

JPRS-EER-91-009
25 JANUARY 1991



**FOREIGN
BROADCAST
INFORMATION
SERVICE**

JPRS Report

DISTRIBUTION STATEMENT A

Approved for public release;
Distribution Unlimited

East Europe

DTIC QUALITY INSPECTED 3

REPRODUCED BY
U.S. DEPARTMENT OF COMMERCE
NATIONAL TECHNICAL INFORMATION SERVICE
SPRINGFIELD, VA. 22161

19980515 184

East Europe

JPRS-EER-91-009

CONTENTS

25 January 1991

POLITICAL

BULGARIA

Democratic Constitutional Party Leader Interview [DUMA 15 Nov]	1
Yanko Yankov, Leader of SDP-n, Interviewed [MLADEZH 14 Nov]	2

HUNGARY

Goncz Ties to Left Wing Society Claimed [NEPSZABADSAG 8 Dec]	4
Csoori on Politics, Course Taken by Pozsgay, Biro [TALLOZO 30 Nov]	4
Political Parties, Activities Assessed [NEPSZABADSAG 29 Nov]	5
Local Government Taxing Power Described [NEPSZABADSAG 7 Dec]	6
Hankiss To Leave Television After Reorganization [NEPSZABADSAG 4 Dec]	8
County Newspapers: Ownership Situation Analyzed [HETI VILAGGAZDASAG 3 Nov]	8
Editorial Laments Political Rift at City Hall [BESZELO 24 Nov]	10

POLAND

Agreement With FRG Liberalizes Pension Claims [Frankfurt/Main FRANKFURTER ALLGEMEINE 10 Dec]	11
Rakowski's New Monthly DZIS Reviewed [POLITYKA 1 Dec]	12

YUGOSLAVIA

Popularity Growth of Croatian Opposition Revealed [DANAS 4 Dec]	13
Bulgarian Daily Interviews Vuk Draskovic [Sofia OTECHSTVEN VESTNIK 3 Nov]	16

ECONOMIC

BULGARIA

Soviets Allege Contract Breach by Disk Plant [TRUD 13 Nov]	21
SDS Deputy Questions Lukanov Program [DUMA 14 Nov]	21
SSIG Leader Cherpokov on Legal Changes [IKONOMICHESKI ZHIVOT 14 Nov]	23

CZECHOSLOVAKIA

Consumer Goods Said Disappearing From Markets [ZEMEDEL'SKE NOVINY 23 Nov]	25
Problems in Small Privatization Viewed [HOSPODARSKE NOVINY 21 Nov]	26
Change to Western Accounting Standard Explained [HOSPODARSKE NOVINY 12 Dec]	28
Corporate Accounting During Reform Clarified [HOSPODARSKE NOVINY 21 Nov]	30
Enterprise Productivity at Home and Abroad [HOSPODARSKE NOVINY 7 Nov]	33
Inefficient Mines, Power Plants To Shut Down [ZEMEDEL'SKE NOVINY 13 Nov]	35
Competition Starting Among Fodder Producers [ZEMEDEL'SKE NOVINY 10 Nov]	36

HUNGARY

1992 Customs Agreed Upon by EEC, EFTA [NEPSZABADSAG 29 Nov]	37
Foreign Trade Association Established [MAGYAR HIRLAP 5 Dec]	38
Joint Enterprise Executive on Investment Climate [HETI VILAGGAZDASAG 3 Nov]	39
Second Privatization of Industries Announced [NEPSZABADSAG 4 Dec]	40
UTC Explores Idea of Budapest Airline Hub [FIGYELO 22 Nov]	41
Chamber of Commerce, Industry Established [FIGYELO 22 Nov]	42

POLAND

Procedures, Regulations for Purchasing Stock [RZECZPOSPOLITA 24-25 Nov]	42
German-Hungarian Publishing Partnership Considered [RZECZPOSPOLITA 27 Nov]	43
Swedish Concerns Show Interest in Polish Market [RZECZPOSPOLITA 27 Nov]	43

BULGARIA

Democratic Constitutional Party Leader Interview 91BA0147A Sofia DUMA in Bulgarian 15 Nov 90 p 4

[Interview with Nikolay Buchkov, general representative of the Bulgarian Democratic Constitutional Party, by Rumyana Simeonova; place and date not given: "The Bulgarian Political Scene: The Democratic Constitutional Party; The King's Crown and Democracy"—first paragraph is DUMA introduction]

[Text] The Bulgarian Democratic Constitutional Party [BDKP] considers that the most important condition for foreign and domestic stability of the country at this time is restoration of the constitutional and parliamentary monarchy. The king's institution, according to the party's members, has the nature of a uniting link and is a supranational guarantor of democracy and freedom. The BDKP was established in January 1990 in Plovdiv. At the moment it has organizations in 26 cities and about 3,000 members. Mr. Nikolay Buchkov is general representative of the party. He lives in Plovdiv; profession: civil engineer. He is married and has two children and two grandchildren, even though he is [only] 43 years old.

[Simeonova] Mr. Buchkov, why did you change the party's name from "Democratic Monarchist" to "Democratic Constitutional"?

[Buchkov] Even though some still call us monarchists, we feel that monarchist parties cannot progress under the conditions that exist in our country. We called it "constitutional" because our goal is to restore the Turnovo Constitution, updated of course, and in this way restore historical truth and rule of law. Our first duty is the return of the legitimate rights of His Highness Simeon II, king of the Bulgarians. This will take our country out of international isolation, ensure political and economic aid from the developed countries, especially the monarchies, and facilitate Bulgaria's transition toward Europe.

The king's institution will be a common national symbol, with formal representative functions, mainly foreign diplomatic ones. A National Assembly will be set up under the conditions of free elections, which will elect a government responsible to it and which will have full responsibility for running the country. The king will ensure the necessary stability only in cases of governmental crises and will exercise supragovernmental and supraparty supervision.

[Simeonova] And what is His Highness's opinion? Do you keep in touch?

[Buchkov] Perhaps we are the only one of several similar organizations that has not yet been to Madrid. Regarding his opinion, in a recent interview for an American magazine, he said that his return to Bulgaria is not urgent. But I am ready, King Simeon II promised, to help my people and will return only if all Bulgarians so desire.

[Simeonova] Does this mean that for you there is not even one of our politicians, not even one popular and deserving individual, who could be a guarantor for Bulgaria's tranquillity?

[Buchkov] Our historical past has proved that, when parties present their candidates, party passions flare up. National interests suffer from all that. Any president, even if elected by a great majority, will be inconvenient for some of the people. He will not be impartial as long as he has come to power with the help of a certain party. This is why we see in the person of His Highness a representative of an old and well-known dynasty with Slavic roots, a head of state with international prestige, able to strengthen national traditions and ensure stability during the first stages of democracy. The king, without interfering, will balance the extremes of political life. We feel that King Simeon II, with his past experience and activities in his personal and public life, is an opportunity for Bulgaria.

[Simeonova] Then it follows that your attitude toward the king's institution is the basic factor determining your relations with the other parties in our country....

[Buchkov] Any party, regardless of whether it is the BSP [Bulgarian Socialist Party], a coalition of the type of the SDS [Union of Democratic Forces], or other, that accepts that democratic principles must be introduced in a peaceful and legal manner, and by removing the dark areas in our past history, can be our partner. We want to decide Bulgaria's future without any repressions whatsoever. We do not support extreme measures, but we would seek responsibility for the moral and economic degradation over the past few decades from certain individuals. Both principal political powers are guilty because, just as the BSP is a descendant of the BCP [Bulgarian Communist Party], some of the parties in the SDS have descended from the former Fatherland Front. We even suspect that there is some kind of an agreement that exists between the two principal forces.

[Simeonova] Do you consider that the 1946 Referendum was carried out with gross violations of the Constitution?

[Buchkov] Yes, we ask the National Assembly to declare that referendum null and void. After a transition period, for example of three years, according to an updated Turnovo Constitution, the people should be consulted in a plebiscite regarding the type of government they want for the country. During the last 46 years of history, Bulgaria was transformed into an "absolute monarchy" disguised as a communist republic. The Turnovo Constitution had to be repealed in order for totalitarianism to be imposed, and King Simeon II was driven out without an act of abdication or dethroning and without being deprived of his citizenship or his civil rights. There is one way to get on the road to democracy, and that is to repeal all political changes that took place after 9 September 1944 and restore legitimate political realities. Only then can we talk of civil society, rule-of-law state, and market economy.

[Simeonova] What are your relations with the world monarchist organizations?

[Buchkov] We do not maintain relations with them. Of course, we value the opinion of certain individuals and seek their advice. For this reason, we have set up an international relations bureau in Germany. It is normal to take advantage of the experience of others because we, and I suppose other parties as well, lack highly skilled political scientists. Our goal, however, is not international activity but work toward unification here in Bulgaria.

[Simeonova] What is your motto?

[Buchkov] Ethics and pragmatism.

[Simeonova] And your party's future?

[Buchkov] The future is in unification. On 25 September our party, the Bulgarian National Democratic Party, and the Bulgarian Democratic Forum established the National Democratic Forum. After we reach our goals, as stated in our bylaws, the party will disintegrate. I think our most important ideas will come true.

Yanko Yankov, Leader of SDP-n, Interviewed

*91BA0139A Sofia MLADZHZH in Bulgarian 14 Nov 90
p 2*

[Interview with Yanko Yankov, chairman of the Social Democratic Party—Non-Marxist, by Yana Mavrodieva; place and date not given: "Political Decency and Balanced Risk"]

[Text] [Mavrodieva] In the Grand National Assembly, you represent the Social Democratic Party—Non-Marxist [SDP-n], which you lead. What position does it hold in the political spectrum?

[Yankov] The socialist movement that I founded in 1979-80 was categorically based on anti-Marxist positions. We called it a "movement" and not a "party" because, for secrecy considerations, we did not want to draw up written bylaws and a written program, although we had verbally formulated programs and statutory regulations that guided us. We sponsored several major actions that panicked State Security throughout the country, and, although many of our members were detained, the authorities were unable to learn the truth and, to this day, do not know what actually happened. Later, while I was in jail, the members of the movement created an Independent Society for the Defense of Human Rights, and I was entered as number three on the society's rostrum. After my release from prison, my friends and I made a political error by joining the BRSDP(O) [Bulgarian Workers Social Democratic Party (United)], which subsequently was renamed the BSDP [Bulgarian Social Democratic Party] and is today headed by Mr. Petur Dertliev. We hoped that the old social democrats had abandoned their "right-wing" views and

had learned something from the experience of the European and global social democratic movements and taken anti-Marxist views. However, we quickly noticed our error. We tried to lead the BSDP toward the principles of the so-called right-wing social democracy, but these attempts failed and it became necessary for us to separate ourselves initially as a "non-Marxist faction" and subsequently as an independent party.

People who understand politics have unquestionably realized that the bylaws and the name of the party are "left-wing," but our program and practical activities are categorically "to the right." Essentially, we are much more a party within the liberal-democratic spectrum than the social democratic one. This amalgamation of liberal democracy and social democracy has its advantages today for several reasons: Because of its Marxist basis, any "pure," "left-wing" social democracy is theoretically groundless and practically compromised; the "right-wing social democracy," to which we belong, is a democracy of transition from communism to true democracy, to a liberal democracy.

[Mavrodieva] In the past, were you been a member of any other party?

[Yankov] My grandfather and my father were members of the Agrarian Party headed by Nikola Petkov and, after its destruction, did not join any party. In our family, no one has ever been a member of any other party. I emphasize this because some unconscientious petty politicians are fabricating all kinds of things. Personally, I have been a member only of the clandestine social democratic movement that I headed and am now a member of the SDP-n, which I head. I have never been a member of any other party. For the sake of the democratic principles of my party, I spent many years in prison under exceptionally harsh conditions. I would like to know the path to opposition followed by some of my parliamentary colleagues who, until very recently, were members of the Communist Party.

[Mavrodieva] How did you become a deputy?

[Yankov] It could be said that I came to the Grand National Assembly straight from jail. Before that I was chief assistant at the School of Law of Sofia University and a scientific associate at the Institute for the Sciences of the State and the Law of the Bulgarian Academy of Sciences. In 1979 and the beginning of 1980, I founded and became the head of a clandestine social democratic movement, and, in 1984, I was detained and sentenced to jail for antistate agitation and propaganda against Bulgaria, the USSR, and Czechoslovakia, and for organizing and heading an antistate organization. I was in jail for five years and seven months, serving my sentence in full. I was released one year ago (on 31 October 1989). Seventeen minutes after I left the prison I went to the U.S. Embassy. The next day I attended the "Ecoforum," and that is how I spent the time in my official and legal political activities.

[Mavrodieva] What do you lose, what is the "price" for being a deputy?

[Yankov] I lost a great deal—I would even say everything! I have never tried to be a deputy. Had I wanted to be a member of parliament or of a ministry, I would have been able to do so without any sacrifice because the work I was doing was a springboard to the highest power echelons. I have colleagues in both superpowers in parliament, who became deputies without paying any price. I sacrificed everything I loved, not for the sake of becoming a deputy but in order to defend the moral and political position I had assumed. In the final account, it is that same moral and political position that led me to become a deputy but also made me lose everything: a wife I loved; a son whom I adored; the health of my parents; my scientific and teaching activities, which gave me exceptionally great pleasure; and my health. I became reconciled to the loss of my wife almost immediately because she knew the problem yet chose to be against me, not with me. I shall never get over the loss of my son, whom I have not seen for the past 12 years. While I was in jail, State Security officers maliciously hinted to me that no one loves me because I am an "enemy of the people," and they even showed me a letter in a child's handwriting that stated that my son had rejected me because I was an "enemy of the people." When I came out of jail, my son did not want to even talk with me on the telephone. I talked with him from the hospital in Munich and was amazed at his thinking. I hope that now that he is in the military he understands a great many things.

Now my activities in parliament are costing me sleepless nights. However, I have become accustomed to this.

[Mavrodieva] In your view, what should take priority now of the work of the Grand National Assembly?

[Yankov] I spent August and September in Germany, where I underwent major surgery for a tumor that had resulted from the beatings and the chemicals I received in jail. Back in Bulgaria, I expected to find an atmosphere of efficient discussion on the draft of a new constitution. Alas, it turned out that the Grand National Assembly was still only considering the project.

My impression is that the Grand National Assembly is engaged in practicing "retail" parliamentarianism. Actually, the assembly itself still lacks the juridical status of parliament because the mandate commission has still not reported its conclusions and evaluations. Under those circumstances, we are an assembly of unidentified and impersonalized deputies, and, consequently, it is questionable whether all that we have accomplished so far has any juridical validity. All parliamentary acts are, at best, conditional, provided that the parliament is judged legitimate following the report of the mandate commission.

The very structuring of the assembly as a legitimate one and the drafting of a new Bulgarian constitution should have priority in the work of the Grand National Assembly.

[Mavrodieva] What features do you reject in the work, the atmosphere, and the interrelationships in the parliament?

[Yankov] At one point, after the liberation of Bulgaria, Konstantin Irechek said that the Bulgarian people consist of former, present, and future ministers, passionately discussing politics in the various taverns turned into "small parliaments." What I do not like in the present "big parliament" is that it, too, consists of past, present, and future ministers, who, guided by party biases, are trying to turn the parliament into a village tavern and, unfortunately, have been quite successful in this respect.

[Mavrodieva] What is your ideal of a politician? Which of his features do you have? What is lacking in today's Bulgarian politicians?

[Yankov] I once taught political science to students, and I believe that I am a specialist in political science. However, I cannot say that I have an ideal as to what a politician should be. Usually, politicians are complex as well as specific and do not fit the concept of ideals. Furthermore, idealizing politicians is something that is very dangerous and basically related to totalitarian regimes. Nonetheless, naturally, I have certain criteria, on the basis of which I evaluate politicians. They are the following: above all, moral firmness, industriousness, political decency, and a readiness to assume a balanced risk. Looking at myself through the lens of such criteria, I find no reason to worry. I am familiar with quite a number of most of the noted politicians of today. I have my views concerning them from the viewpoint of such criteria, but I have no intention of discussing their advantages or faults unless they force me to do so.

[Mavrodieva] Do you have friends among the members of parliament, and on what are such friendships based?

[Yankov] I have very few friends among the members of parliament. I am proud of my friendship with Akhmed Dogan, whom I met in prison. Our friendship is based on our vow to do everything we can to eliminate communism and have no confrontation between Bulgarians and Turks in Bulgaria, and prevent the suffering of innocent victims.

[Mavrodieva] What hopes do you have?

[Yankov] I hope that perhaps the next National Assembly will be elected democratically and will work properly. The moment I read the law governing the election to the present National Assembly I rejected it as being undemocratic.

HUNGARY

Goncz Ties to Left Wing Society Claimed

91CH0253A Budapest NEPSZABADSAG in Hungarian
8 Dec 90 p 5

[Unattributed article: "The One Who Is Against the Nazis Is Not Against the System"]

[Text] President of the Republic Arpad Goncz proudly claims to have been a member of the resistance movement. In those days he fought in the Tancsics Division, a press conference held the day before yesterday [6 Dec] by the Hungarian Resistance Workers and Anti-Fascists [MEASZ] was told.

President Dr. Sandor Sarkozy reviewed the Association's situation, work, and plans. He said that the national committee of the association adopted a position statement on 6 December, according to which the association's work kept in step with the historical turnaround that took place in the country, and took into consideration the new requirements. This already manifests itself within the organization because new board members include persons whose membership was revoked after 1956, together with the memberships of many other worthy members. [These new members of the board are:] Emil Lakatos, head of the West European Division, Professor Laszlo Deme, who formerly fought in the Gorgey Battalion, and literary historian, Sandor Fekete.

The press conference was told that the determination made by the cabinet to classify MEASZ as one of the organizations "linked to the past regime" was obviously not well considered. This determination failed to consider the fact that many members of the association fell victim to the autocracy and the illegalities of the 1950's, as well as the well known fact that Hungarian and West European participants of the anti-Nazi struggle were overshadowed. Accordingly, the fact that decorations established already in 1946, and the related benefits were revoked is cause for grievance. The Indemnification Office established not too long ago did not involve MEASZ in any of its work. In the course of the audit that was ordered, the State Accounting Office found that MEASZ did not have a single penny.

* * *

The Hungarian Auschwitz Foundation-Holocaust Documentation Center was established 50 years after the establishment of the Auschwitz death camp. The founders are MEASZ and the Association of Persons Persecuted by Nazism. They intend to gather at the documentation center documents and memorabilia thus far preserved in separate places in the country, and they also want to establish an art collection.

Csoori on Politics, Course Taken by Pozsgay, Biro
91CH0235D Budapest TALLOZO in Hungarian No 48,
30 Nov 90 p 2265

[Interview reprinted from ZALA-PRESS 20 Nov 90 with writer and member of the Hungarian Democratic Forum presidium Sandor Csoori by Gyorgyi Marton at the MDF Zala County meeting in Nagykanizsa; date not given: "Conversation With Sandor Csoori in Kanizsa; Rather With Pozsgay and Biro Than With Others"—first paragraph is ZALA-PRESS introduction]

[Text] The MDF [Hungarian Democratic Forum] held its county meeting at the Sandor Hevesi Cultural Center. Writer, MDF presidium member Sandor Csoori was there. He answered our questions during a recess of the meeting.

[Marton] You mentioned in the opening remarks that we may become a nation only if we rebuild ourselves internally first. What did you mean by this?

[Csoori] The primary meaning of this is that we should develop an intellectual life which, in a certain sense, is the opposite of politics. In the course of the 20th Century, politics has weighed us down so heavily that it preempts all other values. Intellectual life may produce shades of differences in ideas which present unequivocal ideological thoughts in an entirely different light. I feel that today's world is devoid of culture and intellectual life. Even thus far we learned that for quite some time no new political thought emerged. What we see amounts much more to tactical considerations. If a truly intellectual life developed, politics would not be ruled by the fury of tactics, by passion, but by a real political exchange of minds.

[Marton] Did you not regard Lakitelek as such an intellectual workshop either?

[Csoori] We should have invented something else in place of a rapid partisan development. At first we should have joined together, just as we did after 1945 when we were removing the ruins. Only thereafter should we have separated along political lines. The exact opposite took place. The country became divided quickly and in a hurry, instead of joining together.

[Marton] At present we also find some kind of division within the MDF. I have in mind the fact that Zoltan Biro quit. How do you view this event?

[Csoori] This does not represent division. I regard this as a very natural symptom. Zoltan continues to remain our friend. I had in mind something different. Obviously because of his left-wing past. All parties are rather mixed; many different kinds of passions, emotions, thoughts prevail in each of them. It is possible that he would have preferred belonging to a party which is more national in outlook, more radical.

[Marton] Do you regard as a coincidence that Imre Pozsgay and Zoltan Biro left their respective parties almost at the same time?

[Csoori] I regard that as natural. They were always friends. At this point their lives came closer to each other. Also, I am comfortable with both of them. I do not regard this as a turnaround, because I feel that the common national cause is more important, and I regard political parties as tools which serve this national cause. I am able to perceive a situation in the distant future in which I would prefer forming a coalition with Pozsgay and Biro rather than with others. I regard this as healthy development.

[Marton] The International Transylvania Foundation held its second meeting on Friday. You took part in that meeting. What is the goal of that foundation?

[Csoori] Escape; an exodus from that region has begun. Large numbers left Transylvania because they were forced to do so. Hungarians, Romanians, as well as Saxons. We believe that such forced exodus from a country is unnatural. An idea prevails in the world which holds that the right to free movement is a human right. This is true, but I feel that staying in place should also be a human right. As long as they were forced to escape, let us establish intellectual, political, and if possible, financial conditions to enable these people to return to their own world. The Transylvania Foundation intends to mobilize larger forces during the next few years, larger than any other foundation. I hope they succeed.

[Marton] You are very much involved in politics. Is this not to the detriment of your writing activities?

[Csoori] It is. I was always aware of that. I had to accept the conflict implicit in this matter. I would have liked to become involved in politics through my work as a writer. That would be a higher, more noble, and a cleaner opportunity.

[Marton] Is there a chance for that?

[Csoori] There were moments when I saw an opportunity for this. For the time being I do not envision such an opportunity. Perhaps six months from now I will do the same I did last summer. I picked up my hat and took a trip to Esztergom. Given time, I was always able to work.

Political Parties, Activities Assessed

91CH0235A Budapest NEPSZABADSAG in Hungarian
29 Nov 90 p 3

[Editorial by Laszlo Hovanyecz: "Lost Virginity"]

[Text] As we learned from the Hungarian press, in an interview given to FRANKFURTER ALLGEMEINE ZEITUNG, Imre Pozsgay urged a cautious redrawing of the Hungarian political party map. By now, the politician who spoke in such tactful terms took the first step on the path to redraw that map. Peter Tolgyessy and Miklos Tamas Gaspar took these steps before he did but

it was the former faction leader of the Hungarian Socialist Party [MSZP] who started the increasingly accelerating process of reshuffling politicians. This ongoing phenomenon—both within, and transcending individual parties—visibly reflects the fact that at present the parties are troubled.

