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8 NOVEMBER 1990



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East Europe

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CZECHOSLOVAKIA

Current Trends in Slovak Politics Analyzed

91CH0046A Bratislava NOVE SLOVO in Slovak
4 Oct 90 p 3

[Article by Rastislav Toth: "Whither Slovak Politics?"]

[Text] At the present time, the public, in the role of a spectator, is being amused by the lordly behavior of individuals in politics, which is beginning to be reminiscent of a stalwart seaman dragging himself from a harbor tavern, pushing aside with his strong arms pedestrians who are in his way, and from time to time seeking support from the solidly fixed lamp posts. Waiting for the turning point when people in politics will be transformed into political personages is taking a long time. This turning point should be given solid help by political parties and movements but to do that they would have to start with detailed, mutually differentiated programs and not cliché-ridden pronouncements. At the same time it is necessary to get rid of the hackneyed ideas which were pounded into citizens' conscience by the former ideological hegemony, based on differentiating the political spectrum into the right, the center, and the left. Such scholastic differentiation conforms to Stalinist primitivism and stems from the traditions of the last century.

First Something About the World

The current political spectrum in politically developed countries is more complicated and is difficult to compartmentalize. But if somebody nevertheless needs a parallel to the "classic division", then: conservatives, centrists, social reformists, and at both ends there are extremes—the extreme, or radical, right and left. Extremes agitate people with their radical positions—a revolution, a dictatorship, or an authoritarian regime. Those can be made attractive by referring to national, racial, or class needs, which is supposed to radicalize a segment of society and set it apart from the rest.

Conservative movements are characterized by traditionalism—national, state, economic-ownership, socioprofessional, and, to a lesser extent, world view traditions. Family well-being and social harmony are to be based on the respect for "old values". Consequently, questions of general as well as partial progress are viewed through the prism of traditional values. As can be seen, it has nothing to do with the right. It does not mean, however, that within the framework of a conservative movement a movement or an individual cannot gain influence, with radical ideas about enforcing "values of the past" in the status of a nation or state, in ownership questions, and now and then also in religious questions; at this time that is characteristic of the less developed countries (Near East, Pakistan, etc.). The conservative outlook also fully embraces the "natural law", according to which the better, the more viable always prospers. The rest is left to charity.

Social reformist movements created for themselves value categories of progress in the area of social security for the individual and the group. For them, social progress actually means the application of the various modern trends in economic development, democracy, and social certainties. But social certainties have a considerably different content from what has been embedded in our conscience and what under the present conditions causes a complete chaos in our heads when we evaluate them.

The basis of social certainties is the creation of institutional factors for obtaining material resources for personal existence. They are, for example: entrepreneurship, work, a broad palette of incomes and annuities, mass retraining, charity, etc. These institutional factors are managed by the spheres of private ownership, state, local self-governments, trade unions, charitable organizations, etc. It would be ideal if such activities overlapped somewhat and if there were enough resources for the entire population. But that is opposed on principle by the politics of the conservative movements and the higher social strata, which consider the above mentioned approach a waste of national resources.

The so-called center is filled with liberal movements which are the "tongue of the political scales." It is not true that in developed democracies the system is supported by a strong center. That would mean the end of development, of pluralism, that is, competition among political views. Rather, it is true that the right and the left have moved considerably away from the center by the fact that the above-mentioned conservative and social reformist groups markedly differentiated themselves from it. The liberal movement itself oscillates between the conservative and the social reformist movements, which is what keeps it alive. But the creation of the green parties complicated life for the liberals considerably. In countries with a high political culture mere general democratic programs cannot gain any sizeable support because they are incorporated in the programs of all parties, including the extreme ones. "Bare" catchwords—democracy, freedom, pluralism—would not be bought even by an illiterate.

We Need a Cultivated Conservative Force

In Czechoslovakia, street gatherings and journalists brought strange concepts into our vocabulary: totalitarian and progressive forces, old and new structures. A Western political scientist, economist, or social scientist does not understand them; to them it is just blather. Our politicians, unfortunately, are also beginning to use this street jargon, with which they want to impress the world. The poor wretches. And so are we, because the picture of our political culture has been a caricature from the beginning.

Let us try to identify conservatism here in Slovakia. Who gives priority to traditions in formulating so-called modern politics? The canonization of quotations from the beginning of the century (A. Hlinka), or from the

time of Hitler's dictatorship in Europe (J. Tiso) is also traditionalism, as is the introduction of religious concepts into politics (that is called clericalism). Listen carefully, we are not denouncing, we are just making a statement! Political traditions that have existed on our territory—it does not matter when—give the KDH [Christian Democratic Movement] and the SNS [Slovak National Party] an important, even key impetus for the current policies of their own parties as well as the state. The idea of restoring the postwar ownership status corresponds to that—the return of land, forests, businesses, as well as buildings to those from whom they were taken. However, not a return of private property that was “aryanized” during the war—shades of modern racism?

The above-mentioned conservative movements have two common, mutually integrating features: Christian world view and nationalism. Because economic and social relations have not been developed in these movements, there is potential for a renaissance of ideology as the basis of political activity (after the fall of the CPCZ [Czechoslovak Communist Party] hegemony). But the socioeconomic reality is certainly such that the KDH and the SNS have no group to identify with. Therefore they have no social base to fall back on, and they substitute nationalist and religious emotional appeals. But those cannot be used to argue the reconstruction of production, radical change of ownership relations, or social security. It barely suffices to interfere in the school system, but even that has a markedly destructive character.

Cultivation of the above-mentioned conservative movements consists in a precise social identification and in offering their own version of economic development. By making a laughing stock of themselves with their demagoguery in gatherings they harm the entire political spectrum, and even impede the working of the government. Citizens should have the impression that these are serious political groups which are not dividing them into “ours” and “adversaries”. In other words, there should be a general need for such parties.

However, today's conservatism is a considerably complicated conglomeration called the Communist Party. Part of it is firmly fixated on political, ideological, economic, and class traditions. Their way of dealing with the past and viewing the future is characteristic of the conservative movements, so that we have a paradox: a radically leftist movement with a conservative orientation comes into being. And for that reason, too, the KDH and the SNS do not want to call themselves conservatives, because this concept is linked in the public's mind only to the past four decades, and not to 50, 100, or 1,100 years.

The So-Called Center Left

It is obvious that the so-called center left here has an almost identical orientation as the social-reformist movement in Western Europe. But its problems are

considerably different. One of them is the nonexistence of a theoretical background (the KDH has almost 2,000 years of Christianity and the SNS the teachings about Hlinka and Stefanik). And at the same time many politicians of the center left long for directions of the Marxism-Leninism type the CPCZ has had in the past. To follow Bernstein and Katsky is, of course, possible, but a contemporary theoretical outlook is missing. Z. Mlynar and I. Svitak do offer something, but being influenced by democracy they refuse to write directives. Moreover, similarly as in other parties, here, too, reigns a certain dilettantism, lack of knowledge of the theories produced by the contemporary world, and self-satisfaction with one's own small mind. Political pragmatism gets more points than theoretical knowledge, but it did not score political successes in elections or in the struggle for positions of power in one's own party.

The second problem is the social substance, that is, to whom does this movement speak. At his time it proudly insists that to all people who live by the labor of their hands or their skills; well, we have already heard that one before.... The social interests of a laborer, master artisan, engineer, teacher or director differ. At the same time, it is not possible to be a social-reformist movement and repeat after V. Klaus that it is necessary to have unemployment and to raise prices. The center left should give some thought to whether it should talk to the intellectuals whose work used to be unappreciated here (the leading role of the working class was not just demagoguery). The wage scale must be considerably expanded according to social usefulness and prospects for the future. Some KC OF [Civil Forum Coordination Center] circles are making things difficult for the intelligentsia of the young and middle generations, which is emigrating under the political and existential pressure of the 20th century Dantons; and that is a loss for the future development of the nation. Unemployment also does not need to be cataclysmic if the mentioned system of creating resources for obtaining life's needs are in place (I am not thinking about stealing or black marketeering).

The preceding indicates that the task of the center left is to find a way to gain the trust of the voters. Demagoguery will probably not do it. Therefore it will have to be attempted by searching for common impressive points of individual parties, by creating a common democratic platform, and by defining the concepts social justice and social certainty. The center left can also gain political points by offering the citizens what the others are unable to give them. In the social sphere, the conservatives offer charity and the liberals the traditional: Take care of yourself because you are a free man. Although the center left can overcome individualism and offer social solidarity, it must define it in political terms.

What Is Political Center?

In Czechoslovakia the Civil Forum [OF] and VPN [Public Against Violence] are unquestionably the ruling groups. Liberalism has been their central idea since the time they came into existence. But obviously they have a

fundamental problem in fulfilling the ideals of humanism and democracy. It is not so difficult in the case of humanism, because the main initiators of OF and VPN were originally associated in Charter 77 which had humanism as its very substance. But it is more difficult as far as democracy is concerned. Democracy does not permit power monopoly, political extortion, or "shooting". Quite a few politicians of the ruling group are aware that their position is precarious, and so they use even undemocratic means to push through their economic and political objectives.

The main purpose of the OF and VPN is to create a civil society here. Its creation probably will also limit the duration of the influence of both movements. Nowhere in Europe does liberalism rule, because it stands with one foot on the right and one foot on the left. That is true about our governing movements as well. It can also be seen in their international relations. Almost no contacts with liberals, on the contrary, there is an effort to establish close contacts with socialists (Vrantzki, Mitterrand, Gonzales) and conservatives (Mrs. Thatcher). I believe that all democratic forces should support the above-mentioned purpose of the movements—creation of a civil society—because only in such a society can the entire political spectrum come fully into play; demagoguery and political blather will cease to have any substantial influence on our development.

And What About Extremists?

It is quite logical that such political organizations will come into being. Both ends of the spectrum have already introduced themselves to some degree: The ultraleft works with the terms revolution, the dictatorship of the proletariat; the ultraright wants to reevaluate the Slovak Republic of 1938-45, although it virtuously does not use the governmental terminology from that period. It may be that Stalin, Castro, or Tiso will become the personal symbols of these movements. In any case, it must be pointed out that promoting any kind of dictatorship and political violence should be unconstitutional in a legal state. It could well happen that they will become illegal before they have properly established themselves. But it does not mean they will perish, only that they will search for another form of existence and promotion of violence and revolution.

Real development is always the meeting point of many variants. The citizen usually cannot orient himself completely in the political spectrum. Do not delude yourself: even a citizen of a developed democracy cannot do it. The demagoguery: "our citizen is educated, he cannot be fooled" is nonsense. A rank and file citizen mourned Stalin's death, applauded Bacilek, Novotny, Dubcek, Husak, Havel, Budaj, and he will applaud others. Even in Germany one and the same citizen elects SPD [Social Democratic Party], NSDAP [National Socialist Workers Party], CDU [Christian Democrats], and then again SPD. A citizen wants to live, before anything else. He has a certain pragmatic idea about his own existence—mostly material. That is true all over the world.

Touch 30 percent of his standard of living and he will reject you. The government in the United States did not survive it (Black Friday 1929), or in France (Fourth Republic), and the Polish Government is also in a serious crisis. If the power structure cannot provide the citizen with a prospect for social stability in a realistic time frame, it becomes an unnecessary group of irresponsible individuals giving the performance of amateurs and reaping rewards of professionals. During the process of self-renewal the nation needs a resolute policy leading to national well-being, not to a national exodus or exit.

Concern for Purity of Slovak Language

91CH0051A Prague TVORBA in Slovak 3 Oct 90 p 2

[Interview with Jan Kacala, director of the Ludovít Stur Language Institute of the Slovak Academy of Sciences in Bratislava, by Stefan Moravčík; place and date not given]

[Text] [Moravčík] What is the current state of the Slovak language and its future? I asked the director of the Ludovít Stur Language Institute of the Slovak Academy of Sciences in Bratislava, Jan Kacala. I believe that his answer will be of interest also to TVORBA readers. At the very least, it will help us to learn about each other. Now, let us hear Director Kacala!

[Kacala] In the seventies and eighties Prague centralism again gained strength and "nationalist deviations" in implementing language policy were quite harshly penalized. Under those conditions, which moreover were misused by certain groups of politically conforming users of Slovak known for their indifferent and careless attitude toward the Slovak language, it was not in the linguists' power to stop the inclusion of some Czech words (for example, "dialnica" [highway], "drzy" [impudent], "krb" [fireplace], "nezavadny" [irreproachable], "osemetny" [tricky], "svieckova" [sirloin], and in this respect such Czechoslovakizing effort left certain individual traces on the vocabulary of the Slovak language. But there was no fundamental threat to Slovak, and by and large practical language policy and refinement of the language have been conducted in the spirit of developing the native language legacy. During the past several decades as well, the development of Slovak has been based primarily on its own substance, while at the same time progress and intensive international exchange of information has been causing the Slovak language to absorb, mostly in the vocabulary area, quite a few elements also from other languages, mainly from Russian and English, less from other languages. This borrowing has been on the whole necessary because otherwise it would be very difficult to find substitutes in the native language. In taking over and naturalizing elements from other languages the primacy of Slovak has been observed as a matter of principle.

[Moravčík] What can endanger the Slovak language today?

[Kacala] From what we have said ensues the implicit answer that if it has withstood so much pressure to assimilate and has overcome so many dangers, today, when there is freedom and democracy favorable to the development of national attributes, nothing can endanger it. This point of view is in fact correct and can be endorsed. But one can see some dangers all the same. We might say that the first one is the influence of other, vigorous languages, and the other is our inability to be consistent in establishing our national rights. Of the strong languages, English is the most widely used in international contacts. Other national groups are also aware of the undesirable influence of anglicisms, and some even pass laws to protect their language (for example, France in the mid-1970's). The influence of English can be felt in many areas: science, technology, politics, international trade, culture, advertising, sports, public relations. Inasmuch as the progress of human civilization is inevitable, and because it is particularly strong in English-speaking societies, as a consequence of intensive international contacts of all kinds we cannot avoid entirely the inclusion of English words in our language. In fact a total elimination of these words cannot be even considered. Rather, the point is to have a correct economic, cultural, and linguistic policy that will continue to support the research and culture of the Slovak language in the Slovak Republic and that will also within its framework include the question of the use of foreign, or borrowed, words based on the primacy of our language. If our understanding of the mother language becomes so profound that we will be able to filter out through the grid of its system the influences of foreign languages in such a way that unnecessary things do not go through, or that the adopted elements do not displace or damage elements of the native system, we can rest easy and not worry about the future of our language and the preservation of its uniqueness.

HUNGARY

European Parliament Action on Admission to Council Reported

91CH0065A Budapest NEPSZABADSAG in Hungarian
3 Oct 90 pp 1, 3

[Article by Laszlo Rozsa: "The First Step to the Council of Europe; The General Meeting Supports Our Request for Admission"]

[Text] The 42d Session of the Council of Europe's parliamentary general meeting recommended Hungary's acceptance to the Council of Europe. Prime Minister Jozsef Antall delivered a speech and responded to questions raised by representatives following debate and after the votes were cast.

If the recommendation is agreed on at the November conference of the Committee of Ministers, Hungary will be first among the former East bloc countries to obtain full membership and seven representative seats in the Parliament of the Council of Europe.

On Tuesday morning at Strasbourg's Entzheim airport Chairman of the Parliament Anders Bjorck and Sergeant at Arms Heinrich Klebes received the Hungarian prime minister who arrived in the city located in Alsace to attend the debate and the vote concerning Hungary's admission. Prior to the session Antall held a separate conference with Chairman Bjorck and with delegates of the foreign ministers. Executive Secretary Catherine Lalumiere received Antall in her office.

Debate concerning Hungary's acceptance was opened with the presentation of a report by a committee chaired by Austrian socialist representative Schieder. The report underscored the fact that Hungary was first among the former East bloc countries to seek admission. Despite certain, on occasion critical, findings the committee took a firm positive position in support of Hungary's admission because some important steps were taken in Hungary to develop democratic structures and because Hungary made a firm commitment to represent the ideal of the Council of Europe. The report voiced the merits of former Prime Minister Miklos Nemeth and of former Foreign Minister Gyula Horn, as well as the commitments made by Antall in his cabinet program.

The second committee to report was chaired by liberal Finnish representative Jansson. This committee also praised Hungary's accomplishments as far as human rights were concerned; at the same time, however, the report did not fall short in critical remarks concerning matters like the situation of women in society and their equal rights, and issues pertaining to the minority situation of Gypsies in Hungary. The committee report condemned anti-Semitic phenomena which emerged during the election period, and expressed concern about the possible negative political effects of the adverse economic situation.

In debating the committee reports all representatives spoke warmly about the application for admission, and voted unanimously in favor of admission.

Antall began his speech by saying that admission to the Council of Europe represents to Hungary and to the East European region a political and historical milestone on the path that returns us to Europe. An opportunity arose to become integrated with the economic, political and cultural life of our continent. Antall stressed that the matter at issue concerns reintegration, because Hungary has conducted itself according to European standards and traditions for a thousand years, and that frequently Hungary protected Christian civilization by risking its own national existence. On two occasions since 1945 Hungary made an attempt to take its place in a manner consistent with democratic values. Progress came to an end in 1947 as a result of the communist regime supported by external forces, and in 1956 in response to armed intervention. The path for a peaceful transition was established as a result of roundtable negotiations initiated by opposition forces of those days. Free elections and the establishment of Antall's cabinet was the first station stop in the course of peaceful transition.

Antall added that it was possible to achieve peaceful transition only on the basis of a national consensus, by cooperating with the opponents, because even the opponents recognized the fact that it was not possible to reform the previous totalitarian system. The prime minister praised relations which evolved with the Council of Europe over a period of time, and spoke about the conventions we have joined since and which we will join hereafter. We would be pleased if the European Youth Council would open an office in Budapest, and if an information and documentation center would be established in the Hungarian capital, Antall said.

Antall confirmed that Hungary regarded a comprehensive guarantee of the rights of minorities residing in Hungary as an organic part of democratic transformation. Five million Hungarians reside beyond our borders, of these 3.5 million may be found in Hungary's immediate vicinity. Hungary feels a similar sense of responsibility for the fate of these Hungarians as it does for the minorities residing in Hungary. Thereafter Antall discussed the fact that based on experience gained by the Council, Hungary may better prepare itself to comply with the requirements placed before it by the unified Common Market to be realized in 1992. Before reaching other agreements of association, the Hungarian Government intends to become part of the system of political cooperation in Europe. In conclusion Antall said that a full consensus exists between the ruling parties and the opposition parties in Hungary concerning the application for admission. Antall expressed gratitude to the general meeting of the Parliament on behalf of all these parties for the recommendation to admit Hungary.

Thereafter the prime minister responded to questions. These included inquiries as to the cabinet's intended action to provide social protection relative to the anticipated unemployment, how the cabinet supported privatization, and whether the cabinet approved of a situation in which the Soviet Union received aid in some form of a new Marshall Plan. Responding to the latter question the prime minister said that one should count on the gravest of consequences as a result of deteriorating economic conditions in the Soviet Union. In Antall's view, aiding the Soviet Union is justified provided that certain conditions in the field of human rights are met.

Prior to his departure Antall answered questions at an international press conference. He said that it was not in Hungary's interest not to see improvements in the Romanian conditions, and to isolate Romania. In response to another question, Antall pointed out that although he was committed to the Atlantic ideal, he did not believe that Hungary would request its admittance to NATO once Hungary abandoned its bonds with the Warsaw Pact. Not even NATO would be pleased if Hungary would do so, he added.

Goncz Visits Ukraine, Carpathian Border Region
91CH0065B Budapest NEPSZABADSAG in Hungarian
29 Sep 90 pp 1, 3

[Article by Gyula Fejer: "Arpad Goncz's Meeting With the Ukrainian Opposition; Changing the System Does Not Constitute a Red Line"]

[Text] Following his Thursday discussions with leading Ukrainian politicians, Hungarian head of state Arpad Goncz and his entourage familiarized themselves in the morning with the sights of Kiev, then met writers and leading opposition politicians at the Ukrainian Writers' Association headquarters. They asked the Hungarian delegation to convey their good wishes to the Hungarian people.

In his response Goncz stated that it would be natural for writer-politicians to converse in small groups along with a glass of wine. In the Eastern half of Europe, however, circumstances forced writers to become professional politicians, as seen in the example of Havel and others. In this context Goncz reported to his hosts the role played by Hungarian writers in the social changes, and stressed that the demands now being realized were articulated for the first time at the 1956 general meeting of the writers' association.

Concerning the condition of culture and literature in Hungary Goncz mentioned that Hungary is a very poor country, and that people in every field of the arts struggle because of lack of subsidies. In the artistic field the market economy opened the floodgates of worthlessness. We are witnessing the difficult period of a systems change; whatever existed thus far in terms of culture has collapsed, and what should exist is yet to be established.

The opposition politicians described their perceptions concerning Ukrainian independence and expressed hope that their relations with Hungary will become closer in every respect. They are counting on Hungarians residing on Ukrainian soil in this respect. They stated that the opposition is not opposed to Gorbachev, because the Soviet head of state is supports the independence endeavors of member republics. The Ukraine is interested in seeing that the Hungarian minority develop its culture and relationship with its parent country.

In his response Goncz drew parallel between what he just heard and the former role of the Hungarian opposition. He reminded his hosts not to be frightened even if issues to be resolved soon appear in their gravest form as a result of problems swept under the rug for decades. He called attention to the fact that the opposition proceeds appropriately if it learns from our frailties and does not try to break away from reformers within the party. Irrespective of how sharp debates may become, common goals may be resolved by reaching a compromise. He would find information exchange between the Ukrainian opposition parties and the party's reform forces on the one hand, and their Hungarian equivalents on the other, appropriate. The Hungarian head of state also cautioned

that social changes in East Europe carry two threats: extremist nationalism and anti-Semitism. One severs ties with the world, the other with the sister nations.

