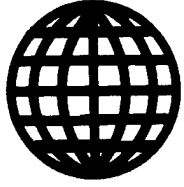


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13 NOVEMBER 1990



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East Europe

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SOCIAL

HUNGARY

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HUNGARY

Anti-Semitic Remark in Parliament Alleged

91CH0069B Budapest NEPSZABADSAG in Hungarian
29 Sep 90 p 4

[Article by J. Tibor Keri: "Gyorgy Szabad: The Country's Honor Is at Issue; Complaint Filed Against the 'Assailant Acting Alone'"]

[Text] "The person who shouted 'Put a soapbox under the Jew(s)' at the 18 September plenary session was an assailant acting alone, if that person was a member of the National Assembly," according to National Assembly president Gyorgy Szabad at a press conference yesterday. Originally the president of the House intended to inform the press about the increased international respect for the parliament, and about the ever-increasing interest in Hungary's democratic transformation. But the topics of the press briefing changed as a result of the despicable "comment" made in the parliament, as published in the 24 September issue of KURIR, to which Gusztav Zoltai, director of the National Representation of Hungarian Israelites reacted in Friday's [28 Sep] issue of NEPSZABADSAG.

Responding to our reporter's question, Szabad said that after reading the newspaper article he ordered the executive secretary of the National Assembly and the head of the office of the National Assembly to find out whether this remark was indeed made, and if so, by whom. Although the official reporters' notes did not show this remark, after carefully watching several times the videotapes prepared at the meeting it was possible to establish that after repeated exclamations of "Soapbox! Soapbox!" and some other less comprehensible remarks the following remark was also made: "Put a soapbox under the Jew(s)." Since during this time the television camera recording the session focussed on the vice president who chaired the meeting, the recording does not show who made the remark.

In connection with all this Szabad announced that no parliament in the world can be protected from debasing expressions. But this "assailant acting alone" wanted to discredit the Hungarian parliament and public life which is becoming democratized.

Beside his debasing remark, the assailant reached a low point also in terms of irresponsibility. It would be a very big mistake if anyone, either in Hungary or abroad, would judge the Hungarian National Assembly by this remark. The assailant would thus achieve his objective.

Regarding the outcome of the investigation we learned that the president of the House does not intend to change the legislative body into an investigative authority, but he hopes that representatives, and those seated in the gallery, will feel a sense of solidarity, not with the assailant, but with the honor of the country. On the other

hand, Szabad does not feel that it would be fortunate to subject representatives to a "voice test," so that they find the assailant in this way.

Regarding this issue, National Assembly Vice President, Representative Alajos Dornbach (SZDSZ) [Alliance of Free Democrats] had this to say: Criminal proceedings may be initiated against the offender on grounds of incitement, and also for offending the community; a group of the people. This can be done only if the credentials committee of the parliament and the representatives extradite this person to the administration of justice. Failing to do so would cause tremendous political tension, because persons voting for and against a representative's immunity would be revealed.

We learned at the editorial offices of KURIR that relative to the remark made on 18 September "Put a soapbox under the Jew", after an interpellation by [SZDSZ faction leader] Peter Tolgyessy, KURIR filed a complaint against an as yet unknown offender. The complaint was filed on 24 September with the Budapest Chief Prosecutor, Dr. Endre Bocz.

* * *

At NEPSZABADSAG's request Dr. Endre Bocz had this to say: Having received the complaint they will turn to the credentials committee of the National Assembly via the Supreme Prosecutor's Office, because it seems that this matter involves a representative. Consequently one cannot initiate even an investigation against an unknown offender until the credentials committee takes a position.

Civil Service Law Unconstitutional; Separation of Powers Enforced

91CH0087B Budapest MAGYAR HIRLAP
in Hungarian 6 Oct 90 p 4

[Article by Sz. A.: "Could the Cabinet Grab Hold of the Constitutional Court?"]

[Text] The proposed civil service law submitted to the parliament by the cabinet—the interior and justice ministers—is unconstitutional, Constitutional Court Executive Secretary Andras Hollo told our reporter.

