches, there is almost nothing that cannot be arranged by such a center or club.

Larger GST facilities (I am thinking of our camps, for example) might be used as tent emplacements for RV camping. We might, for example, envision people spending their vacations at such a tent emplacement, in conjunction with a GST offer for enabling them in the course of that vacation to acquire their drivers' licences or a diploma in one of our types of sports.

[SPORT UND TECHNIK] The GST has been increasingly preoccupied with the need for self-financing—even before the social transformation. How does the organization intend to meet this serious challenge?

[Eltze] Primarily by asking all our comrades to reflect on this matter. It is very welcome indeed that many proposals have already been received. We will now have to study them carefully. We should definitely be able to obtain more income by the provision of drivers' training.

We are aiming to gradually organize and operate this GST department in accordance with the principles of economic accounting. We are also contemplating asking for differentiated special money contributions from the various sports associations. We will seek support from patron enterprises and sponsors. Other sources of income might well be developed by services to third parties, for example training for professional divers. We may also charge fees to non-members of our organizations, who wish to use our equipment at sports events, for example motorcycle or marine sports touring.

[SPORT UND TECHNIK] Judging from the topics of discussion offered in the December issue of SPORT UND TECHNIK, the GST is also subscribing to environmental issues.

[Eltze] We consider this a most important issue. On the one hand, our trucks and motor bikes as well as the noise of our aircraft contribute to pollution. On the other, our divers have long been involved in the protection of riverbanks and reeds strips and the cleanup of rivers, lakes, and wells, thus providing quite an important contribution to environmental control. In future we must and certainly will do a lot more.

[SPORT UND TECHNIK] Thank you for your exhaustive information.



## CZECHOSLOVAKIA

### Planning Minister Warns of Difficult Times Ahead

90EC0200A Duesseldorf *HANDELSBLATT* in German  
18 Dec 89 p 10

[Account of interview with Czechoslovak Minister of Planning Vladimir Dlouhy on the occasion of his taking office, by Klaus C. Engelen: "We Can't Promise a Rose Garden"; *CSSR/HANDELSBLATT* Conversation with Prague's New Planning Minister Vladimir Dlouhy—There Are Limits to Reform"; date and place not given]

[Text] Prague—"Our top priority is to open up the Czechoslovak economy step by step and to mobilize genuine competitive forces, even before we can seek full integration into the world economy with a convertible currency," said Dr. Vladimir Dlouhy, the planning minister in the new CSSR Government in a conversation with *HANDELSBLATT*.

"There are distortions in the price system that have major consequences for the economy and that we need to attack right away—in the price of energy, rents, basic foodstuffs, where there are tremendous subsidies. Still, we must proceed cautiously."

Even though the new Czechoslovak government can count on increasing support from working people in the industrial regions—not least because the old Stalinist regime was played out politically and economically—Dlouhy warns against overestimating how much room for maneuvering the new government has in undertaking its reforms.

#### Fear of Social Insecurity

"We mustn't overlook the fact that workers in many parts of the CSSR are concerned about the impending restructuring." They are watching the economic turbulence in reform-minded East bloc countries like Poland, Hungary, the GDR, and the Soviet Union. Major goods shortages of the sort that have shown up in some socialist countries could shake confidence in the new government's "reform experiments."

Workers here fear that if their uneconomic enterprises shut down, they will lose their jobs and their social benefits, Dlouhy says. There are also the pensioners, who are worried about rising prices and higher rents.

"What we need to do now," says Dlouhy, "is to explain to those who are worried, workers and others, about the reform process, and to make them understand that the CSSR has the potential, after a transition period, by restructuring and by modernizing enterprises and economic sectors, to overcome the structural crisis that has been smoldering for years. We can't promise a rose garden, but we must make it clear to our workers that the CSSR is perfectly capable of mastering the coming adjustment phase. How long it will take before we

develop into an efficient Western European-style market economy, we can't yet say."

Economist Dlouhy, along with the other deputy chief of the Prague Forecasting Institute, Vaclav Klaus, and the institute's well-known head, Valtr Komarek, was responsible in recent weeks for lining up the leading CSSR economists behind the Civic Forum. Thus it came as no surprise that the Forecasting Institute's entire leadership turned up in the first CSSR government not dominated by the Communists: Komarek as Deputy Premier, Klaus as Finance Minister, and Dlouhy as head of the Planning Agency.

Dlouhy harbors no illusions about the difficulty of switching the gigantic planning apparatus onto a course of reform. "There is great danger that while we talk a lot about reform, those running the apparatus will go on with the old routine and block us from really opening up the system to more decentralization and competition." Dlouhy and his political friends in the new Prague government see themselves as a "counterweight" to the central planners in the government apparatus who still hold senior posts in various important ministries, and who can be expected to "continue to operate in terms of central planning, industrial and foreign trade monopoly, centrally-managed allocation of capital, and foreign exchange."

Prague's new planning boss, who has just prepared an extensive study on reforming the Czechoslovak economy for the United Nations, finds himself heading an agency that must be, if not abolished, at least reorganized to serve a new purpose in line with plans to decentralize and open up a market economy. The Planning Agency must see to it that the allocation of resources is improved on a broad front, he says.

#### No Model of Their Own

He says that the economic reforms decided on by the old government—from transferring decisionmaking power to enterprises to the banking reform that is to take effect on 1 January 1990—will provide at least the start of the necessary restructuring.

As for the reform program to be developed by the new government, Dlouhy as chief planner is unwilling to talk about a "CSSR model," just as he does not consider it advisable to follow a "Polish model," a "Hungarian model," or models such as the "Socialist market economy."

Just how far a reform-minded Prague government can go in returning to a market economy will be decided in the upcoming free elections in the CSSR, says Dlouhy. Not until then will it be known what political groups and what economic program voters favor. Although CSSR voters consider ensuring current levels of social benefits a high priority, they are also increasingly realizing that social security must be based on a functioning economy.

If voters accept a radical program of market economy-style reform, the social security system will also have to be reconsidered.

However, the more or less stable relationships in CSSR consumer goods markets must not be disturbed by too drastic price increases, says Dlouhy. It would also be politically dangerous to exacerbate already existing shortages of consumer goods. Nonetheless, in the medium term it will be impossible to avoid a fundamental market economy-style reform of the price system.

Dlouhy notes that even though the CSSR economy—along with that of the GDR—is the strongest in the East bloc as measured by industrial development, the supply of consumer goods, and the general standard of living, the spectacular planning mistakes of the centralized economy and the ties to the CEMA economies have been taking a higher and higher toll since the beginning of the 1980's: "If there have been increases in the standard of living since the end of the 1970's, they were quantitative—more Skoda automobiles or television sets of a lower quality or an improved supply of goods via the expanding 'gray' or 'black' markets."

Although the old regime was able to boast of economic growth of about two percent in recent years, Dlouhy asks what sort of qualitative growth there has been. Dlouhy: "We have an economy that uses twice as much energy as comparable countries; an economy where steel production represents a larger share of the gross social product than in any country but Luxembourg, which is a special case; an economy that operates with an obsolete industrial structure, with distorted investment priorities, and with an extremely high degree of monopolization; an economy that has been sending out clearer and clearer alarm signals (see the large stocks of unsalable goods)."