During the day Goncz viewed the Hungarian exhibit just opened in the chamber of commerce and industry building of the Ukrainian Soviet Socialist Republic, then paid a visit to the Hungarian consulate in Kiev. He was received there by Consul Andras Paldi and by Hungarians working in Kiev. Responding to their questions Goncz said that the changing of systems does not constitute a red line which must be transgressed. The change in systems must be built within the people. Hungary is experiencing difficult times, and it is difficult to overcome the fact that inside of many people there are little Horthys alive.

In the early afternoon, Goncz and his entourage boarded a special Soviet plane and flew to Ungvar [Uzhgorod]. There he met with enthusiastic representatives of Ungvar and the region beyond the Carpathian Mountains. Goncz paid a visit to the Soviet Hungaryology Institute.

Local Elections: Low Voter Turnout Viewed as Success, Protest

*91CH0069A Budapest MAGYAR HIRLAP
in Hungarian 2 Oct 90 p 5*

[Editorial by Ivan Gador: "Puzzled"]

[Text] I agree with [Interior Ministry Administrative State Secretary] Imre Verebelyi. Sunday night he voiced the opinion that the relatively modest voter turnout does not constitute a fiasco. This is so not only, and not primarily, because on an international comparative scale the Hungarian voter turnout may be regarded as average. The low voter turnout constitutes a success because in the present situation voters took advantage of the possibility of abstaining from casting their votes. I regard this fact as an accomplishment by the Hungarian people.

I am not at all happy about this fact. Any sober-minded person should know very well that democracy is only an illusion in the absence of legitimate, well functioning autonomous governing bodies. And in the present elections, doubt was cast over this very matter, in the cities at least. Or could it be that I am wrong in this regard? A small group of voters is also capable of electing these bodies. This is just fine, because one cannot hope that in two weeks, in the second round of elections, voter participation will increase greatly. To accomplish this, the makers of politics would have to undergo a fundamental change. Change the way Christian Democratic Party [KDNP] chairman Laszlo Surjan said last night: "We should have a higher degree of objectivity and less subjectivity; that's when statements to the effect that these elections are held for the people will become credible. The people feel that these elections are held for the sake of politicians."

And why should not the people hold this belief? In the parliamentary elections some of the parliamentary faction leaders failed in individual voting districts, others did not even run as individual candidates. Sunday night a passerby told a TV reporter: "We did not put them in parliament, the parties did. Why should I vote for the parties once again if the result is this?"

The view which holds that "People consciously did not go to the ballot box, and this also constitutes a firm expression of opinion on their part," supports the ideas of political scientist Attila Agh.

And this is also supported by the decision made by the country's village residents: the great majority cast its vote for independent candidates outside of parties. These candidates won their electors' confidence not as a result of meaningless political statements, but through their work. And more than half of these won this confidence through work in public administration, because in many villages the old council chairmen were elected mayors.

It is not true that indifference (although indifference exists), ignorance (although ignorance exists), and the mentality of the 800,000 Hungarian Socialist Workers Party [MSZMP] members and their families which reject the systems change (although nostalgia exists) prevented the local elections from becoming a victory parade. It did not become a victory parade because a sweeping majority of the people became tired of the party state, and because at this time people do not want to see a state of parties replace the party state. The people want a systems change, as long as systems change means rational policies devoid of interests tied to power and to a great power. The Hungarian people yearn for this more than for anything else. This was attested to by the first four "yes" votes cast at the popular referendum and at the parliamentary elections. And this was also attested to at the latest, entirely irrational popular referendum, which was not attended by most people.

At the time the absence of voters was not due to hot weather. At present another price increase, announced to take effect on Monday, is not to be blamed. It would be pleasant of course to believe that these were the reasons, because these are infinitely simple reasons. The apolitical people go to the swimming pool, not to the ballot box, when the weather is hot, so they said. And the uneducated people incited by the opposition and by the clumsy TV news editor felt insulted by the government, which claims that it had nothing to do with the price increases decided by the enterprises, and so the people preferred to stay home.

If this is the case, the situation is simple: The opposition and the press should be toned down, and the people should be placated with a few gestures, and then they will go to the ballot box again. And equally: There should be no doubt for whom they will cast their votes.

Well, in reality the case is not that simple. The people, on whose behalf politicians of the governing coalition had

so much to say, usually do not become offended. Thanks to the much cursed press, these people are very well aware of the fact that they cannot expect to become rich quickly as a result of the change in systems. They knew about the magnitude of the state's indebtedness. They knew that as a result of our obsolete and irrational economic structure, national income was on the decline for years. And they knew that a series of quick and effective changes must be introduced which will also cause shocks before workers in general are able to sense an improvement. They knew that this would take years, at best.

But instead of quick and effective changes the people experienced mostly arrogance and nationalism. And instead of social care increasingly missed under the party state they found pronounced right wing attitudes. This they were able to relate to the fact that the people's dependence was increasing week after week, even without studying the matter. And this is what no one expected to see. What people expected was this: that once national self-respect was restored, we would be guided to the long yearned for, developed, and cultured Western world. For this they were willing to make sacrifices. But instead of this they too often heard of incitement against religious and ethnic groups based on ignoble instincts, of overt anti-Semitism, and of hatred for foreigners. The bad feeling of a nation shutting itself out of the European house evolved, because it was possible to manifest such conduct in the name of the leading political force. In time this bad feeling was escalated into rejection by some coalition politicians who openly questioned whether it was indeed our goal to beg that we become part of that pompous European house.

The governing coalition parties did not reject such statements, just as they did not reject many other things. They were in no hurry to announce—except in Western press statements—that this confused, forceful nationalism was not characteristic of our parties, and that politicians who talk like this did not work with us, they worked against us.

It is not true that this expectation originated only from the "cosmopolitan Budapest coffee house clientele devoid of any Hungarian consciousness." This was also expected by the "pure, unspoiled Hungarian peasantry which obtains its nourishment from clean sources." Only a negligible part of villagers voted for the mayoral candidates of the Hungarian Democratic Forum [MDF] and the Smallholders Party [FKgP], both of which claimed to speak on the villagers' behalf. Well, this is not to say that the liberal parties and the Left reaped victories.

But who will reap victories in the second round of elections which will decide the political profile of city autonomous governing bodies? These are places where the seemingly third alternative offered by independent candidates does not provide a solution which seems to be an easy solution in the eyes of voters. These are places

where candidates of the governing coalition and of the opposition may become the leaders of autonomous governing bodies. The parties may provide the response to these questions in the upcoming two short weeks.

The opposition certainly may register additional gains if it is able to characterize and clarify its program, and if it is able to convey that program to masses of voters. There may be a close race if the MDF and the FKgP conduct self-examinations as the KDNP did, and make fundamental tactical changes. But if the coalition parties create a new enemy image—as many signs indicate—try to find scapegoats, and try to discredit the political alternative with vague accusations, they will find supporters only among members of the strata whose activities cause fear in the largest segment of Hungarian society.

Local Elections: 1st Round Voter Apathy Analyzed

*91CH0068A Budapest MAGYARORSZAG
in Hungarian No 40, 5 Oct 90 p 21*

[Article by B. Csaba Almasi: "Fiasco? The People's Judgment"]

[Excerpts] [passage omitted]

They Were Not Moved

Having reported the most important data, we should examine what is behind this lack of interest. Sociologists, political scientists and public opinion researchers warned well in advance that a very low voter turnout was easily conceivable. On the other hand, it appears that to most politicians and party leaders the low voter turnout came rather unexpected. They believed, and they said this frequently, that the people were aware of facing a historic choice, because the change in the system was to be completed at this time, and that with the discontinuation of the council system and the development of local autonomous governing bodies, citizens would take charge of managing their lives at last. Having recognized this, they would besiege the polling places.

This did not happen. People were not moved by emotional appeals, slogans and catchwords, nor by program proposals which amounted to a compilation of promises at best [passage omitted]. In an incomprehensible manner, the parties tried to win votes with methods used in national politics. Instead of making proposals to resolve local concerns, they thought that the election campaign provided a good opportunity for even more fierce party skirmishes.

These phenomena were also reflected during the nominating process. Instead of running people active in public life who enjoy public respect, most nominees were "authentic" party faithful, who espoused their parties' views entirely. Thus it comes as no surprise that in many instances voters did not have the faintest idea whom they would cast their votes for. In general, people argued that their lives will not be easier, their salaries will not be

higher, and that meat, electricity, and gasoline will not cost less if they vote. Therefore they chose the more comfortable path: They stayed at home. They felt cheated, because in the course of a year they were asked to express their views for the fifth time, and while they were promised freedom, prosperity, and happiness, they sensed only a deterioration in their situation.

This public mood was not appropriately assessed by the parties running in the elections. Supposedly they believed that "revolutionary enthusiasm," joy over having seen the collapse of the party state dictatorship and the establishment of a democratic constitutional state still prevailed, and that in response the populace would fully support the new system. But a decision not to vote constitutes an expression of opinion. In well-functioning societies, abstention from voting means that everything is in the best order in the country, everything is running on course, and therefore voters may feel that their involvement in the affairs of the state and of local government has no significance. But abstention may also mean that in the judgment of tired, disappointed, apathetic people their own vote cannot redeem the world anyway. (Precisely because of this fundamental difference, it is unfortunate to make reference to the fact that the voter participation ratio in local elections is more or less the same in developed Western democracies.) I suspect that in Hungary the latter situation prevailed. [passage omitted]

Local Elections: 1st Round Results Analyzed

Independent Candidates Prevail

91CH0066A Budapest MAGYAR NEMZET
in Hungarian 8 Oct 90 p 4

[Article by Ferenc Poloskei: "Who Are Those Mysterious Independents?"]

[Text] Undoubtedly the most surprising outcome of the local elections was the sweeping victory scored by independent candidates. Most of the smalltown and village microcommunities cast their votes for independent candidates. Even if we do not attempt to make predictions, we may establish the fact that the independent candidates taught a lesson to parties seated in the parliament.

The independents have undergone quite a change since May. We could say that trends reflecting their ideals, political and economic goals, and social and cultural perceptions ran a broader range than those initiated by the parties, and that as of this moment we are unable to even estimate the future direction they may take.

The mere fact of the victory of independent candidates presented the greatest surprise to certain members of the ruling parties. They viewed the election results, the fiascos and the failure to vote by an overwhelming majority of large city residents as depressing, as a sudden stoppage of the revolution and as the defeat of democracy, and attributed the results to the announced price

increases, to the intertwining of family relations in villages and to many other incidental circumstances that exist.

Political Vacuum

But are the election data, the facts, truly that surprising? Hardly so, because even if in earlier days village leaders were unable to fully detach themselves from the party state system, they could not be viewed as mere reduced size copies of the party state. This is so because in the course of the past decades conflicts between the leadership and villagers were unable to create so deep an abyss as they were in large cities. Villages have been exchanging their leadership for years. This exchange was sometimes vocal and forceful, in other instances it was quiet and calm. And those who lost credibility were virtually escaping offices which from their standpoint became uncomfortable.

If we were to take the views held and attributions made by members of the ruling parties one by one, we would find that they are treating symptoms, they fail to perform deeper therapy and avoid their own weaknesses and the exploration of the causes of their becoming weak. Could it be that a two or three day delay in the announcement of price increases—i.e., an announcement on Monday, 1 October—would have seriously influenced the outcome of elections? We cannot take this explanation seriously, and besides, an action of this nature could have been viewed as an election trick. And insofar as earlier communities based on family relations, religions, or residence on the same street are concerned, these have disintegrated already or have loosened up substantially with the progress of civilization: With the improvement of transportation, with the sudden increase in the number of private cars, and with the increased number of machines and instruments. New, less closed communities based on occupations, production cultures, and work processes took their place as generations changed.

Accordingly, those who expected local election results to be a simple repetition of the May elections for parliamentary representatives, should blame only their own weakness in making political judgments, and their being uninformed. Concern is hardly justified if they view only the positions they hold in the parliament, of course. This is so because at most, the independents provide a warning concerning the existence of a party vacuum in villages and small cities. They do not exert a direct influence on the present balance of power in constitutional parliamentarism. From this standpoint the situation would have been different had the parliamentary opposition parties, not the independents, scored a resounding success in small communities. Thus, we are unable to tell as of today whether a new party is being formed, one that may find its base in this new social medium, or if one of the already existing parties will conquer the residents of small communities. One cannot rule out surprises in either case.

The MDF and the MSZP

But from where, from whom, did the mysterious independents receive these votes? Actually, who are the independents? I would think that this is the question to which the big and small losers are presently seeking answers, just as public opinion poll takers are. The Hungarian Democratic Forum [MDF] and the Hungarian Socialist Party [MSZP] may be viewed as the big losers. And if we reverse the events of the past year we will find that there is really nothing to ponder about. The MDF's influence in the countryside has visibly declined, while the MSZP was unable to recover from its grave defeat in May. Thus the apparent reduction of the effectiveness of one, and another loss of prestige by the other, was compared with the independents. Without intending to describe all the details, at this time we may make reference to only a few "secrets" of this phenomenon.

The joy and worry of governing virtually fell into the MDF leadership's lap. Several of them were mesmerized by euphoria, and hardly made an effort to continue organizing the party. There were some whose itch to play a role made them lose their earlier popularity. In this regard I am not referring to unfortunate comments or other statements, because such utterances exist within all parties seated in a parliament. At this time we are not dealing with the usual parliamentary phenomenon, even though it appears that the leading party of the governing coalition does not have a filtering system to eliminate dissonance.

Our studies in history taught us that fiasco is frequently foreshadowed by quick and unexpected success. This is so not only because of a natural reflex, an overstatement of the success, and boldness. In this framework I would underscore two additional circumstances. On the one hand we find the blurred image of the MDF's ideological and political character and of its vision of history and the past. The change in color of its eclectic spirituality can be sensed. On the other hand, the lead weight of governing weighs down the MDF. We may include here concerns about the huge indebtedness and about harnessing inflation, and meanwhile about the consequences of a changing product structure: increasing unemployment, new difficulties in obtaining energy supplies, the loss of the German Democratic Republic as a market, and inflation. Under such circumstances, sooner or later the continuous use of the already known prescription exerts the effect of a stereotype repetition: criticism of the policies of the previous government or governments, the transfer of total responsibility to the previous government, or at least reference to these circumstances.

The other big loser in the local elections is the MSZP. It suffered its second great defeat, but one can hardly wonder about that. Part of the MSZP leadership consists of the too well-known, old actors and organizers of the state party that faded away. These were part of the Hungarian Socialist Workers Party [MSZMP] core. The other part appears to be consisting of beginners in

politics, irrespective of their age. The party's internal weaknesses are signalled by its amorphous image of both the past and the future. Within barely a year we could read about the emergence of reform communist, socialist, democratic socialist, liberal, Christian socialist and most recently of social democratic traditions. Along with this, although with some loss of its earlier steam, the probate dispute between the MSZP and the advocate of transcended conservative ideals left outside of the parliament—the MSZMP—continues.

By now we may attempt to clarify the circumstances of the brake which took place within the MSZMP. The party's renewal did not take place in the desirable, natural way, through an internal purge, and the discredited leadership stratum was not removed. Instead those who formulate local life, the quiet masses of the party whose intentions were clean and who gained respect in society were left outside of the successor parties, even though the bond between these masses and the center of the party became a matter of formality earlier.

Where Do We Go From Here?

These masses formed only a smaller part of those who became independent candidates. The great bulk of the independent candidates consists of those who previously formulated and took part in the self-organizing efforts of society. Those, who for a long time were engaged in beautifying cities and villages, and in protecting the environment, or others who for some time were committed to some religious community, or to the organizing and cultivation of local history and the spreading of knowledge.

We do not know of course the future path of the independents whom we may clearly regard as victorious today. Could it be that some existing or future new party will be able to win their support? Experimentation of this character will certainly become more characteristic in the future. And what will the people do who abstained from voting in the first round of these elections, those millions who comprise more than 60 percent of the people eligible to vote?

All this requires more thorough analysis, of course. Attention should also be paid to the not so spectacular fiasco of Smallholders [FKgP] policies which were hoped to be winners, as well as gains made by the larger opposition parties, such as the Association of Young Democrats [FIDESZ] and the Alliance of Free Democrats [SZDSZ]. But missing opposition policies and more comprehensive programs will suffice to retain their present positions at best; they will be far from sufficient to establish foundations for their future perspective, and particularly not in small cities and villages. The general voicing of liberal watchwords is simply not suited to win voters in that social milieu.

Former Council Chairmen Win

91CH0066B Budapest NEPSZABADSAG in Hungarian
4 Oct 90 p 4

[Article by Andras Sereg: "Council Chairmen in the Mayors' Chairs"]

[Text] Most small communities have mayors as a result of the 30 September elections of autonomous governing bodies. Statistical data show that in the first round of elections the mayoral elections produced most results among all elections for offices for which votes could be cast. More than 1.5 million voters in 2,759 towns and cities with fewer than 10,000 inhabitants, of the total of 2,930 such communities made final decisions concerning the persons of mayors.

The late September elections proved that villagers were far less influenced than city residents by the names of organizations which made nominations. One explanation for this phenomenon may be that unlike in cities, people in smaller communities are better acquainted personally with the candidates. City dwellers were guided by the names of parties and social organizations which nominated the candidates. Many attribute the lack of success in Budapest and in communities with more than 10,000 inhabitants to the impersonal nature of the campaign.

The mayoral elections produced victory for independent candidates in 2,288 of the 2,930 communities. To provide a feel for the proportions, we will mention the fact that even the FKgP, which ran the largest number of candidates from among all parties, acquired mayoral seats only in 105 communities (and only 67 candidates nominated by the FKgP jointly with other parties or social organizations finished in first place.) In viewing the performance of parties we must mention by all means the way FIDESZ trailed in these elections: Only six of their candidates won seats. The number of winning FIDESZ candidates is not high even if we add to this the seven candidates who ran on joint tickets in which FIDESZ was one of the parties. (On the other hand, in viewing the FIDESZ results one must also consider the fact that the "oranges" nominated only a few candidates for mayor from the outset.) In the aftermath of the election fiasco suffered last spring by the Agrarian Alliance—a fiasco at least insofar as parties are concerned—it acquired 22 mayoral seats.

Joint tickets produced several curious results. In one community a candidate running on a joint MDF and MSZP ticket claimed victory. In another community a candidate running under a joint ticket sponsored by the SZDSZ, the MSZP and the Democratic Youth Association [DEMISZ] won. One candidate running on a joint FKgP and MSZMP ticket was elected mayor. Similarly, in one community an election coalition formed by the MSZP and the MSZMP was successful.

One of the most significant political messages conveyed by the mayoral elections was the successful performance

by council chairmen. Final results are not available, but tallies prepared in 13 counties are very educational.

In the 292 Baranya County communities with fewer than 10,000 inhabitants, 32 of the 42 council chairmen running in the elections will perform their duties as mayors in the future. In Bekes County 30 of the 45 council chairmen won the people's confidence. In Csongrad County (54 communities) 24 of the 46 council chairmen became mayors. In 100 Fejer County communities, 32 of the 56 council chairmen running were elected mayors. In the 162 Gyor-Moson-Sopron County small communities, 31 of the 49 council chairmen running were chosen to head the autonomous governing bodies. In the 71 Hajdu-Bihar County communities, 21 council chairmen were elected. In almost half (30) the number of Komarom-Esztergom County's 65 communities, the previous council chairmen became mayors. In Pest County 44 council chairmen finished first. Council chairmen did not perform badly in Somogy County either, because 39 of the 54 council chairmen running became mayors. In the 221 Szabolcs-Szatmar-Bereg County communities, 51 of the 67 council chairmen running were elected mayors. In Szolnok County 28 of the 34 council chairmen running became mayors. In the 213 Veszpremi County communities, 30 of the 43 county chairmen running were elected mayors. And finally, in Zala County 32 of the 38 council chairmen running in the elections did not regret the decisions they made.

HITEL Articles Draw Charges of Anti-Semitism

Csoori Charges Reverse Assimilation

91CH0063A Budapest HITEL in Hungarian 5 Sep 90
pp 6-7

[Part 2 of a serialized essay by Sandor Csoori: "Day Moon"]

[Excerpt] [passage omitted] The only moment the orienting instinct of most Hungarians functioned well was 23 October 1956. Quite naturally, this is true regarding the essence, and not with respect to details. People were able to recognize overnight that the unavoidable moment to redeem the nation and the people themselves had arrived. Aside from a small number of intellectuals and party opposition groups pounding the table, silence prevailed everywhere on the 22nd. There was silence, a low profile, and the afternoon of dictatorship which promised to be long. The world turned upside down by the 23rd. Brains and humiliated hearts exploded, and suppressed dissatisfaction began to flow to the streets like a volcano. The ideologues were either mute, or they stuttered some words, but when Stalin's monument was torn off its base a lightning recognition was made by every Hungarian: The balloon burst, the time for something expired.

The country has not experienced a similar feeling of unity, even though we busily repeat that a revolution is going on "in our street." And indeed: parties were born; we proclaimed the republic; a new parliament was

formed, and Soviet troops began their slow march out of the country. In 1956 we raved and cried from happiness, even though only a promise of Soviet troop withdrawals was heard! And yet, how come that in these successful times the nation is unable to stop at one of the turns or on one of the peaks, and is incapable of taking a deep breath inhaling the air of change? To unite as a result of this breath—instead of a pact sealed with blood—so that later we may separate once again along the natural breaking points of dissimilarity.

Many do not feel a need for such unification; they might be disturbed by that. The nation unified? What kind of outmoded desire is this? Some even expressed pains: Thus far we had to place socialism on a pedestal, could it be that as of most recently we must do the same with the nation? A nation which in Hungary is none other than a bag stuffed with Horthy memorabilia?

As far as my ears are concerned, this sounds like a knife screeching on a porcelain plate.

I would not say anything if this opinion was the sum total of the crippling moral effect of recent times. But I must confess that I do not sense any crippled morality behind such statements, but an entirely different interest and outlook on the world. I could call this an "aggression." This is so because ever since I learned to orient myself with my brain I could not avoid noticing that I was a Hungarian. Now I should be ashamed of being Hungarian. I should be ashamed, but not on the basis of my own understanding, one that could come as natural, but on the basis of suggestions directed from the outside: "What does it mean to be Hungarian?" This highhanded question was raised also in upper crust intellectual circles. "And what is patriotism? Tears? The national anthem? One hates even his private feelings, let alone such common stupidity."