The reasoning behind this statement, as expressed by the justices of the Constitutional Court is that among other matters, as proposed, the authority of the civil service law would cover the Constitutional Court staff. But the Constitutional Court is of the opinion that the National Assembly would violate the Constitution if it adopted the legislative proposal.

Justices of the Constitutional Court start out by saying that the expert staff of the Constitutional Court must not be subject to the jurisdiction of the civil service law, as long as legislators take seriously the constitutional principle of separation of powers. By adopting the legislative

proposal the legislature would declare that the Constitutional Court is part of the civil service. This is not the case, because according to the constitutional principle of separation of powers, the Constitutional Court—jointly including the justices and the professionals who serve the justices—constitute a separate branch of power.

In the event that the National Assembly adopts in an unchanged manner the law defining the legal status of public officials, the Constitutional Court could easily be placed in the hands of the cabinet.

According to the final paragraph of the legislative proposal, the cabinet could define by virtue of a mere decree the kind of competitive system, the competitive exam, the qualification criteria and the continued education requirements applicable to the personnel of the institution. Thus persons designated on the basis of rules established by the executive power could serve the Constitutional Court justices elected by the parliament. Accordingly, the legislative proposal also raises concern because if adopted, it would interfere with the constitutional law which provides for the organization and internal order of the Constitutional Court.

For example: The proposed civil service law would establish a uniform promotional and salary system. This system cannot be applied to the organization of experts serving the Constitutional Court.

The cabinet proposal also contains provisions according to which the Constitutional Court performs functions of a public administrative character, and this statement is inconsistent with the principle of the separation of power mentioned above.

The framers of the legislative proposal justify this provision by saying that until such time that a separate law governs the Constitutional Court, the civil service law should apply to the staff of the Constitutional Court. The Constitutional Court rejects this reasoning, because it finds no justification for applying the provisions of the civil service law to the Constitutional Court, regardless of how short a time passes between the adoption of the two laws.

The State Accounting Office has similar objections to the legislative proposal. According to their reasoning, the State Accounting Office is an arm of the National Assembly, and as such it is not part of state administration. Accordingly, the civil service law must not provide rules applicable to the State Accounting Office staff.

If the parliament adopts the legislative proposal concerning the civil service in its original form, the Constitutional Court will face an unpleasant situation because it will realize that an unconstitutional law was enacted. Thus it may occur that on the basis of an initiative originating from the outside they would be "forced" to declare the law null and void, claiming that the law was repugnant to the constitution. In this instance that law would also apply to the body which declared the law null and void.

POLAND

German Minority's Growing Strength, Restiveness Detailed

91EP0022A Hamburg DIE ZEIT in German 5 Oct 90
pp 17-22

[Article by Thomas Kleine-Brockhoff: "The Creeping Anschluss"—the final paragraph provides a brief history of Silesia]

[Text] New German revival without declaration of loyalty to Germanness. "When I go to the baker or butcher now, I always say in German 'Good morning, thank you and good-bye.' That has an effect, the people lately even answer in German." Rosel Urban hopes that now, since no one is being punished for that anymore, all Germans in Upper Silesia will act with as much spirit as she does. "Just wait and see, all of us are going to speak German in the streets again."

"Correct, the Poles, they should hear German spoken just everywhere in Upper Silesia," says Georg Smuda, the old village mayor of Nakel, and the other four from the managing committee of the "German Friendship Circle" (DFK) silently nod their heads.

"Recently when I spoke German in the street a Polish woman came over and said: 'We are in Poland here, speak Polish.' I answered: 'I was born here. I speak German.'"

When Rosel Urban was born, the Upper Silesian small town of Nakel belonged to Germany. For 45 years the locality has been called Naklo and is located in Poland, but Rosel Urban, as she insists, continues to be "German-minded." In the kitchen pictures are displayed in a row of her grandfather (in the uniform of Emperor Wilhelm II), of her father (in the Wehrmacht uniform), and of her son (in the Federal Border Guard uniform). And on the second floor, a BILD-ZEITUNG page decorates the wall: "God, bless our German fatherland," the headline framed in black-red-gold reads.