Many will recall that in the spring parliamentary elections, in most instances the "major candidates" became representatives because their names were listed on slates. Many candidates, ranging from Lajos Fur to Denes Csegey, from Jozsef Torgyan to Viktor Orban, and from Peter Tolgyessy to Imre Pozsgay got into the National Assembly as a result of their respective parties' "generosity," and not based on votes cast for their persons. Almost eight months ago the explanation for this was readily apparent and probably fitting: People voted not for persons, but for parties.

Later on, the popularity of political parties began to die just as fast as those parties were born. Political and editorial writers issued warnings in the press at an early stage, but the parties did not bother to listen.

No victory celebrations sufficed to satisfy the Hungarian Democratic Forum [MDF] and the Independent Small-holders Party [FKgP] from among the ruling parties. Although the fact that we were running in the direction of bankruptcy was visible, they spent their energies to fully enjoy the rapture of having won. We could go on listing here the increasingly absurd perceptions which consumed time and energy, ranging from the restoration of the 1947 land ownership provisions all the way to the Justitia Plan, but it's not worth doing so, because by now it has become entirely clear that as a result of these shrill skirmishes, citizens turned away from the coalition parties.

Looking back from today's vantage point, the performance of even the most prestigious forces of the opposition cannot be viewed more positively either. "Inventing" Arpad Goncz could be recorded as the sole positive outcome of the MDF pact with the Alliance of Free Democrats [SZDSZ], would it not be for the fact that Goncz became Goncz because of what he is, and not as a result of the pact. The free democrats and the young democrats [Association of Young Democrats (FIDESZ)] regarded themselves as winners of the fall local elections, but both knew well that the Pyrrhic victory did not belong to them. Partly because "victory" resulted from disillusionment with the ruling parties, and in part because they know that no real political stock supports the claim according to which never before was liberalism as popular, as it is today.

One should note that local party skirmishes caused immeasurable damage thus far already, but perhaps even more damage at present. In the aftermath of the local elections more than one party leader made statements to the effect that the election results made no difference, and that the important thing was that at this point, local authorities were elected by way of democratic processes.

Well, a month and a half had passed since the elections, and the uncertainty in local government is frightening. Coupled with this we find party feuds which serve only to deepen the abyss between the parties and society.

A situation in which no truly authentic party exists evolved after all this. Let us state clearly and unequivocally: Not a single political force exists in this country which could assert itself in the political arena holding out hope for winning an election. But let us go further, and let us state even more clearly: There is no political force in this country which could initiate new elections hoping that as a result of such elections this nation will have a legitimate government. In other words, today's parties fear nothing more than the possibility that voters will simply boycott them, because they became disillusioned with "democracy" within an incredibly short period of time, and view the whole process as a comedy.

The MDF alarms people with its simultaneous populism and state party inclinations. Deprived of their sole program concerning 1947 "land reform," the Smallholders stand there literally like the naked king, and one cannot tell whether the politicians of the Agrarian Alliance, called "green barons" by the Smallholders, would triumph over the Smallholders if the elections were held today. The Christian Democrats would serve as solid partners in any coalition, but their situation clearly reflects the fact that political Catholicism always constituted a weak point in Hungarian political life.

A question raised a hundred times each day best illuminates the most vulnerable point of the SZDSZ: What if they were in power? Just what there would (could?) be in that case, can be best measured by the conduct manifested by FIDESZ recently. The young democrats measure the degree of the independence of their own political activities by their independence from the SZDSZ. This might suffice for a short while in the present messy situation, but this kind of practice thrives in places where dividing lines of political power are washed to the extent that they cannot be recognized. Much more is needed when political contours become visible.

We did not mention the MSZP thus far. This political force is visibly gaining social acceptance as its opponents are losing their "virginity." At this point, however, the MSZP is unable to become the core of a Left whose evolution is needed by a substantial part of society. The question is whether the redrawing of the political map will favor this party which now calls itself social democratic.

Hardly could the above be regarded as flattering by today's parties seated in parliament. Nevertheless, this writing was not intended to serve as even the smallest critique of the multiparty system. Even more so, it is intended to call attention to the threats presented by politics which neglects the realities of Hungarian society on a national or global basis, and which is familiar only with tactics, not with strategy. This writing is intended to call attention to the fact that party politics, which

consists of watching one's own navel, represents an unobstructed course to party crises, irrespective of whether such policies are pursued on the local or national levels, and through that to economic and political catastrophe.

Local Government Taxing Power Described

91CH0251A Budapest NEPSZABADSAG in Hungarian
7 Dec 90 p 9

[Article by Karoly Csabai: "The Responsibility of Autonomous Local Governmental Bodies: 'Only' One Tax Per Each Piece of Real Property"]

[Excerpt] The public was aroused to hear that henceforth the new autonomous local governmental bodies [hereinafter: local governmental bodies] may assess five kinds of local taxes within their respective jurisdictions. The telephone rang off the hook in our editorial offices, everyone was outraged and expressed an opinion regarding this matter. We asked the Finance Ministry division head, Laszlo Csucs, to provide an interpretation of the local taxation system, and to dispel misunderstandings that may exist in this regard. Accordingly, what is the situation regarding local taxes?

"During the past decades local councils were not free to make tax assessments within their respective jurisdictions. They had an obligation to enforce central tax policies," according to Csucs. "The change in the system of local taxation presents a very important political issue, because the state surrenders part of its traditional monopoly in favor of the various settlements, i.e., the state's exclusive authority to levy taxes, as that authority was established by the parliament, is being transferred in part to local governmental bodies. In this way, the scope of activities of those who manage the various settlements increases, they can increase their revenues more freely. This is the first step taken by local governmental bodies toward increased independence from the central government, and toward their own economic independence.

"One must not disregard the fact, however, that the local governmental bodies received partial authority to levy taxes in a very difficult situation. The level of the centrally levied tax burden does not decrease, and inflation further narrows the opportunity to levy taxes and to do things in this regard.

"The new law provides an opportunity for local governmental bodies to tax entrepreneurs and citizens within their respective jurisdictions. Accordingly, municipal legislatures may even decide not to tax any kind of property at all. On the other hand, the municipal managers whose settlements deteriorated under the previous council system, can hardly surrender the idea of collecting local taxes under the present tight economic conditions. Unless they have enough money to develop these settlements, to develop the needed infrastructure, and to establish elementary conditions for management

and in general for making a living in these settlements, the populace may easily turn against these municipal managers.

"On the other hand, it would be equally inappropriate for local governmental bodies to levy all possible taxes. Although in this way they would have ample funds to make their respective settlements flourish, local enterprises may go bankrupt as a result of the high taxes, and most likely the populace would register an even greater protest.

"If the parliament adopts the cabinet proposal, entrepreneurs would be able to deduct local taxes related to their activities in the form of expenses. In this way, however, local governmental bodies would get less money from personal income tax resources. At the same time, settlements which fell behind, not by their own fault, could receive supplemental subsidies from the state budget. Quite naturally, these funds would by far not suffice to perform all the functions. For this reason it will be in the existential interest of local governmental bodies to increase their revenues. Taxation will not be the only way this may be accomplished, because local governmental bodies have dispositional authority over property belonging to the local governmental bodies within their respective jurisdictions. Therefore, they may decide to lease or to make use of such property in some other way.

"Implicit in the new system is the fact that taxes levied by councils thus far will be discontinued. This year [1990] these taxes presented a burden to the populace in the amount of 4.5 billion forints, while business organizations paid 3 billion forints in the form of such taxes. The new law categorically specifies the maximum and minimum amounts of taxes a local government may levy on a given property. The minimum tax will amount to one-fifth of the upper limit. This is substantially more than the tax imposed by councils for example, because according to calculations, it will amount to a total of 26 billion forints per year. It follows from this fact that the populace will have to pay 5.5 billion forints, and business organizations 13 billion forints more in taxes if settlements exercise their authority to levy taxes.

"In addition to maximum and minimum tax levels the law specifies the kinds of tax exemptions local governmental bodies are mandated to grant. Over and above that, local governmental bodies are of course free to decide to whom they grant benefits, and whom they exempt from under the obligation to pay taxes.

"Contrary to popular belief, the law rules out the possibility of multiple taxation. Only one tax may be levied against any matter subject to taxation. For example, if a person owns a house, the local governmental body will decide what kind of tax to levy against that house within the legal framework.

"The law distinguishes between five types of taxes. Building taxes apply to housing, business premises, workshops, buildings, in other words, to improved real estate. Local governmental bodies may determine this

kind of tax on two bases. Either on a the basis of square meters of space for which they may assess taxes ranging between a minimum of 60 forints and a maximum of 300 forints per year, or they may assess 3 percent of the adjusted market value of the building. Since people generally live in buildings subject to assessment, only half of the building's adjusted worth is to be regarded as the market value. The term 'adjusted worth' does not mean the actual worth of a piece of real property when sold, because such property is not being sold. For this reason, once again only half the market value is considered under the concept of adjusted worth. For example: If someone resides in a house worth 2 million forints, the market value of that building will be 1 million forints. Fifty percent of the 1 million forint value will be regarded as the adjusted worth of that building. Accordingly, the annual tax on that building will be between a minimum of 3,000 forints and a maximum of 15,000 forints. But the law exempts from under the payment of taxes emergency housing, housing in small settlements without conveniences up to 100 square meters, as well as buildings of a social welfare, health care, religious or historical character. Local governmental bodies are obligated to grant these exemptions, at the same time however, they also have an unlimited right to expand such buildings.

"Taxes to be levied on lots apply to lots on which no improvements were made. The related per square meter taxes amount to a minimum of 20 forints and a maximum of 100 forints, alternatively to 1 percent of the adjusted market value. For example, considering a lot worth 1 million forints, one percent of the adjusted value of 500,000 forints must be taxed. The law provides that no taxes must be paid by owners of lots which are subject to a construction ban, as long as such ban is in force, as well as by persons involved in transportation activities [as published].

"Community taxes may be levied against private persons who own real estate. The extent of such taxes per real estate per year may vary between 600 forints and 3,000 forints. Entrepreneurs must pay annual taxes amounting to a minimum of 400 forints or a maximum of 2,000 forints for each employee engaged by the enterprise which operates in the given settlement.

"Foreign tourism taxes evolved from the fees charged previously by councils in settlements of a therapeutic or recreational character. If a person stays in a recreational facility for a period longer than 48 hours, he must pay a minimum of 20 forints or a maximum of 100 forints in taxes per person, per day. Owners of recreational facilities annually pay a minimum of 60 forints or a maximum of 300 forints per square meter in taxes. Since more than one type of tax cannot be levied against the same property, it is up to the local governmental body to determine whether it wants to collect a foreign tourism tax or a building tax. Less revenue would be realized based on the foreign tourism tax, at the same time, however, the state provides greater subsidies [to local

governmental bodies] in recreational or therapeutic settlements. Thus local governmental bodies may benefit more if they levy foreign tourism taxes rather than building taxes in such instances.

"Business taxes are levied relative to activities pursued within the settlement—subject to the payment of entrepreneurial profit taxes and personal income taxes. This tax amounts to a maximum of 0.3 percent of the net sales revenues. The law exempts shops, commerce conducted in shops established in small settlements, as well as sales consummated in [municipal] markets from the payment of taxes. Liquor sales constitute an exception in this regard." [passage omitted]

Hankiss To Leave Television After Reorganization
91CH0235C Budapest NEPSZABADSAG in Hungarian
4 Dec 90 p 4

[Unattributed interview with Hungarian Television President Elemer Hankiss; place and date not given: "Hankiss Remains; TV Operates During Renovation"—first two paragraphs are NEPSZABADSAG introduction]

[Text] Our editorial office was informed that the president of Hungarian Television ordered a hiring freeze. Some sources understand that dismissals will take place.

We asked TV President Elemer Hankiss whether these reports are true.

[Hankiss] Let us begin by answering the first part of the question: There is truth to it. I must add, however, that the hiring freeze was in force already at the time I came on board on 1 August. This freeze has not been cancelled since then. It only loosened up, as that usually happens with respect to this kind of measure.

[NEPSZABADSAG] What role did this measure play?

[Hankiss] I do not know why the instruction was given in those days. We keep it in force because we are facing big changes, therefore it makes no sense to hire new people into the old structure. We would place such people at risk if the work they undertake now is discontinued in three months.

[NEPSZABADSAG] What about the reports concerning dismissals?

[Hankiss] They are false. I believe that it is publicly known that I began working here by making it understood that I am not willing to initiate any kind of hasty, across the board dismissals. We did not dismiss anyone during the past four months, and we are not planning to initiate at present any layoff campaign.

[NEPSZABADSAG] Many believe that you will not remain president of Hungarian television much longer; it is rumored that you will go to the United States to become a university professor.

[Hankiss] Indeed, I accepted this job [president of Hungarian TV] by not regarding it as my profession forever. My field and my career are different, and I had an agreement with an American university. I should have already been there last fall. Performance on that contract was postponed at the time I accepted this position. At that time I said that as soon as I see that television will function the way I thought it should, and the appropriate conditions and people for such functioning are in place, I will yield my place to someone else. But I would have left even if it turned out that my perception could not be realized. I will repeat both statements: I will leave happily once the new system functions magnificently, and I will leave sadly if it turns out that it does not function.

[NEPSZABADSAG] Accordingly, you remain in place for the time being. You made reference to the fact that you are looking for the right people. Rumors are that you found the candidates already for two channels which will function independently in the future.

[Hankiss] Yes, if everything goes well I will appoint these candidates this week. But please, let us not mention names at this time.

County Newspapers: Ownership Situation Analyzed

91CH0189B Budapest HETI VILAGGAZDASAG
in Hungarian 3 Nov 90 pp 90-91

[Unattributed article: "Newspaper Ownership: Issues of Dailies"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] The Office of the Attorney General stated that county newspapers have been bought and sold legally. This means that most Hungarian dailies were bought legally by their new foreign owners, but it does not mean that the struggle for owning the Hungarian daily press has come to an end. Foreign buyers are standing in line with their offers to buy other newspapers as well.

The guest appearance of the Hungarian Orange in a weekend supplement of the NEPSZABADSAG could also be viewed as a "fling" that closed an epoch of press history. It is possible that this was accidental, however, it appeared at the time when the onetime state party's legal successor and most of the newspapers it owned had already been freed from each other and when the affair of the ESTI HIRLAP [Evening News], the last remaining daily, is also allegedly "on course." Still, there is no reason for being all that happy, for it is certain by now that some deals were made when there was a lack of legal regulations—often precisely through legal loopholes.

Characteristically, the staff of county papers—the first privatizers—who defected to Axel Springer Budapest Ltd., came out much worse financially than their colleagues working for papers which had been openly offered for sale by the Hungarian Socialist Party [MSZP]. Seven regional editorial staffs—taken in by

Springer Ltd. which promised Western technology, opportunities for publication abroad and, last but not least, guarantees for keeping earlier ranks—went over collectively to the “new” papers founded by the limited company. To date, the MSZP could not wash out the suspicion of being an accomplice in aiding the papers’ escape although it now seems that it did not directly receive a single penny for the papers. However, according to our information, not less than 110 million forints went to the party treasury for equipment—which have been assessed by some to be nothing more than a few ancient typewriters—“left behind” with conspicuous thoughtfulness and as leasing fees for certain office spaces. Party treasurer Laszlo Mate corrected this information by saying that this sum went not directly to the MSZP but to the county publishers to be liquidated and—he added—it was included in the MSZP’s asset inventory presented recently to the State Accounting Office. The idea of the MSZP suing Springer to reclaim the papers did come up earlier but Laszlo Mate said that they have dropped it by now. Indeed, they are happy to have seven fewer papers to worry about.

But the sale of the remaining 11 papers proved that they are “worth” a few million, for they were sold for a total of 530 million. At the same time, the MSZP announced that it will use the money that remains after deducting the cost of the sales for public purposes. It seems, incidentally, that the MSZP’s legal experts and businessmen have learned a lot since the muddled Springer affairs. A bidding was announced for the sale of the 11 papers, found legal by the Office of the Attorney General that examined it at the request of the parliamentary committee that oversees the privatization of the press. The head of the firm handling the sales stated in reply to our question that, after the rather low initial bids from abroad, the papers were sold in the end at the exorbitant prices set by the company. Papers from the eastern counties brought in less than those of the western counties, but the average selling prices were higher than one million forints per thousand subscribers as set earlier by the MSZP. We were told at MSZP headquarters that during the course of the publishers’ liquidation the party intends to sell to the new owners the editorial equipment presently leased.

The editorial staffs themselves also benefited from the bidding, at least as far as their position of ownership is concerned. Although it was specified in the rules of the bidding that the staffs must acquire at least a ten percent share, in reality they acquired at least 20 percent of the new companies’ capital stock and, in some cases, they even acquired a majority share in the form of a limited company.

The PEST MEGYEI HIRLAP is different from the onetime MSZ(M)P county papers. This paper came under state ownership at the same time the Newspaper Publishing Enterprise did. As we learned from Imre Nagy, one of the present owners (the other one is his wife), and directors of Venture Organizing Ltd., which was quite involved in the selling of the papers and which

was formerly owned by the MSZP, the latter transferred its 100-percent ownership of the PEST MEGYEI HIRLAP, the LUDAS MATYI, and the MAGYARORSZAG, and its 45-percent ownership of the FIGYELO and the ESTI HIRLAP at a spring apportionment in one package to the Newspaper Publishing Enterprise. In return, the latter transferred 45 million forints to the MSZP and took over the expenses of publishing the KRITIKA and the TARSADALMI SZEMLE until the end of the year. After this wheeling and dealing, 45 percent of the two papers—the FIGYELO and the ESTI HIRLAP—and the VASARNAPI HIREK remained under MSZP ownership. The MSZP transferred its share of these papers to the company whose 1-million-forint capital stock was later bought from the party by Imre Nagy. The partners signed a contract on selling the papers “by a deadline.” According to this contract, the proceeds from the sales—after deducting the commission—go to the party treasury. It is known by now that British press magnate Robert Maxwell “bought out” the company from the ESTI HIRLAP for 45 million forints and, thus, the last MSZP daily found a new owner (in the meantime the FIGYELO has also been sold). At our inquiry, the editor in chief of the afternoon paper was unable to offer any news on the development of this business affair. At present they are awaiting the foreign partner’s final offer, after which the documents will be presented to the Bureau of State Properties.

Bidders are also circling around some nonparty papers, such as the NEPSZAVA and the VILAGGAZDASAG; the PESTI HIRLAP is holding out with Hungarian owners despite declining profits. Yet the disappearance of the earlier party control and the appearance of foreign owners do not seem to automatically entail the papers’ independence and the elimination of earlier uncertainties. At least this is what certain events of the past months suggest. For instance, the publisher’s executives, making use of a certain amount of government subsidy, are trying to force a foreign owner (disliked by most of the staff) on the editors of the MAGYAR NEMZET, now freed from the People’s Patriotic Front. Because of dwindling circulation, editors of several other papers are threatened by reprisals and layoffs.

The fact that a few papers—in the interest of either avoiding or preparing for the infamous breakaways—are also registered under four or five additional names that are either reminiscent of, or hardly different from, the original names to which the adjectives “New,” “Euro,” or “Hungarian” are added, is not particularly encouraging either.

All of this indicates that, although most papers have found their new owner(s), the struggle for owning the Hungarian daily press has not come to an end. The present ownership structure could easily change. For example, with the increase in the price of paper, several newspapers will become more expensive in the coming days, and some may become unprofitable or even fold.

Hungarian Daily Papers and Their Owners

	Foreign owners of the publishing house	Owners' share (percent)	Editorial office's share (percent)
UZLET (Budapest)	Bonnie, Business Press (Swedish)	100	—
HEVES MEGYEI HIRLAP (Eger)	Axel Springer (German)	40	—
	Ferenczy Verlag (German)	10	—
24 ORA (Tatabanya)	Axel Springer (German)	40	—
	Ferenczy Verlag (German)	10	—
MAI NAP (Budapest)	New International (American)	50	5
MAI REGGEL (Budapest + 2 Transdanubian editions)	News International (American)	50	5
UJ DUNANTULI NAPLO (Pecs)	Axel Springer (German)	40	—
	Ferenczy Verlag (German)	10	—
UJ NOGRAD (Salgotarjan)	Axel Springer (German)	40	—
	Ferenczy Verlag (German)	10	—
UJ SZOLNOK MEGYEI NEPUJSAG (Szolnok)	Axel Springer (German)	40	—
	Ferenczy Verlag (German)	10	—
SOMOGYI NEPLAP (Kaposvar)	Axel Springer (German)	40	—
	Ferenczy Verlag (German)	10	—
TOLNAI NEPUJSAG (Szekszard)	Axel Springer (German)	40	—
	Ferenczy Verlag (German)	10	—
DEL-MAGYARORSZAG (Szeged)	Nice Press Invest (French)	49	51
ESZAK-MAGYARORSZAG (Miskolc)	Funk, Verlag und Druckerei GmbH (Austrian)	49	20
HAJDU-BIHARI NAPLO (Debrecen)	Funk, Verlag und Druckerei GmbH (Austrian)	49	30
KELET-MAGYARORSZAG (Nyiregyhaza)	Funk, Verlag und Druckerei (Austrian)	49	30
KISALFOLD (Gyor)	Associated Newspapers (British)	40	30
NAPLO (Veszprem)	Krone Verlag GmbH (Austrian)	49	30
VAS NEPE (Szombathely)	Westdeutscher Allgemeiner Zeitung (German)	49	30
ZALAI HIRLAP (Zalaegerszeg)	Krone Verlag GmbH (Austrian)	40	30
NEPSZABADSAG (Budapest)	Bertelsmann (German)	41.2	0.4
BEKES MEGYEI NEPUJSAG (Bekescsaba)	Oscar Bronner GmbH (Austrian)	40	40
MAGYAR HIRLAP (Budapest)	Mirror (British)	40	5
PETOFI NEPE (Kecskemet)	Oscar Bronner GmbH (Austrian)	40	40
FEJER MEGYEI HIRLAP (Szekesfehervar)	Westdeutscher Allgemeiner Zeitung (German)	30	50
KURIR (Budapest)	Deton (Austrian)	9.1	—

Editorial Laments Political Rift at City Hall

91CH0235B Budapest BESZELO in Hungarian
24 Nov 90 p 3

[Editorial by Mihaly Laki: "Victory"]

[Text] A vast number of the minority of Budapest citizens cast their votes to the effect that the majority of

the city aldermen, and thus the autonomous city government, be established neither by the ruling coalition parties, nor by the Socialists.