## GERMAN DEMOCRATIC REPUBLIC

### Agricultural Officials Propose Economic Reform Measures

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[Unattributed article: "Main Directions for Economic Reform in Agriculture and Foodstuffs; Discussion Suggestions of a Committee From the Ministry of Agriculture, Forestry, and Foodstuffs"; first paragraph is NEUE DEUTSCHE BAUERNZEITUNG introduction]

[Text] We are herewith publishing the slightly abbreviated draft economic reform measures, issued as material for public discussion by the Ministry for Agriculture, Forestry, and Foodstuffs. Relevant proposals and critiques may be sent either direct to the ministry or to our editorial office.

#### I. Bases and Outline Conditions

In conjunction with other branches and sectors of the national economy, a modern and efficient agriculture

represents a decisive precondition for the stability of our society. The following essential goals need to be achieved within this complex of alimentation:

- **To meet the public demand for healthy nutrition, coupled with modern marketing, and at the same time improve quality, reduce costs, conserve resources and protect the environment.**

In order to achieve this, it will be imperative to gear the industries producing capital equipment to the needs of the various food producers. It would then be possible to alleviate the disproportions between the various sectors of food production as well as the increasing manpower deficit. We will then be able to lower losses at all stages and improve the standard of refinement and consequently provide a better quality and demand appropriate end product.

- **Production conditions in GDR food production must be optimally used or developed by sensible involvement in international cooperation, in order by an efficient export-import structure to contribute to both an abundant food supply in the GDR and a positive balance of trade in the national economy.**

In this connection we stipulate reductions in the exports of livestock, meat and butter, designed merely to pay for imports of feed grains and unprofitable in terms of foreign exchange. Instead we will exploit the price benefits on food markets close to our borders and expand exports of intelligence-intensive products (seeds and seedlings, breeding stock, and livestock). Excessive self-sufficiency notions with respect to vegetables and fruit should be abandoned in the interest of the consumers.

- **The operational mechanism in the entire food producing complex is to be so organized as to orient to the market the economic interests of the independent producers in the product line (from primary production to trade). Since the economic requirements are great, the socialist and, in particular, cooperative entrepreneurial spirit needs to prove its worth while securing performance appropriate earnings and social security to individual producers.**

**The improvement of the economic efficacy of science and technology represents another source of greater efficiency. Strictly economic relations must be established between applied research and production. Basic research needs to be financed from the state budget.**

**Based on the needs of the domestic market and with a look to foreign markets, agricultural production must be geared to the encouragement of primarily**

- Cereal and protein fodder production,
- Vegetable and fruit production, and
- Beef and white meat production.

Rising output and the lowest possible consumption (stimulated by economic incentives) must ensure the **GDR's self-sufficiency in cereals, because this is beneficial from national aspects.** To achieve the fullest possible

exploitation of animal production capacities with the greatest efficiency potentials, it will also be necessary by economic incentives to encourage the mobility of cereals and other types of feed in order to gradually establish a feed market.

Stimulated by the rapid application of market economic principles, **vegetable and fruit** supplies must be sensibly improved by the more efficient use of the most favorable locations. Considering the currently prevailing market demand, it will be the task of **animal production** in some areas to reduce rather than expand the output volume of slaughter cattle, hen's eggs and milk—in accordance with export and supply policies—and instead improve general product quality and reform the structure of slaughter cattle production in response to the developing demand structure.

Taking into account the rising demand for beef, coupled with the effects of the excellent utilization of crude feed and meat productivity of beef cattle in many locations, slaughter cattle output should be raised and pig production reduced, because the latter consumes a great deal of cereals.

It is imperative within the framework of structural development to couple the utilization of concentrated **animal production facilities** with a drastic reduction of pollution. This concerns liquid manure processing and utilization in particular, as well as the lowering of pollution by exhausts from barns and sewage facilities.

The **processing industry** will carry out its national task on the basis of the demand with respect to quantity, quality, continuity, and range. Production needs to be organized in accordance with the principles of efficiency and ecology.

The processing industry will purchase farm produce and sell its output on the basis of business contracts. The quantity, availability, quality, and price will be independently determined by the partners, in accordance with the legal regulations in effect.

The **advanced processing** of agricultural produce requires use value specific production by agriculture, the waste-free processing of the entire raw material, the use of processing procedures that raise the use value so as to turn out health promoting nutrition of good quality and attractive range.

The expansion of direct relations should result in the reduction of **losses** by achieving the demand and quality appropriate availability of raw materials and the lowering of storage times for raw materials and finished products. Losses of volume and quality, suffered in the course of production by the processing industry, must be minimized mainly by process automation.

The immediate and systematic **modernization** of production plants in the processing industry is of vital importance. Modernization must gradually abolish the persistent disproportions in raw materials yield, product

requirements and quality standards on the world market. It is necessary also quickly to arrive at a radical improvement of working conditions and hygiene in the processing plants. Modernization must ensure that the plants operate more shifts while reducing jobs per shift.

Finished products must be manufactured so as to be sales oriented. This calls for variable portioning, hygienic, cheap, and attractive packaging, machine legible price marking, and so on.

The processing industry's modernization policy will proceed by means of a complex reconstruction of, primarily, efficient capacities that boast a satisfactory supply effect. It will also have to follow a centrally determined sequence and emphasize the abolition of key problems in the entire spectrum of processing enterprises. Refrigeration, packaging and filling machinery, mobile and stationary handling, drying, malting, transportation equipment, and others represent particular problems.

Structural improvements of the processing industry's capacities need to proceed on the efficiency principle. This means that badly obsolete production plants will have to be gradually shut down or shifted.

The technical modernization of **food transportation and the food trade**, specially as regards the vegetable and fruit trade, represent another prerequisite for the best possible market efficacy of the goods produced. In the fruit and vegetable trade, in particular, the development of direct relations between producers and retail traders appears to be imperative for having fresh merchandise available and keeping transportation and trade losses at a minimum. Organization owned wholesale traders or retail trade carried on by producer associations and federations will be of increasing importance.

**Modernization of its material-technological base is a vital prerequisite for carrying out the economic reform of agriculture and the food industry.**

In other words, it will be necessary for the branches of our domestic machine construction or by means of imports to make available the appropriate complete machine systems for crop and animal production as well as full technological lines for the processing and further processing of farm produce, including servicing.

The priority is with solutions for the entire foodstuffs industry, the further mechanization and reconstruction of animal production and the mechanization of crop production. We must decide whether it will be possible in the future also to obtain from abroad sufficient equipment for crop protection, or whether we need to organize our own production within the GDR's farm machine construction industry.

In preparation for the economic reform in 1990 and the first stage of its implementation in 1991, it will be extremely necessary to achieve decisive advances in the modernization of the material-technological base. That is why we cannot delay immediate decisions on the

availability of the still unsecured monetary allocations of the 1989 plan and with respect to safeguarding production in the LFN's [expansion not given] in 1990. We cannot afford to wait for the decision about the 1990 Plan to be issued in February/March 1990.

This concerns most of all the availability of equipment and agrochemicals as well as the necessary deliveries of replacement parts and components for carrying out the winter repair program. Otherwise it will not be possible to guarantee the proper dates and quality of spring cultivation, follow-up cultivation and harvesting.

## II. On the Development of the Business Organization

1. Within the framework of the economic reform we must provide a business organization to gradually and in direct linkage with the outline conditions for the economic mechanisms create the basic social conditions for the development of a modern socialist agriculture and foodstuffs industry. They must ensure the evolution of market and profit-oriented planning as well as the social security of farmers and workers in cooperatives, state farms, and enterprises.