Only a believer in a noisy group of atheists could turn silent the way I do on such occasions. This is so because a person for whom his confused, kicked-around Hungarian being presents concern will not put it in these terms. Such persons will primarily blame themselves, even if they go on the offensive. In contrast, people to whom the fact of other people's Hungarian identity causes concern are always sarcastic, bullying, cynical and tactless, and there is no response to such people.

There exist, and why shouldn't there exist, many who are bored with the eternal Hungarian complaints: Mohacs, Nagymajteny, Vilagos, Trianon, and a thousand other kinds of disasters. One may be bored with these indeed, but boredom will not make these disappear from among our concerns which cannot be resolved. A peculiar situation indeed. As long as it was possible to adapt naturally to the Hungarian people—either through assimilation or by accepting spiritual identity—these inherited miseries did not disturb, did not cause nervousness in the Schwabians and the German inhabitants of Slovakia for instance, or even in Jews who settled in Hungary after the 1867 Compromise. Disturbance or

nervousness was not visible in the least. Poet Endre Ady was surrounded by sons of families like Hatvany, Revesz, Jaszi and Ignatus, and they shared Ady's concerns to the best of their abilities. I believe that Ady's era was the last period in which national issues, the issues pertaining to Hungarians flared up inside Jews as an existential and historical issue. Jews learned not only to speak the language, but also acquired the deep-seated pains reflected by the language. The possibility for such spiritual and intellectual unity ceased to exist as a result of the 1919 soviet republic, the Horthy era, and particularly as a result of the Disaster Era. Quite naturally, there always were people like Antal Szerb, Radnoti, Gyorgy Sarkozi, Istvan Vas, Gyorgy Harag, Otto Orban, Gyorgy Konrad, Gyorgy Faludi and Tamas Zala. But in these days we find an increasingly pronounced trend. Endeavors for reverse assimilation may be discovered in Hungary: The liberal Hungarian Jewry intends to "assimilate" the Hungarian people in terms of style and thought. To accomplish this the Jewry was able to build for itself a platform in the parliament, one it was never able to build for itself before.

This challenge could be useful if we had a new Ady, or a new Bartok, Laszlo Nemeth, Istvan Bibo or Illyes. Let these outstanding forces compete with each other in remedying these centuries-old Hungarian problems. In performing such a task a measured look which maintains a distance is at least as indispensable as the bitter, spiteful, showing off, sentimental self-surrender of Ady to his "kind." But we have neither an Ady, nor a Laszlo Nemeth, nor a Bibo. Moreover we do not have a spiritual life which could serve as a measure either, one that could provide an appropriate milieu and background to this competition. Only a political arena exists, where the logic of matters demands a striking response for being struck, and slander for being slandered. Anti-Semitism and nationalism? These sentiments are much rather the lead actors of a superficially written political play than of the soul, i.e., they are not part of the actual situation. Instead of armed troops, in public life we only find some detachments equipped with egg-beaters who will whip up everything that helps conceal the problems to be resolved.

I will only mention one matter to provide a flavor of this. The so-called national cause. This issue is perhaps the one that causes the greatest tension between the Free Democrats [Alliance of Free Democrats (SZDSZ)] and the Hungarian Democrats [Hungarian Democratic Forum (MDF)]. My friends at the Free Democrats also follow their sentiments, instincts and minds when they feel that the establishment of only a new political nation is needed at best. A new political nation may be established without obsolete emotions, with cold sobriety by laws, and by some economic and market wisdom.

If we judge this goal with a free spirit we must recognize that this well lubricated "practical homeland" is not just any creation.

Unfortunately, a carefully planned political nation of this kind could represent only a partial solution to us. It would be identical only to the state that may be defined in terms of foreign and domestic policy, and minority or dispersed Hungarians would be shut out of it. About 4 million Hungarians, altogether. [passage omitted]

'Judeocracy' Foreseen

91CH0063B Budapest HITEL in Hungarian No 19,
19 Sep 90 pp 34-36

[Article by Istvan Benedek: "Nationality and Minority"]

[Text] Aggressive uncertainty—that is the only term I am able to use to describe the confusion which increasingly manifests itself regarding the concepts of minority and nationality. Serious people become offended and go on the offensive on behalf of minorities at a time when neither the use of this word, nor an offensive, nor both of these are justified. The concept of nationality is even more vague, particularly if we make it more complicated with the new-found word "identity." What is the nationality of for example a Jew who emigrated to the United States 30 years ago and acquired citizenship there, yet continues to regard himself to be a Hungarian? I could not respond with certainty to this question, and the credibility of any response could be questioned.

The United States is an excellent opposite example anyway, because in that country everyone except the Indians is an "alien," i.e., immigrants or descendants of immigrants. And yet the Indians are in the minority. In the minority, but as compared to whom? They are in the minority as compared to a ruling majority composed of heterogeneous elements descending from various nationalities. This majority may preserve a peculiar character, reminiscences based on descent, racial differences, and sympathetic and antipathetic feelings, nevertheless taken as a whole it constitutes the unity of a state which resulted from the integration of nationalities.

And with this we arrived home, because in my view Hungary is also a result of an integration of nationalities. "Pure" Hungarians have not existed for a long time, if there were any pure Hungarians ever. And isn't it true that Arpad's forces flooded the Carpathian basin leaving behind their women? Illyes asked this rhetorical question: "What became of this widowed-orphaned people amid total strangers?" Here is his answer: "There may be a new home, and there will be a new wife—she will belong to her husband. But the child she will bear will have an alien face and alien stature; it will be a mixture, and then not even a mixture any longer!"

And then, whether we like it or not, there came Saint Stephan's idea of admitting and pampering aliens. The Kuns came, and so did the Tartars. The country that was left vacant after the Tartars had to be filled with Germanic, Slavic, and Latin people. And the Jews came, and so did the Boszormeny people and the Gypsies—for a thousand years everyone came all the time, found a home here and became Hungarian.

The term "became Hungarian" does not mean that an assimilation took place. These people became integrated. They brought with them Eastern and Western features, characters, knowledge and ignorance. In the big melting pot they became one with the peculiar features of the earlier settlers, constantly changing and molding the Hungarian type. No geneticist exists who could account for the "characteristically Hungarian gentleman's" or the "characteristically Hungarian peasant's" genetic types, the genes of Schwabians, Saxons, Croatians, Serbians, Romanians, Jews, the French, or the Flemish, etc.

The alien elements received on a permanent basis were regarded as nationalities until they preserved their language and original national identity, and as long as they regarded themselves as aliens, as being different and as non-Hungarians, regardless of whether they arrived in masses or sporadically, and of whether they were refugees, invited guests, or lived here before the Arpad's conquest already.

In the course of our 1,000 year-history part of the aliens who remained in groups or became dispersed as individuals became integrated with the Hungarians, while another part preserved its national character and language, nevertheless willingly tied its fate to that of the Hungarian people. A third group remained in this country as an alien body, and turned against Hungary as soon as it was able to do so.

If we use the term "nationality" with reference to citizens residing in Hungary who are not of Hungarian origin, the first—the integrated—group of the above triple stratification must not be viewed as a nationality, because precisely this group constitutes the Hungarian nation, together with the rest. A too frequently mentioned example of this is the son of Janos Hunyadi of Serbian-Valach origin: King Matyas, or the poet Sandor Petofi whose original name was Petrovics. Among our daily acquaintances very many Polish, Slovakian, German, Turkish, Tartar, Romanian, Croatian, etc., names reveal some long forgotten nationality origins. No "pure" Hungarians will be left if we remove from the Hungarian nation those who became integrated.

An example for the second group is a Saxon town or a Schwabian village, whose residents speak in German with their kin, in Hungarian with Hungarians, feel at home here in the area of the Danube and the Tisza rivers, and have dual nationality, both German and Hungarian. They feel like we do, nevertheless they are proud of their German origin; they became somewhat assimilated but not integrated. This stratum constitutes the minority; one must deal with them gingerly, because great trouble may be incurred if they turn against us.

We find big problems in regard to the activities of the third group. Examples for these problems include the anti-Hungarian attacks by Serbians and Croatians in 1848, and Trianon, of course. I will not discuss here the extent to which the Hungarian state leadership may be held responsible for its "oppressive" policies; prior to

the reform era all poor people were oppressed by the Hungarian "gentlemen's class," and all Hungarian "rebels" were oppressed by Austrian autocracy. The Austrians favored our nationalities so as to incite them against us.

Insofar as the minorities are concerned, within the borders of historical Hungary the Hungarians were in a numerical minority as compared to the larger number of aliens. But these aliens were divided along the lines of various nationalities, and thus were viewed as minorities. To the extent that I am able to judge our history, minorities were not oppressed, but the bulk of the minorities which integrated with the Hungarian nation enjoyed quite a few advantages as compared to those who insisted on being aliens. In earlier days this was referred to as the Hungarian people being the "element which sustains the nation"; while the rest, lacking Hungarian consciousness was destined to play adjunct, instead of leadership roles. This view was based on the belief that the "racially pure" Hungarians sustained their existence as "pure" Hungarians, and became the source of many injustices and problems. But if we use an approach other than this racist approach, and measure the Hungarian nation on the scale of having become integrated, we find that the group which sustains the nation is the Hungarian nation which is a result of the integration of people of various origins, as compared to the minorities which insist on their being aliens.

Gypsies and Jews occupy a peculiar place in this ensemble.

I will not deal with the Gypsy issue, however acute the issue related to Gypsies is becoming because of their unusually high rate of reproduction and difficulties in becoming assimilated. I have no competence concerning this issue. I only have an impression which tells me that the present cuddling method is as futile as the earlier exclusionary method.

Everyone claims to have competence in regard to the Jewish issue. Everyone may have an opinion regarding this issue, to say the least. It is my view that Jews residing in Hungary constitute neither a nationality nor a minority.

One cannot regard Jews as a nationality, because they do not have a national language or at least they do not conduct discourse in that language. They speak their native tongue instead: the Hungarian language. As long as Jews moving to Hungary from Galicia spoke Yiddish among themselves, they also formed a nationality, because they had a homeland and a native tongue. But not including Zionists, yesterday's and today's Hungarian Jews have no native country and no native tongue other than Hungarian. Although the Zionists (also) speak the Hungarian language, they are not Hungarians, based on their feelings. Zionists may be regarded as a minority, or as aliens with friendly or with hostile feelings, but the average members of the Hungarian Jewry are integral parts of the Hungarian nation, irrespective of the extent

to which they insist on their faith, and irrespective of the degree to which they express enthusiasm for Israel. Moreover, the average members of the Hungarian Jewry are very important parts of the Hungarian nation, because they played leadership roles in Hungarian economic and intellectual life for centuries. This, of course holds true not only in regard to Hungary. It is true also in terms of Europe and America, perhaps the entire world, because lacking a homeland the entire world became the homeland of dispersed Jews. But here we are concerned only with the Hungarian context, even though international Jewish consciousness exercises a reflexive force. This consciousness plays the role of replacing the homeland in those who do not feel that any country is their homeland.

Anti-Semitism evolved in every country which received Jews. Jewish arrogance, i.e., the "chosen people" concept certainly played a role in this. There are a number of other reasons, but this one alone will suffice for them to regard me as an anti-Semite, because Jewish arrogance is immediately followed by Jewish sensitivity. Suffice it to say that there also exists Hungarian arrogance and Hungarian sensitivity, and therefore we are better off not probing this matter further. Anti-Semitism also existed in Hungary, but persecution of Jews did not exist until Hitler. Thus Jews who found refuge in Hungary during the Eastern and Western pogroms found a home in Hungary, and their numbers increased. For a while they spoke Yiddish and German, thereafter, having forgotten or having set aside these languages, their native tongue became Hungarian, and Hungary became their homeland. Because of their talents, Jews occupied first class places among our poets, writers, musicians, and scientists, and their economic sense earned them leading positions in business. The pace of integration significantly accelerated since mixed marriages became legally permissible: Jewish and Christian families became intermingled, orthodoxy declined, many Jews became Christians, and consistent with the newcomers' frequent practice, acquired a stronger faith than the old flock. The number of half Jews, quarter Jews and three-quarter Jews render the counting of Jews, or the statistical evaluation of the victims of the persecution of Jews impossible from the outset. For this reason, in a grotesque fashion, Jews adopt Hitler's methods, and use a racist basis to count among themselves Jews who are baptized Christians—an impermissible practice if viewed from the Christian side. (Jews could say to this that Hungarians also claim that their talented members abroad are Hungarians. This is true, but this claim pertains only to those who profess themselves to be, and feel like Hungarians.)

I have many Jewish friends. More than one of them were aggrieved and suffered losses, but none regard themselves as members of a minority. They are committed to their being Hungarians, and that's what they are. At the same time they are also committed to being Jews. And they do not think that all Hungarians are fascists, and do not regard as anti-Semitic a person who dares to say

something adverse about a trashy Jew. They are aware of the fact that all nations have their mobs, including Jews and Hungarians. Despite their being Jewish, they would like to be part of the Hungarian elite.

In the early part of this century a substantial part of the Hungarian elite was composed of Jews. I do not mention names, because I would have to enumerate too many, and some would be left out even then. At that time integration reached a level where we did not even know who was and who was not Jewish, until Hitlerism dawned on us. That was the time when they began to assess each person based on his grandfather, and this continues to go on even today. It took a minute for Hitler to put an end to integration which progressed so well, nevertheless the relationship between Hungarians and Jews was not poisoned in the long term by nazism, but by bolshevism instead. I can understand the furious revenge of the initial years: There were grave reprisals for grave personal grievances, both of which were unjust and inhuman. But at this point a surprising turn followed. Hungarian people are indeed ashamed of what they were forced to tolerate (those who committed these acts are not ashamed of course, they got away if they were able to do so). In contrast, part of the Jewry is proud of having been able to be as vile as the fascists, and then they got so used to the ravages that they could hardly stop. We have reached the point where the Jewry is endeavoring to achieve judeocracy, and will vocally brand as anti-Semites those who dare to raise their voices against Jewish despotism.

And now that the chairs of ministers and other leaders are occupied not only by Jews, we have reached the point which I called an "aggressive uncertainty" in the first sentence of this article. Hungarians are filled with inferiority complexes, Jews are filled with a sense of superiority; the expected change in the structure disturbed these feelings of the Jews. Frightened, they mention a "Christian course" and do everything they can to discredit the cabinet.

The formula is simple. That part of the Jewry which does not wish to become Hungarian through integration calls itself a minority and withdraws into the opposition. This is fine, as long as this group conducts itself as a constructive opposition. But if it follows the obstructionist path, the way it did thus far, these Jews must count on grave consequences. For the rest: They are just as good, or just as bad Hungarians as anyone else, regardless of differences in religion or origin, and they are neither a nationality nor a minority.

Csoori, Benedek Articles Condemned

91CH0063C Budapest TALLOZO in Hungarian No 41, 12 Oct 90 p 1937

[Unattributed article reprinted from KURIR in Hungarian, 2 Oct 90, page not given: "We Will Not Have Much Joy"]

[Text] Not much joy will flow from the debate that evolved around Sandor Csoori. There are not too many

places where one may make believe that the writer's pondering of the chairman of the periodical HITEL, and the thoughts concerning minorities, a certain minority, expressed by the other author (Istvan Benedek), who follows in Csoori's footsteps, are literary issues. We can see already the pointing finger aimed at the Hungarian Democratic Forum [MDF], and we sense the charge—even if it is left unsaid—that not too long ago, Zoltan Biro, the editor in chief of the periodical, was the founding chairman of the MDF, that it is publicly known that this periodical is close to the MDF, and that Csoori is not only a writer and a thinker, but also a public figure, the ideologue, if you will, of that certain "Hungarian democratic" spirit which is regarded as the antithesis of the free democratic spirit, and which is not only popular but also sets the trend in the MDF.

This is so at least to the extent that no one has ever distanced himself from Csoori. At most they said something different.

What HITEL perpetrated in its two latest issues constitutes barely veiled anti-Semitism. We would not only suggest, but would like to state that there are too many receptive ears within the borders of Hungary, and to our pain, also beyond our borders, which perceive and identify themselves politically with the repeated anti-Semitic message of the HITEL articles. We regret this, not only because this will cost a lot, but also because in our view, party Chairman and Prime Minister Dr. Jozsef Antall, and his personal and intellectual inner circle, and further, the multitude of politicians and representatives under the MDF banner have nothing to do whatsoever with the professional troublemakers formed out of a mixture of nationalism, populism and peasant romanticism. We acknowledged, and later directly attributed the election victory to the fact that Dr. Antall, rather than Biro took the MDF chairman's post. We also acknowledged those clever political maneuvers which enabled today's prime minister to keep his political opponents within the party at a distance from the immediate center(s) of power—yes, his opponents. We believe that these virtues of Dr. Antall were and are appreciated also beyond our borders. Except that by now, the undisputed leader of the MDF should finally pronounce a judgment, and do so preferably in public, as to whether they are with them, or against them. That certain Europe we wish to integrate ourselves with would be placed in an extremely difficult situation if we were to enrich its spiritual treasure with refuse, which may be found in rather large quantities in Hungary. Whoever has doubts about this should see for himself the writings that will be published to the west of the Lajta River about all that is being said in Hungary under the heading "pondering." And these people should also see for themselves what the consequences of this will be, as such consequences may be measured in forints. Not because capital is filo-Semitic, but because capital knows what kinds of social forces anti-Semitism supports.

This is why we say that it would be appropriate for the highly esteemed prime minister to take a position. Moreover, we say that taking a position cannot be avoided.

It is possible of course, that with the passage of time the Csooris will become what the extreme left of Bemm turned into within the British Labor Party: In 1981 they were still struggling for power, two years later they failed entirely, and in another two years they became impossible, and by now they amount to no more than a curious phenomenon. We could say that this is consistent with the organic development of matters.

But Hungary is not the same as England. There is no boon here which could induce a similar political development. We have something entirely different here. We have crisis, with minds sensitive to, moreover hungry for, demagoguery.

Writers Association Statement

91CH0063D Budapest MAGYAR HIRLAP
in Hungarian 2 Oct 90 pp 1, 3

[Article by (v. balint): "Csoori Resigns; Writers Association Position"]

[Text] The Writers Union presidium held an extraordinary meeting yesterday to draft a position paper which may resolve the tense situation that evolved as a result of Sandor Csoori's writing published in HITEL.

Writers Association Position Statement:

"On 1 October 1990 the presidium of the Hungarian Writers Association dealt with the situation that evolved as a result of several members leaving or resigning from the association, and of various reactions related to the text published by Sandor Csoori.

"In this vibrant, difficult moment everyone must endeavor to pay patient attention and to understand the other. This could lead to the acceptance of opinions and ways of thinking not necessarily characterized by singularity, which is not required for the accomplishment of healthy coexistence. On the other hand, it is necessary to insist on preserving the foundations of humanity and of logic, as well as on awareness about everyday and historical facts. It is necessary to try to realize the joint ensemble of positive values, i.e., democratic coexistence on the one hand, and the writer's individual sovereignty on the other. We believe and hope that Sandor Csoori will once again speak out, and that he will resolve his heavy words. We respect and like him, and know what he has done for the Hungarian people on a universal scale and for individual human liberty. At present we do not share his way of thinking, and we are unable to identify ourselves with his conclusions either on an emotional or a logical basis.

"The association publicly announced in the Hungarian press in January 1990 that the utterances of its members do not necessarily reflect the views of the association. To follow the words of the members of the association is

impossible because of the mass of individual statements made and the freedom of the press. Our beliefs have not changed, we affirm our statement of January. And yet we find it necessary to stress that we reject any endeavor which is entirely exclusionary, and which fatally divides the nation. We judge human beings according to their individual values, and not on the basis of their origins or party affiliation.

"We will do everything to avoid the 'catastrophic adventure' described by Imre Kertesz with such great moral force. We take this opportunity to request our colleague, Imre Kertesz, and all those who have been waiting for the release of our position, to reconsider their intent to quit the association. At the same time we must report that we accept the resignation of Miklos Meszoly from the presidium and from the board of directors (but not from his post as co-chairman) with sincere regret. In order to preserve the unity of the association, Sandor Csoori resigned his mandate in the presidium and on the board of directors today.

"The Presidium of the Hungarian Writers Association"

Commentary

Following the presidium meeting we asked Writers' Association chairwoman Anna Jokai about the number of persons who quit the association thus far, and why the association reacted to Csoori's writing published on 5 September only on 1 October. The writer told us that thus far four members quit, and that she had great hopes that perhaps the above position taken by the presidium will change their minds. Jokai said that she did not deal with this issue earlier because she returned from Transylvania last Thursday only (and without her the presidium did not convene). Jokai returned from Transylvania with beautiful memories. This was the first time that she could appear in public as a Hungarian writer. She was deeply shocked by the ongoing events upon her return. This is why she recommended that an extraordinary meeting be convened. Asked whether this meeting will resolve tensions and heal wounds, Jokai said that everything depended on the sober judgment and empathy of the community of Hungarian writers. "Wounds can be healed, but scars will remain," she said.

Goncz Asked To Comment

91CH0063E Budapest MAGYAR HIRLAP
in Hungarian 3 Oct 90 p 3

[Text of letter by independent members of the intelligentsia to President of the Republic Arpad Goncz]

[Excerpt] "Dear Mr. President!

"We the undersigned register our protest in the Christian and Hungarian spirit against anyone wanting to exclude from among the equal citizens of this country another person on the basis of arbitrary—racial, religious, etc.—considerations. We request you, the President of the Hungarian Republic to declare that this country cannot

bear more dismemberment, and that we cannot tolerate present attempts to accomplish such dismemberment from within the country.

"Budapest, 30 September 1990" [signatures omitted]

Gonczi Statement

91CH0063F Budapest MAGYAR HIRLAP
in Hungarian 4 Oct 90 pp 1, 5

[Article: "Arpad Goncz: Let the Suicidal Dispute End!"—first paragraph is MAGYAR HIRLAP introduction]

[Text] Debate over the "Jewish issue" once again flared up in response to the publication of Sandor Csoori's writing in HITEL, and the divided Writers' Association is threatened by disintegration. A hundred members of the intelligentsia—underscoring their independent status—publicized an open letter to President Arpad Goncz in yesterday's newspapers, requesting him to speak out on the issue. At noon yesterday, the President received reporters from the national media and from the national newspapers to express his views concerning the dispute. His remarks follow.