In big politics, in the Bundestag, in the People's Chamber, in the Sejm, they talk solemnly about reconciliation and a border that is said to be pretty far to the west of Nakel, but here, in Upper Silesia, life is completely different. In Nakel, the old village mayor, whom they call Scholtis here, says now "everything is to become, as is right and proper, as in German times."

Since June, since the first free municipal elections in postwar Poland, the communists are out and "the locals" are in again. The German minority, which has been permitted to exist as such only for a few months, suddenly is the majority wherever the expulsion 45 years ago remained incomplete—in the villages around Oppeln and the Annaberg, the hill over the completely flat Upper Silesia which converted the German-Polish nationality dispute in 1921 into a battlefield. In Nakel the minority now holds 22 of 24 municipal council seats.

Since its foundation in the spring, 1,056 people have become members of the German Friendship Circle, more than 95 percent of the local population. No one can easily ignore the managing committee of the Friendship Circle.

"How is that with the German church service, how much longer is that going to take," asks Peter Patolla, age 62, who had to call himself Piotr Patola for 45 years. "The pastor, he does not even teach the Lord's Prayer to the children in German."

"He is not with us, he is a Pole," says Scholtis Smuda.

Rosel Urban: "From the pastor over there in Raschau we can't expect anything either. He does know German, was a first lieutenant in the Wehrmacht, but now he is afraid."

Patolla: "In the SCHLESISCHE NACHRICHTEN I read that somewhere, in Duisburg or in Frankfurt, in seven churches confession is offered in Polish. And here? Nothing. Everything is done for the Polish souls, nothing for the German."

Rosel Urban: "As Scholtis you have to go to the pastor and demand German church services, Mr. Smuda."

"Will do. He is already constantly under pressure. He must go. He must be replaced by a German pastor."

Again Patolla, this time angry: "And the German language instruction, when, at long last, is that going to start, the German language is dying out and we are losing our rights."

Scholtis Smuda: "I have to talk to the director."

"A Polish woman?"

"No, one of ours."

"We must demand that the children be taught German starting with the first grade. Someone from every family now lives in Germany. When the children visit there and speak only Polish, the ones in Germany think we are Poles."

"Sometimes you ask yourself if the ones in Bonn are all there. This school year they are sending 17 teachers of German, but mostly back there to Poland and not to Silesia where we long for them."

"In Oppeln district we need a full German school, as a start. But the Poles undoubtedly won't permit that."

"That is an innate disease, this chauvinism, this hatred of the Poles." All nod.

"Well children," the Scholtis says, at the end conciliatory after all, "buy combs, lousy times are ahead."

On the way home the members of the DFK managing committee pass abandoned, dilapidated houses of the families who resettled, "do vaterlandu," as it is called in household Polish. Next to them the houses of those who

stayed, each a small German Reich; whitewash and garden fences, flower beds and geranium boxes, now and then garden gnomes and wooden cartwheels, lawns painstakingly cared for—the one expression of the German way of life that remained unpunished during the past 45 years. Order and pedantry as quiet opposition to all the things they despised as "Polish shambles." Since the end of the repression, since last summer's change in Poland, a veritable forest of satellite antennas has grown on the roofs—even though, not as most people in Nakel wish, home into the Reich, then at least the Reich into the home. Daily news and advertising break, and nightly emigration.

Nakel is like Raschau, Raschau like Probsfelde, Probsfelde like Strahlheim, and Muldenau like Reichenhoeh and Quellengrund,—names that are not indicated at the entrance to the village nor on the road map. Names that hardly any Pole knows. But still, since the communists have been chased away, almost all people in these villages have stated that they are Germans or ethnic Germans. In the Oppeln region, the DFK assumes, one-quarter of the population belong to the German minority, in all of Silesia roughly 800,000 people. Nobody knows whether these estimates are too high.