The Association of Young Democrats [FIDESZ], one of the winning, but not socialist opposition parties, changed its mind. Following the example provided by the Hungarian Democratic Forum [MDF], they did not accept the post of deputy mayor that was offered to

them, and together with the ruling parties and the socialists FIDESZ, will be a part of the opposition to the Alliance of Free Democrats [SZDSZ] in city hall.

Most certainly, some of those who voted for FIDESZ approved of this step. They obviously felt that FIDESZ (which as we know is a pragmatic party) is playing its political cards cleverly. The city is in trouble. In order to offset declining government subsidies, the new leadership can hardly avoid the imposition of higher local taxes and housing rental fees. From the standpoint of FIDESZ' medium and long-term partisan political interests, the potential gain—power sharing—is smaller than the anticipated loss which will manifest itself in a decline in popularity to be expressed in a smaller number of votes.

The other part of FIDESZ supporters is dissatisfied with the decision which makes sense from a partisan political standpoint. They feel betrayed or that they cheated themselves when its members hoped for a FIDESZ-SZDSZ rule by splitting their votes between the two nonsocialist, but opposition parties. They also feel betrayed because when they voted for FIDESZ because they believed that the expertise and clean past of the young democrats was also needed for the efficient governance of a city which finds itself in an economic, ecological, and social crisis, or when it occurred to them that in a democracy it was simply inappropriate for the victor to become the opposition.

We may venture to say that those disappointed as a result of these pragmatic considerations do not constitute a mere miniscule minority even among Budapest residents who voted for FIDESZ. The loss of these people is hardly desirable. For this reason Viktor Orban himself agreed to convince the disappointed, as he did in the latest issue of HETI VILAGGAZDASAG.

Contrary to Orban's customary style, he failed to compare the gains and losses he anticipated as a result of this decision. Instead of such a comparison he told his audience about the great variety of coalitions that came about throughout the country, and that this was a natural phenomenon. Meanwhile he acted as if he did not know that Budapest was not only one of many cities, that whatever happened in Budapest affected one-fifth of the country, and therefore served as a model to others. He enthusiastically presented a broad brush picture about the advantages of governance in the opposition, the fact that as a result of the FIDESZ decision the SZDSZ would be "forced to continuously consult and reach consensual agreements with the opposition." This, in contrast to majority rule, to which we know where it leads. One cannot really understand why this solution, which is rare in developed democracies, is found to be appropriate by Orban only in the case of Budapest, at a time when he did not change his mind in recommending a grand coalition, a joint MDF-SZDSZ rule to the country.

Once again, Orban is talking about something else when he evaluates the SZDSZ' conduct during the gasoline insurrection. In his view, "the SZDSZ wanted to use the

gasoline crisis to topple the government," and Orban regards this as a matter for which no adequate terms of condemnation exist. The SZDSZ is denying this fact, but let us be objective, and let us not rule out the possibility that these denials amount to no more than the SZDSZ washing its hands. Let us not rule out the possibility that in its boundless desire to acquire power, the SZDSZ would have gone so far as to be inclined to adopt the path of governing in the minority, as advocated by Orban.

Orban also informs us of other past SZDSZ affairs: That the SZDSZ has some Thatcherist and social democratic members. Based on these unquestionable facts, the noted politician cautiously and modestly has only this much to say: "FIDESZ constitutes an entirely independent, liberal pole in Hungarian political life," and that "a liberal opposition lumped together does not even exist in Hungary. There exists a SZDSZ and a FIDESZ instead." In a manner generally not characteristic of liberals, Orban thus offered his services to Budapest voters. He will show these voters where to find liberals if they are burdened with concerns in the future.

The lesson to be learned amounts to a modest commonplace statement: The one who changes the subject or initiates a negative campaign instead of openly and professionally comparing political gains and losses will easily contradict himself. Such contradictions will deteriorate the effectiveness of such a person's political organization. Such manipulative techniques may be learned, of course, and once raised to the appropriate level of routine, the deterioration in effectiveness may be avoided. I only hope that Viktor Orban does not want to profit from his unique political and learning abilities this way.

POLAND

Agreement With FRG Liberalizes Pension Claims
91EP0152A Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 10 Dec 90 p 6

[Article by Dt.: "Pension Accord With Poland Regulates Claims"]

[Text] A few days before the departure of the Mazowiecki administration, which even this week will ask that Parliament be dissolved, [FRG] Federal Labor Minister Bluem and Polish Labor Minister Kuron placed the existing sociopolitical agreements between Poland and the FRG on a new foundation. Beginning with the coming year, a new bilateral pension, accident, and health insurance accord, which needs ratification by both parliaments, will take effect. The agreement signed over the weekend will also considerably expand the employment quotas for Polish workers.

The insurance agreement replaces the existing conventions of 1957 with the GDR and of 1975 with the FRG and adapts these regulations to comparable agreements by the FRG with other countries. The significant change consists in each country's having to honor pension

claims for which it has received contributions, even if the insured person no longer lives there (export principle). Until now, persons who had moved between Poland and the two German states were treated according to the so-called integration principle, which means that the pension was calculated as if they had worked all their lives in the country to which they moved.

The accord provides for preservation of assets according to the integration principle for persons who move by the end of this year and obtain their permanent resident permit in their new place of residence no later than 30 June 1991. Persons entitled to benefits in the former German eastern territories will continue to receive their pensions in the future even if they cannot prove residence in the FRG. At the same time it is also established that on the territory of the Republic of Poland new pension demands can no longer be made from the FRG since 3 October. These pension claims will thus expire. At the signing in Warsaw, Labor Minister Kuron indicated that the new pension agreement will facilitate the return of emigrated Poles to their homeland, since now they will no longer lose the benefits for which they worked in Germany.

The agreement concerning employment of Polish workers provides for an increase in the quota of 11,000 persons allowed by the old FRG to 35,170 in mid-year, whereby the approximately 17,000 Polish contract workers still on the territory of the former GDR will be left out of consideration until the end of 1991. Full utilization of these preconditions will depend on the demand in Germany and on the absorption capability of the German labor market as determined by the employment offices. The labor administrations of both countries can also permit seasonal employment of workers up to three months without restrictions, "insofar as no domestic applicants are available." The central employment agency will also be able to arrange vacation employment for Polish students without restrictions. In order to reinforce regional cooperation in the border area, Polish citizens are being given the opportunity of taking jobs as daily commuters in Germany. The agreement provides for sanctions against employers who violate obligations imposed by the employment offices and who exceed their plant contract quotas.

Federal Labor Minister Bluem admitted that Poland had been granted more favorable regulations than other countries. As for potential domestic political opposition, Bluem said he hopes "that the German Trade Union Federation [DGB] will fulfill its international obligations." Overall, the agreement is meant to serve as social protection for the employees and to counteract disgraceful conditions in the illegal labor market.

Rakowski's New Monthly DZIS Reviewed

91EP0140A Warsaw *POLITYKA* in Polish No 48,
1 Dec 90 p 4

[Article by M.H.: "Rakowski's New Publication"]

[Text] The creators of DZIS, a monthly publication, wrote: "The inflation of ideological and political decla-

rations we have been seeing over the past few months constrains us from presenting our credo to our readers." Knowing the political temperament of Mieczyslaw F. Rakowski, the new publication's editor in chief, however, it is difficult to envision the publication's remaining ambiguous or to imagine that the declaration would only state that the publication wants to join the "broad front of representatives of progressive thinking."

The first public news of the new publication founded by M. F. Rakowski came during the last PZPR [Polish United Workers Party] congress, when this last First Secretary of the Central Committee was asked what he would do next. DZIS was to be a monthly publication with a social democratic orientation, a journal with the ambition of describing issues reaching beyond Poland's highways and byways, one that would take an interest in what is happening in left-wing groups of Western Europe and the attendant changes in postcommunist Central and Eastern Europe. Initially, the monthly journal was to have been called PRZEGLĄD SPOLECZNY [The Social Review], but its full title today is DZIS: PRZEGLĄD SPOLECZNY [Today: A Social Review].

The first issue begins with an article by Jacek Wojciechowski entitled: "Does Poland's Left Wing Have a Chance?" This question is still an important one for many Poles, especially when the concept of "left" covers a set of convictions and values bearing this name, rather than their realization in the form of the system of real socialism in control up until recently. The author thinks that "the left must be rediscovered in Poland." He is pessimistic about the probability that all the current leftist trends will have any real impact on the country's future political map. It is only the completely new leftist movements and trends that have a chance. Poland's socioeconomic situation favors them, given its penchant for a market economy. There will be unavoidable pain and costs that the leftist political option will be able to rectify and mitigate.

Rakowski then asks: "Who has helped whom?" This editorial statement is the first in a long time to come from the former premier and former First Secretary of the Central Committee. It involves personnel policy, one of the author's interests for years. He went a long way towards loosening its old dogmatic straitjacket. Rakowski has now taken on the defense of previous leaders in public life. He points out the danger of the policy of routinely ejecting people who held leadership positions, either as PZPR members or as nonaligned persons serving with the PZPR's blessing. The author does not hide the fact that there used to be a mechanism which made PZPR membership a prerequisite to upward mobility and success. "This was a pathological phenomenon proving that there was a corrupt process in the structure of monopolistic power," but we must not place the responsibility for it on the hundreds of thousands of people in what is called the "nomenklatura" who "would have been shocked and astonished, had anybody had

told them that what they were doing was aiding the communists. They were serving their country and themselves." Rakowski ends his reflections still on a pessimistic note. He says that for decades Poland has been unsuccessful in conducting a rational personnel policy. The criterion for professional skill has been replaced by prison and combat experience, and "as a matter of fact, we should now put in some group of young people from both left and right, so that sometime in the future we will be able to create offices, fill the positions of voivodship governor, directors, and so on."

Was Stalinism something new in the history of political regimes, or just one of the varieties of totalitarian systems? What was its origin? Was it inevitable? To what extent did Russian nationalism and hegemony help? Professor Jerzy J. Wiatr tries to answer this and many other questions in a comprehensive sociological analysis, coming to the conclusion: "The essence of Stalinism is that it was the leader's police dictatorship that had ensued from the corruption of the workers' revolution, with the Communist Party as the directing force."

The first issue of DZIS also includes articles by foreign authors. Jean-Christophe Oberg, a Swedish Social Democrat, considers whether in today's Sweden there is such a thing as the "Swedish model," which fascinates so many Poles, and if it does exist, to what extent. Fiodor Burlatskyi, a Soviet sociologist, proposes that changes in the USSR begin with the institution of family farms, because the future depends on "how quickly we manage to feed ourselves."

DZIS also has articles on the changes in Czechoslovakia and on the clericalization of our public life, along with an Albert Camus item on totality, an interview with author Bogdan Madej, discussions on literature in the 1980's, reviews, and so on. There is no doubt that an important, engrossing publication with broad social and political interests has been added to press offerings, just when, chiefly for commercial reasons, the array of titles dedicated to these subjects has been drastically curtailed.

YUGOSLAVIA

Popularity Growth of Croatian Opposition Revealed

91BA0177A Zagreb DANAS in Serbo-Croatian 4 Dec 90 pp 7-9

[Article by Dejan Jovic: "An End to the Celebration"]

[Text] In November there was a real reversal in the Croatian public's attitude toward the authorities. All the politicians of the ruling regime declined in popularity, and even five political decisions that were directly or indirectly produced by that regime did not receive a "green light" from more than 50 percent of the republic's citizens. The Croatian government's recommendation of a "working and formal" celebration of Republic Day this year is supported by 35 percent of Croatia's citizens, the

temporary ban last month on the LCC [League of Communists of Croatia]-Party of Democratic Changes [SDP] meeting in Split on the occasion of Split Liberation Day (a ban revoked a day later by the Croatian Ministry of Internal Affairs) is viewed as justified by 16 percent, and the government's decision to halt the transformation of social property into private property is supported by 36 percent of the citizens. Finally, even the decision to abolish national pensions did not result in an absolute or even relative "plus" for the authorities—a considerable number of citizens do not have a position on that decision, and it is supported by 48 percent.

The results of the public opinion poll that the DANAS team, for the sixth time since the elections, conducted in all 10 regions of Croatia (with a sample of 1,000 respondents, using a written questionnaire) show that most citizens (62 percent) supported the government's decision on housing reform, and 58 percent agreed with the latest changes in ministerial posts. Only 1 percent fewer (57 percent) support the decision on the denationalization of confiscated private property. That, however, is naturally not even close to the positive results shown for government decisions in the previous public opinion surveys.

Government measure	I support (Percent)	I do not support (Percent)
Attempt to ban the LCC/SDP meeting in Split	16	63
Founding of Serbian television in Croatia	19	66
Republic Day as a working holiday	35	52
Moratorium on the sale of social property	36	35
Abolition of national pensions	48	22
Denationalization	57	19
Changes in the Croatian government	58	12
Proposed housing reform	62	18

A Step Forward by the Opposition

The fact that the first really serious crisis of confidence occurred last month is also shown by the table of politicians' popularity. November was the first month with large "upsets" on the ranking of the "twenty." All the ruling party's politicians lost a percent or so, but the two leaders, Mesic and Tudjman, lost the least, while police minister Boljkovac and the previously very successful Vrdoljak lost the most. A very significant fact is that for the first time, three opposition leaders—Savka Dabcevic-Kucar, Vladimir Veselica, and Ivica Racan—placed third, fourth, and fifth. That shows that the prerequisites for a leap by the opposition exist, at least as far as public opinion is concerned. It seems, however,

that in spite of its good showing in the first month of really significant social crisis after the elections, the opposition's success is to a considerable extent a "gift from above" (as British commentators described the improvement of the opposition's chances in Great Britain in recent days because of the ruling party's weakness), perhaps even more than it is a result of the opposition's own actions. The fact that only

two politicians (Savka Dabcevic-Kucar and Ivan Zvonimir Cicak) "profited" more in the political market this month than last month also demonstrates that a considerable number of citizens are disillusioned and "fed up with everything." Finally, what happened is also shown by the fact that this time 17 percent of the citizens stated that "they would rather not vote in the elections." There were 5 percent fewer such answers last month.

Politician	Percentage			
	Positive	Difference since previous month	Negative	No opinion
Mesic	82	- 2	13	5
Tudjman	82	- 2	14	4
Dabcevic	64	+ 4	17	19
Veselica	62	- 6	19	19
Racan	61	- 1	27	12
Domljan	60	- 10	23	17
Markovic	60	- 13	29	11
Seks	59	- 4	27	14
Cicak	57	+ 5	19	24
Manolic	56	- 10	27	17
Rajic	56	- 12	26	18
Vrdoljak	53	- 14	29	18
Gotovac	48	- 7	17	35
Mazar	44	- 6	20	36
Boljkovac	44	- 15	27	29
Zagar	42	- 9	22	36
Djodan	40	- 7	36	24
Jurlina	25	- 6	34	31
Babic	12	—	74	14
Raskovic	11	- 4	80	9

That change, of course, was fundamentally influenced by this month's abrupt exacerbation of the economic crisis, the daily strikes, and the numerous bankruptcies of enterprises throughout Croatia. Who is most responsible for such an economic trend? "The old authorities and their economic policy," according to 36 percent of the respondents, and "the new Croatian government, which does not have an adequate economic program," according to 26 percent. Half as many citizens assert that the most important reason for the economic heart attack was "idleness, i.e., the fact that workers do not work enough," and the same number (13 percent) answered that the principle culprits were the "economic managers who headed the enterprises." Only 11 percent of the respondents answered that the federal government was the most guilty.

What is the main cause of the present economic difficulties?

The economic policy of the old regime	36 Percent
The new Croatian government's lack of a clear economic program	26 Percent
The incompetence of management personnel in the factories	13 Percent
Idleness	13 Percent
Federal Executive Council policy	11 Percent

This range of responses is a significant indicator of the probable course of the social tensions and unrest that could erupt because of the substantially more difficult living conditions, and not just for dismissed workers.

The views of this situation are so diverse that one can conclude that both the present authorities and the Communists may be the focus of criticism. It is certain that for the time being, more respondents accept the explanation that the "old regime" is mostly responsible, but it may be disappointing that such people represent (only?) 36 percent. On the other hand, it is very interesting that those who see the federal government as the main culprit are the fewest. In any case, the old authorities are blamed most by members of the HDZ [Croatian Democratic Community] (57 percent of them indicate that those authorities were primarily responsible), and the new authorities, logically, are blamed most by the opposition groups (Serbs 74 percent, SDS [Serbian Democratic Party] voters 79 percent, and SDP members 60 percent).

The economic crisis that erupted last month throughout the entire Republic (and elsewhere as well) reduced Josip Manolic's popularity by a full 10 percent, and even reduced federal prime minister Markovic's popularity by 13 percent. Markovic's "fall," of course, was also "promoted" by the fact that it is increasingly more difficult to obtain foreign exchange in banks, as well as by the fact that he lost the elections in Bosnia-Herzegovina and Macedonia. Nevertheless, the federal prime minister even now has the support of 60 percent of the respondents; his popularity has fallen since last month by 11 percent among Croats and by 10 percent among Serbs.

Josip Manolic lost 13 percent among Croats and 5 among Serbs, and now only the voters and members of his party view him more favorably than in October.

Losers

The real and biggest losers are Antun Vrdoljak and Josip Boljkovac. While the police minister's "fall" was expected (since there were not as many reasons for public statements by him, and it was also logical that as minister of internal affairs he would not be too popular), Vrdoljak experienced, at his own cost, the media's power in the formation of public opinion. Just as the Croatian vice president was the only "long-rising" politician up until October as a result of media attention (opening sports events and replacing the absent president), the daily "drubbing" in the newspapers of the entire country resulted in his falling from seventh place in October (and before that, even fourth) to the bottom half of the table. In just one month, Vrdoljak "lost" 17 percent of the Croats and 12 percent of the Serbs from the rolls of his potential voting bloc, and as many as one fourth of the SDP voters have now turned their backs on him. Antun Vrdoljak has nevertheless improved his position within the party, gaining over 3 percent more support among the HDZ membership.

Ivan Zvonimir Cicak, the head of the HSS [Croatian Peasants' Party], who received marked media coverage, was the only one who managed to "profit" significantly last month, gaining another 5 percent of supporters. In the six months of our polls, Cicak has jumped from 34 percent support to his present 57 percent, and the

number of those with a negative view of him has dropped by 9 percent. Previously he was one of the politicians whose names did not receive a single plus on the questionnaires filled out by Serbs, but he has now gained fifth place among the Serbs, with 38 percent positive views; only Raskovic (76 percent), Babic (71 percent), Mazar (60 percent), and Markovic (56 percent) are ahead of him, while he is followed in the public opinion of Serbs in Croatia by Tudjman (29 percent) and Simo Rajic (25 percent).

Simo Rajic's 12 percent decline was a natural event, which the DANAS team had announced ever since the beginning of his "flash." Nevertheless, even with 56 percent favorable views, this Assembly vice president has now placed very well, although he is more popular among all other groups than among Serbs.

The same thing can be said of Ivica Racan. He is now sixth on the list of Croats (after Mesic, Tudjman, Veselica, Savka Dabcevic-Kucar, and Seks), but 76 percent of the Serbs now express a negative opinion of the SDP president. In any case, Racan has survived among the top ten for all six months, although he oscillated from fourth to tenth place and back, to his present fifth place. Those oscillations in his ranking, however, were caused more by a change in the public's attitude toward others than toward him. In fact, during those six months Racan only moved by 9 percent (from 53 percent in July, to 62 percent in October).

The case of Vladimir Veselica is different. The number of his supporters ranged from an initial 55 percent (in June) to a high of 68 percent (in October), but he only "fell" out of the top five once.

Zarko Domljan returned to his former 60 or so percent, but his party chances increased (he is now second-ranked among the HDZ leaders, immediately after Tudjman and 1 percent ahead of Mesic). His "negative balance," however, grew disturbingly—almost one fourth have a negative view of him.

Some New Alignments

This time the bottom third of the ranking includes those politicians toward whom the general political public has a predominantly negative attitude, or whom it cannot evaluate. Those who were dropped from the list under the criterion of the highest percentages of "neutral respondents" included Dobroslav Paraga (59 percent of the citizens do not know him well enough to be able to evaluate him), Ivan Gabelica (49 percent), Drazen Budisa (39 percent), and Stjepan Sulimanovic (36 percent), while several other political workers avoided disqualification "by the skin of their teeth"—Miljenko Zagar (36 percent), Zeljko Mazar (35 percent), and Vlado Gotovac (35 percent).

Sime Djodan is dropping lower and lower, but the public is divided into three equal groups with respect to him—24 percent view him "very favorably," 25 percent "very negatively," and 24 percent do not have an opinion.

Bernardo Jurlina consolidated his position immediately above Milan Babic and Jovan Raskovic, but it has now been confirmed that he can no longer ensure even his former regular one third of favorably inclined respondents. This month Jurlina achieved his weakest showing since these polls have been conducted, but it is nevertheless significant that, of the three Croatian government ministers, he lost the least—only 6 percent.

That very fact says enough about the authorities' crisis of popularity (and perhaps of confidence as well). The regular readers of our polls know that they have continually shown that the authorities have improved their rating in all tense situations, and that they have lost points during periods when relations between Serbs and Croats in Croatia were being "shaken." Now, on the contrary, it seems that a time is coming in which it will be more and more difficult to turn the public's attention away from economic difficulties toward noneconomic topics.

In their demands upon the authorities in light of these problems, citizens are now showing a higher degree of solidarity and similarity in their positions than concerning any other issues. Housing reform is thus supported by 49 percent of the Serbs and 63 percent of the Croats, 56 percent of the SDP members, and 73 percent of those who belong to the HDZ, while in other cases the gap between the citizens' interests and the government's measures, as one can see, is greater.

A majority in all the categories of citizens observed took a position against the abolition of Republic Day in Croatia—if not actively, then at least with a passive "I have no opinion," they refused to support the government's recommendation. The counterproductive nature of this muddled government initiative is also shown by the fact that it was supported by only 38 percent of the Croats, 19 percent of the Serbs, 12 percent of the Yugoslavs, but (only) by 46 percent of the HDZ members, and 49 percent of its voters.

By our standards, a high level of agreement was also achieved regarding the decision on denationalization—the differences are within a range of about 20 percent.

How can one respond to these rapprochements, which to a considerable extent can overshadow what is now the main division, the ethnic one, and which can represent a source of strong opposition? It seems that both the opposition and the authorities will have to respond clearly to this, and that the appearance of our list next month will depend on it. Will the simple answer "We know" to everything be enough?

[Box, p 9]

On Croatian Politics, for the Sixth Time

The public opinion poll, the sixth one conducted since the Croatian elections by a DANAS research team, reexamines the public's attitude toward events, parties, and politicians in the Republic. The poll was conducted

using a sample of 1,000 respondents in Croatia's 10 regions between 20 and 23 November 1990.