"I am aware of the fact that in today's Hungary there are many interesting, sensitive and exciting issues. Generally I would stay away from interfering with daily political issues, but the present ongoing matter does not constitute a daily political issue in my view, so that I have the impression that I must not remain silent.

"I will endeavor to make precise statements, because in the present instance precision plays a rather strong role for several reasons. I received this letter, it is short and concise, and I fully agree with its final conclusion. Most likely they also would have sought my signature, had I been fortunate enough to be an independent member of the intelligentsia. And I would have signed the letter. But I am the president, thus I do not write letters to others, instead others write to me. It is appropriate to respond to a letter of such weight. The signatories of this letter reflect a rather broad group. These are people who attested to their being Hungarian, to their espousal of the cause of the Hungarian people, and to their responsible way of thinking through their way of life.

"Let me say this. In this moment I do not wish to make a statement against anti-Semitism, because I think this matter amounts to far more than anti-Semitism. I regard this dispute as having suicidal significance, and as symptomatic of the Hungarian people, because above all, this matter raises a phantom issue. A bloody, murderous debate exploded over a basically nonexistent problem. The debate threatens to disintegrate the Writers' Association, and raises the possibility of dividing the Hungarian intelligentsia. We cannot afford for this to happen.

"In my view the greatest trouble is that the subject which started the debate is indeed a phantom. We cannot point at the people who are unable to identify themselves with the laments of the Hungarian people, we do not know

how many there are, and where they are. We have no accurate knowledge of these laments either, and the number of such laments could be increased. I do not believe that this would be a suitable yardstick by which we could measure our Hungarian being, or the opposite of that. In and of itself, the quality of being Hungarian and Christian is hard to define.

"I am not revealing a secret: I said this already in VIGILIA and elsewhere. I regard the quality of being Hungarian, and the concept of Christianity as having positive contents. These concepts do not have an exclusionary content. Accordingly, the matter of whether a person is Hungarian is not determined by what he is not, but by what he is. In other words, a Hungarian accepts the Hungarian fate. I just returned from the Lower Carpathian region. Unaware of all these events, at the unveiling of a Petofi monument, I spoke about the fact that Sandor Petofi, whose father was of Serbian, and whose mother was of Slovakian origin, committed himself to being a Hungarian, and went so far as to die for this commitment. I do not believe that we could exclude him on an ethnic basis; he identified himself with us. I would much rather judge and define people by their deeds and actions, than on their origins and the places they came from. Just as I consider Christianity as having a positive, rather than an exclusionary content. A Christian cannot be defined as a person other than Jewish, but as one who espouses and lives by the requisites of Christianity, people who have a sense of social solidarity, able to feel compassion for others, people who feel close to the fallen, and who are able to sense the other's pain. I should say that these are people in whom impersonal love toward humanity, as well as personal love toward individuals, thrive. Both of these have positive content, they are not exclusionary definitions. This is another reason why I feel that the present debate is very dangerous. It excludes people by using these concepts.

"The other matter for which I regard this debate to be symptomatic as well as very, very dangerous is the fact that within society and in our everyday we are being surrounded by burning, miserable concerns. Miserable concerns which we should clarify, of the existence of which we should become aware, and the resolution of which should be the subject of a very highly constructive debate. I do not have in mind here specialized issues like the shoring up of the economy, and not even such hard to grasp issues as the meaning of the term we use: "Society is sick." Because the fact that it is sick can also be seen from statistical data, but it can also be seen among other matters from the fact that a debate like this could evolve at all. I have in mind issues like the extent to which one or another issue regarded as an ethnic issue is societally motivated, and how such issues could be resolved. I feel that these issues demand a rather deep and highly responsible analysis. And the purpose of such analyses should be to find out how we could embrace once again the strata which fell out of the net of the Hungarian

nation, from under the care of Hungarians, instead of finding people by means of whom we could reduce the number of Hungarians.

"Another reason why I feel that this debate is symptomatic is that the essence of the question is whether it helps or harms our general feeling. And in this regard it makes no difference whether this enhances our international reputation. I am not at all interested in how this will be received in America, who will convey this news, and whether it will be received with apprehension. I am concerned about the fact that this dispute is suicidal. It is a suicidal, self-destructive, disintegrating debate which we must end, and we must end not only the debate but also the spirit which is willing to start such debate!

"This is my impression. I do not presume that anyone has bad intentions. I would much rather presume that whatever he said, he said it based on emotional passion which may or may not be justified. He did not think through what he said, he was not accurate in making his statements. And here we once again reach a very important point which pertains to the accuracy of how the question was asked. Because one cannot give an accurate answer if the question is inaccurate. Only by coincidence can one provide an accurate answer to an inaccurate question. The fundamental thesis of any debate is that the subject of debate must be defined accurately and in comprehensible terms, because only that way can a definite answer be given. Short of that, a debate will become endless, it will stir emotions. Our lives overflow with emotions and passions instead of the calm that is needed. Debates like these evoke too much of a response, they create surging waves. With this, I believe I said what I wanted to say. Forgive me if I said these things in a clumsy and confused manner, but this is the truth, this matter touches me very deeply. Forgive me. Thank you very much."

Csoori Explains Statement

91CH0063G Budapest MARYAR NEMZET
in Hungarian 6 Oct 90 p 11

[Sandor Csoori's response to an open letter by fellow writer Akos Kertesz: "The Deep Point"]

[Excerpts] [passage omitted] I will begin by discussing what you were so bitter about: the discontinuation of the intellectual and spiritual bond between Jews and Hungarians after the Disaster Era. This is what you had to say: "Do I understand this well, Sandor, am I reading this correctly? In exchange for Auschwitz, for walking through hell, the remaining people should be struck by being damned forever? Should we no longer believe in the possibility that their assimilation is sincere?!"

Oh yes, we can! My friend Laszlo Levendel's life, his life's work, all of his actions and reflexes virtually symbolize the kind of life that proves your truth. Having had some background in pathology, Laszlo struggled through long months in the Chervenka and Bor labor camps as a medic. He suffered all the horrors of the

deadly crawl of a forced march, and all the horrors of the open wounds on feet, souls, and in the atmosphere. And then, upon his return, Laszlo decided to become the healer of the unfortunate Hungarian nation which was made sick. And this took place more than 50 years ago!

Levendel was able to move from catharsis to love, to understanding, to superhuman, or perhaps human, forgiveness. Just as your father and many others were able to proceed with an attitude of passive sobriety and objectivity. I would think that their assimilation in the aftermath of the Disaster Era became a natural and complete process because while resolving their inner conflicts they were able to preserve intact the reality of their Jewish consciousness.

But could one expect to see that the humiliated, the expelled, those who returned with the unseverable burden of mass graves feel about the nation, about the homeland, as the perished Radnoti did, or Levendel, or your father did?

One cannot expect that! I condemn, but I am able to understand even the sickly flaring up of revenge on the historical day that followed the survival of horrors. I can understand the feelings of both raw and indirect revenge, because why should not anyone, whose native land was taken away in such absurd manner as it was from the Jews, choose even hatred as his new home? Hatred, that disguised, narrow strip of land to which one may remove himself as a result of an errant, mean glance.

According to my personal experience, assimilation that followed the Disaster Era took place not only in a way you described it, but in many ways. In some instances it was pliable, undecided, distancing, spasmodic, hiding, pretending. Moreover, this postwar assimilation manifested varieties of which the possibility of emotional dissimulation was an organic part. Do not misunderstand me, I am not apprehensive about this. To the contrary: I did so because they were in a bad mood. Because I regard that state of mind as the sad freedom of a human being, the trap of being in limbo.

Following the above line of thought I will now repeat to you my objectionable thesis: The possibility of assimilation, which enriched both sides, ceased after the Disaster Era not because the "deep Hungarian" or "deep Besenyo" Csoori arbitrarily denied this possibility to anyone. This denial did not take place, because after the two or three years of struggle during the coalition era the nation itself ceased to exist for a long time. The nation lost its consciousness, its resisting reflexes. Just what was there to which anyone could have assimilated in good conscience? To the ideal of internationalism? To the Party? To Rakosi's clan? To the frightening spirit of the AVO [nicknamed the former State Security Authority, AVH]? To what? To the Hungarian nation which was declared guilty? To Kolcsey and to Ady, and at the same time to the hammer and sickle? To Gyorgy Lukacs and to Peter Veres who dropped out of their role? One could have assimilated to Bibó, of course. [passage omitted]

For heaven's sake, Akos, how did I offend the Jewry by mentioning the fact that assimilation failed to materialize? We cannot deny the fact that understandably, in the late 1940's and in the early 1950's the masses of Jews better assimilated themselves to Marxism, to the ideology of Communism, than to the spirit of the nation which was trampled into the ground. Thank God, we may always refer to exceptions of course.

Convince me if my recollection is incorrect, or if my thoughts in this regard are wrong! In my view, part of the Jewry was bonded with the Hungarian people by the 1956 Revolution, beyond the events of everyday life. And this is also true in the reverse! [passage omitted]

No, once again I am not accurate in my statement. The "dress rehearsal" of the bonding that took place in 1956 occurred in 1953 already, during the struggle to put together a government program in June. Many intellectual party members of Jewish origin conducted a moral soul searching, and for the first time exercised partial but public criticism of the Rakosi-Gero era. I vividly recall the life-threatening days when Laszlo Benjamin, Tibor Dery, Gyula Hay and Istvan Orkeny exchanged their loyalties to the party for loyalty to the nation.

I know that following this historical moment I should think the way you or Esterhazy think: Finished, this is the end, there no longer exists a Jewish-Hungarian issue. There does not exist one, even if one could exist.

There exists a kind of wisdom which uses this approach to protect itself as well as to protect life. It would be beneficial to acquire this wisdom at last. This wisdom, however, is a result of psychology, and does not follow from historical situations. After the "1956 moment of assimilation," in the days when guns were still fired, there began an emotional and political dissimulation. Some of our fellow citizens of Jewish origin, just as so many non-Jewish Communists, sided with the Soviets and Kadar. They obviously did so in consideration of instinctive self-defense. They reassured themselves that this way it was better, because who knew what horrors the nationalism of the victors could have brought.

I can imagine that in reading this sentence your face once again twitches, because I am not drawing the line between revolutionaries and counter-revolutionaries, but between Jews and Hungarians.

I would like to convince you that I was not the one who invented this distinction, one that became a fixed idea. It was forced upon me for decades. Remember the debate that took place in the Writers' Association in the early 1970's? At that meeting, along with the declining number of the population and the problems of the Hungarian minority abroad, four or five of us mentioned the spiritual and moral decline in the nation, and attacked the political power, including a few influential persons, such as Pal E. Feher, Pal Pandi and Peter Renyi. And the result? On the following day the city was filled with news that within the Writers' Association the new

anti-Semites, the new populists rose again: Laszlo Nagy, Ferenc Santa, Gyula Fekete, Mihaly Czine and Csoori.

We were fortunate that together with you, with Istvan Eorsi, and with Konrad we were able to dismiss these slanderous statements. We were able to dismiss these matters, and work together in slowly dismantling the Kadar system. [passage omitted]

Look into my eyes, Akos. Could a single writing cause such turmoil as mine did, if the depth of the volcano reflected in my words would be calm? No. Don't you think so? The 3,000 to 4,000 objective or passionate articles that appear daily all found a place under the September sky, while my article caused the sky to collapse. How is this possible? Could it be that perhaps some demons found a place among the butterflies in the garden? Some bare and dumb demons? Some racists? Could it not be that in society, in our public life there exist some demonic passions which were not discussed? Let us not forget that here, in this country, the history that is now evolving was prepared by people who were offended with respect to their emotions, their past, and their taste. Thus it is understandable that in a crisis situation these offenses become heated.

I discover the real problem in the fact that there is no cohesive force in this country. A force which could hold together the molecules of the souls for a period longer than some exceptional days. We were joined together when we demonstrated for the Transylvanians and when we buried Imre Nagy. Then we fell apart again. Don't think that on these cohesive days we were politely telling lies to each other. We were not. The fact is that our declining reserves of energy and confidence lasted only this long.

Some console me by saying that the absence of cohesion, of belonging together is a natural state at this time, because democracy first divides us, in order to unite us later. I would be happy to accept this attractive utopia were it not for the fact that during the past few days the intellectual lynching mood threatened me because I tried to discuss possible differences between the Jewry and the Hungarian people, from among the many kinds of differences and types of alienation.

Akos, I publicly apologize to every Hungarian citizen of Jewish origin, whose Hungarian feelings I offended, but then I also would like them to help me both in terms of language and concepts to clear up this entire system of taboos, in a manner that is detached from horrors that rest in the deeper psyche. Imre Kertesz, whom I continue to respect despite all his studious passion, had this to say with a logic which does not tolerate contradiction: "quite naturally, aside from the statistical vocabulary, the term 'Jewry' does not exist." I do not understand why the existence of this word causes a problem. In the 17 September issue of KURIR Miklos Szabo had this to say: "Thereafter it came as natural that more than half of the political staff in the Rakosi system was of Jewish origin,

because from the standpoint of Rakosi, Jews were considered reliable.... After 1956, in the newly developing apparatus the Jewry was not over-represented. Only one area remained and in these days this area is becoming the arena for the political struggle: the press and the community of journalists. Today's 'Jewish question' actually pertains to journalists, and those unwilling to accept this fact want to dismiss the community of journalists as a whole." [passage omitted]

I have yet to comment on the most sensitive statement I made. This is about the claim I made that the Jewry tries to assimilate the Hungarian people to itself. Quite naturally, I meant this in terms of consciousness, just as so many others understood this meaning, and not in biological terms.

I am requesting you to listen to me patiently, to the end. Here, with my knees shaking, I must ascend several steps, one after another.

Let me begin taking these steps with a personal comment. Once again I will quote from Camus who said that "despair is not a fact of life, it is a condition...." That's what it is. Moreover it is the condition of sin I may turn against myself. Thus whatever I wrote about possible assimilation of consciousness—relative to the establishment of a political nation!—may represent a fiasco only from my standpoint. From the standpoint of a person who also has Jewish consciousness this may amount to success and glory. The above quoted words of Miklos Szabo do not at all eliminate the causes of my despair.

But let's take the next step. Although I used the wrong method, I made reference to the fact that cultural assimilation does not disturb me, it actually excites me! I was never opposed to assimilation in poetry, in painting, in music. Let Eorsi, Konrad, Peter Nadas, Sandor Radnoti or you come around, and I will joyfully embrace you. I have always been able to become intoxicated by noble effects.

On the other hand, life has a hidden dimension which we must protect, particularly when our condition has deteriorated. This is the nation, national consciousness, the tradition of the instinctive self-defense manifested by the Hungarian people. Let us talk clearly: I was never afraid at all of you, of Fejto, Andras Mezei, Peter Kende and countless other intellectuals similar to these. Moreover, I expect them to help. But most certainly, I am afraid of that virtually instinctive frame of mind which feels strange about the very concept of the nation, and which dismisses the nation concept with the superiority of some attitude which is based on a false sense of being European. You too are aware of the fact that in post-1945 Hungary a "political nobility" with special prerogatives evolved, which as the perverse opposite of the historical role of the old nobility regarded the deprivation of the nation concept as its task. Unfortunately, this created a destructive legacy of a magnitude which exerts its effects even today in fields beginning with education through culture, and to the press and television. This

took place in a crippled nation, where consciousness became so desolate that in the 1970's applicants to higher educational institutions could not tell what language the Szekely people spoke. A Free Democrat spokesman wrote a book about the fact that in the eyes of liberal democrats national feelings constitute a shortcoming, some kind of barbarian heritage. In addition they also regard such feelings as dangerous. [passage omitted]

POLAND

POLITYKA Weekly News Roundup

91EP0003A Warsaw POLITYKA in Polish No 37,
15 Sep 90 pp 2, 8

[Excerpts]

National News

GAZETA WYBORCZA for 6 September 1990 was printed without the Solidarity symbol in its headpiece as a result of a resolution of the National Commission of NSZZ Solidarity. There were 26 votes for, 21 against, and 12 members of the National Commission abstained; the resolution was proposed by the delegation from the Piotrkowski Region.

Following the adoption of the resolution, Barbara Malak, the press spokesperson for the National Commission of NSZZ Solidarity, resigned after not being allowed to speak during the discussion. "I think that today's decision by the National Committee has made the Solidarity symbol an instrument of censorship. She emphasized that when she worked in Radio Free Europe: "The sword of censorship never hung over my head."

"Seven Magnificent Men" is the title of a report in RZECZPOSPOLITA on the first enterprises to be privatized in the near future: the Warsaw Metal Rolling Mill formerly Norblin; the Slask Cable Factory in Czechowice-Dziedzice; the Swarzedz Furniture Factory; the Krosno Glass Factory (L. Balcerowicz visited that factory at its "opening"); Tonsil in Wrzesnia; Exbud in Kielce (its director, Witold Zaraska was the first winner of the Zygmunt Szeliga award given by POLITYKA); and the Fampa Paper Equipment Factory in Jelenia Gora.

A note from the government of the Republic of Poland was given to J. Kashlev, the Soviet ambassador in Poland, by Minister K. Skubiszewski. It proposed beginning international negotiations in the near future to conclude a pact on the withdrawal of the units of the Soviet Army from Poland. The government has also proposed including compensation for the damages Poland has suffered in conjunction with the stationing of those forces in Poland.

A survey by the Public Opinion Research Center. Are Poles interested in politics? Nearly half (a survey from the middle of July)—moderately ("they follow only the

most important events closely"); 23 percent—little; and 17 percent—no interest at all. Only 15 percent "closely follows nearly everything that happens in politics."

The catalogue of values which the social democrats desire to include in the proposed new constitution: the principle of the division of power as the foundation of the new philosophy of government; decentralization of power; and the right to work. The Social Democracy of the Republic of Poland is opposed to capitalism on principle. It calls for equal rights in a multisector economy, including in the constitution the right to ownership (but without the limiting adjective "private," which is the proposal made by the Sejm Constitutional Commission); the integral, parallel treatment of human rights; and a secular state. [passage omitted]

The Council of Ministers has decided that Poland cannot complete the construction of the nuclear power plant in Zarnowiec. No foreign partner has been found who would operate the plant while guaranteeing the equipment was at a level of safety acceptable in the West. [passage omitted]

Unknown individuals again defaced the monument at "Umschlagplatz" (the place from which Jews were transported from the Warsaw ghetto to concentration camps). The slogan "a good Jew is a dead Jew" was painted on the monument. Because of this defacing, Minister A. Hall laid a wreath of flowers: "It hurts, wounds, and throws a shadow on the great majority of Poles who consider this kind of act despicable," the minister declared. [passage omitted]

An explanation of the much-discussed theft of arms in Szczecin is coming. Two suspected soldiers from this year's draft have been arrested. Both admitted the theft; not all of the pistols stolen, however, have been recovered.

Who's Who. Malgorzata Niezabitowska has announced changes in the government; "at one of the sessions of the Sejm in the near future they will concern only the Ministry of Communications and the Ministry of Agriculture." Deputy Jerzy Slezak, the official candidate of the SD [Democratic Party], deputy voivod of Bialystok and a communications engineer, is a candidate for minister of communications; Marek Rusin, deputy secretary in the ministry of communications, has been nominated for minister by the communications section of NSZZ [Independent Self-Governing Trade Union]

Solidarity. The candidates for minister of agriculture are Janusz Bylinski, a deputy of the Citizens Parliamentary Club (OKP), chairman of the Sejm Agriculture Commission, and a farmer from Zakroczym near Warsaw, is to be officially nominated by Jozef Slisz, head of Polish Peasant Party "Solidarity" (PSL "S"). The National Council of NSZZ Solidarity of Individual Farmers has nominated its chairman Gabriel Janowski, a farmer from Blonie near Warsaw. It is said that the Polish Peasant Party (PSL) also aspires to the ministerial position. [passage omitted]

Politics and Customs

One of the Catholic constitutional proposals published by ODNOWA (the weekly of the Christian Democratic Labor Party (SP): "The republic as a social and political collectivity of the Catholic Polish people, should be described as a Christian state in the constitution. A state which recognizes God as the ruler of all creation, participates in acts honoring God and respects the Catholic conscience of the citizens facilitating for them the profession of faith and the reaching of the final end in the course of their tasks." [passage omitted]

The presidium of the Conservative-Liberal Forum in Opole has decided to join the Union for Real Politics (UPR). The official communique says the decision is a personal success for Janusz Korwin-Mikke, the head of the UPR, who previously met with the leadership of the Forum.

The Radical Party 1990, an international organization, has 3,665 members. As the RADICAL LETTER reports, each month 16 Poles join. The minimum annual membership fee is 43,680 zloty. [passage omitted]

The Walbrzych Voivodship Council of Rural Solidarity has protested against the planned trip by President Wojciech Jaruzelski to the United States. Assuming that the invitation was arranged "on the initiative of certain individuals in Poland," they decided that "it interferes with the sociopolitical development of Poland."

Waclaw Nemirski, a member of the Malopolska region, and Jerzy Orzel, Sejm deputy, have resigned in protest from the Voivodship Commission verifying the former employees of the Security Service in Tarnow. They write in CZAS KRAKOWSKI: "the verification in the Tarnow Voivodship was unusually mild (of 139 individuals only 34 individuals received negative verifications) and in spite of that the verification was questioned by the central authorities. [passage omitted]

HUNGARY

Soviet Military Presence Continues at Monostor, Near Komarom

*91CH0083A Budapest REFORM in Hungarian
5 Oct 90 p 12*

[Article by M.K.: "What's Going On at the Secret Soviet Fortress at Monostor?"]

[Text] Soviet troops left the County of Komarom, according to reports. But in the view of Komarom residents it is possible that Soviet troops are still in the city of Komarom. There were two Soviet bases in Komarom. The troops have indeed vacated the historical cavalry barracks. But they continue to be present in the Monostor fortress on the outskirts of the city.