Since on 3 January 1990 the first Friendship Circle was authorized in Kattowitz, local groups of the Friendship Circle have been established everywhere in Upper Silesia, some also in Lower Silesia, Pomerania, Gdansk, and East Prussia, 400 so far. After Tadeusz Mazowiecki had taken over the government, more than 300,000 people registered in the "list of the ethnic German population," "knowingly and without compulsion," as it is stated in the letterhead. Then the lists were withdrawn from circulation. For the fact that the German minority in Poland is not only "an invention of the revanchists" now seemed to be proven. The press countered with the claim that most of those who registered were "Volkswagen Germans," people who prefer to be rich and German rather than poor and Polish.

Since the local elections this argumentation has also collapsed. For what economic advantages are the voters supposed to have expected when they elected about two dozen ethnic German mayors in Upper Silesia and gave the majority to the minority in various municipal parliaments? For Johann Kroll, the old, slightly hunch-backed founding father of the Friendship Circles—meanwhile they call him "the Lech Walesa of Upper Silesia—that is the breakthrough: "Now they finally have to recognize: We exist, we are here, we have always been here, we remain here and they cannot continue pursuing policies over our heads."

An awkward message for the rulers in Bonn and Warsaw: At the very moment when Helmut Kohl thinks he has the agonizing process of border recognition behind him and wants to ring in the age of goodneighborliness, a revolt of sprightly senior citizens threatens: People who did not flee at the end of the war, who were not forcibly expelled, who did not want to become Poles nor did they resettle,

now demand their rights with national pathos. The ancient nationalities dispute in Upper Silesia breaks out again with the democratization in Poland. The governments of both countries were unprepared for this development. The German minority is treated like a stepchild even in the "Joint declaration" of Helmut Kohl and Tadeusz Mazowiecki, which is just 11 months old. They are not even mentioned by name. They find willing listeners only among the expellee associations that had been declared dead, associations that now open up new fields of activity.

In the little village of Zawada, formerly Bachweiler, situated northwest of Gleiwitz, the Friendship Circle enlarged a house into the "German Meeting Center" in the style the 15,000 Gleiwitz DFK members appreciate: on the walls black-red-gold fabric, rousing texts richly signed "homeland" "fatherland," "Silesia," "Germany," a map—a map of Germany within the 1937 borders—, signed by Herbert Hupka, the snow white archangel of the Silesia expellees. On the roof, the obligatory satellite dish, by which Polish programs cannot be received. Next to the TV set, the video cassette player, "so that the youth, too, will be bound to things German." The house is constantly overcrowded.

When the DFK managing committee members from all over Poland meet here in mid-September, explosive issues are on the agenda: The grassroots group, just half a year old, wants to elect a political leadership. A "Council of the Germans," an "all-Union council," is to travel to Bonn in November, "after the chancellor is no longer preoccupied with unification." Only after that is the travel "to Poland" on the agenda, as it is worded in this group. They want to influence the Sejm, whose law on the protection of minorities has been promised for a long time, but is still pending. The catalog of demands of the minority for the new German-Polish treaty which Helmut Kohl wants to negotiate immediately after German unification, is already on the table. An explosive matter for the rulers: German language instruction at all schools, cultural centers, libraries, kindergartens, FRG textbooks and German teachers, regional business promotion for Silesia, rights of autonomy, and dual citizenship. Moreover, Johann Kroll says oracularly, "sometime there has to be a conversation to the effect that we find this border to be superfluous."

If the representatives of the German minority had turned on the satellite TV set in the conference room, on this very evening the federal minister for foreign affairs would have appeared on the TV screen and would have spoken of the "finality of the Polish western border." But Hans-Dietrich Genscher is anyhow regarded as a "traitor" here. He is "the man who sold us out."

One thousand kilometers east of Bonn the self-deception of the CDU [Christian Democratic Union] East policy comes home to roost: denouncing themselves and others for decades that Germany continues to exist within the 1937 borders. Nourished by Bonn's exhortations to hold out, especially among the older Upper Silesians the hope

was kept alive that they might not remain "after all Poles forever," they did not have to resettle to come to Germany; there, where they are sometime there will again be Germany.