Bulgarian Daily Interviews Vuk Draskovic

91BA0145A Sofia OTECHSTVEN VESTNIK
in Bulgarian 3 Nov 90 p 2

[Interview with author Vuk Draskovic, president of the Serbian Renewal Movement, by Velizar Enchev, OTECHSTVEN VESTNIK Belgrade correspondent, at the Hotel Moskva in Belgrade; date not given: "The Good Politician Must Be Familiar With History, Both His Own and Foreign"]

[Text] Instead of biography:

Vuk Draskovic was born on 29 November 1946 in Medji village, not far from the Serbo-Romanian border. He was graduated from Belgrade's Law School, after which he worked as a journalist for TANJUG. He later dedicated himself entirely to writing. He is the author of the books *The Judge*, *The Knife*, *The Prayer*, and *The Russian Consul*, translated into many European languages. At present he is one of the best read Serbian writers. He has been president of the Serbian Renewal Movement since 14 March 1990.

Recently, one of his supporters bluntly said: "Remember the birthday of our leader (29 November is the national holiday of Yugoslavia—author) because he will mark that date on the Serbian political calendar..."

One month before the first free parliamentary elections in Serbia, Vuk Draskovic, the leader of the Serbian Opposition, is being mentioned as either the accepted leader of the future parliamentary group of the opposition or as a possible president of Serbia. The former is hardly arguable because with each passing day the chairman of the Serbian Renewal Movement is asserting himself as the leader of the entire opposition. The latter sounded almost incredible until recently. However, according to the latest public opinion surveys, Vuk Draskovic's chances of becoming president are becoming increasingly serious. His fame as one of the most popular Serbian writers, supporting to the fullest extent the national interests, is rallying tens of thousands of Serbs at the meetings he holds.

The present interview may trigger conflicting thoughts. On the one hand, we have here an intellectual and politician who supports the unification of Orthodox Balkan nations in the face of rising Islamic fundamentalism. At the same time, we are amazed at the way Serbian nationalism, which has blinded him, is preventing him from seeing the unquestionable truth of the Bulgarian nature of Vardar Macedonia.

What follows is addressed essentially at those who are formulating Bulgaria's Balkan policy. The revelations made by Vuk Draskovic may one day become the official policy of the Serbian leadership....

[Enchev] Let us begin with the most important question: What, actually, is your party fighting for?

[Draskovic] We are fighting for a democratic, multi-party, parliamentary, European Serbia, as a federal member of Yugoslavia, if this is possible. If it becomes a question of a confederation or the breakdown of Yugoslavia, at that point we shall struggle for that same Serbia but within its historical and ethnic borders.

[Enchev] What are they?

[Draskovic] The entire territory with which Serbia and Montenegro joined Yugoslavia in 1918. This means that, if the Yugoslav Federation is dismantled, Serbia should obtain all its territories, some of which at the present time are not within Serbia and Montenegro. Since 1918 we have not lost a single war. There is no international treaty with which we have given up any of our territory, unless we accept as a military defeat the rule of Josip Broz Tito, Edvard Kardelj, and some isolated Serbian communist traitors. Furthermore, all territories of present-day Bosnia and Herzegovina and Croatia, where Serbs were in the majority before 6 April 1941 (the start of the German invasion of Yugoslavia—author), should be reunited with the Serbian State. We shall not yield on this point! Serbia's western borders were demarcated by none other than the Croats. There, where Serbian blood was shed by the Ustasha knives in World War II, is where the western borders of the Serbian State are. On this we shall not yield!

[Enchev] What chances are given to the Serbian opposition, which you lead, in the forthcoming parliamentary elections? Do you realize that the political and economic situation of Serbia is almost totally different from that of the East European countries on the eve of historical changes? You cannot deny that you have no social tension and an economic crisis on the East European scale, and that your stores are filled with goods.... Just look at those relaxed people around you (this conversation took place in the Hotel Moskva, in Belgrade)....

[Draskovic] The communist regime maimed both democracy and civilization and every individual in Yugoslavia. The Serbian people suffered nationally, as well. On the surface, your comparison of Yugoslavia with Eastern Europe is accurate. However, here there is also something else. Those same relaxed people remember very clearly what Serbia and Belgrade looked like before the victory of the bolsheviks, before the war, the order that prevailed in Belgrade, and the behavior of the people.... All of this is remembered, and all of it was submerged for 40 whole years. I believe that we shall not need another 40 years to restore what was good. Today the pace of change is very fast.

[Enchev] For the sake of objectivity, however, it should be acknowledged that that same Communist regime contributed a great deal to the country's economic prosperity.

[Draskovic] The only positive quality of communism is that it revealed entirely its satanic face and convinced every single Serb of the need to reject once and for all this belief that was not given by Christ but by the great

inquisitor, the devil. No tricks, no change of clothing or deceit will be able to mislead the Serbian people any longer.

[Enchev] You are probably referring to the disbanding of the Serbian Communist League and its conversion to a socialist party.

[Draskovic] Precisely. Note what they did: Radmila Andjelkovic, the head of the Serbian League of Socialists and Communist Party member, and Slobodan Milosevic, the chairman of that same party, used a trick and united within the Socialist Party. Even Stalin had not thought of joining with Molotov within a single party. I think that this is a phenomenon as yet unrecorded in the history of bolshevism.

[Enchev] Your attitude toward communism is extremely clear. What do you think of the idea of restoring the Serbian monarchy?

[Draskovic] We consider the 1945 Referendum invalid because it was held in an atmosphere of terror, falsification, and the absence of an international commission. Will Serbia be a republic or a monarchy? This depends on the will of its citizens. If we were to win the elections, we would immediately restore to all members of the Karadjordjevic Dynasty their citizenship. We would return to them their property, including their Dedinje residence, after which we would hold a referendum.

[Enchev] You are speaking as a Serb who is totally obsessed by the idea of a strong and autonomous Serbia. However, the same things are being said by the Slovenians, who have already proclaimed their sovereignty. How do you assess the Slovenian aspirations to independence?

[Draskovic] The Slovenian people have the sovereign right of divorcing themselves from the Yugoslav Federation. However, you know that in a classical divorce neither party can say, "Starting today, I am free!" A number of problems have to be resolved, such as the division of property, money, children.... In a state divorce, matters become even more serious. I regret that we have reached a point of worsening the traditionally good relations between Serbia and Slovenia. However, there is one feature shared by all Slavs: to have good relations only with those Slavs who are not our neighbors. The moment there is a common border, quarrels and wars start. Serbs and Slovenians have no common border, which explains a great many things.

[Enchev] You have a common border with Croatia. How are Serbo-Croatian relations developing? Personally, I support the view that the apple of discord between Serbia and Croatia is called Bosnia and Herzegovina....

[Draskovic] This is a forced and nonhistorical argument. The Roman Catholics in Bosnia and Herzegovina have never exceeded 15 percent of the entire population. Until the middle of the 19th century, the Orthodox in

those areas accounted for about 60 percent of the population. In 1941, according to available documents, they accounted for 53 percent of the population. As for the so-called Muslims in Bosnia and Herzegovina, God! Ninety-nine percent of them are Serbian. Look at their physical features; they are pure Slavs. They accepted Islam by force, as was the case throughout the Balkans.

[Enchev] Their native language is Serbian.

[Draskovic] This is the strongest proof in arguing with the fundamentalists. The Serbs in Serbia and Montenegro and the Serbs in Bosnia and Herzegovina are one people. This is so obvious both historically and today that it simply needs no discussion. Naturally, they have the right to feel that they are not Serbian but Muslim. However, this does not change historical facts in the least. The most important fact is the work of Tito's communists, who, after 1945, instilled by force an Islamic self-awareness among Serbs in Bosnia and Herzegovina.

[Enchev] What is the explanation for such a stupid policy?

[Draskovic] Very simple. Tito, who was a Croatian, wanted to separate the Serbs in Bosnia and Herzegovina from Serbia and push them into the waters of Islam.

[Enchev] Do you support a similar concept in the case of the Kosovo problem?

[Draskovic] The problem of Kosovo, Bosnia, and Herzegovina is not national but religious. Islam is advancing in Yugoslavia by all possible means. The situation in Kosovo is the most serious, however, because there is where the sinister conspiracy of Islamic fundamentalism against the Christian world is being implemented. The fundamentalists realized a long time ago that the territory of the Slavic ethnic mass in the Balkans is the most convenient in terms of an Islamic offensive against Europe. Such an approach is inconceivable in the European countries, where Roman Catholicism predominates. It is not my business to give advice, but I dare to claim that, in the near future, the circumstances will make necessary the establishment of a new Balkan alliance among Orthodox Serbia, Bulgaria, and Greece in order to resist advancing Islam. This alliance will be similar to the one of the 1912 Balkan War. May God help the Serbs, the Bulgarians, and the Greeks so that their alliance will not degenerate into the tragic conflict of 1913. I see in the more distant future a democratic, Orthodox Third Rome, in which a renovated and debolshevized Russia will play the leading role.

[Enchev] Nine years have already passed since Tito's death. However, his portraits continue to hang in virtually all establishments in Serbia, in the stores, the streetcars, and the streets. Is this not a paradox, particularly in the case of Serbia, which, as you claim, was its biggest victim? Do you not have the feeling that the cult of Tito is refuting your words?

[Draskovic] Tito is dead, but Titoism lives. To the Titoists, Tito is their final hideout from the judgment of time. Do not forget that Serbs are believing Orthodox, and, as such, they respect the dead, even those who have caused them pain. Two years ago, when the call for destroying the monuments to Tito became popular throughout Serbia, many Orthodox Serbs said: "Wait a minute, he is dead. We cannot mock a dead person." However, because we were always being ordered from above to love Tito and not to touch his cult, naturally a resistance to the worship of idols was growing among the Serbs. Today, mentioning the name Josip Broz is the same as mentioning death or the plague. This is Tito's greatest punishment. A greater punishment than such hatred could hardly be imposed by the most just court on earth.

[Enchev] The meeting held by the Serbian opposition on Belgrade Television, which was dispersed with naked force, was quite similar to the actions of the militia in Prague on the eve of the revolutionary changes in Czechoslovakia. What did this meeting prove?

[Draskovic] The Serbian communists exposed their true face. Only two years ago, party chief Slobodan Milosevic said in Kosovo Polje that no one has the right to beat up peaceful citizens. However, Slobodan Milosevic is a communist. When communists say something about democracy, it is like words written on ice that is then exposed to fire. Milosevic's words, the words of today's president of Serbia, should be interpreted as follows: "No one has the right to beat you up except my police, if you do not think and act as I tell you."

[Enchev] Let us speak of your letter to the Bulgarian Parliament, in which you condemned the anti-Bulgarian campaign waged in Yugoslavia and the provocative letter of the Yugoslav National Assembly, which contained an ultimatum addressed to Bulgaria. What surprised me, however, was the fact that to this day your letter, which was also signed by Vojislav Seselj and Vuk Komnenic, was not carried by the Belgrade press.

[Draskovic] It was ignored by the official communist institutions because they found it unpleasant that those are the thoughts of the entire Serbian people. We Serbs are in general not interested and do not give a (unprintable word—author) about Macedonia and the Macedonians, with their complexes. To us the Macedonian problem was resolved once and for all in the two Balkan wars and World War I. Macedonia should no longer be the apple of discord among Serbs, Bulgarians, and Greeks. It is ridiculous to be taught in school that, when the Slavs entered the Balkans, they had among them Serbs, Bulgarians, Croats, and...Macedonians. Listen, Macedonia is a Greek concept. Imagine now this "happy" Macedonian people, starting at the Urals and the Volga in the great migration and settling precisely on the territory that bears its name. How is this possible?

[Enchev] It is clear that this is an artificially created nation, but allow me to disagree with you on some points....

[Draskovic] This is indeed an artificial nation, but they believed this fabrication. If you try to tell them the truth, they will tear your eyes out....

[Enchev] Just a minute. You are a writer, and you certainly know that...

[Draskovic] Look, other than one area of Eastern Macedonia, where one can clearly see that the churches and monuments are Bulgarian and the inscriptions are in Bulgarian, the rest is ours. Skopje, Kumanovo, Central Macedonia, Western Macedonia—here you will find no church that is not Serbian, or a monument or a grave that is not Serbian. Here there are no dilemmas. After the war, there were so many people who were beaten up, persecuted, and jailed merely because they did not change their Serbian names. The first genocide committed against the Serbs after the war, during the time of Broz, took place in Macedonia.

[Enchev] This is a strange concept. In your view, how many Serbs are there in Vardar Macedonia?

[Draskovic] If is difficult to say. Ethnically, historically, the majority are Serbs.

[Enchev] Our view, supported by innumerable historical documents, is that 90 percent of the population in Vardar Macedonia is Bulgarian. Let me now quote to you Turkish, Russian, German, and English documents that indicate the ethnic nature of Vardar Macedonia, the more so since I cannot show them to you right now; let me mention only three names that should say something to you: Vuk Karadzic, Stefan Verkovic, and Josip Stros-majer. All three categorically state that the predominant ethnic element in those lands is Bulgarian. Even Stefan Verkovic, who was assigned a reconnaissance mission by the Serbian authorities, became convinced of the groundlessness of Serbian aspirations concerning Macedonia and publicly acknowledged its Bulgarian character. What can we say about the views of the Croatian Catholic Bishop Josep Stros-majer? Could the protector of the brothers Miladinov be lying when he says that Macedonia is Bulgarian? What is the name of the collection of folk songs of the two brothers, is it Serbian or Bulgarian? Your statement on the Serbian nature of Macedonia, Mr. Draskovic, is simply ridiculous. You are speaking of genocide committed against the Serbs in Macedonia after the war. It seems to me that you have switched the roles. The genocide was committed against the Macedonian Bulgarians who, after 1945, refused to accept the Macedonianism of Stojan Novakovic, which was implanted by Tito. Genocide was committed on people such as Metodi Andonov-Chento, who was recently totally rehabilitated by the Skopje Court. Let us also not forget that Tito's instructions on the liquidation of Bulgarians in Macedonia were carried out precisely by his Serbian assistants Milovan Djilas and Svetozar Vuk-manovic-Tempo. As to the attitude toward Serbs in

Macedonia after 1945, we should remember that most of them were Serbian colonists who were settled there immediately after the Balkan wars in order to push the Bulgarians out. The negative attitude toward the colonists on the part of the local population is entirely understandable. So far, however, no one has been able to prove that, in Macedonia, even one single Serb was killed after 1945 simply because of his Serbian nationality. Meanwhile, thousands of people were killed in the Idrizovo Concentration Camp, which is one of the most terrible postwar gas chambers in the Balkans, for refusing to give up their Bulgarian names. Such is the memorandum the Bulgarian delegation presented to the participants in the conference on human rights in Copenhagen. It includes strictly facts and nothing else. Facts of trials of people with a Bulgarian self-awareness, which took place in Skopje only five years ago....

You are a writer. Please explain to me why in the so-called Macedonian language there is not even a single declension. Even a beginning linguist could clearly see that this is a dialect of the Bulgarian language. You probably know that the Bulgarian language is the only Slavic language without declensions....

[Draskovic] There are no declensions in half of Serbia. Declensions were introduced by Vuk Karadzic. The Macedonian language is an as-yet-unformed language.

[Enchev] Any objective study of the structure and vocabulary of this language indicates that it can only be Bulgarian. As to your claim of the lack of declensions in some Serbian dialects, it seems to me that no linguist would support you on that.

[Draskovic] But they (meaning the Macedonian leadership—author) are coercively developing a language aimed at separating it from the Serbian and bringing it closer to the Bulgarian language.

[Enchev] You are promoting an absurd concept. A brief survey of the Skopje press proves the opposite: that the ideologues of neo-Macedonianism are trying today, by all possible means, to separate this dialect from the Bulgarian language and Serbianize it.

[Draskovic] The old, original Macedonian songs are the same as the songs sung in Vranja, Nis, and Leskovac. These are original Serbian songs. Furthermore, no country, neither Bulgaria nor Greece nor Serbia, can claim that the Macedonian population is 100 percent one of its own. Each of these three nations has left its ethnic marks on Macedonia.

[Enchev] I listen to you with interest, although your view cannot be defended. My suggestion is this: We shall publish the complete text of this interview. I would like, however, for the newspaper of your own party to publish our view on the Macedonian question.

[Draskovic] The opinion of our party on this matter is as follows: The Macedonian problem was resolved during the wars. To us, this is an accomplished fact. As long as

the Yugoslav Federation exists, the Macedonian Republic could exist. However, if there is a breakdown of Yugoslavia or of its confederation, the Socialist Republic of Macedonia will be neither independent nor a member of the confederation. It belongs to Serbia. Macedonia is the historical property of the Serbian people. It is a territory for the sake of which Serbia, as the winner of three wars, became part of Yugoslavia. That which Serbia won on the battlefield can be lost only on the battlefield. It is not our tradition to capitulate without a fight.

[Enchev] You therefore believe that military victories are a sufficient argument for your claim that Vardar Macedonia is Serbian? To me this sounds neither serious nor scientific. Well, if those so-called Southern Serbs in Macedonia were to identify themselves at any given point as Bulgarians, what would your reaction be?

[Draskovic] It is their right to consider themselves as such. However, they shall not have the right to separate this territory from the territory of Serbia or, respectively, from the Yugoslav State. As far as they are concerned, if they so desire, they could proclaim themselves Mongolians!

[Enchev] Do you not fear that such a statement will trigger a sharp reaction both in Bulgaria and among Macedonian Bulgarians in Yugoslavia?

[Draskovic] What are we to do with the Serbian churches and monuments in Macedonia? Skopje was the capital of the Dusan Kingdom. In the awareness of the Serbian people, Macedonia has always been Southern Serbia, old Serbia.

[Enchev] This means that you must try to change this awareness if you want to be true to historical truth. Let me ask you again: Do you not fear that the publication of such a statement in the Bulgarian press would show you in a rather bad light? Would you perhaps like to amend some of your statements?

[Draskovic] I am not afraid. Please print everything, and remember that the Serbian people have never sold out

their territories! We well remember to whom the Macedonian land belongs, whose are the monuments and graves, and who were the people who were pressed into abandoning their names and national feelings. We remember this in the same way that we cannot forget how much blood we have shed for Macedonia. We shall not surrender a single foot of Macedonian land to the Macedonians or anyone else!

[Enchev] Nonetheless, if you were to study documents that prove the opposite of your opinion, would you be prepared to change your views?

[Draskovic] I have studied all the documents, both Bulgarian and Serbian!

[Enchev] This means that, in general, you do not allow for the possibility of ever changing your opinion?

[Draskovic] No! There is not one Serb who would be prepared to do so. What would the Serbs who died for Macedonia say to me? Our suffering during World War I was exclusively for the sake of Macedonia. Had we surrendered Macedonia to you at that time, you would not have taken Germany's side. In that case, Bulgaria would have been Serbia's ally and fought Germany with it. However, even given this opportunity, the Serbs did not surrender Macedonia. After all those Serbian sacrifices, the people who live in Macedonia (unprintable word—author) on Serbia. However, this is not done because of pro-Bulgarian views. I know Macedonia well.

[Enchev] Forgive me, but are you a historian by training?

[Draskovic] I am a writer. However, a writer who is also a politician must know history.

[Enchev] No, I am asking you whether you are a professional historian.

[Draskovic] I have not studied history, but I read a great deal.

[Enchev] A final question: Would your newspaper print my view on the controversial problems, in which I could present to the Serbian audience the Bulgarian view on Macedonia?

[Draskovic] This is possible, provided that we publish our comment at the same time.

BULGARIA

Soviets Allege Contract Breach by Disk Plant

91BA0171A Sofia TRUD in Bulgarian 13 Nov 90 p 1

[Editorial report: "To the Attention of Mr. Andrey Lukanov: The Sword of Damocles Over the Stara Zagora DZU (Disk Memory Systems)"]

[Text] On 12 November the editors of TRUD received a letter addressed to A. Paporizov, Bulgaria's minister of foreign economic relations, signed by Mr. V. Sharapov, the Soviet ambassador to Bulgaria. It reads as follows:

The embassy has received a request from Yu.D. Maslyukov, chairman of the USSR Committee for Planning, asking it to inform the Government of the Bulgarian People's Republic about the difficult situation regarding procurements of some types of computer equipment.

In accordance with the 1990 trade and payment protocols signed by our countries, Bulgaria is scheduled to supply Winchester-type 100- and 200-megabyte hard disks and 100- and 200-megabyte removable hard disks worth 12.6 million rubles.

By 15 October 1990, 47.6 percent of the scheduled 10-megabyte hard disks had not been supplied (15,717 of the 30,000 stipulated for the first nine months). Contracts for the new models of 31 and 37 megabytes have still not been signed. Systematically over the past four years, deliveries of removable 100- and 200-megabyte hard disks have not been met. Contracts for their deliveries in 1990 have not been concluded. This situation is threatening to stop our own industry producing computer equipment.

The USSR Committee for Planning requests that urgent and efficient steps be taken to correct this situation and to ensure the stipulated deliveries for 1990. Should Bulgaria fail to fulfill its assumed obligations concerning supplying said commodities, the Soviet side shall be forced to resolve this situation by seeking other suppliers and refusing to accept Bulgaria's products.

Editorial note: Anyone who may have thought, looking at the heading of this article, that the editors were aiming at some kind of sensationalism, may have already changed his opinion because what else if not a Sword of Damocles is the real danger that a company in which so much was invested and that employs thousands of highly skilled Bulgarian specialists would essentially have to close down in another month. One does not have to be clairvoyant to realize that, obviously, the company will not be able to catch up in 30 to 40 days by delivering something it has failed to provide for several years. It is clear that, if it keeps its word (and there is no way it will fail to do so), the USSR Committee for Planning will take the threatened steps. It would be incredible to assume that the DZU company would be able, within such a short period of time, to find another customer for its products, albeit a smaller volume. What would the possible consequences be? At least two—economic and

social. We are not saying all this with a view to analyzing them. Such an analysis could be made later. Our purpose is different.

We are addressing ourselves to Prime Minister Andrey Lukanov with the suggestion that he personally, if possible, go to Stara Zagora without delay to meet with the labor collective that, in the next few weeks, may be threatened with being collectively thrown out on the street, both literally and figuratively. We believe that it would be useful for such a meeting to involve the participation of leaders of the KNSB [Confederation of Independent Trade Unions in Bulgaria] and the respective trade union federation. It is a question of the earnings of thousands of people and the severe consequences that will spread along the entire chain of the electronic industry—and not of that industry alone.

SDS Deputy Questions Lukanov Program

91BA0138A Sofia DUMA in Bulgarian 14 Nov 90 p 4

[Article by Kiril Dunev, people's representative of the SDS [Union of Democratic Forces]: "Questions Concerning the Government's Program, Asked by an SDS Deputy"]

[Text] Briefly, the government's text could be titled "Manual for a Liberal Market Economy."

This program was described as being "the only program for salvation." No such determinism exists in economic policy. Never has there been only one successful solution. The document is like a framework within which many accurate but also many incompetent decisions could be made.