The fortress occupies a huge area. One of its hilly sides covered by forests extends along the Danube. City residents claim that rockets are deployed behind the multiple barbed wire fences of this base. The rockets were delivered years ago by boats on the Danube. Soviet soldiers tell local residents that they cannot move because transportation presents problems.

Several people are familiar with part of the base, notably the outer part, but not the segregated area inside. The inside area was always guarded, and Hungarian citizens were not even permitted to perform construction work there. Recently long train loads of gravel and crushed stone were delivered at the base. One wonders what for? This is the kind of material they use to fill up holes with....

"Doing business" is a logical companion of Soviet presence. The city has residents who speak both languages, they act as intermediaries. A truckload of wood costs 10,000 forints, so they say. But bricks, tiles, technical items, and coal are also available. Everyone benefits. Buyers may obtain these goods cheaper, and the sellers obtain money. And most certainly, the intermediary earns more money this way than at the state farm. He does not offer ammunition and weapons for sale. The soldiers do. Well, they are not offering weapons for sale, only ammunition....

New Military Doctrine, Capabilities, Threat Scenarios Discussed

*91CH0064A Budapest NEPSZABADSAG in Hungarian
29 Sep 90 p 17*

[Interview with Colonel Tibor Koszegvari, director of the Defense Research Institute, Ministry of Defense, by Karoly Freesz; place and date not given: What Kind of Defense, If Not All-Around Defense?"]

[Text] [Freesz] Colonel, for months we have been hearing and reading from politicians' and high ranking military officers' statements that Hungary needs a new military doctrine. Since most of our readers are not from

the military, I am afraid they do not even know the exact meaning of the term "military doctrine."

[Koszegvari] The doctrine is none other than the system of official views and requirements related to possible wars. It includes everything that must be done in terms of a country's domestic and foreign policy, and what military policy must prepare itself for in case of a possible war. The new cabinet assigned the task of developing a new Hungarian doctrine to this Institute, and we began doing so in late July. Military experts from the six parties seated in parliament, as well as civilian experts are also involved.

[Freesz] Previously only a very tight group of professionals was involved in this kind of work. Why is the new military doctrine being developed under such democratic conditions? This is not customary in military circles.

[Koszegvari] Indeed, previously a very tight core of staff officers developed the military doctrine, and the public was aware only of a few related provisions reflected in the constitution. Today we feel that the people have a right to know more about the reasons for, and the form, of the sacrifice they are to make in defense of the country, as long as we expect them to make sacrifices. Military policy will continue to have secret elements of course, but it is worth discussing certain basic principles openly and in a candid fashion. These include for example the fact that we do not have territorial and revisionist claims against other countries, that we do not want to create an offensive military force. We need an army that is capable of resisting a potential aggressor, and to make such an aggressor pay a high price for his actions.

[Freesz] Would it be true then that it is not our goal to have an army capable of defending the country?

[Koszegvari] Defending the country is not an unrealistic goal provided that the goals of the Vienna force reduction negotiations become reality, and provided that all parties abide by these. Under such circumstances not a single country in this region could have an offensive military force. This does not apply to the superpowers of course, against which joining the new, Pan-European security system could provide defense.

[Freesz] How does this defensive force look like from a practical standpoint? One hears so many arguments these days concerning all around defense....

[Koszegvari] Under present Hungarian economic conditions it is likely that for the next six to eight years we cannot expect to see serious development in terms of armaments and of the army in general. By late 1991 we will have completed a between 30 and 35 percent force reduction and a reduction of the old armaments. Further reductions may take place thereafter depending on the Vienna agreements. These would involve the armored

forces, the artillery and rocket launching units. Paralleling this we may begin the development of a semiprofessional army in which the more important technological means would continue to be managed by professional and reenlisted soldiers. As compared to the present situation, these personnel categories will increase substantially compared with enlisted personnel. This much about all-around defense: The terminology may be misunderstood, it is more appropriate to refer to this concept as defense "against an attack launched from any direction." All-around defense is entirely inconceivable from a professional standpoint, because it presumes a linkage, a coordinated firing power between the various wings of subunits. Considering the roughly 2,000-km-long Hungarian border this would presume a six or seven times larger armed force than what we have at present.

[Freesz] What specific threat scenarios does the new military doctrine presume?

[Koszegvari] We may consider five basic situations. First, a natural or industrial disaster in which there may be a need to deploy military units and materiel. Second, in the event that an armed conflict erupts somewhere on the Continent far away from Hungary, but which nevertheless threatens our economic and diplomatic interests. In such cases the deployment of a smaller, specialized military force may be necessary. The third scenario is an emergency situation. This occurs when armed conflict erupts nearby, for instance, between two neighboring countries, or if a civil war erupts in a neighboring country. In such cases it is conceivable that certain groups come into our country to obtain food, fuel, or even armaments and ammunition, and we must be able to avert such incidents. Fourth, a direct attack against our country. In my view, no such threat exists at present, at the same time, however, such an attack may not be ruled out because the rapidly progressing political processes may place extremist forces in power in our neighborhood. And finally, a civil war may erupt in Hungary. Although there is no chance for this at present, one must prepare for this eventuality however distant a possibility this may be when considering the tasks of the army.

[Freesz] Would today's Hungarian army be able to avert the five emergency scenarios you just described?

[Koszegvari] The present Hungarian national defense forces would be capable of dealing with any of these scenarios if they occur individually. But they could not deal with a situation in which more than one of the scenarios enumerated take place. I will add here: By now we are not taking into consideration the possibility of conflicts of war of a magnitude that was part of the consideration of the earlier military leadership. Our defense capabilities may improve of course if we develop the new structure and improve the standards of technology. Great improvements would be needed in terms of our defense against armored attacks and in our air defenses. The tragic events of the recent past go to prove that our fighter airplanes have become obsolete, the

three units we have, struggle with serious problems. But if I use as my starting point the fact that a modern fighter airplane costs between \$20 million and \$25 million, and that we need 50 of these, it becomes apparent how small our chances for rapid modernization are.

[Freesz] Under these tight financial conditions would it not be worthwhile to study the examples provided by Finland, Austria, and Switzerland?

[Koszegvari] We may indeed learn from these countries, but it is good to know that a territorial defense system like theirs necessitates a more frequent calling up of reserves. The Finnish example is also interesting because having learned the bitter lessons of World War II they developed an unusually good cooperation with the Soviet Union as far as the military is concerned. I also believe that we must not forget the fact that at present the country having the army with the largest number of soldiers in the world is our neighbor, and that we will not have an opportunity to become independent from Soviet military technology for a long time to come.

Troop Withdrawal Finances: Kadar-Katusev Negotiations

91CH0064B Budapest NEPSZABADSAG in Hungarian 29 Sep 90 pp 1, 3

[Article by Zsuzsa Gal, and MTI [Hungarian Telegraph Agency] report: "Bela Kadar-Katusev: Issues That Were Left Open; How Much Are Soviet Barracks Worth?"]

[Text] On Friday [28 Sep] afternoon the signing of a memorandum concluded five days of negotiations held in Budapest by a Hungarian delegation chaired by Minister of International Economic Relations Dr. Bela Kadar, and a Soviet delegation headed by Konstantin Katusev. The negotiations concerned financial problems which attend troop withdrawal and cooperation between the two countries. Kadar held an international press conference on Friday.

Foremost of all, the Hungarian minister stated that the withdrawal of Soviet troops was taking place in good order and in an organized fashion, and that it did not require governmental intervention. The situation is different regarding the financial consequences of troop withdrawal, matters that were not clarified before. In the course of negotiations the Soviet party stated that it determined that the value of facilities established in Hungary was worth 2.5 billion rubles, and that its financial claim was established accordingly. Further, the Soviet Union claims the costs of returning the Soviet troops and civilian personnel to the Soviet Union. The Soviet Union is interested in seeing that the Hungarian party satisfies these claims immediately, i.e., prior to the full withdrawal of troops, according to the minister.

Thereafter Kadar reported the Hungarian position. The Hungarian party recognizes the fact that the Soviet party established certain facilities in Hungary, but the Hungarian party envisions a possibility of satisfying the

related claim only in the spirit of mutuality. Above all: The amount of the claim must not be the same as the amount of the investment at the time it was made, if for no other reason, because of amortization. One must consider in addition the technical utility of these facilities, the standards by which they were built, and the application of Soviet standards which differ from Hungarian standards. Equally, one cannot neglect consideration of the locations where these facilities were built. For example, the value of a residential settlement in perfect condition is sharply reduced if it is located in the middle of a distant forest. One must also consider the military character of the facilities, because it is hard to make an assessment today about Hungarian demand for combat positions and for command posts. Assigning costs to the environmental damage caused by Soviet armed forces is extremely costly and time consuming. It is difficult to tell the ruble amount of damage caused by polluting cavern waters in one or another place. This kind of work cannot be performed at a pace like the one applied to the appraisal of barracks. For this reason the Hungarian party requests a grace period in this regard.

The Soviet party requested immediate transfer of funds for facilities that have been transferred and appraised, while the Hungarian party insisted that settlement be made after the assessment of all Hungarian claims, and that payment should be in the amount of the resultant net balance. Consequently, the Hungarian party believes that a satisfactory settlement may be reached only on the basis of knowing the amount claimed by Hungary for all the environmental damage caused, and only after the full withdrawal of Soviet troops.

In this relation the Soviet party raised the possible prospect of participating in developing the Hungarian economy in the form of joint enterprise ownership, and to alleviate the financial burden related to troop withdrawal. According to another Soviet proposal the Hungarian party should provide an opportunity to sell the transferred Soviet facilities if councils, or autonomous governing bodies, appear as bona fide buyers.

Kadar stressed that both Soviet proposals are based on an outlook different from the one held by the Hungarian party. The Soviet position is based on an idea which holds that the incremental value created by construction and development performed by the Soviets constitutes Soviet property. In contrast, the Hungarian party stressed that whenever armed forces are stationed abroad the laws of the country in which the forces are stationed prevail. According to Hungarian law the land is owned by the state, Soviet armed forces were able to use Hungarian land only as lessees, and as a result of building on such land the lessee did not acquire ownership.

Kadar stressed that in the course of the five-day negotiations joined by three dozen experts on both sides, Mr. Katusev manifested significant good will and an inclination to resolve problems. On Friday the Soviet party showed a greater inclination to recognize the Hungarian

claims than it did on Monday, and raised several possibilities for the resolution of problems. Accordingly, the negotiations were characterized by approaching views and by a search for ways out.

Thereafter the Hungarian minister reported on developments in Hungarian-Soviet economic relations. In order to move away from the dead center, at its cabinet meeting last Thursday the Hungarian government lifted the prohibition on reaching an agreement regarding Jamburg, thereby also signalling a preparedness to cooperate. Nevertheless the atmosphere of negotiations was influenced by the temporary closing of Soviet oil valves.

We informed the Soviets that the evolution of the system in which payments and settlements are made in dollars presents rather sensitive, short-term losses to the Hungarian party. These burdens are estimated to amount to \$1.5 billion. They are significant even if there was no Iraq crisis, and even if Hungary's trade with the East did not shrink so fast.

The costs of changing to the new cooperative system are incurred in a one-sided fashion by the Hungarian side. This burden should be borne partly by the party which benefits as a result of the transition. In this relation the Hungarian party made certain proposals for compensation which are suitable in part to reduce Hungarian losses, and in part to reduce the consequences of reduced mercantile trade.

"Minister Katusev propounded his views," Kadar said. "According to these the Hungarian party overstates the threat by which Hungary would incur a significant trade deficit next year. In the Soviet view one cannot rule out the possibility that Hungary will have a trade surplus. Responding to this statement the Hungarian minister said that unfortunately, a situation like this would be conceivable only in an extremely critical situation when Soviet shipments decline to minimum levels. This is why we try to ameliorate the problems stemming from the temporary decline in trade. The Soviet party indicated that it will be able to tell on 31 October at the earliest the kind of demand it has for Hungarian export products." At the international press conference Kadar said that only thereafter will it be possible to prepare and sign a trade agreement.

MTI [Hungarian Telegraph Agency] Report

The memorandum initialed by Kadar and Katusev records the results of negotiations. These include the fact that the Soviet delegation of negotiators committed itself to compensate for environmental damages caused, and that an expert group was formed to assess these damages. The two parties will jointly examine the possibility of establishing joint ventures which could make use of the military facilities, and they do not rule out the possibility of involving third parties in such joint ventures. They determined that both parties were interested in continuing the negotiations, in settling disputed financial and economic issues, and that discussions concerning these matters will be concluded at the earliest possible date, but no later than the conclusion of Soviet troop withdrawals.

CZECHOSLOVAKIA

Commercial Code Amendments Discussed

91CH0012D Prague PODNIKOVA ORGANIZACE
in Czech Aug 90 pp 372-376

[Article by Karel Marek, doctor of science candidate,
J.D.: "On the Amended Commercial Code"]

[Text] New individual entrepreneurs will be forced (as will existing state enterprises, cooperatives, and other organizations) to enter into exchange relations with other entrepreneurs and existing organizations when buying or selling, in other words different relationships when providing for their needs than when selling their output. The current situation, however, is one in which definitions of these relationships are missing from our legal code (the commercial code now only defines relationships between state organizations, or between them and economic management agencies. The civil code in its current form is not available for this type of regulation).

Therefore the amended commercial code contains a major conceptual change, in that private entrepreneurs become participants in the entrepreneurial relations they have established. This will allow them to utilize contracts and other legal tools necessary for performing entrepreneurial activity. They also become legally equal entities for economic activity. Formally this change is implemented by expanding the term "organization" in Section 1, Paragraph 1, based on legislative shortcuts, to include individuals authorized to perform entrepreneurial activity under the law on individual entrepreneurship by physical entities.

The enumeration of economic entities in the footnote is purely demonstrative, assuring that the commercial code will also apply to economic activity by potentially other entities under regulations issued subsequently. The definition of the term "entrepreneurial activity" is necessary for two reasons. First, because it is a new term used to codify an item in the commercial code. Secondly, because the law on individual citizen entrepreneurship refers to the definition of this term in the commercial code. This is defined as a regular activity the purpose of which is to earn an ongoing monthly income—profit. The activity is not engaged in for its own sake, but is directed at production, retail business, services and other activities in a market economy, with the objective of meeting the needs of the general public and organizations.

The amended commercial code does not represent the full transition to the regulation of strictly business relationships. Existing organizations, especially state organizations, are still constrained by limited contracting responsibility (Section 158), and restricted opportunities to drop economic obligations under extreme conditions (Section 118, Paragraph 1). This interference in commercial relationships cannot be applied against business

entities established under the law on private entrepreneurship by citizens or the law on private entrepreneurship with foreign capital participation. In addition, practice may indicate a further need to articulate, in the commercial code, that certain other of its provisions do not apply to entities operating under the above two laws. This is true of the provisions that can be shown not to apply fully to these forms of entrepreneurship, or to be in conflict with the limited standing of such enterprising entities in the above laws.

The amended commercial code contains and anchors a basic principle of independence for all entrepreneurial entities and protection for these entities against improper intervention and inspections. Justifications for intervention and inspections await codification.

Protection for trade names has again been included. This was provided, but in an inappropriate form, only in the 1950 commercial code. The new item includes requirements for forming the name of an entrepreneurial entity, exclusively guarantees the right of use to the firm, and the right to be awarded damages by business arbitration for the unauthorized use of the name. Consequences for the right to a trade name of the failure of a firm, or the departure of a partner, are now being worked out. In conjunction with this version it has been proposed to delete the current Section 22 of the 1950 commercial code.

Sections 8 and 9 do not correspond to the current situation and are being deleted. In section 9a the definition of property is being refined to include organization property rights. A change in Section 10, Paragraph 2 grants organizations exclusive right to use the results of research, development, design and other work. Paragraph 3 is being updated to reflect existing law pertaining to inventions and discoveries in Law No. 84/1972, Laws of the CSSR [Sb.]

Changes are necessary in the text of Sections 11 and 12 because of the expansion of the number of entities covered by business relationships. The new codification applies to newly organized entities authorized to engage in entrepreneurial activities, without regard to their form of ownership (e.g. corporation). In conjunction with this change, Sections 14-16 had to be eliminated because they concerned socialist organizations.

The provisions of Section 18 provide the legal basis for the existence of branch factories, as provided for in the law concerning the state enterprise.

Legal services were not adequately defined in the current commercial code. In addition, this part of the current code used concepts that do not apply to the organization and position of private enterprises. It is therefore necessary to recodify this section again to make it sufficiently detailed and applicable to all types of business entities. More details on individual provisions appear below:

The provisions provide a general definition of legal services, which had not yet been done in the commercial

code. Also codified are regulations for interpreting a legal service and its applicability to other entities. The invalidity of legal services is also codified. Legal changes include new conditions for the validity of a service—seriousness, specificity, and clarity—as well as for errors. Also defined are the consequences of failure of communications and computer equipment, which to a greater and greater extent are handling contacts between organizations.

The form taken by legal services comes from the current version, but has been expanded to include a list of equipment the use of which is considered equivalent to written form. This list became necessary because of the evolution of equipment for processing administrative tasks. The provisions of Sections 24c and 24d generally codify the possibility for tying rights and responsibilities to conditions. The use of conditional legal services will probably expand, which stems from the elimination of the prohibition on specifying conditions in business contracts. (Section 152, Paragraph 1). Conditions for postponement and consideration are specified. Time limits for conditions are also prescribed in detail.

There are new provisions for organizational representation. In contrast with the current situation, representation is divided into that which comes directly from the law, statutes, or other internal regulations, and contractual representation. The granting of power of attorney is now defined in detail, as well as how to rescind it and how it expires, as well as consequences for its misuse.

Corporate counsel is now allowed to speak for an organization.

In conjunction with the new text of Section 9a, the definition of national property returns to the concept that things can be the object of ownership; otherwise the definition remains unchanged. After amendments to Sections 74b and 69, Paragraph 33, transfers of national property ownership by state enterprises will not now be restricted by the implementation decree concerning national property management. At the same time the provisions of Decree No. 119/1988, Sb. (see cancellation provisions) will be eliminated as well. Likewise the proposed text of Section 75 a) and c) also corresponds to this change. Otherwise, it will no longer be possible for implementation regulations to dictate how state enterprises will collect and use receivables.

In view of the overall change in the concept of ownership, it was necessary to drop the provisions concerning cooperative socialist ownership. Section 98, defining ownership by social organizations, has been dropped for the same reason. Changes to the regulations governing ownership by these entities in Sections 95 and 99 is adequate.

Another important change designed to help develop a market mechanism is the addition to the commercial code of an entire range of possible legal forms for joint entrepreneurship (corporations). One must assume, after all, that entrepreneurs (especially private entrepreneurs)

will not limit themselves to sole proprietorships, but rather that they will be inclined, for various, mainly economic reasons, to collective undertakings in the form of corporations. The amended code contains temporary, but sufficient changes designed to bridge existing gaps in the regulations covering these relationships until the issuance of a comprehensive, detailed codification in a future commercial code, or possibly in a comprehensive law covering corporations. The amended code identifies the most important ways that corporations differ from each other, and clarifies the legal issues involved in setting up corporations, the relationships between founding partners and between the corporation and third parties, the conditions for liquidating a corporation, and the characteristics of different types of corporations.

The legal requirements for associated ownership returns to the commercial code in an expanded form, in requirements covering the founding of joint ventures. This represents a new legal entity. As practice has shown, the original objective, embodied in the law on the state enterprise, has turned out to be flawed, namely preventing the retention of existing economic production units [VHJ] by eliminating from the commercial code provisions allowing for the founding of legally independent organizations based on contracts of association. Breaking up monopolies, and voluntary association leading to the formation of a new legal entity must be codified again in the commercial code in more general terms, providing a single standard for all entrepreneurial entities.

The new requirements for joint ventures penalize existing organizations operating as joint ventures under Law No. 90/1988, Sb., and cooperative enterprises operating as cooperative organizations under Law No. 94/1988, Sb. The proposed form of the enterprise register takes into account changes embodied in the new legal standards for entrepreneurial organizations, including sole proprietorships.

Provisions defining relationships to the plan and related obligations have been eliminated because of their close connection with the current concept of planned national economic management. The same is true of the general requirements for business contracts and obligations implied by unilateral services, under existing Sections 116 and 177.

The proposed Section 118, Paragraph 1 limits the current justification for economic management offices and the instances in which organizations can be assigned responsibilities to sign contracts, change, or terminate contractual obligations. The current text of Section 119 relates directly to the previous concept of national economic management. A similar principle for market economic conditions has been newly formulated in proposed Section 119c.

The provisions of Section 119a, Paragraphs 2-4 have been marked for deletion, because the same principles in a revised form are contained in Sections 119b-119e.

The amended commercial code takes into account the need for legal protection prior to negotiations which would become a so-called unfair competition, as well as the need for legal prohibitions against any kind of discrimination against customers (consumers). This is important mainly for the transitional period from the current sellers market to more normal market relationships. This purpose is served by a completely new provision prohibiting and punishing behavior that is in conflict with honest economic competition and can harm other competing entities, and, in addition to an explicit prohibition against any form of customer discrimination, a provision forbidding behavior or mutual agreements that limit or otherwise unfavorably impact the operations of other entrepreneurs, or which harm consumers. In this case as well, these are temporary solutions to serve until the passage of antimonopoly regulations and detailed rules for economic competition, either in a new commercial code or in an independent regulation.

Entrepreneurial activities are expected to increase significantly in the near future, especially by private entrepreneurs. This should be reflected as well in increased activity at commercial banks, which are already receiving loan requests from many interested parties. Currently inadequate regulations in the commercial code for securing obligations is preventing banks from granting enough loans. To alleviate this problem an entry is being made in the commercial code concerning a mortgage law, which allows qualified organizations to receive mortgaged items, if the mortgaging organizations does not meet its obligations in time. It is further assumed that this form for securing obligations will be used mainly by banks to enable them to offer loans to private entrepreneurs. Mortgage rights can be agreed upon for a specified time period. When this period expires if the mortgage has not been sold under Section 129g, Paragraphs 3 and 4, the holder of the mortgage is responsible for returning the property to the mortgaging organization.