For example, Friedrich Schikora, the founder of the German Friendship Circle in Gleiwitz, a gaunt man, who with his knitted forehead looks like Hans Modrow's brother. It isn't so long ago that Schikora, in whose Gleiwitz garden alone 34,200 people registered as German minority, went to Bavaria to the Weikersheim study center to find out whether there is "still hope for Upper Silesia." Afterwards he was able to report to the German Friendship Circle: "All of them were legal scholars, professors of law, all invited by the League of the Expellees (BdV). And all of them said that it is clearly in violation of international law what is now happening, this annexation by Poland."

On 5 August Schikora was anew in the FRG, again at the invitation of the BdV. This time in the spa assembly room at Bad Cannstadt to celebrate the 40th anniversary of the "Charter of the Expellees." Then when the federal chancellor recognized the Polish western border and the expellee functionaries whistled, howled, and stamped their feet, Friedrich Schikora remained very quiet. It was, Schikora said, "the saddest moment in my life."

A world collapsed: "For 45 years they had told us again and again: wait, hold out, don't leave, don't resettle, the Basic Law, the legal rights, remain, otherwise the territories are lost. And now we are the ones who are lost. Now we have to pay for our naivete. And we had always believed that because it was Germans who had assured us." Since then Schikora has determined: For 45 years those who remained in their homeland, Upper Silesia, have been the whipping boys to be beaten up, the Germans who had to suffer and now have to suffer again as a surrogate of the entire German people on account of the war, this time because of German unity.

Many in the Friendship Circle who did not see the federal chancellor in person and did not hear him recognize the border with their own ears, are not yet abandoning hope. "The ones in Bonn haven't sold us out, they have only rented us out," says Georg Smuda, the scholtis of Nakel. "Kohl first wants reunification, then he will get us." And the final recognition of the border? "What border recognition has ever been final? Who would have believed a year ago that Leipzig is now part of Germany again?"

In view of attitudes such as this one, the influence of those who recognize the border remains small. One of those who are moderate in their admonishments is Dietmar Brehmer, an agile person in his mid-forties, who is one of the few intellectuals in the DFK leadership group. "We must not circle the wagons," Brehmer warns, "if we, as Germans, conduct a nationalistic policy, a Nagorno Karabakh will develop here, not Upper Silesia."

There have been alarm signals for a long time: anti-German and anti-Polish graffiti, bags of paint and smashed window panes in Friedrich Schikora's home in Gleiwitz as well as in the DFK office in Grossstrehlitz. Two weeks ago a Friendship Circle employee found a swastika on the door of her home.

Many Poles feel threatened in their conception of themselves since the German minority has emerged. They must first learn to accept that, in the middle of Poland, Germans are their neighbors and demand minority rights, loudly and in a nationally excessive manner, after 45 years of compulsory Polonization. It is just 14 months since the Warsaw periodical POLITYKA for the first time acknowledged: "Germans are among us—they are here." Until then the official version was: "Poland is a nationally homogeneous state." Lithuanians, Byelorussians, Ukrainians, Armenians, Germans—they didn't exist because they were not permitted to exist. The fact that almost one million Polish citizens have resettled from Silesia since the early seventies and were recognized as Germans in the FRG—the Polish press was not permitted to report on that.

To this day there is a gigantic monument in the city center of Oppeln, a falsification of history eternalized in stone by the old Communist rulers. It is a charging "Mother Pole" with which the 1921 "freedom fighters for a Polish Silesia" were honored. Their mission is chiseled in the base: against the "Germanization of the Silesian people" and for the "return to the native soil."

The doctrine that the Poles had only regained "originally Polish territories" in 1945 resulted in the tragic postwar fate of the Upper Silesians. They escaped expulsion only because the communist leadership in Warsaw felt the Catholic population of Oppeln Silesia was susceptible to re-Polonization. "As it now appears, a fateful mistaken belief which was based on the assumption that the bilingual Upper Silesians are Poles who were oppressed for centuries.