The program stipulates the following:

- A drastic redistribution of the national income leading from consumption to accumulation.
- The limiting of inflationary processes on a long-term basis through their explosive increase over a relatively short period of time.
- The eliminating of budgetary imbalances.
- Privatization.

These are part of the neoclassical prescriptions for achieving a market balance. However, they are anticrisis measures. They are almost always recommended by the International Monetary Fund (IMF). Unquestionably, these are strong means. They stabilize the economy as it is at the time. They are recommended above all to the developing countries in which the agrarian sector accounts for a major share of the gross national product (GNP). In such countries a market economy exists, albeit in its embryonic aspect. Such steps do not favor a change of the system.

In my view, the "Lukanov Program" lacks the entire "fine tuning" of the economy. It constitutes the main feature under the conditions of expected high inflation.

- What increase and restructuring of foreign trade flows could be expected? What are the outlines of the planned national program for accelerating the export of goods and services? What foreign exchange rate will the Bulgarian National Bank try to maintain? Guidelines are necessary.
- What will be the cost of the entire program? What deadline does the government give itself, and under what condition of the economy could we consider that the transition was successful?

The IMF is awaiting the reaction of the Grand National Assembly. The program must be implemented. The reason is not that it is the best or the only possible one but that the IMF demands it. The goodwill of the IMF is an indulgence granted to sinning countries such as ours. We need such an indulgence in facing our other creditors—the commercial banks.

I believe that, in order to have parliamentary support, the least we should do is accept the suggestion and the laws from items one to 11 of the legislative program to be passed by a qualified two-thirds majority.

Editorial note: Mr. Dunev's view was received while debates were taking place in the parliament. The editors were unable to publish them at that time. However, it is of interest today as well, for which reason it is being offered to the readers.

SSIG Leader Cherpokov on Legal Changes

91BA0140A Sofia IKONOMICHESKI ZHIVOT
in Bulgarian 14 Nov 90 p 3

[Interview with Aleksandur Cherpokov, chairman of the control council of the Union for Economic Initiative of Citizens, by Emiliya Gulubova; place and date not given: "What the Bulgarian Private Businessman Expected of the Grand National Assembly"]

[Text] What did the Bulgarian private businessman expect, and what is he expecting less and less of the Grand National Assembly? It was quite difficult to find someone to discuss this topic, which demands profound knowledge of the problems of private business, solid legal training, and, not least, political sobriety. We encountered these qualities in Aleksandur Cherpokov, lawyer, chairman of the control council of the Union for Economic Initiative of Citizens (SSIG), member of the administrative council of the First Private Bank (PChB), and member of the Interyus DFG.

[Gulubova] So, let us begin with the person who, of late, is always considered last: the private businessman. What, in your view, are the biggest legal hindrances facing the Bulgarian private businessman today?

[Cherpokov] The biggest obstacles facing him today are economic. However, since they are dressed in legal and other acts, we can say that the overall legislative structure is an obstruction to economic development in general and, therefore, to private business. Ukase No. 56

on Economic Activities is actually a legal and political paradox. Its promulgation could be compared to issuing a permit to someone to make ice in the desert. It conflicts with all then existing legal and economic regulators and, to this day, continues to clash with some of them. However, we are also puzzled and astounded by the affinity of the government to create new restrictive legal acts such as, unquestionably, are PMS [Council of Ministers Letter] No. 32, No. 52., and, above all, No. 99. Adding to this the formulation of the Law on the Struggle Against Profiteering, it would be sensible to ask ourselves whether the administrative and power organs in general have the intention of creating a market economy or if it is nothing but a question of pseudopopulist slogans.

[Gulubova] Ukase No. 56 cannot ensure a conversion to a market economy. What should replace it?

[Cherpokov] It must be replaced by a set of economic laws that should include the following: a law on ownership, a commercial law, a law on banks and a national bank, a law on exchanges, and a provisional law that is particularly necessary, that of privatization. At the same time, let us add that the adoption of these laws alone would not entirely solve the problems of converting to a market economy. In my view, two more things are lacking: an overall adoption of existing laws on a constitutional basis, and political guarantees of the means by which the new laws will be applied.

[Gulubova] Let us go back to the private businessman. What laws passed by the Grand National Assembly would help him the most?

[Cherpokov] We should have some guarantees that the problems will finally begin to be surmounted. Such a wish is shared by soberly thinking economists and jurists. If we were to follow a logical chronology, it would be suitable, first, to solve the problem of land ownership. The second most important thing is making all economic structures (companies, whatever their nature) equal. Third, in my view, is the problem of the overall reorganization of administrative economic structures, which, according to my way of thinking, should convert from issuing permits to registering institutions, and some of them should be closed down. Immediately after that, we should pass laws that ensure the equality of all citizens, as is the case in the developed industrial countries. What kind of market economy could there be a question of with the present system of exit visas and the stipulations of the Law on Deals in Foreign Exchange and Foreign Exchange Control?

[Gulubova] It is as though foreign investments in our country are being slow in coming.... Virtually every day experts and guests coming from different countries emphasize the reason for this: the lack of the necessary conditions. What should those conditions be?

[Cherpokov] Two diametrically opposed views exist regarding the matter of the rules applicable to foreign investments. Some experts support the view that this matter should be settled with a special law. A draft of

If we were to adopt a new value system, it is not the liberalizing of prices but privatization that should become the focal point in the change of the economic system. The section of privatization has been developed in rather general, conceptual terms. There are no specific mechanisms and principles of privatization. The easiest way would be for it to be undertaken on the basis of monetary wealth. It is necessary to allow private cash loans at a market interest rate.

The market should be started with commercial credit and banking. This is the least painful way. Economic improvements will begin when such cash develops its own turnover. The longer it is, the better. It would be even better if it is aimed at investment and not at consumer goods. Price increases should begin with the means of production—that is, with the start of the production cycle and not with its outcome. At that point, although liberalized, prices would rise more slowly and reach a lower limit.

A market economy begins with the street vendor, the store, credit, and the money changers. There is no other way. We can only accelerate the pace, not choose among a number of options for a transition. Private merchants and consumer cooperatives will open thousands of paths linking consumers to producers. They will give very great impetus to capital investors. "Petty privatization" of trade, services, transportation, housing construction, farming, and tourism, combined with steps for demonopolization, should be one of the first steps. The subsequent steps should include obligatory large privatization.

Something many of our economists have failed to understand is that any drastic price increase would totally depreciate savings and eliminate any potential private capital. Yet such is the philosophy of the program. There would be neither market nor money to create such a market. The state budget will be filled without a break with its redistribution functions. This will keep state expenditures on a very high level. However, a market cannot be created by order from above.

For better or for worse, potential private capital has already imperceptibly accumulated (30 billion leva in savings). This is an auxiliary product of postponed consumer demand and commodity shortage. It is not distributed according to practical capabilities and intentions but provides a suitable economic environment for undertaking privatization. The depreciation of such savings would worsen the opportunities for privatization through economic means.

At present, the current annual income is above 25 billion leva. The commodity stock is worth, respectively, 20 billion. There are about 30 billion leva in savings, 5 to 6 billion of which is kept in jars and mattresses. For a market balance to be achieved, the expected increase ranges between a factor of 2.5 and 3. This will reduce savings to 10 billion. The residual value of fixed production assets ranges currently between 45 and 50 billion. It will respectively "jump" to 130-140 billion leva.

With such a ratio between cash and stocks to be privatized, no privatization would be possible through economic means. Other possibilities arise, but this remains the classical and the best-known one, and yet we are blocking it.

The purpose of the shock therapy in Poland was to put an end to hyperinflation by curtailing subsidies and freezing wages—that is, lowering consumption—for the sake of accumulating private production capital.

We have partially experienced the result of the Polish "shock therapy." We should not deliberately lead the country into a situation that could easily turn into an inflationary spiral. The pressure to increase wages would become uncontrollable.

To give the program a vote of confidence, its expanded variant should be such as to provide a simple answer to an entire array of questions, such as:

- What speed of privatization will be adopted by the government? Could it be 7-8 percent of basic production capital per year?
- How much will domestic consumption be curtailed?
- How much will wages be reduced?
- What regression coefficient will be used in indexing the higher and the highest wages?
- What will be the cost of indexing, and how long will the government be able to maintain it?
- By how much will production be reduced?
- What restructuring and regrouping of production ties could be expected? What sectors will find themselves in a particularly difficult situation? What type of enterprises will be the first to declare bankruptcy?
- What will be the cost of structural unemployment?
- What level of unemployment will be considered socially acceptable? What type of social indicators will there be to the effect that society will or will not have any tolerance of the steps taken by the government?
- What restrictive measures will be applied in monetary policy? By how much will the emission of money be curtailed?
- What will be the size of the reductions of subsidies (currently 6-7 billion leva) given to losing companies? Shall we abandon all subsidies or only subsidies of some production facilities and companies? Which ones?
- By how much will budget revenue and expenditures be reduced?
- Under what circumstances (increased inflation, increased unemployment, increased strikes, uncontrolled increase of imports, reduced production, reduced exports, scarcity of energy, and worsening of the consumer market) will the government tend to make significant concessions and corrections in its program? (There are no quality characteristics and basic parameters of the labor market and specific economic instruments for its creation and functioning.)

such a law already exists. Their opponents give priority to the concept of equality and believe that the question can be solved with special stipulations within a general commercial law. As is usually the case, the truth probably lies somewhere between the two. We must determine how extreme our present economic conditions are and whether it would not be better to apply, for a while, a privileged regime for foreign investments, at least until the implementation of the basic principles of a market economy becomes irreversible. As to the current rules governing foreign investments, they could be compared to the behavior of a young virgin....

[Gulubova] A great deal has been said and written about privatization. Of late, another concept, that of destatification, has become part of the debate. Are there differences between privatization and destatification, from the legal point of view?

[Cherpokov] The two concepts are usually equated. In my view, it would more accurate to say that they are stages of a single process. In the case of destatification, the question is how to dismantle the present structures in a socially equitable way. If it becomes a question of privatization, the problem is how to transfer material goods and economic opportunities to private ownership without affecting to an unacceptable degree the interests of some population strata and individual citizens. It would not be sensible to believe that there is a universally equitable way of implementing this process. Personally, I am pessimistic. What is certain, however, is that, if we are to choose between unfair privatization and no privatization, the former is preferable. Furthermore, it would be inevitable if we related it to the topic of survival.

[Gulubova] Along with everything else, you are dealing perhaps most energetically with company law. In your view, what are the main shortcomings in Bulgarian company legislation as found in Ukase No. 56?

[Cherpokov] Your question would have been considerably harder to answer had it dealt with the advantages because, in that case, I would have been almost unable to answer you. Let us define, above all, the difference between company law and establishing a company. From the point of view of theory, we have no company law. Instead, we have an imperfect surrogate, Ukase No. 56, which permits the registration of companies but nothing else. The main difficulty is that the current law, as applicable to companies, is an absurd mixture of the principles of a planned economy and embryos of a market economy. The contradictions among and between legal acts are so many and so extensive that any accurate legal application becomes impossible. We should not be astounded by the fact that many state authorities prefer to remain inactive instead of solving the problems as they arise. Naturally, such behavior is also caused by other things.

Nor should we blame the citizens for their desire to register companies. Quite likely, it will turn out that, for

substantial population strata, this is the only way of avoiding the consequences of an economic catastrophe. According to the specialists, the headlong creation of firms may seem naive and unpromising. From the practical viewpoint, however, hardly anyone would undertake to deny the right to people to make use of their opportunities, however small they may be.

[Gulubova] There are laws, but there are also many legal acts that, until recently and perhaps even to this day, have played a major role in economic life. How should it be in the future?

[Cherpokov] The topic of legal acts is a big one and contains so many difficult elements that it would be better to consider it a separate topic for discussion. Within the framework of this more general legal-economic commentary, let me limit myself to pointing out only the biggest paradox. For decades, there were laws and legal acts that not only were not published in DURZHAVEN VESTNIK but also were not published anywhere else. From the viewpoint of legal theory, they should not have had any legal impact. By the power of the party-*nomenklatura* principles, they were operative, and their results are clear to everyone. It is strange, to say the least, that, even after 10 November, such cases exist. A while back, the press reported that there was a Council of Ministers telex (the number was given) that was annulling PMS No. 71. This example could be viewed from another angle, related to determining the juridical power of legal acts. Whatever the criterion, the existence of such a telex is a legal absurdity.

Under the totalitarian system, law-making had become a prestige-elitist occupation of a handful of people, serving the interests of the one-party oligarchy. At the same time, legal acts were being drafted almost indiscriminately and virtually by all more or less top departmental entities. The result was insurmountable chaos, the elimination of which today hinders not only deputies in the Grand National Assembly and specialists involved in such matters but also all governmental and public institutions dealing with this problem.

[Gulubova] A few days ago we learned about Mr. Valentin Mollov's idea concerning the creation of a Bulgarian Business Bloc (BBB). What will the objectives of this new party be? Will it try to be the "third" winner, while "the other two are quarreling?"

[Cherpokov] Although business and politics are two different things, one cannot do without the other. Ever since it was founded, the SSIG has tried to promote the organization of business and to work and create goods by its members. It patiently waited for many long months for the main political forces to make possible progress for the entire society. Unfortunately, it seems that we must begin by resolving the problem of political priorities or, more specifically, the problem of power. Against the background of the political struggle, private business in Bulgaria is suffering inadmissible losses. Some companies, particularly in agriculture, are on the verge of

bankruptcy. The SSIG cannot allow this. Essentially, the idea of the BBB is based on the practical need to protect all interests of private business, including by political means. At the same time, we have sufficient grounds to assume that one such party would be the natural environment for the intellectual elite of the nation.

Some people may find this paradoxical, but, unlike all basic and secondary political forces in our country, the BBB has put the question of power (which is a natural one for any political party) in very second place. In any case, it would be unreasonable to expect the members of the SSIG to put party interests above the interests of their business. We are expecting an acceptable balance.

[Gulubova] A final question. Let us mentally move into the future and look back at the past and the present. What conclusions could we draw?

[Cherpokov] A great many answers to this question are possible. Of late, we have noted a strange phenomenon. An increasing number of people believe that the crimes that were committed before 10 November 1989 could qualify as mistakes. It is quite likely, however, that mistakes made after that date will prove to be crimes! This is worth thinking about.

CZECHOSLOVAKIA

Consumer Goods Said Disappearing From Markets

91CH0156E Prague ZEMEDLSKE NOVINY
in Czech 23 Nov 90 p 3

[Article by (zn): "Is There Nothing To Sell?"]

[Text] Nearly all previous sales records in sales have been broken this year in November—and the month has not yet ended. In stores where salespeople who are not willing to stand with folded arms by empty shelves must be inventive and somehow find a solution.

Yesterday our reporters informed us by teletype about the situation in individual provinces.

Even Salt in Stock

One of the three largest commercial centers in the South Bohemia metropolis, Ceske Budejovice, is the Druzba [Friendship] department store of the Jednota [Unity] consumer cooperative. The 3 million korunas [Kcs] increase in sales over the twenty days of November attest to the intensity of the shopping fever during which our citizens buy out goods they would not purchase under any other circumstances. According to the statement made by the director of this department store, Pavel Matousek, there are no problems with supplies; even salt is available over the counter. Substantially worse is the situation with industrial products. It will not be until next week that a one-time delivery of fifty TV sets from the Tesla Orava company is expected, but it is estimated that they all will be gone within two days.

Merchandise Cannot Be Seen

Customers exert a great pressure on stores also in the East Bohemia kraj and thus, many goods are hard to find in stores. The would-be buyers of carpets, freezers, color TV sets and leather goods have a very slight chance of success in their shopping. Also, the selection of footwear is pathetic because of considerably high demand in that kraj. It is estimated that roughly only forty percent of shoppers' demands can be satisfied due, among other things, to low inventories of goods and inadequate deliveries of footwear from the wholesale store in Zlin.

Trips to Manufacturers

During November the employees of the Ria department store in the city of Most have already collected more than Kcs16 million, while last year their sales during the same period were Kcs3 million lower. According to the statement by Director Eng. Pavel Wrana, the demand for certain goods, especially color TV sets, washing machines, refrigerators, and bicycles far exceeds the supply. Deliveries are practically negligible—goods disappear from shelves in a few minutes. Therefore, the situation here must be resolved by going straight to manufacturers to get some goods that are in short supply. This week this concerned, for instance, bed sheets from Benar in Benesov on the Ploucnice River.

No Goods Are Unsalable

It is quite understandable that the shopping frenzy cannot evade even the largest department store in the West Bohemia metropolis and its branches in Cheb and Ostrava. According to the director of the Prior store, Attorney Jirina Sinkulova, the first attack was reported back in October, when for example, the sales in Plzen were 40 percent higher and in Cheb as much as 70 percent higher than last year. Obviously, because of the favorable exchange rate, the citizens of the FRG also contributed toward that end. Practically everything is bought and there are almost no completely unsalable goods. The first limit was introduced here in the grocery department—mainly because of an increased interest on the part of foreign visitors. Average daily sales escalated from Kcs1.6 million last year up to Kcs4 million. Despite certain problems with the predominantly monopolistic suppliers, for instance, the Calx has only now began to fulfill its obligations for the third quarter—preparations are underway in West Bohemia to supplement the assortment of merchandise in part with imported goods.

False Rumors

At the first glance, the case of the Prior department store in Prostějov may seem strange. The upper floor of the largest shopping center in the district town, where textiles, clothes and footwear are sold, has been closed for several days already, and rumor has it that it will not be open to shoppers before the new year. It is alleged that the sales plan for the current year has already been met and that the goods are "warehoused" for another price

increase. We asked the director of the department store, Josef Mikulik, whether it was true: "We are completely remodeling the upper floor right now as the last stage of a long-term program by which we are trying to improve shopping conditions in our department store. This year we have spent a total of several million korunas for this project. We shall complete the job ten days before the deadline; no later than Monday the upper floor with modern design of display and with full shelves will be ready for customers."

One to Two Items

The largest department store in North Moravia—the Laso on Masaryk Square in Ostrava—launched a distinctive advertising campaign. However, thus far the attractive ads in the streetcars and in the press are rather a promise for the future because a shopping frenzy has exploded in this kraj as well. Practically everything is being bought—gold, electric appliances, rugs, durable food products, alcoholic beverages... For that reason, the Laso introduced a rationing system by which the managers of individual sales departments must control the flow of goods; if there is any chance that all items would be sold out, they impose control by selling only one or two items to a customer.

Problems in Small Privatization Viewed

91CH0156A Prague HOSPODARSKE NOVINY
in Czech 21 Nov 90 p 5

[Article by Eng. Aram Simonian, LLD, Prognostic Institute of the Czechoslovak Academy of Sciences: "What Do Salespeople Fear?"]

[Text] The experiences with the bureaucratized state and pseudo-cooperative enterprises of trade and services have shown sufficiently clearly that there is no substitute for private entrepreneurship in that sector of national economy. It is obvious that in a competitive environment only well-operating enterprises, encumbered with a minimum of operating costs and attentive to even marginal demands, can fully satisfy the rapidly growing social requirements of services. By the same token, a decentralized material-technical base of trade and services, composed predominantly of small operating units, offers opportunities for a relatively smooth transfer of ownership to private entrepreneurs.

Nevertheless, initial reactions to a governmental draft of a legal amendment on the so called small privatization have already led to strikes and threats of strikes in retail stores and dining services; that as well as extensive debates and revisions of the draft during parliamentary discussions indicated problems that will evidently multiply even more in the process of the implementation of that law.

The strikes tried to force through the demand that when businesses are sold, their employees be given preference, which our public realized—and the media in general presented—as the fear on the part of dishonest owners of

ill-gained assets that they will have to compete with "colleagues" from the outside. In reality, however, that reflected more a social unrest on the part of a relatively large group of employees that is very important for the satisfaction of our society's daily needs but that was poorly informed and therefore, suddenly felt as a whole that its existence was in jeopardy. Although business operations in the centrally-planned economy were thoroughly distorted by legal superiority over consumers, trade was degraded to distribution, which was quite detrimental for the absolute majority of 260 thousand employees in stores (75 percent of them women) and 120 thousand in dining services (66 percent of them women); the younger among them suffered for the very reason that they had not been taught as much as the basics of their jobs.

At the same time, the fear of the rank-and-file workers that they would lose their jobs because of the privatization of stores is not justified. The previous system of "economical" distribution planned according to official directives had shrunk the retail network to the detriment of the population's free time and comfort so completely that even the much criticized shopping during customers' work hours became unavoidable. (The concentration of shoppers over a brief period of time after their work day ended would bring about a collapse of the already overwhelmed stores.) After all, the CSFR average is 58 customers per salesperson, while in Austria it is 33, in Finland 29, in Sweden 26, and in Switzerland only 22 customers. In a market economy the consumers themselves will determine the development of work forces in retail stores, more of whom will then certainly be needed. As compared with economically advanced states, restaurants may have some hidden potential of direct labor due to the scant technical equipment and insufficient cooperation of the food industry, but even here the expanse of tourism will increase total employment.

Will There Be Really Considerable Interest in Small Operations?

Nevertheless, the privatization process in trade may unfavorably affect a smooth flow of supplies to our population. When it concerns food, even short-time disruptions of deliveries lead to serious social consequences. A threat stems from the mutual correlation of the steps of the reform: the law on small privatization got ahead of demonopolization of production and wholesale enterprises, as well as of clear-cut specification of economic conditions for private entrepreneurship in trade and services. Thus, one cannot dismiss the possibility that the interest in purchases of businesses (however, in most instances it will concern only purchases of their equipment and inventories) will not be so widespread, and the process of privatization so speedy, as one would expect in view of protests voiced in retail trade and services.

Stores and dining facilities obviously will be in great demand in town centers and in areas of concentrated

tourism, as indicated by both the absolute lack of such business capacities (practically no new one facilities have been built in traditional town centers) and the indecision concerning local taxes and charges that would clearly eliminate the huge differences in profitability of retail trade and dining services due to their location.

On the other hand, in areas that are less attractive for entrepreneurship, risks that are very familiar to business employees may influence decisions about buying businesses—especially important retail food stores.

As for goods supplied directly from manufacturing enterprises to stores, suppliers with a limited area of deliveries still have monopoly as a result of the former long-lasting process of concentrating production in large facilities (dairies, bakeries, meat processing plants, breweries, etc).

In goods supplied by mediation of wholesale warehouses, the situation is similar; it stems mainly from the regionally organized wholesale business. While, for instance, in Austria 1,200 wholesale businesses which compete with one another offer their services to retail food stores, in our country the newly established private stores and restaurant dining facilities are in danger of being left to the tender mercies of a single supplier. Thus far the organization of the state food and nonfood wholesale monopoly over a specific territory could not be shaken. At best, its territorial range was reduced from region to district. Moreover, the officially decreed, relatively limited wholesale range (roughly half of Austria's average) restricted the services to small businesses. For example, we have no wholesale warehouses of the "cash and carry" type, where retailers and restaurant owners may select goods at any time, pay for them cash at wholesale prices, and carry them away. And because our manufacturing enterprises do not store their finished products, retail business is extremely dependent on wholesale services.