The amended commercial code includes another means of securing obligations—a lien law. In contrast to mortgage law, the lien law concerns only personal property, and does not involve a contract. This new legal provision is also intended to improve legal certainty when setting up partnerships. The right of lien plays a supporting role in securing obligations, because it can be superseded when another means of security is adopted.

The guarantee is another way of securing rights. The proposed text provides for guarantees by a single entity or guarantees by multiple, joint entities.

The current version of the commercial code recognizes only preclusive rights, which means that a right not exercised during arbitration or in the courts within a specified time frame, expires. This implies that after this deadline passes demands cannot be made for payment of

debts, and debtors do not have to pay their obligations. If a debtor has paid the debt after the deadline, he can demand its return.

This provision is not to the advantage of firms in a market economy. It is necessary to support their decision making. A firm must be able to decide that in the interest of good business relations it will settle its debts, even after the time specified by law for claims to be made. This is allowed by the insertion of a statute of limitations. Arbitrators or the courts do not recognize bureaucratic forfeiture, but only forfeiture of claims upon request of the debtor. If then a debtor pays his debts after the expiration of the statute of limitations, he fulfills his obligation and cannot request that the payment be returned.

The preclusive rights statute in the code will remain for explicitly identified instances (returned goods, rights related to responsibility for defects).

In conjunction with these forfeiture regulations there is also an obligation recognition statute that will make it legal to recognize a forfeited obligation.

It is well known that the number and amounts of material sanctions always have had a tendency to increase. This was related to the legal responsibility for assessing and collecting these penalties, and transferring them to the state budget (in cases where preclusion resulted in an inability to meet obligations). Only the 1988 amended commercial code made a major change in this concept, limiting the obligation for assessing and collecting, with the most important state plan outputs and the issue of transfers left to the discretion of the arbitration office.

The current amended code retains the full range of property sanctions, but leaves to the discretion of independent business entities whether or not to utilize the functions or sanctions allowed by the law. The objective is to create conditions under which the main means of business contact becomes the contract, in which participants specify, if they wish, material sanctions in the event the contracted obligations are not fulfilled.

The commercial code is being amended to include responsibilities for damages caused by organizational operations (codified currently in Government Ordinance No. 46/1967, Sb.). In addition new responsibilities are spelled out for damages caused by things, if an organization does not take sufficient care to secure those things, monitor them, etc.

Because it is expected that economic activity will for the most part be conducted through other organizations the amended code defines as well organizational responsibilities for damages caused by other involved organizations, and penalties to be levied on those organizations.

The provisions of Section 151 are eliminated as nonessential.

In Paragraph 1 of Section 152 the prohibition on inserting conditions in business contracts has been eliminated. This prohibition was in conflict with contractual freedom that is a foundation of market relationships. The provision requiring that contracts be signed on time has also been eliminated as nonessential.

In Paragraph 2 the deadline for submitting a proposed contract has been eliminated. The timeliness of a draft as a condition for establishing a contractual relationship is spelled out in amended provisions of Sections 158 and 159.

The overall concept of establishing business contracts remains unchanged. In Section 153 Paragraph 2 is being omitted (concerning the signing of contracts when there is no agreement on insignificant details of fulfillment) and Paragraph 7 (concerning possible resolution of conflicts related to signed contracts by an office other than state arbitration).

The amended code leaves in place only three instances requiring a contract in the section defining contractual responsibilities. The first is when necessary to support a planned project; the second is when assuring the defense and security of the state; the third is to support a contract concerning preliminary deliveries. This is based on the fact that in a market economy the concept of planning changes radically, in the sense that necessary deliveries cannot be coerced using means close to directive, administrative management. For the transitional period the code retains the possibilities mentioned above for very important national priorities. These include requiring contractual responsibilities to support a planned project (specific state plan tasks, limits on goods currently in short supply) and to assure the defense and security of the state. In terms of the third instance, the responsibility to sign a supply contract based on prior contracts (preliminary deliveries) is common even in societies with full market economies, and is the sole purpose of such a contract.

The overall concept of preparatory contracts is radically simplified. Special types of contracts covering cooperation are eliminated, because detailed regulations are not necessary. As long as a preparatory contract contains the obligation to sign a business contract in the future, it becomes a contract for preliminary deliveries (this legislative shortcut is needed because of Sections 158 and 159).

The provisions covering contracts for product deliveries were too complex and detailed for normal operations, which limited enterprise initiative. To correct this a number of nonessential provisions have been eliminated leaving only those that form the basis of this type of contract.

The provisions of Section 166 have been eliminated, because they contained an obsolete view of the function of the product delivery contract. Responsibility for supplying the national economy cannot be established in this way under the new economic system.

In accordance with the principle of contractual freedom organizations are allowed to specify deliveries in ways not covered in the commercial code. The implementation regulations make no allowance for different requirements.

The provisions of Section 171 have been simplified so that fulfillment is measured based on the oldest obligation, unless the parties agree otherwise. The authority to establish a different requirement has been eliminated in the implementation regulations, as well as the provisions of Paragraph 3 concerning balanced products, which in the past has been seriously misused.

The details of Section 171 are connected to the projected amended law on normalization, which is expected to eliminate sectoral technical standards.

The second sentence in Paragraph 1 of Section 173, which set contractual responsibility, has been eliminated. Paragraphs 1 and 2 have been combined.

The text of Section 174 has been made more precise, but the content remains the same.

In view of the fact that the elimination has been proposed of Decree No. 4/1986, Sb. concerning packaging for product deliveries, the current provisions of the commercial code covering containers and packaging have been significantly expanded. The proposed amendment to Section 179 is based on the fact that all packaging will be invoiced, in order to avoid excessive administrative work, and to provide customers with an economic incentive to return packaging. As long as the customer returns packaging within one year, it can claim credit for the invoiced amount. All requirements for packaging management are flexible, allowing organizations to make other arrangements according to their needs.

In Section 185, provisions concerning responsibility for agreements with organizations authorized by the ministry of domestic trade have been eliminated. Central offices will not get involved in such details under the new economic regulations.

All provisions related to delivery schedules have been eliminated. The establishment of delivery schedules has been left totally to the discretion of the contracting parties, allowing them to arrive at a schedule that meets their mutual needs.

The part of Section 192 covering fulfillment monitoring has been eliminated, necessitating a change in the name of the Paragraph. Whether or not quality will be checked as part of contract fulfillment is left to the parties involved.

Provisions covering the receipt of goods from suppliers have been eliminated. It is the responsibility of the customer to arrange for services as necessary to provide documentation to support potential subsequent returns of goods or disputes related to transportation.

Paragraph 4 of Section 196 has been eliminated. This Paragraph authorized the Office of Standardization and Measurement to establish a responsibility to negotiate a statistical cutoff point. In compliance with a request from the Office of Standardization and Measurement, the establishment of a cutoff point is now left to the contracting parties.

The provisions of Section 197 have been eliminated for the same reasons as those of Section 193.

In conjunction with changes in Sections 141-144, the formulation of Sections 204-208, concerning material sanctions, has changed to allow the assessment of sanctions, but not to require the other party to pay. Otherwise the provisions remain as before.

Mentions of R&D Development Plans have been eliminated from Section 209, because these plans will no longer exist.

It is assumed that the current practice of importing and exporting through foreign trade enterprises will be replaced in the new economic system to a large extent by direct relationships with foreign entities, with economic entities occasionally engaging agents, and with organizations authorized to conduct foreign trade sometimes serving as agents.

It is not possible, however, to eliminate the current system immediately. The existing relationships will have to persist for some time. It is therefore necessary to give enterprises the flexibility to choose the means that best meets their needs. For this reason the provisions defining obligations when importing and exporting have not been eliminated entirely, but substantially simplified.

All provisions that were too detailed and all that contained discriminatory provisions (e.g. concerning delivery permits, etc.) have been eliminated from the current provisions. Only those provisions remain which are necessary to maintain links between domestic and foreign suppliers on issues where a general formulation of obligations is inadequate or inconvenient.

These include provisions for possible agreements related to the applicability of general exporting and importing obligations (Section 212, Paragraph 1), quality (Section 217, Paragraph 1, and Section 242), authorization to refuse late deliveries (Section 219), partial deliveries (Section 220, Paragraph 1), concerning the transfer of risk for loss or possible damage (220, Paragraph 4, and Section 248a), concerning returns of goods (Section 231, Paragraph 1, Sections 232-235a, Section 249, Section 252), concerning changed obligations (Section 241a), concerning fulfillment of import deliveries (Section 246), concerning transportation routing (Section 248), concerning extension of deadline for asserting rights (Section 251a), and concerning compensation for damages caused by a foreign supplier (Section 257).

Because a number of provisions contained in Federal Ministry of Foreign Trade edicts are being eliminated

concerning basic delivery conditions it has been necessary to include in the commercial code general provisions concerning deadlines for making return of goods claims for imports (amendments to Section 250).

In regard to Section 259 we note that the objective is to allow the government to establish that when necessary certain agricultural products (e.g. grains) will have to be turned over by their producers only to those customers who use them for national economic purposes (e.g. for milling or baking, for setting up material reserves, for exports). Products designated in this way will for an established period not be subjects of free enterprise.

To assure coordination between plant and livestock production and a uniform market for agricultural and food products it is similarly necessary to regulate the circulation of agricultural needs, especially fodders, fodder components, and fertilizers.

Government measures would be limited as to duration, based on Section 83 of the authorization law, and undertaken only upon request of the Federal Ministry of Agriculture and Food.

State regulation of production, circulation, and consumption, as well as related price, tax, and credit conditions has existed in our republic since the 1930s (e.g. government ordinance No. 137/1934 Sb.) and currently exists in various forms in a number of countries (e.g. Austria, FRG, Denmark, United States).

The proposed Provisions of Section 280, Paragraph 1, and Section 282, Paragraph 1 bring these into line with a draft decree concerning design preparations and state expertise in construction projects.

Section 284, Paragraph 2 has been eliminated as unnecessary. All contracts that have multiple investors on the side of the customer will be considered share contracts as defined in Section 155 of the commercial code.

The proposed elimination of Decree No. 37/1983, Sb., concerning invoicing and payments for capital investment and performance of geological services, would make Sections 286 and 287 unnecessary.

Experiences with the provisions of Section 295, Paragraph 2 demonstrated that they were too strict, especially concerning deliveries for large scale projects, such as nuclear power plants, where the base for assessment of penalties was so high that the calculated penalties were many times higher than the costs of correcting identified problems, and therefore prevented the penalties from performing their intended function. Penalties will therefore be limited. Section 295 contains only stylistic modifications reflecting the need to express fully the functioning of all material sanctions in the commercial code.

The proposed changes to Section 298 include the elimination, as unnecessary, of the first part of the sentence allowing implementation regulations to set special delivery conditions "to support the installation of new machinery and equipment, especially machinery and

equipment included in the R&D Development Plan". Implementation regulations can, in the amended version, generally establish special delivery conditions and responsibility for the use of untested machinery and equipment.

In its current form, contractor requirements for deliveries related to capital investment projects are closely tied to the concept of planned national economic management. In a market economy suppliers and customers form a delivery system governed by market rules, without intervention by economic management offices. This on the other hand does not prevent organizations from agreeing on a different supply system in the preliminary delivery contract.

In conjunction with the projected use of state orders, with which the state will meet pressing needs mainly related to foreign obligations, national defense, and the formation of Federal material reserves (in which the state will also be a customer of these deliveries), requirements have been codified to cover public competition for public sector business. These requirements explicitly authorize central state administrative offices to announce competitive bidding for the submission of the lowest price contract.

These requirements take into account the fact that the central state administrative offices are not participants in the business relationships defined in the commercial code, and allow for the possibility that after a transition period the current regulations governing competitive bidding might treat the central state administrative offices as business organizations. Section 158 sets contractual responsibilities for deliveries important to national defense and security.

Under the current Section 358, Paragraph 2 contracts can include insurance against workplace accidents as long as conditions set by the CSFR Government have been met. These requirements are impractical because the government has not yet established any conditions, which makes it impossible to sign contracts that include insurance against workplace accidents. This restriction should be eliminated, allowing contracts to be written including this insurance without conditions, as is done for instance in contracts for professional sports figures.

The amended code also includes new regulations governing payment and credit requirements, especially related to the new positions of monetary institutions, the functions of money, and the substantially freer handling of financial resources generally.

Changes have been made that are related mainly to the new position of banks and savings institutions. These changes serve to strengthen the position and independence of organizations in their payment, credit, and deposit activities. This part expands the treatment of deposit requirements. In addition to banks and savings institutions other authorized legal entities can enter into these activities.

The elimination of Section 362, which allowed the transferral of monetary resources amongst organizations was important in strengthening organizational independence.

The principle of noncash payments among organizations remains intact, while raising the limit for cash payments to Kcs1,000 (Section 366, Paragraph 1). These changes, however, establish a direct exception for private entrepreneurs, allowing them to pay in cash generally. These provisions also contain amendments to the form and content of accounting contracts.

Changes to Section 367 provide organizations with new authority to select a monetary institution and to keep accounts in multiple banks or savings institutions.

An important element of the amended commercial code is the inclusion of more detailed invoicing requirements (Section 375a), which result in a simplification of these requirements and the elimination of excessively detailed and complicated invoicing decrees. The statute specifying penalties for the delayed preparation of invoices has been eliminated, because it was seen as unnecessary in a market economy.

In Section 382, the basic conditions for deposits have been changed. Until now the magnitude of bank credits meant that deposits were not common, but in a market economy we need to resurrect them after making basic, logical modifications. This has led to a new type of deposit contract.

Changes in the area of credit relationships, primarily the elimination of the previous Section 382, and the new text in Section 383 strengthen organizational independence and the partnership aspects of the organization/bank relationship.

Changes to invoicing requirements in the commercial code have expanded to include a definition of the requirements for an invoice, authorization for a customer to return an invoice that is missing any of these requirements, established payment deadlines, and a procedure for handling deposits. The requirements are defined to make the requirements as flexible as possible. This allows organizations to deal with issues related to invoicing by mutual agreement.

To date invoicing issues have been dealt with mainly in implementation regulations issued by the Federal Ministry of Finance (Decrees No. 154/1975, Sb., and Decree No. 37/1983, Sb.), This modification allows us to rescind these decrees.

Sections 378 and 378a have been modified to make it clear that these types of material sanctions are also guidelines.

Changes to credit contracts have been proposed that will bring them into line with new economic conditions.

An important change is the elimination of Section 394, which contained a number of important authorizations

that allowed the issuance of decrees to make specific modifications that deviated from the commercial code for short periods of time to business contracts and other obligations. The concept of a nation ruled by law, constitutional principles for implementing laws, new concepts of authority over the economic sphere, and the need for legal certainties for entrepreneurs rendered these authorizations untenable. The new code transfers the right to make changes that are not consistent with the code has been transferred directly to the government by Section 393.

A very important change is the proposal to eliminate a number of provisions contained in decrees and ordinances establishing the basic conditions for delivering products or other services in other sectors or branches of activity. Involved are 57 decrees which, in conjunction with the commercial code, have formed the basic structure of business relationships. With the passage of time, however, they increased to such an extent that they frequently concerned the minutest of details of enterprise behavior in supplier-customer relationships. To some extent they also became a tool for manipulating the enterprise sphere and asserting mainly sectoral and branch interests.

The overall revision of these regulations conducted by the CCSR State Arbitration Office in 1989 pointed out their shortcomings fully and brought proposals to reduce them substantially in both number and content. This was to a large extent accomplished when they were updated as of 1 January 1990. In terms of the strategy of opening our economy as fast as possible, additional radical changes are needed. In view of the overall situation where we have to be careful to anchor the rights and responsibilities of entrepreneurial entities exclusively in laws, where the legal regulations governing deliveries are still too detailed and often require excessive administrative work for compliance, and when it is necessary to create conditions to support not the central control of activity, but to support vigorous competition, it has been proposed to eliminate a number of provisions of all ZPD [expansion unknown]. This would provide the state with a foundation for providing guidelines for business similar to those that exist in other developed countries (FRG and others). The purpose of these guidelines is to facilitate the operations of contracting parties provided the contracts adhere to the guidelines.

In view of the fact that implementation guidelines in some cases establish a warranty period (return of goods deadline) based on Sections 135 and 250, Paragraph 1 of the commercial code it has been necessary to retain some provisions of these sections.

The acceptance of this amended code would also require the elimination of the current authority of supplier sectors to issue decrees concerning ZPD. This would substantially restrict excessive resort intervention in the business area which, as is well known, suffers from many

ills stemming from the position and functions of ministries under the current administrative-directive management of the national economy.

Amended code valid from 1 May 1990.

Employment Office Function Viewed

*91CH0012A Prague SVET HOSPODARSTVI
(supplement) in Czech 1 Sep 90 p 3*

[Article by Ladislav Jouza, doctor of law, Ministry of Labor and Social Affairs of the Czech Republic: "Employment Offices and Employment"]

[Text] We will also have to manage the work force better under a market economy. It is no secret that we will be facing an excess of workers which will lead to unemployment. Workplace reorganization, the elimination of middle management layers, the departure of workers from central agencies and administrations, all are circumstances that will have an unfavorable impact on the labor market. Therefore the CSFR Government has passed the fundamentals of an employment law. In conjunction with the labor code and the social security law, this new law lays the foundation for protection against excessive unemployment.

Employment problems cannot be handled by any other than state institutions. Therefore as of 1 August 1990 plans call for the setting up of new state administrative agencies in the area of employment—employment offices. What is a new institution for most of us, and a barely remembered one for the older generation, is intended to operate outside the national committee organizational structure, usually in a region or district.

Employment offices will attempt to assure employment levels in their territorial jurisdiction. In carrying out this task they will respect the new definition of appropriate jobs, which is very important for the legal certainty of citizens. The new concept of the right to work forms the basis for the entry of the CSFR into the world arena. The law defines the right to work as the right of citizens who want to work, are able to work, and are looking for work to a job, to retraining, and to material assistance if they become unemployed. This is a right guaranteed by the state to all able bodied citizens. It has been conceived comprehensively, to include not only involvement in the work process, but also integration into all national and social developments that can occur on the job market. This new concept takes account of professional abilities and talents, and will be open to more liberal interpretation than its predecessor. It also covers the citizen in unfavorable social situations, such as when one loses a job, becomes sick, and the like. Assistance can include retraining, contributions prior to employment, etc.

The objective of the employment offices will be to protect the right of a citizen to a job under complicated and difficult conditions when demands are made for more efficient work. Greater work force mobility

requires the availability of effective information, advisory, and mediation services. It will be necessary to apply a differentiated approach to individual groups of workers: young people, citizens with handicaps, and the like.

Employment offices should therefore operate in several areas. In the information and advisory area they will gather information concerning job opportunities, professional training, retraining, and available labor pools. They will provide both citizens and employers with advisory services related to employment and information services for citizens who wish to work abroad.

To provide appropriate jobs for citizens and assist employers in finding qualified employees the employment offices will utilize resources from the employment fund, which will be formed from regular employer and employee contributions. The employment offices will administer this so-called employment fund (contributions prior to starting work, state administered retraining, support for socially important jobs and work for the public good). Nor will these offices neglect cooperation with private entrepreneurs, especially for the positions they can offer and helping them find employees.

The new employment offices will become, starting in August, an important link in the performance of inspection activities concerning worker jobs, with particular attention to compliance with labor regulations. These offices will be able to levy fines based on the labor code.

These offices will play an important role in retraining citizens. They will cooperate with enterprises and other educational institutions, particularly in broadly based retraining programs and will, on demand, design programs to further expand retraining opportunities.

New laws pay special attention to citizens with handicaps. The employment office complies with these principles, which will provide handicapped citizens an opportunity to find an appropriate job, offer them advisory services when choosing a career, etc. Also important is their authority to suggest to employers that designated jobs be filled only by handicapped citizens. The offices will also monitor compliance with these regulations. Decisions of an employment office regarding the hiring of a handicapped employee for a job opening reserved for the handicapped will be binding for the employer, as will the regulations governing the number of handicapped persons as a percentage of an employer's total work force.

Because one of the major problems of unemployment is its psychological impact on the unemployed person, psychologists and sociologists will be employed in the advisory divisions of the employment offices. It is projected that initially some 2,000 professionally trained people will be employed by these office. The number of employment office employees should increase in line with world trends. In the FRG, for instance, some 62,000 people work in such offices. To reach the same relative

employment level as our neighbor, we would have to employ 15,000 people in these offices.

Association of Entrepreneurs Views Market Economy

91CH0012B Prague SVET HOSPODARSTVI (supplement) in Czech 1 Sep 90 p 1

[Article by Pavel Dvorak, first vice chairman, Association of Czechoslovak Entrepreneurs: "Our View of Things"]

[Text] The most frequently used terms in our Republic today are market economy and its tools. These are the sole path that will lead us to economic prosperity, a prosperity that Czechoslovak tourists (most of them after November of last year) have seen with their own eyes in Western Europe. It is very clear that after the initial political successes of November 1989, our country will have to experience another accompanying phenomenon, a change in the economy. The first direct consequence, in the form of price increases, has demonstrated to many that there is something quite new in the economy, and forced even the biggest defenders of a market economy to think more deeply. The Association of Czechoslovak Entrepreneurs is also engaged, and we are compelled to adopt a clear position on issues of the market economy and private entrepreneurship in our Republic.

It was significant that between November 1989 and the elections of this past June all political parties wanted to support private entrepreneurship and the development of a market economy. We were all critics of the old regime, and even the CPCZ [Czechoslovak Communist Party] began to defend market mechanisms. Members of parliament eloquently defended the advantages of such economic phenomena, delegates became renowned economic experts overnight, and it was enough for all of us to have a new goal.

Now, certainly nothing stands in the way of achieving this goal easily, rapidly, with the fabled Czech ingenuity, and in a short time. The entire state apparatus has begun work on outlining the correct economic strategy for achieving established objectives. This leads to the first paradox: The greatest enemy of free enterprise in the world, the state, is directing and creating the conditions for the development of the private sector!