All steps toward the perfection of the business organization must first of all guarantee that normal production and supply processes are operating and stabilized. It is imperative to realize the following principles:

- By the development of the **necessary variety of the social organization of production and enterprise types as well as the respective forms of ownership**, we must respond to the various specific economic and natural conditions, different experiences, cadre-related and material givens. We must aim thereby to achieve the complete identification of producers and owners with their economic unit and with business principles. The cooperative system must develop much greater variety and complexity, and it should extend to all stages of the reproduction process.
- In its capacity as an **economic-social unit, the enterprise must occupy the center of the business organization**. The existing potential for a competitive, stable, and flexibly operating enterprise must be actually realized. The business functions of an enterprise feature independent internal administration and independent responsibility toward the outside. In terms of management, planning, and economic accounting, therefore, cooperatives and state enterprises must consistently be treated as the carriers of business operations acting on their own responsibility.
- The cooperative farmers and workers are the active partners in the business organization**. This will result from a clear production and work organization, binding management and cooperational relations in internal and inter-enterprise processes, and the application of material interest and material responsibility.
- The effective economic mastery and proportional structure of the united agricultural reproduction process**

represents the decisive basis of rational business organization. To this end it will be necessary in the next few years to provide for the internal enterprise combination of the various types of crop and animal production, and this needs to be well prepared, purposeful, and without schematism. The capacities of **main, auxiliary, and ancillary production** are internal to the enterprise and need to be proportionally coordinated by means of inter-enterprise cooperation. Based on long-term business contracts and flexible money-goods relations, the expansion of **universal product chains**, from primary production to the retail trade, must be used to develop a market-oriented quality production that is balanced from the aspect of the organization of production.

Cooperation by cooperatives, state enterprises, and facilities within associations and federations is based on common interests and has a productive function for the effective application of the division of labor involved in self-administration.

2. The new method of management focuses on the development of the **variety of ownership types and their business and social organization**.

— **Cooperative ownership** has demonstrated its value in the GDR. At the same time it will be necessary more comprehensively and creatively to fully utilize the cooperative system's wealth of organizational types. That applies to economic social relations within LPG's [Agricultural Producer Cooperative] and GPG's [Horticultural Producer Cooperative] as well as to the establishment of other cooperatives and cooperative facilities for specific production tasks, processing, trade and services. In the future the direct co-ownership of the cooperative farmer must be realized in such a way that he thinks, acts, and benefits like a proprietor.

a) By the consistent amplification of the cooperative management principle and cooperative democracy to mean codecision, coresponsibility and coshouldering the consequences of the financial result;

b) By directly linking the personal interests of cooperative farmers with:

- The financial result of his cooperative by way of the result-related payment for his work,
- The expanded reproduction of the common and indivisible property of his cooperative by means of shares in the cooperative (brought in or acquired);

c) By linking the membership relationship with the claim to the enjoyment of social facilities created in common.

Cooperative-internally and in the interest of the collective as a whole as well as on the basis of plenary meeting decisions, collective cooperative work represents the decisive factor. Flexible relationships between cooperative farmers and their LPG's may emerge with respect to:

a) Reciprocally binding annual contracts between the executive and the work collective regarding terms and the business results achieved, including material interest and responsibility,

b) The conclusion of long-term contracts between the executive and individual cooperative farmers and their families, regarding the efficient utilization of land not suitable for large-scale cooperative cultivation, of remote production locations, and so on, "on their own account," coupled with the acceptance of obligations for safeguarding the fulfillment of reproduction tasks and a lease payment to the cooperative,

c) Agreements between the executive and individual cooperative farmers or work groups regarding the contractual execution of specific production processes outside normal duties in the cooperative, coupled with yield/performance and material rewards.

We will have to examine how best to revitalize the cooperative management of cooperative dairies and generalize it for the establishment of other cooperative processing and trade enterprises as well as in the service sector.

— **Individual and small-scale production** by the families of cooperative farmers and workers in cooperatives and VEG's [state farms] as well as by other producers will continue to be considered an important supplement to large-scale socialist production. Based on work during leisure hours, using their own equipment as much as possible, their efforts need to be directed to such products as can thereby be turned out efficiently for the benefit of society and with the greatest possible stability for the producers' own use and supplies. Their flexibility must be utilized. To make sure of the coincidence of interests and the creation of genuine enthusiasm for work in cooperatives and enterprises, we will have to introduce tax regulations that provide sufficient scope for initiative and, at the same time, counteract excess. Horticultural production is considered a broad field for small private enterprises.

—Some cooperations of crop and animal production, where LPG's and VEG's collaborate, may—upon the merger of crop and animal production—result in the emergence of an **agricultural enterprise owning cooperative property**. These enterprises should normally work in accordance with cooperative principles while ensuring the reproduction of the people's property.

—Other types of common ownership may evolve by LPG and VEG participation in processing and service enterprises.

—We will create prerequisites for foreign capital to participate in the modernization of capacities in VEG's, VEG's and LPG's. The key areas are the processing industry, the services sector and farm machine enterprises. As in other sectors of the

economy, we assume various types of companies (companies with limited liability, joint stock companies, and so on).

3. Assuming self-administration by cooperatives and own responsibility by VEG's and VEB's, these will also independently decide on the **cooperative relations** they wish to incur and the associations or unions they may establish.

Cooperation relations and the formation of associations will normally be governed by the principle of voluntarism and arise whenever common economic interests require, in other words if the latter cannot be realized efficiently or not at all by the respective LPG, VEG, and VEB alone. In this context it is imperative to consider the requirements of the organization with respect to the economic region (horizontal) and to product lines (vertical). We must assume that the primary business units and enterprises of the agricultural industry at the previous stage, horizontally interlinked in a specific region, are usually also involved in several vertical product lines.

Such product lines often extend to several horizontally interlinked regions. They are increasingly decisive for the method of the production of consumable end products and the only ones able to use as a feedback into production the interests of the purchaser (the market effect).

It follows that it is up to regional types of organization and management of food production to create the proper conditions for product lines to operate efficiently. Such types are, for example, the management of agriculture in the kreis or regional associations that should encourage the concentration, specialization, and development of enterprises as well as the development of the previous work sector and the regional infrastructure.

As product associated associations will in future represent the overall and deciding type of business organization and management, current regional business managements will be compelled to gradually subordinate themselves to the requirements of vertical production cooperation for the production of demand appropriate end products.

The various partners in regional production associations and producer unions will assign business management functions to these latter which will discharge them on the formers' behalf and in their interest.

They will thereby carry out centralized functions (operation-related in the proper meaning of the term). They are organs of self-administration, because they are accountable to the member enterprises, are selected, financed and stimulated by them.

It will be useful if, as a first step, the state encourages the establishment or complete activation of the product oriented cooperation associations operating in the catchment area of the respective final producers. This will

require the creation of a regulatory mechanism for the primacy of business interests in the product line as well as for cutting back state plan targets, linked with the transfer of balancing and disposal functions to the management organs of the associations.

As a next step we might proceed to setting up a business association (overall association) for the respective industry (the respective product) in the region (changed regional break-down) or in our republic as a whole. This association should assume the functions that exceed the potential of a KOV [production cooperative association], such as finance for major investment projects, finance for product related research, the organization of market research and sales coordination, continuing education and training (management), legal protection for member organizations and enterprises and, as long as necessary, the discharge of balancing functions.

4. In accordance with conceptions already published on the further development of **democracy in rural areas**, it is considered appropriate for the interests of cooperatives and other agricultural enterprises to be specifically and effectively represented in the political system of the GDR.

The organization of farmers and workers should support the Farmers Congress as the highest stage of agricultural self-administration in the GDR. This is intended also to make sure that public nutrition and the utilization of the land—our chief source of wealth—is taken care of as a total societal concern.