Existential conditions of small retailers will be further aggravated by circumstances that are thus far not very obvious. The current limited range of retail businesses is insufficient for any expanded process of replacement. (Its share in retail prices is on the average two and one half times lower than in Austria.) Private initiative may correct many shortcomings existing in our retail business, particularly in its personnel's attitude toward customers, but if business does not undergo greater expansion, services to our public cannot be substantially upgraded because that demands above all an expanded sales network. Planned liberalization of prices will at long last make its organization possible, which means that trade itself will set the prices of its services by means of surcharges on purchase prices. Of course, without initial competition among enterprises, there is some danger that businesses may speculate and increase their retail prices. If it is a question of non-essential goods, consumers can exercise the option of not buying high-priced goods at all, which will act as a certain corrective measure. However, in case of necessities, the center may

have to impose temporary restrictions on the range of expansion. Business has the disadvantage that the possibility that the irrational system of an uneconomic, undifferentiated commercial range may be liquidated comes up at a time when due to a sudden overall rise of the cost of living our population evidently will be unwilling to be charged for shopping comfort in higher prices of goods.

The Greatest Changes Will Affect Food Sales

With a certain lapse of time, a greater danger threatens entrepreneurs with small capital in sales of daily necessities, because it may be presumed that in a market economy and with the aid of foreign capital, our business will begin to overcome its long-lasting lag behind the economically advanced world in marketing methods. And here the fulcrum of sales of food and basic types of nonfood products is already shifted toward huge self-service facilities (supermarkets and even bigger hypermarkets) with their own parking areas, that are designated for big once-a-week shopping. Such economical "shopping factories" save consumers' time (they eliminate the need for daily shopping for basic goods) and money (low overhead makes it possible to cut prices); their share in total food sales in West European states has already exceeded 50 percent and is steadily climbing. Their competitive pressure forces other retail food stores to streamline their operations and organize bigger enterprises and chains linked to joint wholesale facilities. Independent small businessmen of the type that used to predominate in our country prior to the liquidation of privately owned retail stores, are being pushed out to the periphery of competition. In the FRG, Sweden, Switzerland, and Denmark their share in food sales has already dropped below 10 percent, and in Great Britain and Finland below 5 percent.

After complete liberalization of prices in dining and other tourist facilities, it may be expected that the differences in profitability of operations serving predominantly foreign and domestic customers will increase even further. Enterprises that can afford to adjust their prices in Kcs in conversion to foreign tourist exchange rates will be unusually profitable (unless a method can be found to subject them to special taxes). For instance, this year the most expensive international hotels in Prague are already reporting up to the 100 percent higher profits; they charge for accommodations in dollars and come close to the West European scale, while their costs in korunas—particularly for wages—are low. On the other hand, existential conditions for the operation of restaurant dining services catering to the Czechoslovak population will be very complicated in the coming years. Obviously, the necessary changes in the structure of public consumption costs will reduce the current roughly 7-percent share of its expenditures for restaurant dining, which is nearly twice the similar share in total consumption costs of the population in the countries of West Europe. A particularly big drop may be expected in the costs of alcoholic beverages and cigarettes, which amount to more than one half of the current receipts in restaurant dining.

How To Help Privatization

In the current system of poorly operating and unreliable services and supplier-consumer relations, major enterprises of the service sector have gradually built up their own transportation fleet, construction and repair facilities, storage for materials and objects of gradual use, central production enterprises, and so on. However, private business will also need, at least in the beginning, the services of such auxiliary facilities and therefore, their operation should not be terminated in the process of privatization.

Pursuant to the law on transfer of certain objects from state ownership to the ownership of physical or legal entities (and in accordance with the laws of both our republics), district commissions will issue decisions on specific selection of operational units to be offered for sale. It is certain that this selection as well as organization of public auctions will also spawn a number of material and legal problems that cannot yet be foreseen. Therefore, it would be advantageous to apply the law first over a limited area; then the experience thus gained may be promptly reflected in general operational instructions.

However, even before the actual process of privatization is launched pursuant to adopted laws, if the center resolves some of the foreseeable problems, it would make the work of district commissions easier, specify the existential conditions for privatized businesses, and reduce the danger of disruptions in the flow of supplies, which means:

- To apply local taxes and charges in order to reduce to a minimum differences in the profits of trade and service establishments due to their location;
- For the property scheduled for privatization according to the above-mentioned law, to specify a selected food wholesale network as a basis for new systems of economical sales of the fast turnover type of goods. In the next stage, with the help of interested foreign parties, to organize such units into state-wide retail networks, with their own wholesale bases, operating at margin, and thus, regulating the prices of basic needs in all retail trade;
- Analogically, to identify hotels that serve predominantly foreign guests, and to resolve their privatization in a specific way with respect to their quite extraordinary high profits stemming from the tourist exchange rate of freely convertible currencies;
- Assuming that the attitudes toward cooperative property in consumer cooperatives will later improve, to restore to those organizations their wholesale warehouses which they were forced to transfer to state trade in 1958, and thus, to offer prompt support to the competitive factor on a wholesale level. Consumer cooperatives are omitted in laws on small privatization; they may offer advantageous services also to the newly privatized retail and dining establishments;

—To order district commissions that, when they select operational units to be offered for sale in the program of small privatization, they leave intact those unified companies that may offer to the newly privatized operations much needed services on a franchise basis.

Change to Western Accounting Standard Explained

91CH0197C Prague HOSPODARSKE NOVINY
in Czech 12 Dec 90 p 7

[Unattributed article: "Converting Accounting Reports to Western Standards"]

[Text] In No. 45 of the HOSPODARSKE NOVINY weekly we mentioned a Czechoslovak-British seminar on the theme of privatization in conjunction with research conducted by the firm KPMG among American entrepreneurs. This seminar, which was held recently in Prague, generated a number of interesting ideas for our economists. Today we want to acquaint readers with the main ideas in the document prepared by the above mentioned firm for our enterprises. KPMG experts attempted to define the information that our organizations must have available in order to facilitate accounting. The document assumes that for the past year (1989), firms prepared their year end reports (as of 31 December) according to "domestic" accounting standards. What to do with them? What kinds of new accounting reports do we need to produce, and what questions do we need to ask in order to compile them?

There are ten groups of documentation that a firm must compile. There will be no problems assembling the documents for groups one through three. Other groups, for instance group four, require rather extensive explanation. In the rest of this article you should find sufficient instructions to enable you to gather the documents needed to convert accounting reports to Western standards.

1. Copy of a detailed profit and loss statement for the past year—as of 31 December 1989.
2. Copy of detailed balance sheets as of 31 December 1988 and 1989.
3. Copy of the basic accounts used by the enterprise.
4. Description of principal accounting techniques used by the enterprise, and a description of the related procedures explained in a) through e) below.

a) Rules for preparing accounts.

—Were the accounting techniques used to prepare the 1988 balance sheet also used in 1989? If not, describe the differences and note what kinds of changes would have to be made in the 1988 balance sheet to make it correspond to the balance sheet for 1989.

—Are the accounts kept on an accrual or on a cash basis? This means: Do you realize revenues from sales when

the goods are delivered, or when you receive payment for them? Do you account for costs when you receive the goods or services, or when you actually pay for them?

—Are accounts set up in a corresponding manner? This means when you calculate profit do the revenues match up to all the costs incurred to generate them?

—Do the accounts reflect all known obligations (either their exact amount or an estimated amount if they must be estimated)?

b) Sales

Do sales figures include the sales tax? If yes, what is the amount calculated for the sales tax?

c) Inventories (including raw materials, work in progress, finished goods, goods designated for sale)

—How do you value inventory? Does the inventory value include the value of raw materials, labor and overhead costs? Are the overhead costs restricted to overhead costs for production, or are they total production costs?

—Is the inventory valuation adjusted for unusable materials or products that cannot be sold because there is no demand or products that must be sold for less than their production costs?

—How do you record inventory use? Do you use the FIFO method (line method-first in is also the first out) or the LIFO method (bin method-last in is first out)?

—Is the enterprise party to any contracts under which the manufacture of saleable goods takes more than 12 months? If yes, how do you incorporate profits from these activities in the profit and loss statement? How are these contracts accounted for on the balance sheet? If you receive progress payments for long contracts, how are they accounted for?

—Do inventory values also include nonmaterial costs such as those for patents, trademarks, or licenses? If yes describe how amortization is accounted for, and provide the pertinent figures in profit and loss statements for 1989, and in balance sheets for 31 December 1988 and 1989.

—Do inventory valuations include ongoing capital construction projects? If yes, provide figures for 31 December 1988 and 1989.

—How frequently is inventory evaluated? What were the final figures as of 31 December 1988 and 1989?

d) Research and Development

Do you write off R&D expenditures in the year when they are incurred, or do you carry a certain amount on the balance sheet? If a balance is carried, what rules do you follow? Provide values for 31 December 1988 and 1989.

e) Foreign Currency

How does the enterprise account for receipts, expenditures, positive and negative balances denominated in foreign currencies?

5. Funds

Check movements of all funds, so you can explain and enumerate changes in fund values between 31 December 1988 and 31 December 1989.

6. Events Since 31 December 1989

Did anything happen in 1990 that might affect the accounts for 1989? These events fall into two groups:

—Events that allow a more precise valuation of assets and liabilities for 1989 (for example liabilities that had only been estimated).

—Events that a person examining 1989 accounts must know about in order to accurately analyze the position of the firm (for example, 1989 accounts can show a strong position for the enterprise, but the situation may actually be bleak because operations had to be stopped because of a fire).

7. Contingent Liabilities

Does the enterprise have any contingent liabilities? Contingent liabilities are those which may, but will not necessarily occur in the future as a result of obligations already entered into by the firm (for example, if the firm provides a guarantee that has not been exercised, but may be exercised in the future).

8. Capital Assets

—Capital assets of the firm are carried in the accounts as costs or values, without accumulated depreciation. Note changes in price (between 31 December 1988 and 1989). Also compare changes in accumulated depreciation over the same period, and the amortization amount stated in the profit and loss statement.

—State the amounts included in prices (value and accumulated depreciation assuming fully depreciated capital assets).

Enterprises must periodically evaluate their capital assets using indexes so that the value of the assets corresponds to current prices. When was such an evaluation last performed prior to 31 December 1989, and what data were used for price levels?

—Has the enterprise revalued capital assets since 31 December 1989? How much of an increase did the revaluation yield? Which categories of capital assets did this affect and which additional indexes were used to calculate each category?

—Are any nonmaterial assets (patents, trademarks, licenses and the like) included as capital assets, and are they amortized? If yes, state amounts.

—Does the firm rent any capital assets? If so, state amounts.

—What are the terms under which the enterprise uses the land where its buildings are situated? Does it own any land?

9. Deferred Payment of Liabilities

Does the enterprise have any liabilities that are payable after 31 December 1990? If yes, state the amounts involved.

10. Deferred Tax Obligations

Does the enterprise enjoy any tax advantages that allow it to defer taxes until future years? (This means, does there exist any time lag between recording profits for accounting purposes and recording profits for tax purposes.)

In addition to these "ten points" that relate to accounting reports for past periods, companies also have to look to the future. Answering these questions for the future may seem more difficult than gathering the information for the past, but some projections are a necessity.

1. You need projections of monthly profit and loss statements for the two year period ending 31 December 1991.

2. Are the principles used to make this projection consistent with those used to prepare 1989 accounting information? If not, explain the differences.

3. If you need to provide an analysis, comparison or other details about the past information, provide the same for the projections.

4. State the assumptions you made when making the projections. (What factors affect sales levels, what will have an impact on costs, what rate of inflation do you project, what interest rate levels, etc.).

Experts at the auditing firm KPMG Peat Marwick recommend that you answer all these questions if you want to keep accounting records that correspond to the so-called Western standard. Clearly this is not a simple task, as shown by this document, and when one realizes that accounts in Czechoslovakia (but also in other countries of the former "socialist camp") have for some decades been kept to correspond to the dictates of central planning.

We need not emphasize that a market economy has nothing in common with such a past. The fact that we want to renew a market mechanism here is just as irrefutable as the reality that a top priority of this process will be transferring firms now owned by the government to other owners, both domestic and foreign. This brings us back to accounting. No investor will be interested in buying a company (and maybe even in cooperation with one) if accounts are not available concerning past and current performance. These accounts will have to be

concise, understandable, and will have to at least approximate the structure and content of Western accounting information.

In the future one may expect that Czechoslovak accountants will be trained in these practices, but this cannot happen from one day to the next. One can make a beginning based on the proposal by the firm KPMG.

Corporate Accounting During Reform Clarified

91CH0156B Prague HOSPODARSKE NOVINY
in Czech 21 Nov 90 p 6

[Article by Eng. Jaroslav Smrcka: "Accounting in a Stock Company"]

[Text] During the process of denationalization of state enterprises and their transfer to the so-called state stock company, it is assumed that accounting will determine the value of the property (assets) which must be covered with net worth (mainly shares) or foreign capital (credits, including obligations), i.e., with a certain combination of domestic and foreign resources. The accounting of property settlement is based on the transformation of accounting values into an accounting structure corresponding to the future function of the stock company. To facilitate this process, it may be helpful to present a brief analysis of a common accounting structure of stock company as stipulated by appropriate legal regulations (for instance, as in the law on stock companies in the FRG).

The Structure of Accounting

A simplified structure of accounting of a stock company appears in the diagram.

Basic accounting documents are accounts (balance) together with accounts of costs and incomes (income statement). Accounting offers a look at the economic situation of the enterprise at a particular moment, usually as of the last day in the year (on the other hand, an income statement reflects the cash flow over a given period, usually one year).

The claims for funds of appropriate owners of the so called liabilities must agree exactly with the koruna [Kcs] value of assets—material and nonmaterial.

In some countries (for example, in the United States) only claims of foreign owners, in other words, credits (including obligations), are regarded as liabilities. Elsewhere liabilities are divided into net worth and foreign capital (this division is shown in the diagram). According to the former concept, the following relation applies: The value of assets equals the value of liabilities plus the net worth of internal capital, which is the same as in the latter concept, or, the value of assets equals the value of internal capital plus the value of foreign capital (equal to the value of liabilities in a broader sense of that word).

Thus, from the first equation we obtain the net worth of the stock company as the difference between its assets

and its liabilities, and analogically, from the second equation, as the difference between the assets and foreign capital.

An important circumstance is that the net worth of a stock company is a residual quantity. To illustrate this, we offer a very simplified example: Let us assume that a warehouse containing materials in total value of Kcs50 million burns down. If the warehouse is not insured, the loss will be reflected in its assets reduced by that amount, just as on the side of the liabilities the net worth will decrease, while the value of foreign capital will remain unchanged.

A similar effect on accounting will take place if inventories of unsalable goods are depreciated or sold at reduced prices, or if unused machinery, equipment and buildings are depreciated or sold, which occurs often and must continue to occur, so that in the next stage state enterprises may be suitable for privatization—in other words, so that they do not begin as private businesses encumbered with a structure of unsalable assets and thus, with disproportionally high values of their net worth at which amount shares must be issued and sold.

Several other interesting facts may be derived from a simple accounting structure of a stock company. Above all, this is the case where material assets are usually differentiated according to their convertibility to cash in regular financial transactions, i.e., current and fixed assets.

A similar case concerns liabilities in a narrow sense of that word (foreign capital), where a distinction is usually made between the current and the long-term liabilities, depending on whether they are payable in a term of less than one year.

Here it must be underscored that although the side of assets must equal the side of liabilities, no value on one side of accounts corresponds with any value on the other side, i.e., no asset is covered exactly by some liability. Long-term credits, for instance, do not correspond with the value of the machinery, equipment and buildings, just as short-term credits do not correspond with the value of inventories. Inventory management will be abolished as of 1 January 1991. Preparations for the transformation of the state enterprise into the so called state stock company and its subsequent transformation into regular stock company must conform to that reality.

Another fact is that "cash" represents a single item in assets and its value is determined with the greatest precision. Other assets are assessed in accordance with applicable legal norms and methods. However, such norms usually provide a rather broad range for manipulation when setting specific values of assets according to the programs of the enterprise, its financial situation in a given year, and its projected future development.

Accounting and Prices

The most frequently occurring problem is the assessment of inventories procured at various times and also at different prices during periods when market prices displayed different mobility. The method of "first in, first out" is usually applied, or the value of the inventories is averaged. The aim here is to estimate the inventories as close to their current market price as possible (this circumstance will be important especially in conjunction with the assessment of unsalable inventories).

A similar space is provided by the policy of depreciation, according to which the enterprise may apply progressive, linear or degressive rates of depreciation.

Still greater problems may occur when assessing machinery, equipment and buildings and possibly also lands. Such problems may not appear until during the next stage of privatization, but they must be taken into consideration already during the denationalization process. As stated above, an accounting (balance sheet) assessment of such assets will be made during the stage of denationalization, which means that the residual value will serve as the point of departure. Completely depreciated machinery or equipment must have zero value on the balance sheet. As part of its transformation into a stock company, every enterprise should prepare a proposal for the program of privatization, which should contain also a proposal for a reduction (depreciation) of the value of unused, obsolete or otherwise unneeded machinery, equipment and buildings, which in the next stage would excessively encumber the enterprise and disqualify it for privatization.

The most difficult task is the assessment of nonmaterial assets.

Accounts of liabilities (in a broader sense) express the following facts:

- a) the structure of the net worth,
- b) methods of financing of assets,
- c) claims to assets.

A stock company is generally regarded as a private enterprise (business association) because it conforms to civil law—unlike enterprises of public utility which observe common law. Nevertheless, it is not a private enterprise in the precise (narrow) sense of that word, because the state may own part—or even the whole—of the stock company. Nevertheless, in their absolute majority the stock companies are owned by private juridical and physical entities (the state may again own part or the whole of juridical entities). An important fact is that the property of a stock company is always owned by a certain specific subject, and the basic structure of its ownership may be ascertained from the accounting of liabilities.

Diagram of a Simplified Structure of Accounting of a Stock Company

Assets	Liabilities
A. Current Assets	D. Foreign Capital (liabilities in a narrow sense)
Cash (cash on hand in the cash register); claims in credit institutions; claims for credits granted; shares of other organizations)	Short-term loans (obligations on deliveries and outputs, short-term credits from credit institutions, other short-term obligations)
Inventories (raw materials, semi-finished products, unfinished products, finished products)	Long-term loans (investment and other long-term credits; other obligations, if not included in the above group)
Other (advance payments; claims for services; bills of exchange, etc).	
B. Fixed Assets	E. Net worth
Machinery and equipment	Capital assets (current shares; preferential shares; employees' shares; interest rate shares)
Buildings (including structures on lands owned by other parties)	Contingency fund (stipulated by law and as the case may be, expanded according to by-laws or decisions by the general assembly)
Lands and land rights	Undistributed profits
Other (investment in construction; advance payments for investment)	
A + B = material assets	
C. Nonmaterial Assets	
Trade mark (goodwill)	
Know-how	
Licenses, concessions, registered trade rights	
A + B + C = Total value of assets = Total value of liabilities = D + E	
Note: This simple structure does not contain a number of details appearing in actual accounting.	

How To Deal With Credit Encumbrances

The main differences between internal and foreign capital stem from items appearing under A. through C. If, for instance, the bank covers a considerable part of inventories with credits, and the enterprise has problems with payments, a denial of credits to help it survive the period of insolvency may bring the enterprise into bankruptcy. A similar situation develops with a high investment credit from the past that encumbers the enterprise. In my opinion, the process of transformation of enterprises should also include a change in appropriate credit agreements to enable the enterprise in the next period to pay installments on credits and to avoid problems with debts it had not incurred, or possibly an early bankruptcy. The ability to pay up credits depends—next to the amount of depreciations—on profits and profitability. I recommend that regulations be stipulated—and that the founder negotiate with the bank in such a way—that annual installments on credits do not exceed 15 to 20 percent of annual

net profits. If those limits are exceeded, the enterprises may find itself in trouble. The critical limit of the ability to repay credits is usually 40 - 50 percent.

One of the options for enterprises to reduce large credit liabilities should be the conversion of a certain part of credits into shares and their underwriting by the bank. Under certain conditions this transaction may be advantageous for both the bank and the enterprise, although it may become disadvantageous for the bank because the whole credit would not be repaid to the bank, unless it sells those shares to another party. Moreover, if the enterprise operates at a low profit, there would not even be guaranteed dividends, because, in addition to credits, the enterprise must pay in installments the interest agreed upon in advance, even if it needs another credit to cover such payments. However, the dividend could be made more secure if the credit is converted into interest shares or preferential shares. The interest on interest shares is usually paid even if there are no profits; in that instance they are covered from the contingency fund or other (new) credits. The advantage of converting credits into shares may be enhanced by issuing credit or preferential shares with a higher interest rate—or as the case may be, with a higher preferential dividend—than the usual interest rate for the given type of credit. However, the statutes of the stock company must specify pertinent principles in the greatest detail.

The bank should be interested in this conversion especially if the credits encumbering the enterprise from the previous period are so high that installment payments swallow a major part of net profits or even exceed profits projected for the coming years, which may throw the enterprise into a very difficult predicament.

As a countermeasure for that kind of relief, the founder of the enterprise may insist that its statutes include a principle calling for the creation of a greater contingency fund than the law on stock companies stipulates.

Our central authorities are aware of these and many other pitfalls; to compensate for the shortage of funds for purchases of shares, they intend to introduce some nontraditional methods, particularly the so-called investment coupons.

In my personal opinion, investment coupons (basically, state property transferred free of charge to the ownership of citizens) will play only to a minor extent the role of a catalyst in the privatization process, and the whole process of privatization will drag on for several years. The role of the catalyst may be played only by able individuals in enterprises, especially by skillful managers in top executive functions.

Shares as a Source of Dividends

Let us add that the major part of internal capital usually consists of shares; the rest are contingency funds stipulated by the law. They may be increased by the decision of general meetings, and such increases may be entered in the statutes of the stock company.

In the stage of denationalization, only shares made out in a specific name will be issued; the state, represented by the founder, will continue to own them. Other kinds of shares will be issued in the next stage of privatization. However, their issuance must be preceded by a period of thorough preparation and deliberations about the best structure of shareholders for a given enterprise, and about interested parties who have the funds and the incentive to purchase the shares.

In accordance with the projected structure of shareholders, appropriate kinds of shares will then be issued and obligations (sale) of shares will take place. A state stock company will thus become a regular stock company that is no longer owned by the state. For sales of shares it is characteristic that shareholders buy the shares and obligate themselves to pay for them within a specific term which is entered on both sides of accounts. After a successful sale, a founding general meeting may be convened, whereby the privatization process is concluded.