Only after the Polish change was it possible for indigent historians and journalists to start eliminating the "blank spots" in German-Polish history. In the meantime among the younger Polish historians it is undisputed that the Lower Silesian population was not peaceably resettled, but was brutally expelled. And another taboo has been broken by the Polish weekly TYGODNIK POWSZECHNY writing for the first time in May the truth about the crimes in the Upper Silesian expellee camp in Lamsdorf. The genitals of the inmates were cut off, swastikas were carved into their skin, and hot steel helmets were put on the heads, the author Jacek Ruczewski reports. In 1945, 6,000 expellees are said to have been murdered, starved to death, or to have died of typhoid fever—a shock to the Polish newspaper readers.

Even among old Upper Silesians, searching for evidence and coming to grips with their past, have just started after 45 years of forced delay. Members of the Friendship Circle plan to search with spades for remains of

their dead neighbors this fall before the ground is frozen—in places where expellees lived in camps in 1945, in places whose names frighten German Upper Silesians even now. They finally want to eliminate the tale they had voluntarily accepted Polish nationality before the "verification commissions" after the war. "Of course if was possible also to profess German nationality voluntarily," it is stated in an open letter of the friendship Circle, "but that was tantamount to volunteering for the sentence of being taken away to the camp." Then it was better to be a Pole.

"My father has always been attached to the homeland. He told us again and again: Please don't pack your things, stay here," Ursula Schikora remembers. In the house in which she was born in Bachweiler, which was recently remodeled into the "German Meeting Center," she experienced the entry of the Russians on 21 January 1945: duds in the house walls, explosions, drunk and plundering Red Army soldiers, execution squads which the family escaped only with much luck.

But a few weeks earlier a column of emaciated, horribly messed-up figures were prodded along in front of the house—the procession of the Auschwitz prisoners marching west. "Ursel, make sandwiches," the mother yelled horrified, and Ursel threw sandwiches out of the window until down below "the rifle butt of such a black devil" crashed against the front door.

Auschwitz and the other crimes of the Germans hence were to haunt Ursula Schikora. "Every few days we saw these mountains of corpses over Polish TV, again and again, it just didn't stop. Every German a criminal, everyone a little Hitler." Somehow over the years she must have become nearly immune to German atrocities that leapt out at her on the TV screen. "Ursula Schikora never wanted to accept the great collective guilt, especially since the charges were made in Polish, the language of the occupiers, and were always interlaced with communist propaganda. No, the Germany that the new government presented to her was not the country in which she had spent her youth.

Thousandfold murder far away pales where injustice takes place right in front of you: the gangs that desecrated cemeteries and chiseled away every German word, even "Ruhe in Frieden" (Rest in Peace); the officials who went into the houses and demanded that all German books be burnt; the bugging operations of the secret policemen who checked whether Polish was spoken with the children at home; the liquidation of German schools, libraries, clubs; the constant discrimination on the job; the forced name changes, the frightening expellee camps.

All that only reinforced Ursula Schikora's yearning to "be German" and to "be proud" of it. And now it is back again: the German brass band and the German women's choir in Rodenau; the Silesian group in traditional costume in Goglin, the German pub in Himmelwitz.

It is now hard on the Upper Silesians to be promptly charged with "Wehrmacht Germanness," as by Dorota Simonides, the Oppeln Solidarnosc senator. Or if journalists, no matter whether German or Polish, merely come to report only on "anti-progressive persons who can praise only the past" and "revanchists" and, in doing so, overlook that there has been no U.S. fresh air, no reeducation, and no 40 years of democracy. "They are all journalists of the scorched earth," Ursula Schikora complains, "they can't come here a second time."

At any rate they were here at least once, something that cannot be claimed for FRG politicians. To the representatives of the German minority it seems as if "a Berlin wall had been erected" around Silesia. During the past 45 years only one federal minister has come to Silesia: Norbert Blum, the urbane fighter for human rights—and that only last year. The reason for that cannot have been the revulsion towards the communist hosts, rather a combination of ignorance and fear of misunderstandings, especially among Social Democrats, Silesians, a far-right topic.

Of course, not even Polish politicians understand that. "Why is it that the SPD [Social Democratic Party of Germany] always goes only to Warsaw, Dorota Simonides, herself a Polish Upper Silesian, recently wanted to know from Reinhard Klimmt, Oskar Lafontaine's election campaign manager.