At this moment there appears on the economic scene a completely unknown enemy for many bureaucrats, the Association of Czechoslovak Entrepreneurs. This group formed spontaneously, based on citizen initiative, and has begun to grow unexpectedly rapidly for our conditions. None of us present at the birth of the Association had any experience with work in this area. Nevertheless we all started to work enthusiastically to build the new organization and set off over uncharted ground.

That we are on the right track has been confirmed every day of the past six months by the delegations from

similar associations around the world that have visited us. It sounds unbelievable, but most of these government-level delegations from the West asked to meet "those private entrepreneurs" that they had heard so much about after finishing the tried and true round of negotiations under the old principles (those that begin with the government and finish with the appropriate ministries). In this way we have met with representatives of the European Community [ES], the Chambers of Commerce of the United States, Austria, FRG, Holland, etc., the World Bank, UNICE as the senior representative of private entrepreneurship for the ES, with representatives from groups such as ours throughout the world, and with representatives of other international organizations.

All these negotiations began the same way. Western entrepreneurs and investors told us how the president, premier, or other official had assured them that the CSFR is now prepared for private entrepreneurship, for a flood of investment into our country, and the development of economic cooperation with literally everyone who thinks well of our country. Then we discussed with them the current status of the transition of our economy to a market economy. Have you even thought, members of our Association and private entrepreneurs, about what the representatives of this state have actually done for us since November of last year? We have a new law on private entrepreneurship that parliament approved in record time on 18 April 1990. Right when this legislation was being marked up the ministries won a big battle on this law. This victory is represented in Paragraph 7 of this new law, which we as an Association resolutely fought against. In practice this provision means an immensely complex, time consuming and practically unthinkable bureaucratic merry go round, connected as well with the central management of private entrepreneurship.

All the foreign delegations for which we specified in detail the conditions that had to be met for registration, where all authority rests in the hands of the ministry, expressed the opinion that by acting in this way we are closing ourselves off from the world and losing the credit that we fought for in November of last year. The result will not be long in coming. From the darling of Europe, Czechoslovakia is slowly becoming the forgotten land of foreign entrepreneurs. Again central management has won, the bureaucracy, and last but not least its symbolic representative, the official! And our theoreticians are again working on a new model (how many is that now?), that will bring us to the promised land without pain or losses!

None of these enlightened people has given a thought to the possibility that we have to start elsewhere and in another way. Basically, the defensive system of our ministries and the fact that a classical management triangle (employers, unions, government) does not exist in this country has meant that absolutely nothing has changed. This is why all the announcements of our

representatives who clearly do not know, or do not want to know, the structure and course of economic mechanisms sound comical to us.

If we add to registration difficulties another new law about nonhousing space and an anticipated tax law, we can only with pain look at how foreign visitors now are lacking smiles, generosity, and the desire to start a business in this country either alone or in partnership with us. So now we have to return to the beginning of our trip, to those beautiful, cutesy declarations that have accompanied us since the November revolution: "Everything in Support of Private Entrepreneurship"; "Through a Market Economy to Prosperity for the Individual and the State." But this state has forgotten that it must first set up conditions that make it straightforward and fast to set up a business, so its benefits can be received rapidly as well.

Once again we are looking for that good old, tried and true, golden middle way. We emphasize the social and economic aspects of a market economy in our country but forget that before this we have to start working hard, so we can build rapidly a new economic system, new relationships. Only after some time can we bring into the game the above social and ecological elements for which in any case we currently do not have the financial resources.

After all, neighboring countries with a market economy had to go through its initial phase, the building of a strong market, and only then could devote their attentions to other matters. It is clear from this that we have to change our philosophical approach to implementing economic reforms and making the transition to a market economy. For us, the Association of Czechoslovak Entrepreneurs, two areas seem especially important. One is cooperation in drafting a law on economic chambers which must be put in charge of the entire economic area and undertakings outside the sphere of state ministries. Second is activity in the Czech Republic Government Committee for Developing Private Entrepreneurship, which is charged with directing and regulating the entire process leading to a market economy. This committee was founded at the suggestion of our Association.

We must quickly form the above mentioned triangle of "employer, union, government". It is also essential to change fundamentally the strategy of privatization. It is well known that we have to start by supporting individual, small, and midsize entrepreneurs, the economic group in countries with a developed market economy that produces 50 percent or more of the gross domestic product and employs 70 percent and more of the work force. We therefore do not understand the continuing, excessive interest in large state enterprises and the side-tracking of smaller companies. This raises a second fundamental question to which we do not have an answer: What is happening in this Republic to an anti-monopoly law that has to hold back just such attempts by advocates of changing large enterprises into corporations. The opinion of most foreign economists is that

there is an acute danger of the further monopolization of our economy, now under the guise of a market economy.

Here, then, is where the Association of Czechoslovak Entrepreneurs and all associations that are established in this country, must put their efforts and purpose. We want to continue to defend the interests of all private entrepreneurs in Czechoslovakia and prevent the transformation of one monopoly into another, of one economic colossus, incapable of further prosperity, into another that will remind us too much of the recent past. The path of monopolies cannot lead us back into Europe.

In countries that can be considered economically prosperous, employers, and their associations participate in forming the laws. This is logical because the employer must function under these laws and make a living. This is the fundamental difference between what we want and the actual reality, the difference between a true market economy and a "unique" Czechoslovak path.

Business Rental Contract Explained

91CH0012C Prague SVET HOSPODARSTVI
(supplement) in Czech 1 Sep 90 p 1

[Article by Vaclav Makrlik: "Fears and Hopes or Rent—How Much and for What?"]

[Text] All legal standards related even peripherally to the issue of private entrepreneurship have been and continue to be the subject of extensive discussions. Organizations and individual entrepreneurs were interested as well in Law No. 116/1990, Laws of the CSSR, concerning the renting and subleasing of nonhousing space, and the Decree issued by the Federal Price Office and Czech and Slovak Republic Price Offices on 3 May 1990, updating Decree No. 35/1990, Laws of the CSSR [Sb.], concerning contracted prices, and especially the list of products and services covered by contracted prices, which was an integral part of Decree No. 35.

All these regulations represent a harsh intervention in the economics of organizations and private enterprises. In conditions where demand is usually greater than supply, i.e., there is disequilibrium in the market for nonhousing space and a de facto monopoly on ownership of such space (or ownership is not clear, which is worse), there exists the real possibility for an abnormal increase in rents. This is one of the largest costs for an enterprise, as long as it is not run in its own facility. In the extreme this can lead to a sufficient decline in the profitability of entrepreneurship that such undertakings become unthinkable. This is a situation that no one wishes even on state and cooperative organizations, let alone on private entrepreneurs, who for the most part are just starting out, and with minimal resources to boot.

On the territory of the capital city alone there is a huge number of spaces, concentrated mainly in the center of town, that clearly are not appropriate for development or for service businesses, or any other business. They have in fact no economic application, which is related, of

course, to the previous sentence. On the other hand there is a completely justified fear that even if these spaces are made available, they will not be available at prices acceptable for a number of organizations, or for most private entrepreneurs. Rent is not the only issue. Also in question is Section 3, Paragraph 3 of Law No. 116/1990, Sb. which sets the maximum lease term at two years. This raises the question of whether it would make sense for an entrepreneur, either domestic or foreign, to invest in improving such a space for business purposes with such a short lease.

The above concerns, of course, apply only to nonhousing space in facilities managed by housing management organizations under a national committee. If the owner is another organization, then what is required is only prior approval of a national committee to conduct business or provide services. The national committee does not get involved in either the lease term or price. These are agreed upon by the lessor and lessee. Nevertheless, this area will clearly, insofar as it concerns rent levels, be influenced by current price regulations, particularly by the text of item No. 252 a) in the List of Products and Services to which contractual prices apply. We quote:

1. Rental of nonhousing spaces and related services. Rent, under this item, applies to all forms of ownership, as well as the right to manage a nonhousing space, as long as the renters are Czechoslovak entities. In cases of rentals to foreign citizens, foreign legal entities, and legal entities with foreign participation, rent is negotiated.
2. Rent (excluding the price of services) can be negotiated up to the maximum allowed annual rates per square meter of floor area of nonhousing space. These amounts are as follows:
 - a) Kcs190 for retail stores, restaurants, agencies, , schools, health care facilities, offices, and similar uses.
 - b) Kcs165 for production, workshop, warehouse, garage facilities, and similar uses.
 - c) Kcs130 for social and cultural uses.
 - d) Kcs96 for all other nonhousing spaces, including temporary spaces.
3. Rent for the use of artist studios can be negotiated up to the maximum price allowed by regulations for apartment use.
4. The price of services provided from the rented nonhousing space are negotiable as long as it has not been established for that service.
5. The City National Committee [MNV] can, after taking into account the attractiveness of the surroundings or the advantages of the nonhousing space location, designate facilities, or localities, where rents can be negotiated without the limitations imposed in Paragraph 2. This final point, in particular, allows for practically unregulated growth in rents in the transitional period,

before demand and supply have stabilized. The consequences of such an increase in rents will, understandably, be reflected negatively in private entrepreneurship and the related increase in services. Rent levels are, to be sure, set by law, but in the final analysis the actual level will be determined by an individual national committee bureaucrat in accordance with point 5. What sort of criteria will be chosen? Some of them are used already today. They include "social reasons", of course "advantages of the space", "available equipment", etc.

All these criteria are more or less relative. To whom will they apply, and to whom will they not apply? Only the individual can decide that. Does this not again provide fertile ground for a "bribery" system, giving rise to the misuse of the regulations for individuals? Already today a number of operating service businesses (custom tailoring, restaurants, etc.) are closing in the center of Prague because the rents are not bearable for the owners. Will better services replace them? Or will Czech enterprises be pushed out of the center by foreign entrepreneurs in a better capital position, who can afford to pay in sought after hard currency? Will Czech entrepreneurs have the chance to return when they may be just as strong? This is true not only of private entrepreneurs, the same is true of established collective organizations. Future developments can be predicted only with difficulty. Nevertheless it is clear that precisely in this area we will feel the logic of the market mechanism very soon. Let us hope that it does not leave a bad taste in our mouth.

Pricing Reform Process Viewed

91CH0012E Prague ZEMEDEL'SKE NOVINY
in Czech 8 Sep 90 p 3

[Unattributed article: "Opening to the World"]

[Text] The price system is seriously deformed. Prices set administratively in a closed economy are not capable of providing economic entities information about the relationship between supply and demand on the market, information about the relative scarcity of natural resources, or about the negative impact of production and consumption patterns on the environment. Price deregulation is intended to eliminate the obstacles preventing price formation from being based on fluctuations and effective supply and demand. The schedule of basic and reform steps includes a critical deadline of 1 January 1991, after which the Czechoslovak economy is supposed to begin the deregulation process. Actually this process has already begun.

An important part of the transition to deregulated prices will be the calculation of initial wholesale prices for inputs in conjunction with the shift to business in freely convertible currencies with the USSR and other CEMA countries, and in conjunction with the transition to world prices. In this area we will have to keep our eyes on relative prices in mature markets. We will reach this goal with state support by increasing the role of the customer,

especially the exporter, in price formation, and adjusting the prices of basic raw materials to reflect their actual costs in domestic production and for imports. While adjusting relative prices we must expect the price level to increase somewhat. This will depend mainly on the conversion ratio applied to those imports that replace inefficient domestic products for production consumption, and on our success in adhering to the principle of price uniformity in all areas of sales.

The basic features of the price deregulation scheduled for 1 January 1991 will be the deregulation of most wholesale prices, with direct connection to retail prices, and the introduction of internal koruna convertibility for hard currencies. Both features represent a uniform whole that will open the Czechoslovak economy to efficiency pressures from the outside world.

Price deregulation will take place in connection with the scope of achieved import deregulation, or put another way, in connection with the extent to which the monopoly position of suppliers is suppressed. Only then will it be possible to proceed with full price deregulation, as well as imposing substantial limits on the monetary regulation of incomes.

The goal of economic policy will be to prepare and implement price regulation mechanisms which in the period of deregulation will not prevent a shift in relative prices to equilibrium values, yet which at the same time will be capable of moderating as much as possible increases in the price level, stopping significant inflationary movements. Restrictive monetary and fiscal policy, and a firm wages policy, will play the main roles in slowing inflation growth.

The current system for distributing foreign currency resources is incompatible with a market mechanism and reproduces deformed value relationships. An economy open to foreign competition requires a change in the management of foreign currency relationships and flexible and equal access to foreign currency for domestic, mainly production entities. The way to achieve this is to achieve internal convertibility for the Czechoslovak currency. This allows real currency pressures to be brought to bear on Czechoslovak producers, and a shift in relative prices to an equilibrium position.

The final goal is full convertibility for Czechoslovak currency in accordance with Article VIII of the Agreement Concerning the International Monetary Fund. Given the current economic situation it is only possible to implement internal convertibility, which will mean relatively free access for Czechoslovak economic entities to foreign currency (but in no way the holding of convertible korunas by foreign entities or trading them on the currency markets abroad).

The strategy for internal convertibility of the koruna is based on:

- The required sale of foreign currency revenues to banks and the possibility to buy foreign currency freely at banks, for korunas, to spend abroad.
- The introduction of a single foreign currency exchange rate, formed on the basis of supply and demand on the foreign currency market.
- Prohibiting the circulation of foreign currencies in the Czechoslovak economy.
- Regulating foreign currency equilibrium through macroeconomic intervention by the center (restrictive budgetary and monetary policy), with the possible implementation of additional instruments to stimulate the supply of foreign currency and restrict demand for it.
- Supporting export efficiency with appropriate tax and credit incentives for those production structures capable of generating foreign currency revenues through increased exports.
- Central bank intervention in the foreign currency market, allowing the long term stabilization of exchange rates, and when it is necessary to use foreign currency loans from abroad.

The fundamental question connected with the introduction of internal convertibility is the establishment of an initial exchange rate for the Czechoslovak koruna that will allow us to get the new system going and make possible its long term stabilization. The current exchange rate of Kcs 17 per dollar does not meet this requirement, because demand for foreign currency far outstrips supply. In a market economy this excess would have to be moderated by administrative measures enough to negate the impact of the market. Various quantifications, analyses, and models have been developed to establish the initial koruna exchange rate. Basically the decision must be made between two alternatives: either set the initial exchange rate at a level that will equalize supply and demand for foreign currency, or utilize a small koruna devaluation and not establish an equilibrium rate.

Both alternatives assume:

- Guarantees of a certain price stability for a selected group of imported raw materials at the expense of the state budget.
- Limitations on imports for the domestic market.
- Limitations on imports for nonproduction consumption, especially for health care.

HUNGARY

Soviets Seek Multiyear Extension of Dollar-Based Settlement

91CH0070B Budapest NEPSZABADSAG in Hungarian
8 Oct 90 p 1

[Interview with Ministry of International Economic Relations Division director Laszlo Timar by Maria Lakatos; place and date not given: "Soviet Exports Were Not Halted; Hungarian Claims Are Expected To Amount to \$1.1 Billion"—first two paragraphs are NEPSZABADSAG introduction]

[Text] The unexpected economic sensation of the weekend was based on news agency reports, and could be heard and seen on radio and on television. Allegedly the Soviet Government is preparing to halt imports from Czechoslovakia, Hungary, and the former German Democratic Republic [GDR], so that Soviet indebtedness, calculated at present in rubles and beginning on 1 January 1991 in dollars, does not increase further.

We asked Ministry of International Economic Relations Division Director Laszlo Timar about the details.

[Lakatos] News reports thus far do not clearly reveal what kind of decree is involved here.

[Timar] There is no decree involved, I was told by the Soviet partners on Saturday. Supposedly a decision was reached to prevent firms in Hungary, Czechoslovakia, and the GDR from acting on contracts over and above the annual contingent, and which would involve other than agricultural products. But even this decision does not apply to contracts already in force, but only to contracts to be signed in the future. Accordingly, these are talks. I am unable to tell you whether actually there will be such a decree, when such a decree will be proclaimed, and whether this will be the effect of the decree.

[Lakatos] Let us assume that these statements prove to be true. To what extent would these impact on Hungarian exports? Generally speaking Hungarian exports take place according to the protocol of interstate agreements, and mostly on the basis of contingents.

[Timar] This year's Hungarian exports will amount to about 3.8 billion rubles; 98 percent of this is part of the contingent. Accordingly, in theory only 2 percent of Hungarian exports could be affected. Imports will amount to about 3.4 billion rubles, that is, less oil, gasoline, cellulose, paper, and personal cars will be shipped.

[Lakatos] What will be done about the difference?

[Timar] Based on the agreement signed by Peter Medgyessy, last year's 800-million ruble surplus, and this year's expected 400-million ruble surplus will be exchanged on 1 January 1991. The exchange is based on the agreement that one ruble equals \$0.92. But this is not

the problem! It turned out in the course of the present negotiations that the Soviets would like to pay off this amount in installments over several years, while we would like to use most of this money in 1991, and only a small part in the following year. This question was left open at the September negotiations, just as the other matter involving damages we suffer from exchange rate losses, and for which we would like to receive at least partial compensation from the Soviet Union. These will be the subject of discussion in the next round of negotiations. It is unlikely that we reach an agreement prior to the end of October, because at present the lists of goods are being prepared in the Soviet Union. It is equally clear that a single contract to be entered into with the Ryzhkov government will not suffice. It is likely that thereafter we will have to reach agreements with Jeltsin's government, with the Ukrainians, and with some additional republics.

Domestic Indebtedness: Alternative Solutions Proposed

*91CH0067A Budapest NEPSZABADSAG in Hungarian
2 Oct 90 p 8*

[Article by Karoly Csabai: "Enterprise Mutual Indebtedness: Even the Proposals Are 'Standing in Line'"]

[Text] In vain did the government announce in July that it will take radical steps to reduce mutual indebtedness among enterprises. Nothing substantive has happened thus far. No liquidation proceedings were initiated against large deficit operations, and privatization is also dragging. At the same time alternative solutions to reduce mutual indebtedness emerge one after another.

A plan to present the general goals of the cabinet program in specific terms was completed at the Ministry of Finance in August. This package of action proposals was based on the assumption that the cabinet will commence liquidation proceedings against enterprises in the direst straits, and that liquidation would take place based on recommendations received from the minister of Industry and Commerce. As reported earlier, seven business organizations were indeed declared to be ripe for bankruptcy, but unfortunately these firms were not the primary causes of the chain of mutual indebtedness. Thus their disappearance hardly reduced the volume of mutual indebtedness. The cabinet struck medium-sized enterprises, but it has yet to make a decision concerning the fate of large deficit generators in the mining, machinery, and iron foundry industries.

Finance Ministry professionals developed several alternatives to reduce the present level of 300 billion forints in mutual indebtedness. These proposals urge that banks charge double the interest rate of the present central bank basic rate—42 percent—in the form of late interest payable by firms which do not make payments. In doing so they intend to prevent instant regeneration of mutual indebtedness in the event that such indebtedness ceases at one point.

The fact that many consumers have not paid for public service provisions for a long time creates great concern. For this reason, Finance Ministry officials suggest to the cabinet that it direct the management of public service enterprises to initiate proceedings against persons with a record of chronic default.

Firms experiencing difficulty as a result of mutual indebtedness found out earlier that if they were not deemed credit worthy by the bank which holds their main account, they still had an opportunity to open another account at a different financial institution. Since bank accounts are secret, and because records are incomplete, the reliability of the flow of information is extremely questionable. These firms are able to freely manipulate several banks as a result. For this reason the Finance Ministry, in agreement with the banks, suggested that the opportunity to establish a second account be temporarily suspended. According to some experts, however, this measure may weaken the already not too strong competitive position of smaller financial institutions.

The July cabinet program already mentioned the idea that debtors should issue notes, the acceptance of which would be mandatory. In this way the accounts receivable and obligations would be cleared by way of selling the notes. In this case, however, the law governing notes would have to be changed. For this reason, according to present perceptions, debtors would issue certificates of indebtedness in which they acknowledge their debt. Certificates of indebtedness would be sold in a manner similar to notes until such time that the ultimate sellers appear at the appropriate institutions (State Property Agency, Ministry of Finance, and the banks), and would receive a guarantee for up to 20 percent of the indebtedness. In the event that one of the above listed institutions is unable to collect the debt within a six-week period, the owner of the certificate of indebtedness would receive the guaranteed 20 percent, and would write off the balance as a loss.

The idea of all banks temporarily suspending payments to their own clients during a predetermined period, and establishing the volume of indebtedness and claims among firms which maintain bank accounts, remained on the agenda for a long time. Commercial banks claimed that it was not possible to implement this idea. One of the strongest objections was that the computerized background required to implement this measure was not strong enough, and that a program to screen out accumulations was not yet finished. At the same time, due to technical reasons this measure threatens with the collapse of the money flow, and indeed, this method would not have eliminated regeneration of mutual indebtedness.

At the Finance Ministry they are thinking in terms of a different kind of clearing. According to these perceptions enterprises would forward to the Ministry of Finance on a certain turnaround date a list of their debts and

receivables. This is needed, because much of the indebtedness exists between enterprises, and banks are unaware of these items. The data representing all debts and all claims would be entered into a computer. Using an appropriate program the computer would sort out the net debtors. Each of these would be examined individually. Only the joint application of the above methods would produce results, according to the Finance Ministry.

Meanwhile the commercial banks continue to believe that mutual indebtedness may be brought to an end only with the help of a multi-billion-forint central bank credit which matures in more than three months. The Hungarian National Bank is willing to pump extra funds into the economy, but only on a short term basis. Otherwise these funds would spread throughout the economy in an uncontrolled manner, inflation would increase, while the mutual indebtedness of firms would hardly decrease.

Accordingly, opinions in regard to the various solution alternatives vary. On the other hand, everyone agrees that the problem of enterprise mutual indebtedness has not been solely a financial issue for quite some time. Mutual indebtedness is much more like an alarm bell, which will ring as long as the government fails to accelerate liquidation of large deficit-generating enterprises, and fails to consistently implement privatization. On the other hand, the earliest possible discontinuance of the prevailing lack of financial discipline in the business sphere is indispensable. Even if this requires the continuous provision of public information concerning firms which do not make payments by their own fault.