An intermediate quantity between internal and foreign capital is undivided profit. It differs from contingency funds by the fact that contingency funds are owned by the stock company and cannot be divided among shareholders. Undivided profits may be transferred to contingency funds and become the property of the stock company, or to dividends and taken out from the stock company, as foreign capital will be taken out at maturity.

Foreign capital imposes on the stock company precisely quantified demands and schedules in the form of terms for payment of interest and credits payable. On the other hand, internal capital remains a constant source for the financing of assets, and the income derived from it serves in the first place to satisfy the demands of foreign investments, while the satisfaction of the demands of internal capital is of secondary consideration. Therefore, it is advantageous for economic entities to invest their financial resources into shares when there is good probability of earning higher returns than if financial assets are invested elsewhere. Thus, the only way to convince employees, the public, and other enterprises and institutions, including foreign ones, is by taking necessary measures to assure long-range dynamism and prosperity for the enterprise.

Enterprise Productivity at Home and Abroad

*91CH0145E Prague HOSPODARSKE NOVINY
in Czech 7 Nov 90 p 5*

[Article by Eng. Miroslav Fiser, Engineering Design Studio, Plzen: "The Dismal Comparison Between Labor Productivity in Enterprises at Home and Abroad: Opportunities for Managers"]

[Text] The results of comparisons between labor productivity in enterprises at home and abroad differ, depending on the methods of comparison used. However, they are almost always greatly to our disadvantage. The result was also negative in a comparison of labor

productivity between the former Concern Enterprise, Skoda Plzen, and the Swiss company, ASEA Brown Boveri AG. In addition, the author of the comparison suggests how to get out of the situation in which the vast majority of our enterprises have found themselves.

It is a well-known fact that the labor productivity of our machine industry is much lower than that of developed countries and, in some cases, does not even attain the level of developing countries. The situation is similar quality standards, product parameters, and thus also in their prices.

Economic Voluntarism on the Scene

Ways are being sought to improve this situation within the framework of the transition to a market economy. The prevailing opinion is that one of the ways to do this is to totally adapt prices to variable production costs, which will make it possible to reduce the state subsidies that are provided to enterprises. However, this step essentially generalizes the system of the cost formation of prices. In other words, economic voluntarism is back on the scene.

In our work in state investment counselling, we did not acknowledge this simplified method of profit creation, profitability, and thus the triggering of an inflation spiral. We recognized the interdependence of three economic quantities, i.e., that profit equals a price that is the function of the utility parameters of products (not production costs) and corresponds to the world price minus production costs, which are the function of material inputs, production technology, management, etc.

A comparison of our products with world products is made necessary especially by export, where no buyer is interested in prices set according to production costs. However, a comparison of production costs and labor productivity is rarely made in enterprises. Therefore it can be said that the universal adaptation of prices to the production costs expended in some enterprise or other is certainly not the way permanently to improve our economic situation, and can only make it worse.

The below-mentioned rough comparison between two machine industry companies—the Swiss ASEA Brown Boveri AG (data from 1989)—and the former Concern Enterprise Skoda (data from 1988)—shows that production costs and their structure play a significant role, apart from the product parameters and the prices derived from them. For the purpose of comparison, I used two fictitious rates—1 Swiss Franc [SFr] = 3 korunas [Kcs] and SFr1 = Kcs10 (the current commercial rate is SFr1 = Kcs11.55). Since an absolute comparison is inaccurate because of the nonconvertibility of the crown, a comparison was made primarily with the share of individual production cost items from the output.

What the Indicators Reveal

In 1988 output in K.P. [Concern Enterprise] Skoda Plzen amounted to Kcs11,112 million and was derived

from wholesale prices. There is no doubt that the output would be lower if world prices were applied. The output value converted to SFr at a fictitious rate of $\text{SFr}1 = \text{Kcs}3$ would be $\text{SFr}3,704$ million and at a rate of $\text{SFr}1 = \text{Kcs}10$ it would be $\text{SFr}1,111.2$ million. The output of the Swiss company ABB amounted to $\text{SFr}3,070$ million. K.P. Skoda's output was achieved with 2.74 times the number of workers as ABB.

Labor productivity in ABB amounted to $\text{SFr}207,000/\text{worker}$ overall and in K.P. Skoda $\text{Kcs}272,000/\text{worker}$ overall, i.e., at the above-mentioned fictitious rates it was $\text{SFr}90,066/\text{worker}$ and $\text{SFr}27,002/\text{worker}$. The basis for improving economic results is the attainment of an equal level of labor productivity with a competitive company, irrespective of what our currency rate is.

This means that at a rate of $\text{SFr}1 = \text{Kcs}3$, K.P. Skoda would have to attain a labor productivity of $\text{Kcs}671,000/\text{worker}$ and at a rate of $\text{SFr}1 = \text{Kcs}10$ it would be $\text{Kcs}2,070,000/\text{worker}$. With such labor productivity and rates, the annual output at K.P. Skoda would come to $\text{Kcs}25,352$ million, or that is to say $\text{Kcs}84,506$ million, which is an astronomical figure.

Considered from a different angle, it becomes apparent that output with a value of $\text{Kcs}11,112$ million can be attained with labor productivity of $\text{Kcs}621,000/\text{worker}$ using 17,894 workers. It would be pointless to mention that at a labor productivity of $\text{Kcs}2,070/\text{worker}$ merely 5,368 workers could ensure the above-mentioned output, since at this rate the enterprise would only achieve $\text{SFr}1,111.2$ million for $\text{Kcs}11,112$ million.

Material costs from output only reached 36.15 percent at ABB and 44.36 percent at K.P. Skoda, i.e., it was 1.23 times higher. Wage costs differ considerably, because at ABB they amounted to 35.36 percent of the output and at K.P. Skoda they were only 15.68 percent (not including social security, which was listed as 20 percent of wages in the 1988 financial expenses). This indicator in the case of the ABB company demonstrates that work is being sold, and not material as in our country. The enormous difference is further increased by the buying power of the SFr.

The share of capital assets from output is 29.64 percent in ABB and 54.56 percent in K.P. Skoda. However, the value of capital assets is considerably undervalued at K.P. Skoda. I am basing this on the following comparison: The introduction of production of a new engine for the Skoda Favorit passenger car was calculated at $\text{Kcs}23$ billion. The purchase value of K.P. Skoda is roughly one-third lower than the costs for building a potential engine factory. Therefore I estimate that the purchase value of K.P. Skoda's capital assets—according to current prices—is three to four times higher than reported. This also means that the modernization of capital assets with the help of writeoffs is undervalued, and that production costs are idealized, despite low writeoffs.

Writeoffs amount to 2.96 percent of ABB's output and were 4.49 percent at K.P. Skoda. Actually, once again,

they should be three to four times higher in our country. ABB produced output at a value of $\text{SFr}3.37$ per $\text{SFr}1$ of capital assets, K.P. Skoda created output at a value of $\text{Kcs}1.8$ per $\text{Kcs}1$ of capital assets, i.e., $\text{SFr}0.18$ at a rate of $\text{SFr}1 = \text{Kcs}10$.

At ABB supplies represent 32.77 percent of output and at K.P. Skoda this is 88.8 percent, or roughly 45 percent if supplies because of preparations for nuclear power stations are not included. In respect to profit, ABB made a gross profit of $\text{SFr}169.5$ million and its taxes amounted to $\text{SFr}20.3$ million, i.e., 11.97 percent of the gross profit. However, as commentary of Abb's report mentions that the extraordinary profit and expense item also includes costs for redesigning production in the amount of $\text{SFr}120$ million, which apparently were not included in the profit or the taxes. This provides considerable help in the development of enterprise activity.

Heading Toward Prosperity Through Holding Companies and Consolidation

The negative economic situation that occurred at ABB during the last few years was successfully dealt with in two steps. The first was the creation of the holding company ABB ASEA Brown Boveri AG, Zurich, through an alliance between ABB and ASEA Stockholm (Sweden). This expanded the supernational commercial network and, within a short time, increased the influx of orders by 36 percent compared to 1988.

The second step was a consolidation program, which was implemented within two years and included a basic change in the structure of management and organization, based on strict decentralization. Thirty-five independent subsidiaries were created. This increased the initiative in enterprise activity and facilitated the management of the company. Furthermore, production was rationalized and modernized at investment costs of $\text{SFr}170$ million, i.e., 5.51 percent of output. Everything was dealt with decisively and quickly.

It has been demonstrated, and continues to be demonstrated, that the management of enterprises by the state will always be extremely conservative, inflexible, and cannot compare with the management of privatized companies. Basically, the state also inhibits enterprise activity by prescribing for the management of enterprises what funds it must create and how much to pay into them, disproportionately high taxes, and thus it orients a totally random use of capital from the center. The comparison with ABB shows that enterprises and associations of enterprises must play a decisive role in improving the economic situation.

The Role of Enterprise Management

The insufficient number of orders, sooner or later, should force our enterprises to enter international associations established primarily on the basis of holding companies, which facilitate flexible association even of single organization units in concerns. However, two parties are necessary for this. It is to be expected that the

interest of foreign partners in cooperating with us can affect the market with the USSR to some extent.

Quick entry into international associations will create the conditions for providing employment for our workers, which is a priority of the resolution (the example of ABB Schweiz also demonstrates this). An intelligent combination of foreign capital with our own will not be a sell-out, it will be a benefit. Since such relations fall totally under the jurisdiction of the enterprises, which alone are responsible for employment, it is necessary to quickly form associations that will be advantageous for the enterprise. However, negotiations on international cooperation at the level of the Federal Government and Governments of the Republics do not in themselves ensure specific solutions.

The example of ABB Schweiz clearly documents the next step that many enterprises will have to take, and that is the expansion of the range of products. Gone are the days when the Soviet Union and other buyers demanded supplies of large lots. For the time being, that area is quiet; but in some branches, already now, one can observe signs that some branches are quickly developing new products that can be sold for a profit on developed markets. Once again, this is an internal matter for the enterprise.

The necessary information for the appropriate direction of development—not only in the machine industry—must issue from the following economic law: profit is equal to the parametrically set price, resulting from a comparison of world prices with the given parameters of the goods in a freely convertible currency minus total variable production costs. After converting the price or sum of prices to Czech crowns, and after establishing the total variable costs according to actual costs in Czech crowns, it is possible to determine whether the product will be marketable with a profit at a rate that is lower than the official rate.

The determining criterion of the enterprise's prosperity, from the point of view of world value parameters, is labor productivity. A comparison between our enterprise and the Swiss enterprise demonstrates the enormous difference in the productivity achieved in our machine industry. Based on the labor productivity level attained by competing companies, the management of the enterprise must constantly verify whether the enterprise's labor productivity is comparable with countries abroad (the result of a comparison between ABB and K.P. Skoda shows that our enterprise would have to increase labor productivity—using the present commercial rate of SFr1 = Kcs11.50—from Kcs272,000/worker to Kcs2,380,000/worker, i.e., almost ninefold).

An additional task of the enterprise is to adapt the standard of products, and the costs expended on them, to those of competing companies. A rough comparison with ABB shows that all cost items are high, with the exception of the wage cost item. Again, only the management of the enterprise can balance these differences. Under

the present conditions this is, of course, management knowhow, and it is essential.

In my opinion, the introduction of a permanently effective market economy requires a division of tasks between the state and the enterprises. Further, it is necessary first to deal with the transition period in such a way that reserves in production, and of course in management, are utilized, and only then to demand that the citizens pay the remainder through higher prices and a lower standard of living. The opposite procedure through a simple increase in prices, while there are enormous reserves in costs and labor productivity, seems wrong, and is unacceptable to the citizens.

Inefficient Mines, Power Plants To Shut Down

91CH0156D Prague ZEMEDELSKE NOVINY
in Czech 13 Nov 90 pp 1, 2

[Article by J. Smid: "Eleven Mines Will Cease Operations"]

[Text] The Federal Government discussed yesterday several topics, such as the suspension of activities of the International Organization of Journalists and of the International Students' Union as of 30 June 1991. However, as the spokesman Z. Fiala noted, it would hardly be a simple task to stop their complex and not particularly clean activities.

The package of problems included proposals for a power engineering policy which will lead to the termination of mining operations in 11 coal mines within two years and to the closing of seven power engineering units with total outputs of 750 MW before the end of the current year.

However, the implementation of this ecological measure presupposes the operation of four boilers converted to gas in the power plant in Volany, as well as supplies of electric power from abroad, especially from the Soviet Union. It is expected that other thermal power plants will be out of service before 1995.

The closing of the mines means that some 10 thousand miners, 6,500 of them in the Ostrava area, will lose their jobs. Thus far, 3,400 jobs outside the state coalmining enterprises have been reserved for the miners. Work is underway on additional employment programs. Although the closing of the mines will eliminate an annual loss of 315 million korunas [Kcs], it will cost Kcs1 billion, including social programs and the launching of supplementary production projects. As Minister Miller noted during a meeting following the session of the government, the issues of the miners' early retirement will be discussed next week and it is assumed that individual mines will compute the number of completed shifts worked underground, which will serve as the basis for pension entitlements. Nevertheless, he warned individual trade union organizations against

making constantly increasing demands that are economically unbearable for our society. As an illustration he mentioned the nurses' demand that they be able to retire already at 43 years of age.

Another important item on the agenda was an amendment to the law on schools in that sense that the property of our vocational training institutions and their operations become a concern of the state. Only in the future, when our enterprises begin to prosper and our economy becomes more efficient, enterprises may again assume the sponsorship of vocational training facilities.

Our motorists will be pleased to learn that the prohibition of the so called noncommercial import of passenger automobiles older than six years has been rescinded. The only criterion for operation in Czechoslovak communications will be successful technical inspection.

Competition Starting Among Fodder Producers

91CH0145B Prague ZEMEDLSKE NOVINY
in Czech 10 Nov 90 p 6

[Interview with Eng. Jiri Travnicek, chairman of the council of ZD [Agricultural Cooperative] PRACE, and Eng. Jan Svojanovsky from the Production Technology and Commercial Services Agency in Brno, by Stanislav Ptacnik; place and date not given: "The Association of Czech and Moravian Fodder Producers Inaugurated: Competition on the Horizon"]

[Text] The fodder industry of Czechoslovakia in the postwar period was built up as a monopoly system of purchase and production, recently represented by the ZZN [Agricultural Purchase and Distribution] business group. Several producers from agricultural enterprises that were members of the scientific production association loosely cooperated with it. This year—after consultation with the MZe CR [Ministry of Agriculture of the Czech Republic]—the Association of Czech and Moravian Fodder Producers was established on the same basis. At this time it has 18 members—apart from fodder producers there are several raw material suppliers and one research institute. ZD [Agricultural Cooperative] Prace from the Znojmo Okres has become the administrator of the association.

We talked about the aims and prospects of the new association with the Chairman of its Council, Eng. Jiri Travnicek, and with Eng. Jan Svojanovsky, from the Production Technology and Commercial Services Agency, domiciled in Brno.

[Ptacnik] What induced the agricultural enterprises—fodder producers—to found an independent association?

[Travnicek] Along with the changes in the concept of fodder production, and with the organizational changes in the agricultural purchase and distribution enterprises, there was a rather significant change in their relationship to us as cooperating partners. In particular, the volume of production entrusted to us has dropped, and there has

been a decrease in its economic appeal. On the other hand, we have gradually created a capital goods base for the production of fodder in the enterprises. For example, our cooperative alone has equipment with the capacity to produce 50 thousand tons per year. We bought advanced technological equipment that enables us to process the fodder thermally or hydrothermally and enrich it with fats, vitamins, and other additives. Therefore we have a great interest in fully utilizing this technology.

[Ptacnik] In other words, it was the hazy prospects for the future, and dissatisfaction with the present conditions that led you to become independent.

[Travnicek] Those were not the only reasons. But there is no doubt that satisfactory ensurance of sales of the products will be of primary importance in a market economy. Considering the substantial variations in the quality of fodder mixtures, caused by the frequent forced changes of formulas, we could hardly survive in the future. Therefore our main objective is to offer a high standard of quality for a reasonable price.

[Ptacnik] Does this mean that a competitor to the former monopolistic producer—the ZZN—is beginning to take shape?

[Svojanovsky] Of course we want to compete, even if the volume of our production is in no way comparable to the ZZN. First of all we want to limit the unnecessary transportation of large volumes of grain over considerable distances. At the same time, we want to offer agricultural enterprises in specific production areas, composition formulas, which will be based on their capabilities and needs. A feed batch in enterprises in Vysocina certainly has a different composition, based on hay silage, than in Southern Moravia where the base is maize silage.

[Travnicek] Of course, apart from competition, we also see an opportunity for mutually advantageous cooperation with ZZN enterprises, and prospects with commercial cooperatives, as well as with other suppliers of raw materials. Let's face it, ultimately we all have an interest in selling our products. And what will sell best will be quality.

[Ptacnik] What range of products can the association offer to interested parties at this time?

[Svojanovsky] Let us focus on the production of concentrates—vitamin-protein, vitamin-energy, or components for second-grade fodder production for pigs, for cattle, and in time for poultry. In agricultural enterprises in the South Moravian Kraj alone there are about 70 manufacturing plants for pressed fodder. On the recommendation of our consultant (we have at least one in every kraj in the Czech Republic), they can order the appropriate concentrate and then prepare a complete mixture at home.

[Travnicek] In the future we also want to work with model biofactor supplements, "prescribed" differently for individual production areas according to the specific requirements of the buyer.

[Ptacnik] If I understand it correctly, your great advantage lies in the very fact that the association enables you to produce small quantities. What other services would you like to offer potential buyers?

[Travnicek] Gradually we intend to develop a complex breeding, fodder production, and technological service. We consider the role of our consultants to be a most important factor in this. They must be able to provide good advice as well as to sell our products and services well. They will be appropriately involved in that as well.

[Svojanovsky] There is also another significant area. There are many so-called nontraditional and non-standard types of fodder in agriculture, which the traditional fodder industry does not process and which are often utilized in all kinds of ways in the enterprises. If our consultant will know what is available in the enterprise, a much more effective upgrading of this fodder can be attained merely by supplying the missing components.

[Ptacnik] What will you offer customers with high demands?

[Svojanovsky] That will be determined by the desires and solvency of the buyer. We are able to offer an appropriate fodder concentrate to those buyers who have a gene pool of milk cows created for a utility value of 7,000 liters of milk. We are not constrained by average values or by limitations on the import of components.

[Ptacnik] The nutrition of animals should change to a scientific basis everywhere. Can you yourselves deal with the tasks in research and development?

[Travnicek] The Research Institute for Animal Nutrition in Pohorelice is a member of our association. It welcomed our initiative as an opportunity for certain commercial activities. Apart from expert fodder production councils and consultancies, it is preparing educational courses and new study materials that focus on animal nutrition.

[Ptacnik] The problem in our fodder industry is many years of insufficient foreign currency to import the necessary components. How are you going to deal with this?

[Travnicek] Independently, within the framework of the association, we have organized commercial activity that aims at importing raw materials, sometimes through the PZO [Foreign Exchange Enterprise], sometimes through member enterprises that have a permit to trade abroad (DAK Slusovice, ZD Prace). We are also preparing the groundwork for exporting some of our products, which will enable us to obtain foreign currency for further

imports. However, for the immediate future, we have already ensured the raw materials for the anticipated start-up of production.

[Ptacnik] What will the volume of this production be, for example, next year?

[Svojanovsky] Next year we would like to reach a volume of 200 thousand tons of concentrates. That is our goal.

[Ptacnik] One last question: How can interested parties get in touch with your association, make contact with you?

[Travnicek] By the end of November we will publish detailed promotional materials, and before the end of the year we will send it to all agricultural enterprises according to the directory. As we have mentioned, we already have consultants in the krajs and we have a center that deals with acquisitions and the purchase of raw materials in Brno. Contacting the customer is primarily up to us.

HUNGARY

1992 Customs Agreed Upon by EEC, EFTA

91CH0236D Budapest NEPSZABADSAG in Hungarian
29 Nov 90 p 4

[Article by G.Zs.: "Asymmetric Agreement With the European Economic Community and the European Free Trade Association; Beginning in 1992 the European Community Will Permit Duty Free Importation of Hungarian Goods"]

[Text] Initially, the agreements of association to be consummated with the EC and EFTA [European Free Trade Association] will provide unilateral advantages to Hungary, according to a Ministry of International Economic Relations [NGKM] statement Wednesday. Early next year the EC will release another \$300 million payment from the \$1 billion assistance fund. The first payment amounting to \$400 million was released to Hungary earlier.

At yesterday's press conference, NGKM Deputy State Secretary Istvan Major introduced Dr. Ivan Szasz. He was appointed to head the Hungarian mission to the Common Market with the title of ambassador extraordinary and acting minister. Major went on to inform journalists about the results of negotiations with the two European integrations.

The Hungarian-EFTA mixed committee met in Geneva on 20 November to make preparations for the consummation of the free trade agreement. Representatives of the member countries (Austria, Finland, Iceland, Norway, Switzerland, and Sweden) raised a number of questions at the meeting concerning the Hungarian material. Most questions pertained to the regulation of imports. They confirmed that the agreement will be

asymmetric. This means that the member countries will abolish their customs duties at a faster pace than Hungary.

A similar asymmetry characterized the agreement of association to be consummated with the EC. Once the agreement is in force, developed countries will open their markets to Hungarian goods, while the Hungarians will reciprocate only gradually in the course of 10 years, ending in the year 2002. (Last year only 24 percent of all Hungarian exports were destined for EEC countries. The same ratio will be 32 percent this year.) As NEPSZABADSAG already reported, the Hungarian-EEC mixed committee discussed the preparatory steps to this agreement at its meeting on 26-27 November in Budapest. At the press conference Endre Juhasz, head of the Hungarian delegation of negotiators stressed the fact that consummating the agreement of association will represent a major step forward toward Hungary's membership in the Common Market. It is hoped that such membership will be established during the second half of the 1990's. Negotiations in this regard will commence in 1995.

Responding to a question raised by NEPSZABADSAG, Szasz said that the agreement on association was not limited to commercial policy. It will also have political and cultural content, extend to economic concepts, and to technical and scientific relations. Under the agreement there will be continuous dialogue between the EC and Hungary concerning political events that occur throughout the world.

A joint communique was issued concerning the present meeting between Hungary and the EEC. We quote from the text: "The Hungarian delegation confirmed the intent of the Government of Hungary to the effect that Hungary will fulfill its obligations to repay debts under these circumstances, and further, it confirmed the government's intention to request the group composed of the 24 developed industrial countries to support Hungary's efforts in the form of special credits, and by establishing a stabilization fund. The EEC delegation indicated that the Group of 24 will consider issues related to energy supplies as well as ways to bridge the financial shortfall that is likely to occur at its next meeting. Both delegations expressed their mutual satisfaction over realization of the PHARE [assistance granted to Poland by the Group of 24] program, and relative to the utilization of financial resources secured as a result of the PHARE program, to support a number of important establishments."