"When I was in Poland I really couldn't ask: Please show me the Germans here. I wanted to straighten out German-Polish relations, that in itself is difficult enough," Klimmt countered, without having noticed that the revival of the old Upper Silesia conflict could now become the acid test of German-Polish relations.

Simonides countered: "Thus you drive the minority into the arms of the expellee associations. That is dangerous."

The warning comes too late. The regional refugee organization of Silesia and the BdV have long captured the German minority in their solicitous embrace. The reunification of the homeland expellees and those who remained has been accomplished. Polish newspapers write apprehensively about the German minority as "fifth column of the expellee associations."

The wild east unit of the associations, a group with the nice-sounding name of "Study Group for Human Rights Violations in East Germany (AGMO) among the Silesian Youth." A small group of young border fighters, hard as nails, that set out to uncover the oppressive methods behind enemy lines. The communists had barely been chased away when the AGMO opened a "coordination office" in Upper Silesian Grossstrehlitz. Equipped by Bonn with everything from photocopier to the letterheads, the master painter Erich Kaluza runs the business there, behind the desk there is the poster: "The town of Grossstrehlitz greets the federal chancellor." A relic of the Kohl visit to Lower Silesian Kreisau last November. Since the umbrella organization, BdV, has also rediscovered the homeland, everything is done with military

precision. Meanwhile bases of the German Friendship Circle are being equipped according to the allowance list by the Bonn headquarters, German flag included. The first installment alone amounted to DM70,000. Employees of the Friendship Circle report the monthly support of the local groups is also growing slowly, payment is made in hard Deutsche marks. The regional refugee organization of Silesia is now organizing an areawide network of "sponsorships by the organization"—partnerships, that would be saying too much—for the friends in the east. And since all that is expensive, the highly subsidized BdV is begging for new tax money.

As early as October the organized expellees want to open the first outpost in the east, an office for economic promotion in Grossstrehlitz. The designated office manager, the Bonn expellee functionary Horst Egon Rehnert, knows how to entice West German entrepreneurs: Hourly wages of DM1.50 to DM2.00, no environmental standards, no locational problems, well trained industrial workers and: German is spoken. Thus why invest in the GDR, too? Upper Silesia is ideal. Rehnert, with the 1937 Germany map over his desk, gives the assurance that "of course" he wants to pursue "no separatist, nationalist economic policy."

For months the German minority has attuned itself to the regional refugee organization's emergence toward the east, in any case since the Deutsche mark has arrived at the Oder and Neisse. Every two weeks a small truck crosses the Neisse in Goerlitz—not authorized by the Polish authorities, but it can no longer be prevented—and brings plenty of printed material: the SCHLESISCHE NACHRICHTEN, with the subtitle, newspaper for Silesia, the central organ of the regional refugee organization for Silesia. Alfred Theisen feels it is a "piece of glasnost for Silesia." The 31-year-old chief editor, born in the Eifel region near Maria Lasch, can "quite well feel the fate of expulsion and oppression" and now wants to "contribute to the democratic formulation of objectives in Silesia."

His paper is the only German-language publication that can be bought everywhere: in all offices of the Friendship Circles, in all meeting centers, even in souvenir shops at the Annaberg it lies between wooden figures of the Virgin Mary and plastic garden gnomes. "SCHLESISCHE NACHRICHTEN," Dorota Simonides complains, "that is the Bible of the German minority. Their trinity—the expellee functionaries Hupka, Czaja, Koschyk." Ten thousand copies are read by 100,000 [readers], for after 45 years of propaganda in the imposed Polish language, the magic of the German word is effective. What is printed in the SCHLESISCHE NACHRICHTEN has to be the honest truth.