POLAND

Komertel Initiates International Telephone System To Serve Industry

91EP0014A Warsaw POLITYKA in Polish No 38, 22 Sep 90 p 5

[Article by Pawel Tarnowski: "Isle of Happiness: People Will Pay Any Price for a Telephone That Works"]

[Text] Ken Johnson came from Dallas. He wanted to invest big money in Poland. He spoke with the officials a few times and tried to get through to New York by phone. Meanwhile, he ate his dinner in a Warsaw restaurant. He finally gave up. Not every Western merchant changes his plans after the first visit, but every Western merchant, when speaking of difficulties, always starts out with the telephones and the telecommunications system.

The situation is a disaster, and not only with regard to the United States. A phone call from a resident of Ursynow to Zoliborz or Srodmiescie takes time, patience, and traipsing back and forth to complete the call. The old district exchanges cannot handle the load, the number of subscribers is ridiculously low compared to the number of residents, and intercity connections operate extremely poorly.

Cleaning out these Aegean stables and bringing up in one fell swoop the entire Polish telephone system to the average West European level would cost \$27 billion. For the present no one is willing to lend such an enormous sum; moreover, I am not at all certain that it would be wise for us to do so. The reality is that telecommunications must be set up step by step, and the first, very small, step has already been taken.

In mid-September, the Radiocommunications and Telecommunications Center [CRiT] in Warsaw is opening a separate network of international connections for the wealthy (and only the wealthy people of Warsaw). For a onetime fee of 10 million zlotys and then about 1 million zlotys per month for the subscription itself, one may apparently make a phone connection, quickly and directly, bypassing an operator, with the entire world via a large international transit exchange in Pittsburgh, London, and Frankfurt. The other elements of the price list are identical to those of a normal network. For example, a minute-long conversation with Japan currently costs 68,000 zlotys and a minute-long conversation with the United States costs 23,100 zlotys. This year, Komertel will be able to install 2,000 phones for its clients. If the nightmare of a long wait to make international connections really ends, many businessmen will be grateful and relieved.

The Dutch affiliate of the large American firm AT&T, APT, from which the Polish Postal Service, Telegraph, and Telephone [PPTT] has leased a modern container exchange, guarantees that this improvement will take place. As matters stand now, the exchange is installed, under horrible conditions, in a newly built building in Warsaw.

Given the hopeless state of the Polish telecommunications system, the opening of one exchange, even if it is a superior facility, will obviously be of little help. Komertel is supposed to work flawlessly primarily because all intermediate elements are bypassed and the subscriber obtains a permanent direct cable link or radio line leading to the new international exchange, which will not serve any other telephone traffic.

For the present, CRiT, which is the manufacturer and leaser of the network, has about 1,000 orders. Impexmetal, the exchange trading in mineral raw materials, is its biggest customer, with 120 phones. Impexmetal often lost time and yielded to competitors due to the lack of speedy contact with exchanges in London and New York. The other large state foreign trade enterprises were not so eager. They ordered from one to 15 numbers. The list of major customers also includes the Palace of Culture and Science (50 phones), the Marriott (20 phones) and the Holiday Inn (7 phones). Negotiations are ongoing with the Victoria and the management of the Intraco offices. The embassies of Israel, The Netherlands, and Mexico have paid for quick connections through Komertel. To date, the Americans and the Russians have not shown any interest. Apparently they have their own ways of making rapid contact with those

they are trying to reach. The other orders have been placed by the representatives of various foreign firms, production enterprises, and trade firms.

Another group of the disenchanted is that part of Poland's financial elite whose representatives have queried whether Komertel also operates a system of cellular networks and whether these telephones may be installed in automobiles. The answers to both of these questions are negative. Primarily, Komertel functions to serve merchants operating on the international market, although obviously one may imagine other people for whom rapid communications with nearly the entire world are indispensable (in the Soviet Union connections may be made with only several selected cities). Next year, enterprises will be able to purchase another 2,000 numbers outside of Warsaw. A great deal of interest is already being expressed.

Komertel is a separate network for very specific, certainly not the poorest, customers. The prices proposed by the CRiT are approved by the Ministry of Communications and the Ministry of Finance. Initially it was stated that the monthly subscription would cost 500,000 zlotys, then 700,000 zlotys and now, that it is approximately 1 million zlotys. They tell me at Komertel that they always considered these preliminary figures to be unrealistic. Komertel leases connections and cables for its clients from PPTT and will pay large sums for using and maintaining them—21,000 zlotys per km. Thus, the almost 1 million subscribers pay scarcely enough to cover Komertel and outside costs. The only profit comes from the metering charges for calls. The contract with the Dutch firm APT, that is installing the exchange and the entire system, amounts to \$2.5 million and 2.5 billion zlotys. Komertel must make money to exist and some of the clients, according to the director, L. Zdziech, would be willing to pay even more money for efficient connections with foreign countries. Some, like the Katowice Steel Works, do not even ask how much such a telephone costs. They maintain that the expenses are made up for in the contact that is made. In many cases this is true.

Thus, for the last six months, a government initiative has enabled a telephone isle of happiness to be in operation for merchants and businessmen. This island is separated by a deep moat from the normal system of inefficient telephone communications. The first official user of the Komertel network was Ronald Reagan who, during his visit to Poland, stayed at the Warsaw Marriott on 14 September 1989. Obviously, nothing is changing for all the users of the normal Komertel telephone network. It is just a very small decorative flower on a coat full of holes. We are beginning to mend the coat, but full-scale repairs will take a long time.

Ministry for Ownership Transformation Outlined
90EP0010A Warsaw GAZETA BANKOWA in Polish
No 38, 16-22 Sep 90 p 11

[Interview with Jacek Bukowski, deputy director of Office of the Government Plenipotentiary for Ownership Transformation Affairs, by Witold Gadomski; place and date not given: "Organizing Privatization"]

[Text] [Gadomski] Is a ministry a necessity for carrying out privatization?

[Bukowski] A ministry is essential for carrying out privatization on the scale that awaits us in Poland.

[Gadomski] What sort of powers will it have?

[Bukowski] The 13 July law stipulates many tasks for the future Ministry of Ownership Transformations. In my opinion, however, freedom of decisionmaking is too limited. But I am certain that we shall not hide behind the restrictions imposed upon us and that we shall not say "no". One of the ministry's functions will be to coordinate the whole picture of the privatization process. This is indispensable because there are many parent organs that represent the interests of the State Treasury, the formal owner of state enterprises.

[Gadomski] What actions will be taken by the ministry?

[Bukowski] Various actions, depending upon the type of privatization. Two state institutions, the parent organ and the minister for privatization affairs, will speak out for the privatization of a concrete enterprise. In exceptional cases, the Council of Ministers will make decisions instead of the parent organ. Thus, two state institutions will exercise mutual regulation over each other so as to eliminate errors and ensure the openness of the privatization process.

Openness has also been imposed by the law. The sale of stocks will be public. The sale will be preceded by the printing of a prospectus and physical assets will be disposed of according to the same model. The ministry itself will not carry out the privatization, but will have prepared the base for this process. We want to organize this process to ensure that it is as decentralized as possible. One of the most important tasks will be to organize and regulate the following: advisory activity, the training of advisors, contacts with firms conducting capital spending, bank and accounting activity and the like.

[Gadomski] Is the ministry prepared to embark upon an informational-propaganda campaign on behalf of privatization?

[Bukowski] Our budget is modest and we lack the resources to finance such a campaign. We would not wish to commit to such a campaign the funds of privatized enterprises, in that way that Universal did, for example. Moreover, Universal privatized on its own, outside the operation of the law and our ministry. In general, the privatization process is accompanied by certain costs—costs related to consulting, advertising and the like. This must be understood.

[Gadomski] Nonetheless, information and even propaganda on behalf of privatization are essential, especially since Polish society knows very little on the subject of capital transactions, related risks and expected benefits.

[Bukowski] There are really many misconceptions regarding the possibility of effecting privatization. For example, many weak enterprises are trying to privatize by the sale of stocks. They are not doing this to make changes, but to preserve the former structure while making use of the advantages a nonstate enterprise has, primarily the advantage of avoiding the obligatory dividend. In order to protect potential stock purchasers, we will not grant our approval to such privatization.

[Gadomski] How will the ministry and its work be organized?

[Bukowski] At this time various teams are being created. One is a team for affairs of contacts with advisory firms and the training of advisors, headed by Professor Henryk Sterniczuk from Canada. Primarily, we will be training people who participate directly in privatization, including employees of the state administration. Another team, directed by Docent Grzegorz Jędrzejczak, deals with the development of a stock market, with the stock exchange, the Securities Commission, the financial infrastructure indispensable to the privatization process, mutual funds, investment associations, and also stocks for which shares may be purchased, i.e., privatization bonds. The team directed by Jacek Kwasniewski will deal with organizing large-scale privatization. I am responsible for a team dealing with small-scale privatization. In addition, there is a team for reprivatization affairs. The promotion of the private sector and liquidational privatization will also be among my fields of interest.

[Gadomski] Is this related to the assumption of the assets of bankrupted enterprises?

[Bukowski] Not exactly. Primarily, it will consist of the liquidation of state enterprises which do not have a *raison d'être* in the existing structures (trade and construction, for example).

[Gadomski] What sorts of decisions will the ministry make?

[Bukowski] We will certainly not grant anyone privatized property. Our task is merely to evaluate privatization drafts prepared by the teams appointed by parent organs. We coordinate the efforts of these teams. Perhaps in the future the appointment of ministerial delegations at the voivodship level will be necessary. These will control the course of privatization of enterprises subject to voivodship governors.

[Gadomski] At what stage of privatization will the signature of the ministry be necessary?

[Bukowski] Parent organs will prepare privatization drafts, verifying the object of privatization and the like. We receive these materials and give our approval or denial. We will not approve privatization in the event of incomplete documentation that is not prepared in accordance with the law or that violates public interest.

[Gadomski] What is the state of development of the organizational work of the ministry?

[Bukowski] We are in the initial stages. We are primarily lacking qualified employees. We would gladly accept specialists: financial analysts, lawyers specializing in banking affairs, and graduates who are fluent in English.

[Gadomski] What can the ministry offer them?

[Bukowski] Unfortunately, not a high salary, but on the other hand, very interesting work and the acquisition of valuable experience which will be greatly in demand in the coming years. Interested parties may contact me (tel. 25-91-23), Wojciech Goralczyk (tel. 28-28-11) or Jacek Kwasniewski (tel. 28-99-83).

Fall in Demand, Cost of Energy Sources Reported

91EP0028A Warsaw ZYCIE GOSPODARCZE
in Polish No 37, 16 Sep 90 p 9

[Article by Aleksander Szpilewicz: "The Fuels and Energy Market"]

[Text] The fall in demand for fuels and energy observed during seven months of this year is interesting. The cumulative effect of expensive money, the economic recession and the mild winter, contributed to this fall.

The drop in demand had its strongest impact on the coal industry. Sixteen million fewer tons of coal were mined than a year ago. It amounted to 89.3 million tons (12.3 in July). Employment in the mines remained the same. It totals 408,000, of which 60,000 work directly "on the coal" (in the longwalls and open-ends, i.e., almost 15 percent. Average monthly extraction per employee was 31 tons, compared to 36 tons a year ago. The drop in productivity is due to the legislatively shortened working time.

Productivity measured by extraction per employee is 10 times lower than that of the main exporters of coal (United States, Canada, Australia, Republic of South Africa) and three times lower than in the main basins of Western Europe (Great Britain and FRG). The dispersion of monthly productivity per employee is as follows:

- Below 20 tons/employee—nine mines; sales for seven months, 3.5 million tons.
- In the 20-40 ton range—50 mines; sales for seven months, 59.5 million tons.
- Over 40 tons—11 mines; sales for seven months, 23.2 million tons.

The escalation of the cost of coal has been halted. The 8,000 zlotys per ton reduction in the cost in July, compared with June, gives reason for cautious optimism. The cost of coal is becoming stable. In July it was only 2.8 percent higher than the seven months' average. In this year's cost of coal, the share of wages is smaller than last year. Direct wages plus fringe benefits per employee totaled 1.85 million zlotys—1.8 times more than the average wage in five sectors of materials production.

The dispersion of cost is in keeping with the dispersion of productivity per employee. The lower the productivity, the higher the cost. In the group of nine mines with the lowest productivity, extraction costs fluctuate in the 300,000 to 600,000 zlotys-per-ton range. In the group of 50 mines with average productivity, the cost is in the 150,000 to 300,000 zlotys-per-ton range. And in the group of 11 mines with the highest productivity per employee, the cost is less than 150,000 zlotys per ton.

Sales for seven months totaled 86.2 millions tons (11.7 in July). They were 18.3 millions tons lower than the previous year (104.5 million tons).

The removal of official prices on coal in July proved to be the right decision. Free market prices in July settled at a level of only 4.2 percent higher than the official prices in June. The correct ratios between the mine-site sales price and the utilization value of the coal were established. The average prices of coal in July in deliveries to the main groups of purchasers were approximately as follows: for public utility electric power plants, 90,000 zlotys per ton; for industry, 100,000 zlotys per ton; for the heating fuel market, 150,000 zlotys per ton; for coking plants, 175,000 zlotys per ton; average, 119,800 zlotys per ton.

The July mine-site price was nominally 4.6 times higher than last December. The dispersion between the sales price obtained in mines for the worst and best coal was 1:2.5. Fifty mines, selling 55.4 million tons (64 percent) obtained a price within the 100,000 to 190,000 zlotys-per-ton range. Twenty mines, selling 30.8 million tons (36 percent), obtained a price lower than 100,000 zlotys per ton. This was for low-calorific coal.

The policy of expensive money and controlled wage growth was responsible for a drop in coal subsidies. The average subsidy for seven months amounted to 56,400 zlotys per ton. It has a declining tendency. In July it was 43,700 zlotys per ton. That is slightly lower than in December of last year, when it was 59,300 zlotys per ton. Sixteen mines, selling 8.6 million tons (10 percent) received subsidies exceeding 100,000 zlotys per ton. They are:

- Four Lower Silesia mines (Walbrzych, Victoria, Thorez, and Nowa Ruda), selling 1.0 million tons.
- Eleven Upper Silesia mines (Paryz, Saturn, Sosnowiec, Kazimierz-Juliusz, Niwka-Modrzejow, Szombierki, Gliwice, ZMP [expansion unknown], Krupinski, and Morcinek), selling 7.6 million tons.
- Bogdanka mine in the Lublin Basin, selling 1.9 million tons.

Liquidation of the Lower Silesia mines must begin this year. Mining should terminate in the middle of 1991. This means that the mine's assets will have to be sold. The money obtained, together with the state subsidy, should go into the fund for the restructuring of the Walbrzych region. Jobs should be created for the employees who are dismissed. This means approximately 25,000 people.

The remaining 12 mines faced with bankruptcy should be put on a time schedule which fixes a unit subsidy ceiling which cannot be exceeded. The mines must deal with the loss of their independence. Their chance of survival lies in merging with a neighboring self-financing mine or with a main or exclusive purchaser (e.g., Bogdanka mine and Polaniec Power Plant).

Subjecting the State Railroads' hauling tariffs to market forces has resulted in a larger gap between the sales price at the mine site and the wholesale price at the site of a large purchaser or the district distributor's wholesale depot. Subjecting the trade margins to market forces means, in turn, a larger gap between wholesale and retail prices. The small purchaser, including the people in the countryside and in the towns who must heat with coal, as a rule pays twice as much as the mine-site sales price.

In anticipation of a "normal" winter, it was correctly decided to interventionally purchase coal for the public utility electric power plants. The process is proceeding smoothly. There should be no difficulty as far as fine coal for the power industry is concerned. However, the lack of stove coal in the depots is disturbing. It is possible that three million tons will be stored. The supply of coarse coal may be significantly lower than the winter demand. This is due to the difference between the inflexible share of coarse coal in the mine's supply (16 percent) and its higher share in the structure of winter demand (22 percent). The intervention purchase of about one million tons of coarse coal is indispensable.

Coal exports in seven months totaled 16.2 million tons (2.0 in July), of which 7.6 million tons went to the nonconvertible currency countries and 8.6 million tons to the convertible currency countries. The profit from coal exports is modest. It amounts to 6,600 zlotys per ton (10,200 in July). Coke exports to the nonconvertible currency countries totaled 1.7 million tons, of which 1.3 million went to the nonconvertible currency countries and 0.4 million tons to the convertible currency countries. Domestic coal sales in seven months totaled 70 million tons (9.7 in July). Stocks in the mines at the end of July amounted to 2.2 million tons (0.7 million at the end of the last year). These are mainly hard-to-sell, unclassified fine coals.

As we enter the winter period some intervention measures will be required. They are:

- Preventing a further drop in mining below the July level within the limits of the annual subsidy to the mines amounting to 7.4 trillion zlotys (seven months, 4.9 trillion).
- Limiting export to 22 billion tons a year. If this amount is exceeded, the difference would have to be made up by interventionary import.
- Increasing electrical production, using brown coal.

The demand for coke fell similarly. Figures for seven months show a drop in production and domestic demand amounting, on an annual basis, to two million tons, i.e., 15 percent. Most of the production drop was in

the obsolete coking plants adjoining Upper and Lower Silesian mines. The effects of the deregulation of industrial coke prices are not yet known (there is an information gap). The free market price of coarse stove coke at the site of the coking plant in July fluctuated around 450,000 zlotys per ton. This gives a ratio of 2.8 in relation to the mine-site sales price of coarse coal and 2.6 in relation to the sales price of coking coal. In the CEMA countries, coke is twice as expensive as coking coal.

The effect of the recession had less of an impact on the gas market than on the solid fuels. The fall in demand was seen only in industrial consumption. The purchase of high-methane gas for municipal-residential purchases was 8.3 percent greater than a year ago. Gas is being imported without interruption in accordance with a yearly contract. In seven months, 4,532 million cubic meters were imported—4.9 percent more than a year earlier. This resulted in a limitation on extraction from domestic beds: in high-methane gas to 40 percent, and in low-methane gas to 85 percent of that of last year.

Gas prices continue to be regulated from above. The July increase in the gas tariff for the populace decreased the disparity between the price of industrial and household gas from a 6:1 ratio to a 3:1 ratio. But this is still an anachronistic structure. It is not conducive to gas conservation in municipal-residential consumption.

High-methane gas is the main energy source in the supply structure, constituting 81 percent. In the consumption structure, noncommercial purchasers buy 31 percent of the high-methane gas. In the remaining types of gas, the noncommercial purchasers' share is higher—47 percent of the low-methane gas, 60 percent of the coking gas, and 97 percent of the town gas. Further reductions in subsidies to gas for household use must be made. The restoration of reasonable ratios should take place stages over a period no longer than to the end of 1992.

The demand for motor gasoline did not deviate from last year's. However, the demand for diesel fuel in transport and agriculture fell about 20 percent. The consumption

of heavy heating oil in industry fell in the same degree. Petroleum processing is approximately one million tons lower than a year.

Thus far, retail and wholesale prices are official prices. The ratios between motor gasoline, diesel oil, and heavy heating oils, are the same as the ratios in the Western Europe countries.

The processing capacity of the refineries is lower than a year ago due to disinvestment, hence the shrinking share of domestic production and the growing share of imported fuels, mainly motor gasoline, from both payment areas (nonconvertible currency countries and convertible currency countries). This is a bad situation, economically and logistically. It undermines the chances for the development of the petrochemical industry. Costs, distribution difficulties, and difficulties in supplying the southern part of the country are growing. The main problem is finalization of the agreement to construct the Poludnie refinery in Blachownia Slaska, which would process six million tons a year. It could be built in two years. At the same time, the Gdansk-Plock pipeline would have to be extended to the Poludnie refinery.

Electrical energy is being supplied without restriction. Power consumption is less than a year ago. The foreign trade is balanced. Transmission losses are somewhat smaller than last year. Net consumption of electrical energy is seven percent lower—13 percent lower in industry and 12 percent lower in State Railroads traction. Sales for municipal-residential purposes rose four percent. In total consumption, the share of energy purchased for noncommercial prices at a reduced tariff is growing. Doubling the fees for household use, in July of this year, was only the first step in reforming electrical tariffs.

There continues to be lack of progress in controlling the consumption of power and making its supply more flexible. Investment should be directed at modernizing power units and expanding high-tension networks and the coupler linking the domestic electrical system with the West European one. This would allow us to avoid the construction of new power plants during this decade.

Costs of Supplying Energy

Energy Source	Amount	Unit Cost (in U.S. dollars)	Total Cost (in million U.S. dollars)	Share (in percent)
Hard coal (million tons)	56	30	1,680	19.7
Coke (million tons)	11.4	70	798	9.4
Gaseous fuel (billion cubic meters)	10.5	80	840	9.9
Liquid fuel (million tons)	9.5	150	1,425	16.7
Electrical energy (billion kWh)	105	30	3,150	37.0
Remotely controlled heat (billion kWh)	61	10	610	7.3
Total	—	—	8,503	100

Similarly to electrical energy, deliveries of heat this year will be seven percent smaller than last year. They amount to approximately 61 terawatt-hours (1989, 65.8). In the receipt of heat from a distribution network, industry receives approximately 35 percent and the municipal-residential sector receives 65 percent. The recipient has no influence on the amount. The supplier's monopoly and the system of lump-sum payment per unit of heated surface governs.

The cost of supplying energy to the economy this year, calculated in transaction prices, will be approximately \$8.5 billion. In comparable prices, it will be 11 percent

lower than last year at a presumably 15 percent lower than last year income generated. This year's income generated is estimated at \$60 billion. The cost of supplying energy, therefore, corresponds to 14 percent of the income. The mentioned cost is the sum of the costs of the sources of energy received by the final recipients. The most expensive source is electrical energy, which is responsible for almost two-fifths of the total cost of supplying energy. Therefore, we should concentrate our measures to improve utilization efficiency on this source. Also, most of the waste occurs in the use of this energy source. A national program of energy conservation is absolutely essential.

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