In response to questions concerning possible further assistance, the press conference was told that early next year the EC will certainly release the second part of the \$1 billion assistance fund, amounting to \$300 million. Thus, the question of what "special credits" and "stabilization fund" meant remained unclear. Similarly, the possible outcome of "considering issues related to energy supplies" was not clarified.

The agreements to be consummated with both the EC and with EFTA will take effect in January 1992.

Foreign Trade Association Established

91CH0236A Budapest MAGYAR HIRLAP
in Hungarian 5 Dec 90 p 9

[Article by P.N.: "Protecting the Profession's Reputation; Hungarian Foreign Trade Association Established"]

[Text] The Hungarian Foreign Trade Association will hold its general meeting on 6 December. Debate over, and the adoption of the organization's bylaws is part of the agenda. The Association regards as its primary purpose not only the representation and reconciliation of interests, but also the provision of professional assistance and information. "Guarding over" professional ethics is also among the stated goals.

The establishment of the Hungarian Foreign Trade Association became necessary as a result of changing economic, financial, legal, and administrative structures which serve businesses, but above all, because the authority to conduct foreign trade was broadened so as to include individuals. As a result of breaking up the state's monopoly, a need arose for an organization which does not conduct foreign trade, but serves as a gathering point for any enterprise engaged in foreign trade, regardless of organizational form. The intent is increasingly to refine work involved in foreign trade on the one hand, and to improve the efficiency of work by providing diverse information on the other.

The most fundamental and most important task is to represent the interests of persons engaged in foreign trade, rather than the interests of the profession. In order to realize these ideas, the Foreign Trade Branch of the Hungarian Economic Chamber discontinued its functioning as of 5 July 1990, and its members declared the establishment of the Hungarian Foreign Trade Association. The Association endeavors to cooperate with the Foreign Trade Development Agency, established recently under the aegis of the Ministry of International Economic Relations, because this is the primary unit within the Ministry which deals with possible ways of entering foreign markets. This agency would provide financial assistance to entrepreneurs through the Hungarian Foreign Trade Association to help entering the export market.

The Association's goals include mid-level conflict resolution regarding wage and labor issues with the involvement of affected professional organizations, and last but not least, based on the reconciled views of its members, the Association will take positions regarding economic and legal policy issues which affect foreign trade ventures and activities. They are also planning to establish a professional ethics committee for entrepreneurs, in cooperation with the Federal Chamber's Ethics Committee and with regional ethics committees. This is important because Hungarian profiteers appearing

abroad may ruin not only the reputation of a given limited liability corporation, but also the image of Hungarian foreign trade as a whole.

Joint Enterprise Executive on Investment Climate
91CH0191B Budapest HETI VILAGGAZDASAG
in Hungarian 3 Nov 90 pp 21-22

[Interview with Peter Mautner, president of the Swedish-Hungarian joint enterprise Unipharm, by Julia Gati; place and date not given: "There Is No Investment Market in Hungary"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] Getting the Hungarian economy, which has been on the verge of depletion because of a chronic lack of funds, back on its feet would require a steady infusion of capital. The patient has been repeatedly examined, and the diagnosis has been unanimous; only the therapy has been delayed. What keeps investors away from Hungary? we asked Peter Mautner (50), president of the Swedish-Hungarian joint enterprise Unipharm, who has not only recently begun to frequent foreign business circles, but as an apprentice entrepreneur and manager had been involved in setting up joint enterprises back when it was not even in fashion in Hungary.

[Gati] In recent months we have seen a whole series of foreign investment meetings in Hungary, and supposedly representatives of capital-rich Western firms have been following on each other's heels. There seems to be no end to information gathering and giving, or to the barrage of statements of intent on both sides—voiced mainly by way of the media—about potential investments. This fanfare, however, is very rarely followed by the actual appearance of capital. To what do you attribute this long delay? Are foreign investors still concerned about some kind of a political risk?

[Mautner] In my opinion investing in Hungary was never so much a political issue for foreign investors even in the past. And the fact that some capital has actually showed up here in the form of interested investors proves that from the point of view of business they have judged our situation to be essentially stable. The eventual withdrawal of that capital without notable investments having materialized, still does not mean that investors consider the situation in Hungary to be unstable; much more likely it is an indication that they do not consider some of the Hungarian positions to be serious.

[Gati] What is the basis of your opinion? After all the intentions expressed—and not only on the government level—appear to be dead serious.

[Mautner] Unfortunately this is not what we find in practice. Just think back at the HungarHotels affair, or the skirmish surrounding the sale of IBUSZ shares. Well, it is not customary, and I would even say that it is improper to subject an international transaction to a

legal challenge after the fact, for it significantly undermines people's faith in our country's reliability. And this can cause significantly greater damage, than what would be suffered as a consequence of a given poorly conceived business deal. Besides I feel that we should never lament over having made a bad deal; instead we should focus on learning from what happened in order to be better prepared for next time. And I do not intend this to sound like a generalized business advice: I was asked months ago by Swedish financiers to look around for something in which they could invest a rather large sum of money. However, as soon as the deal between the HungarHotels hotel enterprise and the investment group Quintus—which just happens to be Swedish as well—fell through, my clients immediately withdrew their request on the grounds that their faith had been shaken.

[Gati] I admit that the Swedes appear to have been getting the short end of the stick: In addition to the failed hotel deal you have mentioned, the purchase of MAGYAR NEMZET and the marriage of the Lehel Refrigerator Factory and Electrolux have also fallen through, to mention only the more significant fiascos. Are we alone to blame, or could it also be that Swedish capital does not know how to communicate with the Hungarians?

[Mautner] I have found that today "national" capital as a concept is virtually extinct already. Or to put it differently, monies seeking investment opportunities are by definition international, for they may appear in any "color" they wish, or to be more exact, in any color that appears to be the most advantageous under the given circumstances. After all there is nothing to prevent even—let us say—Romanian or Albanian capital from appearing in Hungary. All it would take is for a foreign firm to establish an investment company in Bucharest or Tirana, which could then appear on the investment market of a third country. In other words, the nationality of capital may be changed according to the level of sympathy or resentment toward the country of the investors in a given country. Here, however, the problem lies more in the fact that in Hungary there is no investment market.

[Gati] Judging from the signs, there seems to be no serious foreign demand, even though domestic supply would be plentiful.

[Mautner] I on the other hand would argue that there is indeed a demand: International funds are constantly on the move in search of investment opportunities. In Hungary, however, there is no real and appreciable supply. To say that "in general" we would like to invite foreign money, while at the same time leaving unaddressed the myriad of problems that arise once a concrete offer is made, in my opinion cannot be considered a serious way of doing business. We have, for example, no real forums where offers could be submitted, and where prospective investors could select from among clearly outlined business opportunities. And not only do we lack the proper forums, such as agencies for that

purpose, but there is also complete uncertainty about whom an investor should or could negotiate with, or even about who the real proprietor is. I have recently been contacted by an Italian cold-storage truck manufacturing firm, for example, which would like to build its vehicle on an Ikarus chassis, and export it to the Soviet Union. They are aware of the enormous problems that country is facing in transporting perishable foods, and thus feel that there is probably a market there for their product. The Italians would be willing to come up with 90 percent of the investment costs. So to whom should I turn now? To the factory? The Ministry? The Property Agency? Going by my past experiences none of these appear to be promising options, particularly when quick decisions need to be made. And I can tell you, money will not wait: Once someone has decided to invest his money today, that is today's business; tomorrow's decision will pertain to an entirely different deal.

[Gati] Let us assume that we are in a fortunate situation where there is both supply and demand, and where seller and buyer are able to meet. I assume you would agree that in a situation which for a variety of reasons is as chaotic as the one we face in Hungary, there is a real danger of things becoming auctioned off below value, real estate and enterprise assets being bought up for ridiculously low prices, and even of future profits leaving the country because of, for whatever reason, ill-conceived agreements.

[Mautner] Property assessment is subject to internationally accepted objective criteria. The lot, building, and mostly antiquated machinery constitute only a part of the total value of a functioning enterprise. Also to be included in the assessment are its markets and products which—regardless of which of the domestic enterprises presently up for sale we may be talking about—are difficult to sell, or require large state subsidies. Hence at the time they are sold, these enterprises can only show zero or deficit annual earnings. Naturally, such goods will only fetch low prices. Enter here another irrational, economically alien factor: envy, i.e., the unwillingness on the part of proprietors to relinquish control over profits which have not even been produced yet. A realistic and attractive offer as far as foreign capital is concerned would be to be guaranteed a certain share in return for its investment. Instead in many cases Hungarian sellers also expect their own share to be covered by the foreign capital, while acting as if they were doing the world a favor. This despite the fact that the money with the best prospects is that which is invested in functioning enterprises, for real estate transactions yield only one-time, short-term returns. Yet in order for our budgetary situation to improve over the long run, we need viable, profit-making enterprises that will also serve as a constant source of tax revenues for the state.

[Gati] The difficulties you have listed are indeed alarming, but let us also talk a little about the benefits. We have been trying for a long time to prove how attractive our relatively highly skilled yet cheap Hungarian work force is to Western businessmen. And we

ourselves can get a sense of just how cheap we really are every time we keep reaching into our flat wallets while on a tour of Western Europe.

[Mautner] I must disappoint you. From the point of view of capital, Hungarian labor is considered to be rather expensive, for if the goods it produces cannot be sold or contain many rejects, it cannot be called cheap. Add to this the country's dilapidated infrastructure and the fact that with the changes in East Europe we are in competition with the whole of Europe as everyone is searching for wealthy investors. Hungary's attractiveness—if there is such a thing—in my opinion, stems from our current regional position. Also potentially on the plus side are our domestic market and all other markets which Hungarian products have so far established for themselves. It has also been long recognized that the objective of money is not—let us say—to produce ham, but to make even more money, hence as far as it is concerned it makes virtually no difference what product it gets to be invested in. Hence only those competitors will be seen as attractive which can provide the necessary conditions for furthering this objective. On the other hand I know of no detailed Hungarian plan about which we could comfortably say on the international money markets: This is the kind of investment we intend to make, and this is what we are looking to find a partner for. For it is not the right solution to publish lists in our newspapers of enterprises up for sale. In more serious places this is done by leaving the sale up to a knowledgeable agency or agent, well compensated to ensure that they will represent the interest of the seller. The absence of all this perhaps explains why we only hear of legal investigations after a transaction is completed, and not when one falls through. For in the latter case no one can get into trouble. As it currently stands, the law only seeks unethical and illegally fulfilled individual interests behind constructive deeds; destructiveness is not subject to any kind of punishment.

Second Privatization of Industries Announced

91CH0236B Budapest NEPSZABADSAG in Hungarian
4 Dec 90 p 5

[Article by Cs.K.K.: "Privatization: The Second After the First"]

[Text] Mostly light industry enterprises would like to be part of the second privatization program announced yesterday. In the course of this program, the State Property Agency will continuously reexamine enterprises which salvaged most of their assets through transfers to property management companies as a result of spontaneous privatization, the State Property Agency announced yesterday at a press briefing.

Quite naturally, only the applicants selected by the State Property Agency's executive board may become part of the program. Within a year the property management centers of larger firms will be transformed into corporations, while property managers of smaller firms will be

terminated and replaced by several corporations. The State Property Agency is expected to deal with enterprises struggling with financial and management problems toward the middle of next year. Henceforth, the existing and "salvaged" assets of state enterprises will be reviewed in six month intervals.

The following enterprises applied yesterday morning to become part of the second privatization program: Bajatex, Hazai Weaving, Budaprint, Hungarian Wool Weaving, Kobanya Textile Works, Chair and Upholstery Works, Tile Industry Works, Nyiregyhaza Agricultural Machinery, Firearm and Gas Equipment Factory [FEG], Food Industry Enterprise, Machine Tool Industry Works [SZIM], Construction Machinery Works [EPGEP], Szatmar Furniture Factory, Budapest Radio Technology Factory [BRG], Elegant First of May Clothing Factory, Ganz Machine Tool Factory, Revai Printing Press, Budapest Leather Industry Factory, Hungarian Optical Works [MOM], Information Technology Enterprise, and the successor enterprises of Csepel Works.

State Property Agency executives were disappointed to find that thus far, enterprises reported business shares amounting to only 8 billion forints as part of the privatization program. This amount is far less than expected. For this reason, they requested that the State Financial Control Authority check the reports. On the other hand, the Central Statistics Office will determine which enterprises are subject to the authority of the preprivatization law. The State Property Agency will initiate proceedings if an enterprise failed to report its business shares. In the course of such proceedings, the firms involved may even be placed under state administrative supervision, and individuals may be held accountable. We also learned that the State Property Agency will not postpone auctions just because of the delayed implementation of the Startup Fund. Buyers exist for all business shares.

State Property Agency director Andras Hegedus reported that eight of the 20 enterprises which are part of the first privatization program now have advisers. Firms which lost out in the competition may apply to become part of the third and fourth privatization programs.

The following enterprises have advisers already:

Enterprise	Advisers
Centrum	Barclays de Zoete Wedd; Coopers and Lybrand
Interglob	DRT International; J. Henry Schroder Wagg; Jones Lang Wootton
Hungexpo	Credit Commercial de France
Kner Printing Press	Credit Commercial de France; Hungarian Credit Bank
IBUSZ	N.M. Rothschild + Sons Limited; Inter Europa Bank
Gedeon Richter Pharmaceuticals	Nomura International Plc; Commercial and Credit Bank

Hollohaz Porcelain	BMO Nesbitt Thomson Ltd.; Central European Development Corporation; A.K.T. GmbH
IDEX	Agriconsulting Spa; Hydea Ltd; Euromobiliare Spa; Cohfin Spa

UTC Explores Idea of Budapest Airline Hub

91CH0236E Budapest FIGYELO in Hungarian
22 Nov 90 p 8

[Article by Sebok: "Engine Change"]

[Text] The executive staff and a group of prominent professionals of United Technologies Corporations [UTC] visited Hungary for several days last week. UTC is the 47th largest industrial firm in the world, and the 17th largest in the United States. It has 316 factory units in 25 countries, and a sales volume of \$20 billion. This time, UTC representatives came to strengthen and enter new fields in their cooperation with Hungarian firms. They already operate an enterprise in Hungary: the Ganz Elevator and Otis Company, which is part of the UTC, manufactures and repairs elevators, as well as industrial and commercial lifting structures in the framework of a joint enterprise.

Understandably, journalists present at the press briefing were primarily interested in another enterprise which is part of the UTC. Pratt & Whitney manufactures airplane engines, and their plans for Hungary were of interest. Pratt & Whitney's business relations with Hungary are not new, because documents show that they already conducted negotiations in 1932 with the Budapest Manfred Weiss Company concerning possible licensing arrangements for the manufacture of engines. History voided realization of these plans. Starting anew, we may foster far more modest hopes at this time.

The Boeing 737 airplanes leased by MALEV have Pratt & Whitney engines, and although no final decision has been made, it is conceivable that the gradual renewal of the MALEV fleet will require Boeing airplanes. As we learned from Pratt & Whitney regional director Mr. Michael P. Field, this was the primary consideration based on which the company made contact with MALEV. The Boeing models MALEV may use are equipped with Pratt & Whitney engines. Other East European airlines are also in the process of negotiations, because Pratt & Whitney is able to recommend to all of these airlines that the engines on the Soviet made airplanes, which these airlines intend to operate for several years to come, be exchanged for Pratt & Whitney engines. The sudden increase in fuel prices substantially rearranged efficiency calculations and their results, increasing Pratt & Whitney's chances to sell. Mr. Field claims that their engines not only use less jet fuel than the original engines, they also improve the parameters of flying.

Accordingly, it is conceivable that jointly with MALEV, perhaps in the form of a joint enterprise, an engine repair

facility will be established in Budapest. This plan coincides with Hungarian concepts according to which Hungary would become one of the future hubs for European air transportation, the American businessmen claim. As a result of the common engine repair facility, we would acquire modern technology and the facility would generate foreign exchange income. It would also provide an opportunity for training, on the basis of which the Hungarian aircraft manufacturing industry could revive. Pratt & Whitney claims that it would be more economical if individual bases established by various East European airlines specialized on servicing the engines of specific model of airplanes.

Asked just when all this will become a reality, Mr. Field gave an extremely diplomatic answer: "Our negotiations with MALEV progress in a positive direction."

Chamber of Commerce, Industry Established

91CH0236C Budapest FIGYELO in Hungarian
22 Nov 90 p 4

[Text] The Budapest Chamber of Commerce and Industry held its organizing meeting on 15 November. The organization has more than 300 members, most of whom were members of the Hungarian Economic Chamber [MGK]. The membership is diversified; it ranges from private entrepreneurs to large industrial state enterprises, and includes many kinds of business organizations.

The Budapest Chamber of Commerce and Industry provides services in addition to interest representation. Keeping the membership informed is an important function. Their first business activity is intended to strengthen this service. Yet another noteworthy novelty: The Chamber provides office space to new small and medium-sized firms until such time that these firms are able to acquire suitable premises.

POLAND

Procedures, Regulations for Purchasing Stock

91EP0145A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 24-25 Nov 90 p 1

[Article by Joanna Trepkowska: "Exchanging Money for Capital Stock"]

[Text] In a few days already the stock of privatized enterprises will go on sale. This will be an opportunity for all of those who have savings to exchange them for capital stock. Invested in this way, the money will not only contribute to the development of the firms being privatized, but will also ensure an annual profit in the form of a dividend.

The exchange of money for stock will take place in a bank. To accomplish this, 200 specially prepared sales centers have been designated throughout the country in which orders should be placed. These are branches of the

following four banks: Polish Security Bank S.A., Wielkopolski Credit Bank, Bank of Gdansk, and Bank of Silesia.

Everyone interested in purchasing stock will receive an order form. This document consists of four pages. The first page contains information on how to fill out the rest of the form, cites the conditions and principles under which the stock will be allotted, and states the rights of the purchaser and the State Treasury.

It would also be well to study the privatization prospectuses of the particular enterprises which contain information on the enterprise's assets and its development programs. This is a kind of guidebook leading one through the privatized enterprise.

Eight items of information must be supplied on the order form for the stock purchase. First name and surname, or name of the legal entity, and the address. Next, one must state one's legal status. Four choices are possible: an individual permanently residing in Poland, a legal entity with headquarters in Poland, an individual residing abroad, or a legal entity with headquarters abroad. A person living in Poland must give the series and number of his personal identity card. A person living abroad must give his passport number. Legal entities whose headquarters are in Poland must give the Main Statistics Office (GUS) identification number. Legal entities whose headquarters are abroad must give the number under which the enterprise was recorded in the commercial register.

Finally comes the decision as to which stock is being bought. Anyone wanting to buy stock in more than one privatized company must fill out a separate order for each. The number of shares, the unit price of each share, and the total amount of the entire order should be shown. After the form is signed, payment is made. The stock will be paid for at the time the order is submitted.

The amount due for the stock being purchased can be paid in zlotys or in state treasury bonds, which can be used for this purpose in accordance with the terms of issuance. If payment is made in bonds, the order should be for such a number of shares that their value is not less than the value of the bonds. The difference between the value of the bonds and the shares ordered will be paid in cash.

Within two months, no later than 31 January 1991, the minister of ownership transformations will allot the stocks. At an announced date, in all of the centers at which orders for the stock are accepted, lists of stockholders will be posted. After determining that the name of an individual or a firm is on the list, a proof of deposit must be applied for within two weeks. To apply, a personal identity card and a copy of the previously completed form is needed.

It is possible that the number of orders will exceed the amount of stock available. In that case, the State Treasury may renounce the purchase agreement or allot a smaller number of shares. A refund of money or bonds will then be made. No interest is paid on cash payments for stock.

German-Hungarian Publishing Partnership Considered

91EP0156A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 27 Nov 90 p II

[Article by J.R.K.: "On Computers: German, Hungarian, and Polish Style"]

[Text] "I would call to the attention of you journalists that there is a very formidable Hungarian lobby in Warsaw," said Hungarian ambassador Akos Engelmayer Monday [26 November] at a press conference coordinated with representatives of the Markt und Technik publishing firm.

Beside the Hungarian diplomats, the lobby in Poland was represented by Julius Varaliyay, a representative of the World Bank, and Janos Feitser, one of the heads of Markt und Technik and its main representative in Hungary.

The Markt und Technik publishing firm specializes in the publication of periodicals and books on computers. Szabolcs Szilagyi, the embassy's press attache, said that perhaps Polish publishers may soon join the German-Hungarian firm. York von Heimbürg, assistant director of Markt und Technik, represented the German side. In presenting his firm, he pledged the possibility of cooperation with Polish partners.

Janos Feitser said that their stay in Poland is intended to give them an idea of what our needs are in area of computer literature. Computer technology is growing ever more dynamically in countries that have been disadvantaged until recently, so the possibility of cooperation with Polish-language periodicals, as well as the creation of others as needed, is anticipated.

Swedish Concerns Show Interest in Polish Market

91EP0156B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 27 Nov 90 p I

[Article by Krzysztof Szczesniak: "Second Swedish Invasion"]

[Text] Up to now, the cold-blooded Swedes have taken little interest in our country, and if they did, no money or

credits from Swedish banks stood behind many of the proposals. Despite this, it has been possible to establish the Scanspol partnership in which both the National Freight Forwarding Enterprise [PSK] and the Swedish transport firm Scansped have a share. At the same time, Hartwig and ASG have established a line for rapid parcel forwarding. Recently, the Gdynia-Karlskrona ferry has been running six times a week. These are just some examples that something has been and is happening.

Now different times are coming. Swedish business is clearly seeking contacts in our country; it is even intense as never before. Ericsson is attempting to establish joint ventures with Bydgoszcz's Telfa and has several other projects; PSK has plans to join with Bilspedition; and Scania wants to sell its outstanding trucks, not to mention joint shipping, construction, etc. In a word, the Swedes are suddenly seriously interested in Poland.

Perhaps this is, to a great extent, the result of a September visit to our country by the Swedish minister of transport. It was agreed at that time that a special working group would be established to deal with discussing and settling directions for cooperation between the two countries. The group, chaired by Undersecretary of State Gunnel Farm on the Swedish side and Deputy Minister of Transportation Boguslaw Liberadzki on the Polish side, met on 27 November. A seminar was organized at the Marriott Hotel the preceding day.

Officially it was intended to outline Polish priorities in the field of transport, but in reality the point was to make it possible for Swedish businessmen to introduce themselves and their firms so that the threads of cooperation could be tied. Over 30 people are accompanying Gunnel Farm—the great majority are heads and directors of the largest Swedish enterprises, transport concerns, and others.

What results from this remains to be seen. We are currently busy with the presidential elections but despite this, I think we cannot treat this opportunity lightly, the Swedes should leave with the conviction that we are just as strongly interested in them.