### III. The Main Directions of the Change in the Economic Mechanism

Government policy with respect to the stable food supply for the people at the lowest possible cost must be carried out as per plan by mainly economic resources and legal methods and, by this means, ensure the interlinking of all-country, enterprise, and individual interests.

1. Together with greater regard for the long range and complexity of the issues, **central planning** needs to concentrate on basic problems involved in the preservation of national proportions and balances. All enterprises should be given increased scope for developing entrepreneurial initiatives, and also be enabled to handle their rights and responsibilities for business and social development.

In order to secure stable supplies in the currently still prevailing situation of substantial national disproportions, this transition from primarily administrative planning to a socialist market economy must proceed gradually.

In the **first stage** regimentation by the plan will be gradually reduced and more scope allowed for the operation of economic regulations. State plan targets or other state targets for the food complex will:

—With respect to agriculture first concentrate on chief products of the state yield, such as grain, vegetable oils, sugar beet, potatoes, fruit, vegetables, slaughter cattle, milk and hens' eggs;

—With respect to the combines and enterprises of the food industry generally, the essential food industry and the previous work sectors dictate only selected and industry specific production and supply tasks as well as targets relating to efficiency.

Further reductions will be possible if stable supplies can be guaranteed by the coincidence of economic regulation and contractual relations.

In the **second stage**, central use value planning will be further reduced as the result of the evolution of stable market relations and efficient economic tools. State targets will then be issued only if economic means and compulsions are unable to provide a stable market relationship (for grain, for example). Agricultural enterprises will include in the enterprise plan all other use value targets on the basis of the contracts concluded with their customers (food enterprises, trade enterprises). Final producers, in turn, will orient themselves by the market. If required, the state will issue directions, necessary, and these will then represent the basis for the contract, becoming mandatory only once the business contract is actually concluded.

A modern information system is indispensable for state control of the economy, because it alone allows the early detection of deviations from plans or business contracts. Building on these data on the market balance or imbalance, it will be necessary to use economic instruments (price surcharges and discounts, promotional efforts, and so on) in order to avoid or compensate for any imbalances.

2. **Prices** will be the decisive element of the economic mechanism. In the circumstances of the economic reform pricing must aim to motivate producers of whatever type of ownership to turn out demand-appropriate and high quality foods at the lowest possible cost. Prices need to challenge the profitability of production and be oriented toward the optimum utilization of the available natural and economic production conditions. It will be imperative to reassess the money spent on farm production, processing, and the trade up to the consumer, so as to clearly show the cost of food and counteract the waste as well as the abuse of essential foods.

**The main concern is the creation of a flexible system of contract prices** in agriculture and the foodstuffs industry with respect to any product subject to the socially responsible cost of agricultural production and processing as well as the national need. This will help the greater market economic orientation of pricing and raise the enterprises' responsibility for their business operations.

The flexible system of contract prices might be organized as follows:

—The retention of **producer prices fixed by the state** for chief agricultural products when supplied in accordance with contracts between producers and purchasers, concluded

on the basis of national needs. The necessary flexibility is to be achieved by means of:

- Fines to be paid by the contract debtor in the case of the nonfulfillment of contracts,
- Discounts to take effect in the case of overfulfillment of contracts (beyond a certain limit),
- The payment of surcharges in the case of failure to meet the volume needed for the public supply, payable from the incentive resources of processing enterprises or the vegetable trade. These latter will therefore have to have money available for this purpose. This money is to be earned within the framework of the association or, in exceptional cases, to be made available by the state,
- Specific quality demands, delivery terms or dates to be agreed by the partners for improving food quality. At the same time specific price agreements should be concluded on the basis of the division of profits,
- The greater sophistication of contract prices with the goal of raising the material incentive to provide the best quality possible, special types of processing and favorable delivery dates, all of them to benefit the consumer.

—The introduction of **arranged prices for all other agricultural products** (for example some varieties of vegetables, berries, medical plants and herbs, tobacco, flowers, decorative plants, shrubs, breeding stock and livestock). Such prices must be properly calculated, mindful of the necessary profit margin, up to the consumer.

**Producer prices charged by the foodstuffs industry will continue to be fixed by the state with respect to all main products, to provide a basis for standardized consumer prices.** The assortment of main products is to be revised.

The combines of the foodstuffs industry may independently set prices for any other specific assortment, based on the prices for main products. Taxes will have to be paid as for the main products. The centralized price confirmation for the entire range of food products and the bureaucratic price applications involved therein will be abolished.

—As far as possible, relations between the **prior services sector** of agriculture and the farm enterprises are to be organized on the basis of agreed prices.

State recommendations with respect to the calculation of agreed prices will continue to be issued in order to maintain the pressure for low costs, counteract profiteering and simplify calculations.

We will have to study the possibilities for the gradual use of agreed prices with respect to improvement investments and the maintenance of farm machinery.

Agreed prices will also be used for services rendered to other sectors of the national economy (including the delegation of manpower).

Fees for services (such as soil tests, fodder inspections, and so on) must also be calculated on the basis of agreed prices. Exceptions may be granted only in the case of special state interests (such as fees for inspections carried out in the service of border crossing traffic).

The implementation of measures concerning agriculture must conform with the general trend of the economic reform in the GDR. Based on available experiences relating to the self-acquisition of money by cooperatives and the expectations of the producers, overall changes should be discussed and initiated as early as 1991/1992.

The creation of such a system of agreed prices assumes the redefinition of the socially required expenditure of agricultural production, processing and trade. In this context the decisive factors will be how:

Producer prices for capital equipment will develop,

The cost of live labor will rise in conjunction with the abolition of subsidies, and

The quality of the land and the amount of profit to represent the basis of prices to provide for profitable farming.

With respect to some foods, the total abolition of subsidies would result in prices likely to evoke undesirable effects for consumption. It will therefore be necessary to keep subsidies for some products and gradually replace them by lower cost and producer prices.

It will in future be necessary for all producers, including individuals, to use the same producer prices. Subsidies currently in effect for capital equipment and services such as energy, water, fertilizer and for the cultivation of individual plots must be eliminated.

3. **Taxes and levies** will assume increasing importance in the regulatory mechanism of market oriented planning. Taxes and levies are intended to ensure that all producers participate in state revenues on the basis of normative requirements and that, at the same time, the material interest in efficient output is encouraged by a larger part of the rising profits remaining to be used by the producers themselves.

We must endeavor to make it possible for taxes to exercise the same effect, regardless of ownership types. Effective tax regulations are also needed with respect to individual producers. The general tax exemption for the individual output of cooperative farmers should be abolished.

The following are the main elements of taxation policy:

—The **land tax** relative to the quality of the land. New fixed amounts per hectare LN [land area] must be introduced and, vis-a-vis the taxes now payable, result in significant redistribution.

—A **profit related tax** that guarantees the state a share of the greater efficiency of all producers. This might be

represented by a fixed percentage of the profit remaining after the deduction of the land tax and should be below 50 percent. To improve the incentive, we should seek opportunities to make part of the profit-related tax a direct component of the community budget.

To safeguard the efficacy of the profit-related tax, we will need well drawn legal provisions regarding the ascertainment of earnings, admissible costs and, consequently, the profit to be taxed.

—It will be necessary to tax the increase in cooperative earnings in connection with the cooperatives' responsibility for the allocation of moneys to accumulation and consumption. This will require a **consumption tax** by means of which society can affect cooperative decisions on the use of cooperative resources. Consumption taxation might then proceed independent of the VbE [full employment unit] target.

— **Taxes charged** on individual earnings arising from individual production carried on part-time.

As the same prices will in future be applicable for this production, it will be necessary in the interest of purposeful influence on these producers to tax their production result also. In this context the grant of an exempt annual amount, used hitherto for some of these producers, should be extended to all individual producers, while a progressive tax should be charged on amounts in excess of the exemption.

4. **Loans, interest payments and state insurance** will assume increased importance in the system of economic management and for the encouragement of entrepreneurial initiative. The banks will have to be more active as business partners of cooperatives, state enterprises and other producers and, in connection with granting loans, guarantee effective financial oversight.

**Loan and interest terms** must be so developed as to actively affect the organization of business operations.

**Terms for insurance** must be further developed with a view to improving the insurance protection of agricultural enterprises against unforeseeable events as well as achieving better coordination between insurance contributions and services. Above normal risks that cannot be accommodated in the farm price must be subject to effective insurance protection. Crop producers, therefore, should more generally buy additional voluntary insurance. This applies specially to losses of yield in years of drought.

The regulatory mechanism will have to continue to be supplemented by other financial state measures. These include primarily:

—The direct financing of the accomplishment of official tasks, such as crop and anti-epidemic protection and basic research,

—Specific measures with respect to environmental control and nature conservancy,

—Location related surcharges for the cultivation of land less suitable than that on which prices were based,

—Surcharges to balance special production difficulties, to be paid temporarily the respective problem is solved.

—Incentives for specific tasks that are significant from the aspect of the national economy, such as tidal barriers, soil improvement measures, measures against livestock diseases in the interest of national health, and so on.

Unprofitable enterprises should receive temporary state support, enabling them to carry out stabilization procedures.

#### IV. On the Organization of the System of Material Interest

**State outline conditions** should be drafted and submitted for discussion, so as to ensure independent responsible decisions of cooperatives and state enterprises with respect to the moneys they earn, especially as to the ratio to be allocated to accumulation and consumption, respectively. Social influence on the development of incomes proceeds by way of state **regulatory mechanisms** (taxation).

The **system of material interest in cooperatives** might in future be organized as follows:

—The main element will be **payment in accordance with work performance**. This will take into account the extent, complexity, and quality of the work performed in social production.

Various types of **participation in the business result** of enterprises will assume greater importance (such as end of year payments, end of year premiums, and so on). **Shares in the cooperative** and differentiated dividend payments (depending on the business result achieved) should be more generally used.

—Social and cultural cooperative services should be more emphatically reserved to the membership in order to more strongly motivate the cooperative farmers' loyalty to the cooperatives.

On the basis of an outline recommendation, democratically drafted in accordance with these principles, cooperatives should from 1991 on be independently responsible for the organization of ownership relations and the performance principle.

#### Advantages of Market Economy Cited

90EG0149A Potsdam MAERKISCHE  
VOLKSSTIMME in German 11 Jan 90 p 3

[Interview with Prof. Dr. Peter Hoss, Academy for Political Science and Jurisprudence, Potsdam-Babelsberg and member, Economic Reform' Working Group of the GDR Council of Ministers: "Plan and



Market"; date and place of interview not given; first paragraph is MAERKISCHE VOLKSSTIMME introduction]

[Text] Even though we are still waiting for a comprehensive analysis of the present state of our economy, we know that over the past few years the GDR has been increasingly plagued by problems in production and international competitiveness. These problems are largely the result of centrally administrated economic planning and solutions cannot be found in either reforming or perfecting the current system. We need radical economic reforms with new approaches toward the restructuring of our entire economic system. Professor Dr. Peter Hoss from the Academy for Political Science and Jurisprudence, Potsdam-Babelsberg, and a member of the working group Economic Reform' of the GDR Council of Ministers answers questions on this subject—some have been asked in readers' letters.

[MAERKISCHE VOLKSSTIMME] Does economic reform require an entirely new conceptual approach?

[Hoss] This subject has elicited many different opinions in this country, but so far no decision has been made. It is safe to say though, that the core issue of economic reform centers around the determined commitment to create a market oriented economy. This means among other things that industry will assume full responsibility for its economic activities, for the establishment of competition and competitiveness, for the regulation of supply and demand via economic mechanisms, for economic decisionmaking based on the good of the economy and society as a whole, and for the way the state directs the economy with regulatory methods.

Our readiness to include certain free market traits in our economic reform is not synonymous with a willingness to accept a capitalist free market system or one of its variations—an indication that even the West lacks a generally acceptable model.

[MAERKISCHE VOLKSSTIMME] What new forms of ownership are planned?

[Hoss] Our country will see several different types of ownership, but on the whole, state ownership will predominate. This is essential if the GDR is to remain a socialist country. However, where different forms of ownership already exist, economic reforms will extend to as well as apply to other sectors (such as using cooperatives in industrial production). We will also reintroduce certain previously existing forms of ownership such as partially state-owned businesses and limited partnerships. We will also add new forms of ownership such as voluntary associations of enterprises of varied types of ownership, stock companies, and joint ventures.

[MAERKISCHE VOLKSSTIMME] Wouldn't the latter lead to a sell-out of the GDR?

[Hoss] Not if we play our cards right. Let's say we are setting up a joint venture. One part—usually 50 percent—of the required capital is put up by the Kombinat or by one or more GDR enterprises, the other part is financed by one or several interested investors from the West. This arrangement is no sell-out or give-away. Of course, the West is out to reap a profit that is perhaps higher than what could be obtained from investment at home; and if that were not so, why should the West invest in the GDR in the first place? And what factors attract the foreign investor? Anything from a pool of qualified labor, preferable location, cost and tax advantages, the creation of new market positions, and so on.

[MAERKISCHE VOLKSSTIMME] And what's in it for the GDR?

[Hoss] We profit from a boost in productivity due to new technology and management techniques, from access to well-established markets, and so on. As you see, these new forms of ownership have little to do with selling out state-owned enterprises to the West.

[MAERKISCHE VOLKSSTIMME] Do Kombinats under these circumstances still have a future?

[Hoss] I think so, but only as long as they are not the only or the dominating organizational system in the economy. In the past we made the mistake of forcing all industrial endeavors, even those ill suited to a production process, into the same structural straight-jacket. In addition, our system of centrally planned and administered production has left the Kombinats with insufficient opportunity for effectively operating large socialist enterprises. In some cases it probably makes sense to take enterprises that do not fit the profile out of a Kombinat, and in some instances, Kombinats will have to undergo restructuring.

I agree that the discussion surrounding improved flexibility, quickness of response, readiness to take risks with new science and technology related invention is legitimate, but it is much more relevant in the case of small and medium-sized enterprise. But even here we must not throw out the baby with the bath water. A country such as the GDR cannot exist or develop economically based on small and medium-sized enterprises; it cannot solve its economic problems by using structures and mechanisms that are only appropriate for the small-scale production of goods. More than ever, certain sectors of the economy need a big strong industry.

[MAERKISCHE VOLKSSTIMME] Are larger-Kombinats capable of functioning in a market-oriented way?

[Hoss] Of course! It is of no use to say that the existence of large Kombinats and enterprises are at the root of all our economic problems. Nobody doubts that the large corporations of the West work in an efficient, market-oriented way, that they quickly incorporate scientific/technological innovations, are innovative and quick to

react to the demands of the market place. It would be insane to deny big business the ability to perform effectively.

[MAERKISCHE VOLKSSTIMME] But where does that leave economic competition?

[Hoss] Competition is the economic stimulant par excellence. Individual entrepreneurs are right when they say that ever so many Kombinats sat on their privileged position of "monopoly" only to be later faced with insufficient development in production and technology, high costs, high prices, and insufficient supply to meet demand. But these problems cannot be solved by splitting up one large economic unit into several smaller ones. We have to meet the competition by opening the national market, and by tying our nation's business and industry closer into the global economy.

[MAERKISCHE VOLKSSTIMME] Doesn't that require a change in pricing as well as the adoption of a convertible currency?

[Hoss] Yes, and we will have to proceed according to certain rules. A market oriented economy won't work as long as the forces that energize the production of goods—value, price, costs and profit—are meaningless and economically inoperative. We cannot initiate reforms without first addressing the central issue of price reform. It is impossible to realistically assess productivity and to decide structural changes based on economic reasoning without reliable data on price and cost relationships. Phony prices create phony profits—both are equally useless for measuring true productivity and for running Kombinats and other enterprises on the principle of economic self-sufficiency.

[MAERKISCHE VOLKSSTIMME] What will happen to state subsidies?

[Hoss] Retail prices and rates are determined by production costs. Price reform in the retail sector will not only address the elimination of subsidies—a popular topic right now—but also the problem of excise taxes that inflate some prices without rhyme or reason.

The most visible and detrimental distortions of the price/value relationship today are doubtlessly due to the well-meant, but socially and economically ineffective policy of state subsidization.

[MAERKISCHE VOLKSSTIMME] How can we solve this problem?

[Hoss] At present, the GDR subsidizes stable retail prices for basic goods and services with 50 million marks a year. A price increase to the level of true cost would free those millions for other purposes. A small part could be used toward lowering inflated retail prices for industrial goods, the lion's share should go into the social sector in the form of higher pensions, child support, and so on.

[MAERKISCHE VOLKSSTIMME] Where does that leave the much discussed introduction of world-market prices?

[Hoss] We must not think that by pricing our products according to world-market prices, we can bridge our productivity gap with respect to the highly-developed countries of the capitalist West. First we have to set a domestic value. With regard to adopting international pricing, I would like to say that we first need to demonstrate what it costs us in the GDR to produce our goods. The next step involves translating that cost into West German marks, dollars, and so forth. The last step will be the convertibility of the GDR currency. But first, the GDR mark has to become "hard" currency within the GDR.

## HUNGARY

### Trade Policy Council Views CEMA Collapse, Ebbing Soviet Oil

25000644B Budapest NEPSZABADSAG in Hungarian  
6 Feb 90 pp 1, 3

[Article by "G. Zs.": "Decline in Soviet Crude Oil Deliveries Continues; CEMA in the Process of Collapse"]

[Text] The economy of CEMA countries is becoming disorganized. This may have catastrophic consequences for the Hungarian economy, which looks quite similar. This is the extent to which members of the Trade Policy Council agreed, as they conferred Monday to discuss possible actions to be taken.

Mercantile trade should be divided into two parts: a centralized sphere and a liberal sphere, according to Council Chairman Tamas Beck. Plan coordination and promulgation of interstate agreements not based on agreements reached between enterprises should also be rejected in the centralized sphere. Broad contingent agreements are no longer abided by large producers. For example: Polski Fiats are delivered at a substantially reduced volume, while they are bartering these cars in exchange for champagne and wine. Also, the Bucharest pricing principle should be exchanged for a more rational one.

The Commerce Ministry tried to drastically reduce the Hungarian surplus last November, but the government did not agree to such reductions; it recommended that Hungarian exporters exercise self-restraint instead. This recommendation did not produce the appropriate results. At the same time, as a result of disorganization in the Soviet economy, 100,000 fewer tons of crude oil than expected were delivered in January, and the short supply will foreseeably amount to 350,000 tons in the first quarter, as compared to the agreement. (We imported 200,000 tons of crude oil from Iraq via the Adriatic pipeline.) We are also experiencing reduced deliveries in

regard to other products, such as round timber, potassium, Lada cars, newsprint paper, and wood.

Within the liberalized sphere it would be appropriate to build on enterprise independence and commercial methods. This means that imports would be subject to customs duties, and exports would not be subsidized, exchange rates would not be guaranteed and would instead fluctuate according to the market. Western European experiences during the 1950's and the plans to restore the Austrian economy may serve as models for all of this.

Beck recommended that Hungary become independent from the CEMA energy system, that enterprises receive a green light for direct mercantile trade, and that the state provide increased funding to enterprises for changing their markets. Regarding the Soviet prime minister's decision to change to dollar-based settlement, Beck noted that the economic and financial consequences of such a change are lost in the fog of the distant future. [as published]

On behalf of the Hungarian Economic Chamber, Ilona Tatai called attention to the fact that increased stringency in export licensing processes tumbles enterprises like dominos: The failure of individual large exporters, such as Ikarus, to deliver may pull down hundreds of contractors. Other enterprises hope that exporting may be started once again, therefore they produce for their inventories. Such production cannot be financed, however.

In Tatai's view the decline in exports is coupled with a larger decline in production, and each one-percent reduction in production deprives the budget of 14 billion forints in tax revenues. At the same time, she also said that considering the present industrial structure, no form of settlement could produce beneficial results. She recommended the establishment of Hungarian-Western joint enterprises which would deliver goods regarded as public necessities to the Soviet market.

Shippers from the FRG, Czechoslovakia, and Poland have stopped deliveries: They are engaged in politics and are not producing, according to Deputy Minister Piroaska Apro. "We are aware of the kinds of damage we cause to enterprises as a result of export restrictions, nevertheless we would not be able to spend this large a proportion of the national income abroad," she said in reference to the Hungarian surplus. In contrast to the commerce minister, Apro could not envision any chance for the continuation of contingent trade after 1990.

Janos Deak, president of the Business Cycle and Market Research Institute [KOPINT], called attention to the fact that between 1980 and 1987 exports subject to settlement in convertible currencies remained essentially unchanged, while exports subject to settlement in rubles increased at an annual rate of five percent. In his view the Soviet endeavor is apparent: to draw away from CEMA countries to the Soviet economy as much of their resources as possible.

### MNB Puts Indebtedness at \$20.7 Billion

25000619B Budapest NEPSZABADSAG in Hungarian  
1 Feb 90 p 5

[Unattributed article: "Indebtedness amounts to \$20.7 Billion; Hungarian National Bank Report"]

[Text] The Hungarian National Bank [MNB] has informed the MTI [Hungarian Telegraph Agency] of the financial processes in the course of 1989 economic development. According to preliminary data the current balance of payments subject to settlement in dollars showed a \$1.4 billion deficit, while the country's gross indebtedness has reached the \$20.7 billion level.

The rate of inflation has accelerated. This has forced the MNB to strongly restrict both the volume of currency in circulation and the volume of credits offered by the central bank, meaning that in these respects expansion will take place to a far smaller extent than the pace of inflation. Tensions caused by the shortage of money were increased by the fact that only part of the surplus amounts of central bank credits channeled through commercial banks reached the enterprises and the populace, thus a substantial part of such credits was drawn away by credits granted to the budget, to budgeted institutions, and to the State Development Institute, which finances large investments. The individual propensity and ability to save was at a low rate; the real value of savings deposits has declined.

Despite import liberalization measures, the joint effects of a balanced exchange rate policy, the restriction of domestic demand, and export incentive measures, the balance of trade subject to settlement in dollars has improved somewhat. It was possible to maintain financial processes, and within those inflation, at manageable limits.

According to preliminary data, in foreign trade subject to settlement in dollars an approximate amount of \$540 million in export surplus accrued. This, however, could not, by far, offset the balance deteriorating effect created by the increased burden of interest payments, and by the foreign tourism—shopping tourism—balance, all of which created large scale excess expenditures. Thus a \$1.4 billion balance of payments deficit subject to settlement in dollars resulted, which equals almost five percent of the gross domestic product. The total net indebtedness at the end of the year amounted to about \$15 billion. This is the balance of a \$20.7 billion gross indebtedness and of \$5.7 billion in accounts receivable.

Within the current balance of payments subject to settlement in rubles a surplus amounting to 1.6 billion rubles accrued in 1989, due to a significant extent to surplus mercantile exports. This diverted some 47 billion forints worth of goods, or almost three percent of the gross domestic product from domestic consumption.

## ROMANIA

## Deputy Minister on Financial Situation

90EB0289A Bucharest ADEVARUL in Romanian  
15, 16 Feb 90

[Interview with Teodor Stolojan, first deputy minister of finance, by Corneliu Carlan; date and place of interview not given; first paragraph of each article is ADEVARUL introduction]

[15 Feb pp 1, 2]

[Text] Public opinion understandably wants to find out the truth about the financial situation of the country, especially after having learned, through the media, of the disastrous effects of the ceausescu [lower case as published] megalomania in certain economic branches and sectors. This is what we have gleaned from an interview with Mr. Teodor Stolojan, first deputy minister of finance.

[ADEVARUL] Why are figures on the country's finances not being published?

[Stolojan] I want to specify that such financial data for the entire national economy become available after the closing and verification of the 1990 balance sheets of the economic units, state institutions, and banks. This is a process that is carried out for each enterprise, central administration, and ministry, and the deadline for having them reported to the Ministry of Finance by the ministries, other central bodies, and banks is 20 February.

[ADEVARUL] Nevertheless, what is the reason for the delay in the finalization of these bookkeeping operations?

[Stolojan] At the request of many economic units, banks, and the Finance Ministry, the government agreed to extend the deadline for closing the balance sheets for 1989 after 31 December, for the following three main reasons: First of all, to finance from the state budget certain investment projects carried out in 1989 and other economic operations for which there were difficulties circulating documents in the last days of the previous year; secondly, as of the first few days of the Revolution, certain dictatorial 'guidelines' that were simply blocking financial circuits, were repealed—the effect of such measures needs a minimum period of time to filter through the entire economy; and finally, closing bookkeeping balance sheets is not a formal action, but essentially represents the administration of each economic unit, sociocultural institution, state administration, and so forth. Unfortunately, in former years this important tool, the bookkeeping balance sheet, was also corrupted, so that in some units it didn't reflect reality at all, featuring the value of unfinished production stocks and inexistent products (including some belonging to the category of so-called "customs-free" products), expenses not calculated into profits or losses, and many other similarly

unfortunate practices. Now we insist that the closing and verification of balance sheets be done strictly in keeping with the rules of asset management. Which does not mean that we don't already have some [financial] indicators. We don't yet know the exact magnitude of certain phenomena, but we know what we can expect, namely a deepening of the financial imbalances accumulated over years.

[ADEVARUL] How do you explain the impressive budget surpluses reported?

[Stolojan] Indeed, our budget surplus is unparalleled in the world: 53.2 billion lei in 1987 (16 percent of the budget revenues); 44.3 billion in 1988 (13 percent of the budget revenues), and we estimate an even larger budget surplus for 1989. These surpluses resulted from the execution of the state budget in those respective years and are recorded on account with the National Bank. The public should, however, realize that not one lei of the respective budget surpluses can be earmarked for new expenditures.

[ADEVARUL] What is the explanation for that?

[Stolojan] In a hypercentralized economy, the state's general finances—represented mainly by the state budget—were artificially separated from the finances of the economic units, although other elements of the economic mechanism did not allow for such separation. For example, economic units which were losing money—either because of inefficient dictatorial decisions, unrealistic prices, or their own bad management—had to be 'supported' until they recovered, which at times took years, or never happened. What that meant was that certain enterprises received additional cash funds in one form or another; similarly, the price system, and especially the dictators' latest 'invention'—different prices according to destination—distorted the financial relations among economic units and between them and the state budget. Consequently, while on the one hand we have exaggerated budget surpluses, on the other hand, many economic units are facing great financial imbalances caused by losses accumulated over years, capital repairs expenses for which there was no 'room' in production costs, and other expenditures which were either not covered or financially irregular.

[ADEVARUL] Can we then conclude that the financial immobilization of certain enterprises was the consequence of that nefarious policy of exaggerated budget surpluses?

[Stolojan] The problem is more complex than that. The overblown budget surpluses and the financial immobilization of enterprises were the consequences of a primitive, dictatorial concept of economics, of the role of financial credits, prices, etc. The financial imbalances of economic units were mainly compensated through both bank credit—for which budget surpluses and other temporary resources were used—and the spontaneous emergence of commercial credit in the form of non-payment of suppliers and services. The brutal intervention of the

dictators led to the emergence of 'chain blockage' in the accounts between enterprises, something that had damaging effects on the finances of the economic units, but also diverted attention, to a certain extent, from the true economic blockage, which was becoming increasingly acute because of the broken normal relations among the branches and sectors of the national economy and between production resources and capacities. Consequently, the exaggerated budget surpluses—which are nothing but a positive imbalance—reflected not only a defective economic mechanism, but also real material imbalances in the economy.

[ADEVARUL] So what good do these budget surpluses do us?

[Stolojan] From the data we have gathered so far, and which are not final, and taking into account the recent cancellation of the debts of agricultural production cooperatives, totaling 62 billion lei, we can state that the budget surpluses accumulated to date are not sufficient to cover all the losses and other expenditures carried over from previous years. And because we mentioned the close relationship between state budget surpluses and the financial imbalances existing in many economic units, I want to avert a confusion that many readers, especially abroad, may make. Just because a domestic financial mechanism is faulty does not mean that the assets of state economic units and banks may be confused with the assets of the state, and that the obligations assumed by the former simultaneously and automatically become state obligations. No state economic unit or bank can obligate the Romanian state, unless it was awarded this right by law or under specific delegation from the state authority.

[ADEVARUL] What about the state budget balance and monetary stability for this January, and what do you expect in this respect in the immediate future?

[Stolojan] In January this year, state budget operations and money circulation proceeded as normal; state budget revenues exceeded expenditures, and there was even an absorption of some of the disposable cash of the population. However, the factors that permitted that evolution must be examined separately to determine whether their impact was positive or negative, temporary or long term. One decisive factor for balancing the January state budget was the drastic cut in investments; the drop in disposable cash was due not only to important increases in consumer goods sales and to the fact that people deposited money with the Savings and Deposits Bank, something that may reflect a normal savings process, but also to the fact that not enough goods and services were available. Or it may signal the impact of purely conjunctural factors.

[16 Feb p 2]

[Text] From our discussion with Mr. Teodor Solojan, first deputy minister of finance, published in ADEVARUL of 15 February, we learned that the dictatorial regime left behind a serious legacy and serious financial

imbalances, but also that cash income in January of this year was positive. This is the rest of the interview.

[ADEVARUL] What was the impact on cash circulation of the measures taken so far to eliminate certain inequities concerning people's monetary rights?

[Stolojan] The legal acts adopted after 22 December 1989 restored a number of basic rights to Romania's citizens and secured the financial means required to continue normal activities in education, health, and cultural institutions; some of the people's monetary obligations were cancelled; consumer tariffs for electricity and gas were substantially lowered; new social rights were awarded; and a program was already launched to improve the situation in agriculture, etc. It is estimated that through measures already taken or which are 'in the works,' within one year the population will have additional cash, totaling about 60 billion lei, for purchasing goods and services.

[ADEVARUL] That will cause an unexpected influx of money in the market. Do we have the goods and services to offer in exchange?

[Stolojan] If we are to avert a budget deficit and monetary instability that would increase inflationary pressure with all its negative effects on the population and the economy, we must first of all stop the deterioration of the budget balance. That should not, however, be necessarily construed as limiting and reducing budget expenditures, an area in which tensions will continuously increase as economic branches and sectors continue to be restructured and modernized, something that will of course require considerable financial resources. Expenditures can be made if we ensure the budget revenues envisaged. So far, all requirements from the economy have been to reduce state budget revenues and increase expenditures. Along this line, it must be realized that there have been and there continue to be production stoppages due to either energy restrictions, the need to avert ecological deterioration, or other causes, not the last of which is that work stopped. These phenomena weaken the revenues basis of the state budget. The laws of economics, whether known or not, are harsh and implacable: To the increased purchasing potential of the population we must match increased outputs of consumer goods and services, adapted to consumer demands, as well as intensified efforts to absorb disposable cash.

[ADEVARUL] So what's to be done?

[Stolojan] Aside from increasing production, importing consumer goods, and of the adoption of other measures, such as resuming optional housing sales, the government decided that within a short period of time, each ministry must specify its options for the immediate future in keeping with the real resources and possibilities of the national economy for this period. Additional cash requirements from the state budget must be accompanied by proposals for ensuring additional revenues for the state budget. Otherwise we will inevitably accrue budget deficits, and there are not too many options for avoiding that. One solution is to keep expenditures

within the limits of available budget resources by introducing a system of payments authorization on the basis of monthly, weekly, and even daily priority lists, according to the seriousness of the situation. Naturally, some experts will advise us to take out loans for financing a budget deficit. The government has the option of maintaining a balanced budget by covering expenditures out of regular revenues. The model of other East European countries, which are practicing budget deficits for the transition period, is not convincing, to judge by the results obtained so far; on the contrary, we may state that their example prompts us to be prudent. In a developing economy, in which demand for consumer goods and services is greater than supply, and in which consumer production is not likely to increase within a short period of time, losing control of inflationary pressures would lead to monetary instability and particularly virulent inflation, not to be compared with what can occur in economically developed countries, where consumer production can keep the pace with quantitative and qualitative demands. This is a truth that any honest man in our country must recognize; the excessive number of production facilities we have in metallurgy and in the petrochemical industry—and other industrial dinosaurs which were in the past genuine investment vacuum cleaners—cannot be used either now, or in one year's time (and some of them never) to produce meat, butter, cheese, or other consumer goods of which we are short. In other words, if inflationary pressures are not controlled, all the monetary rights regained by the people will rapidly melt away and their purchasing power will spontaneously drop to the level of consumer goods and services that the economy can offer in real terms at the present.

[ADEVARUL] Can we not take out foreign loans to increase imports, i.e., as an additional source of financing?

[Stolojan] Such a source is not out of the question. The problem is what foreign loans will be used for and in what terms they will be obtained. If foreign loans are earmarked for non-productive consumption rather than for production activities, then our future basis for hard currency revenues is narrowed; our painful experience has taught us that foreign debts can add up very fast, while repaying them is not at all easy. That does not mean that we shouldn't import consumer goods—we are already doing so and will continue to do it. But I think that we should use foreign credit to purchase modern technologies and to embark on international joint ventures that can guarantee additional foreign currency income from which to repay foreign debts.

### **Unemployment Viewed as Temporary**

90EB0290A Bucharest ADEVARUL in Romanian  
15 Feb 90 p 2

[Article by Mihai Ionescu: "Unemployment Is a Reality"]

[Text] Watching the lines in front of employment agencies, or counting the number of those who have employee papers but no job because their enterprises

either cut down on activities or were temporarily closed, the answer is clear: There is an available work force that for the time being cannot be absorbed into the national economy. The first category is made up of people looking for a job, some who had been employed until recently and some who had not, who get no financial aid from society; the second category is made up of people who show up as employees on payrolls, but who are in fact not working and who hope to be recalled by the enterprise which sent them home to wait. While waiting, they are being paid—according to the law—50 percent of their tariff salary. This amount may be viewed as unemployment relief, although officially the government never issued such instructions. How wide spread is this phenomenon, and what prospects are there for overcoming it as quickly as possible? That is the question we asked several competent sources at the Ministry of National Economy and the Ministry of Labor and Social Welfare. Here is an abridged report on the information we received:

### **Who Are the People Looking for Work?**

There are several categories: a) Employees whose work contracts were annulled under the old regime following personnel cuts; b) high school graduates who, although they had been designated to work in various enterprises, were not accepted because of lack of available jobs; c) persons employed at institutions that were dissolved in the wake of the Revolution; d) homemakers who had never been employed, had long tried to find work, but had not found suitable jobs; e) able bodied men who until now evaded work and who now want to find employment.

### **How Have Applications Been Resolved so Far?**

In view of the number of the unemployed registered with labor exchanges, Decree-Law No. 33 was issued on 19 January 1990, under which economic units are obligated to hire persons assigned by the counties and by Bucharest's directorates for labor and social welfare. Figures supplied by specialized bodies show that approximately 75 percent of those registered with labor exchanges have thus been given jobs. This action was designed to both fill available positions in some enterprises and complement the number of personnel [in others] by adding unskilled labor jobs (such as handling material, cleaning, etc.) which previously used to be done by skilled workers because the old regime did not allow hiring unskilled workers. For that reason, highly qualified personnel were forced to do menial jobs, something that reduced their productivity by taking them away from their own work. Unfortunately, the Ministry of Labor and Social Welfare informed us that certain workers collectives have failed to grasp the socioeconomic importance of this measure and declined to accept workers assigned by labor offices.

### **How Will Job Applications Be Resolved in the Future?**

In view of the fact that the implementation of Decree-Law No. 33/1990 is not sufficient to immediately provide work for all those registered with labor exchanges

nor those who currently have work papers but have been layed off (either because of chronic lack of raw materials and energy, or because they were closed down for various reasons) and who are not content to wait and draw only 50 percent of the guaranteed tariff salary for the time being, new and very important regulations have recently been issued. Thus, many positions will be vacated by retirees of retirement age and those who can benefit from related provisions—issued for a period of six months—concerning early retirement. To those will be added the jobs temporarily vacated by mothers who want to care for their babies in the first year of life. An important source of new jobs will be the announced introduction— from March—of the shorter work week; that measure will require hiring additional personnel in many enterprises and institutions that remain open on the weekend.

There is also no doubt that the encouragement of personal initiative and the organization of private firms, as well as the expansion of various services in which there are currently shortages (for example, road maintenance and repairs, sanitation, press distribution, goods handling, etc.) will absorb additional labor force. Experts believe that it will not be long before the problem is not where to place the labor force—which at the moment exceeds demand—but finding enough workers for the needs of the national economy.

In view of the importance of this problem, we will appreciate receiving opinions from experts in this area, from cadres in universities, research, ministries, centrals, and enterprises, and from those who are looking for work.

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