The truth comes from Koenigswinter-Heisterbacherott—from the world, as the regional refugee organization of Silesia sees it from its headquarters. The starved Upper Silesian readers find out

- that the unification of “West Germany” and “Central Germany” is taking place and a “fragment of the German fatherland” comes into being;
- that the federal government has to accept a “border diktat” (which, as is known, as every diktat, is contrary to international law);
- that the readers do not live in the Republic of Poland but in the “Polish sphere of control” (which could, after all, change);
- that they are not the “German minority,” but the “German ethnic group” (“minority” assumes a “majority” and implies living in a foreign country. But this involves, after all, “East Germany”);
- that the League of the expellees now seeks a “free plebiscite on the future of the territories east of Oder and Neisse.” Those involved are to choose whether they would like to “belong to Germany, to Poland or to the Soviet Union or to a new European territory.”

Chief editor Theisen says he wants to give the people in Upper Silesia “a little hope in their difficult situation.” He is very successful in that. The magic word “Europe” flits through the meeting centers of the Friendship Circles, there is nebulous talk of “borderless conditions.” Since the great Pan-European, Otto von Habsburg, visited Silesia with the cream of the Expellee Association during summer and spread the vision of the “new South Tirol of Central Europe,” “autonomy” is considered as the goal (or interim solution). Of course, SCHLESISCHE NACHRICHTEN withholds the fact that the League of Expellees has started the action, “Peace by Free Plebiscite,” especially to spare its very old clientele the embarrassment of public demonstrations. “Well, were we supposed to have 70-year olds protest in Berlin against recognition of the border and have them beaten up by some masked figures in black,” League of Expellee functionary Hans Egon Rehnert asks. Those who thought it up in Bonn know that a referendum on Silesia’s future is a completely unrealistic project but not those to whom it was offered as an anchor.

Since the expellee functionaries are no longer considered public enemies, a busy travel diplomacy from west to east has started. Especially the young dynamic BdV general secretary Hartmut Koschyk gives the impression that he has to fight for his Bundestag seat in an electoral district in Upper Silesia instead of entering the next Bundestag by way of the Bavarian CSU regional list. He carefully stages his appearances before the German minority. Then, as happened in Eichendorff’s birthplace of Lubowitz in July, a large, five-meter long banner is displayed behind him (“We greet our Hartmut Koschyk”). And since the people like to hear German folksongs, he brings along Gerd Knesel, a bearded bard from Geesthacht against whom Heino looks like a leftist radical. He then sings of the beautiful “Up-up-per-Silesia, Good Luck, Good Luck,” and the many thousands of listeners, mostly old people, are

deeply touched, some of them have tears in their eyes. Whatever Koschyk says doesn’t matter much, at any rate it goes down well.

In the DFK leadership circle, too. “Koschyk, that is a man who knows what he wants,” he is praised by Johann Kroll, the former DFK leader from Gogolin. “He is one of us, he simply feels Silesian.” Koschyk’s Franconian dialect, all typical of the young man of Forchheim, does not make any difference. What is important is the fact that his parents come from Upper Silesia, “and you can notice that his roots are here, the way he looks after us.”

Whoever is so well liked is also able to exert some soft pressure. When the Friendship Circle recently had many ten thousands of membership cards printed, the nasty phrase “German minority” was in it. Koschyk reacted promptly. He had new ones printed in the FRG. The card is now nicely green with black and red and gold and there is no longer anything in it about “minority.”

Wherever Koschyk appears, he brings up the idea of a “round table for Silesia” among the people. Of course, as a “Franconian-Silesian” he wants to be permitted to participate in it. A horror vision for the political class in Warsaw. Silesian politicians are awaiting an entry of the expellee associations into Polish politics more objectively.

“Why are the ones in Warsaw getting so worked up,” asks Jerzy Wuttke, who represents Katowice in the Sejm and there is chairman of the minorities committee. “They can hardly interfere in our regional affairs when Poland is federalized in the future. Wuttke, who, despite his German name, is a Polish Upper Silesian, also regards the FRG expellee organizations as hopelessly ultrareactionary, but: “We must simply no longer ignore the fact that there are Silesians who no longer live in Silesia because they were pushed out. And they must be permitted to have a say.” Only with the help of the exile-Silesians, who have often become rich in the West, can Upper Silesia be restored to what it was at one time—the bridge between East and West.

If BdV General Secretary Hartmut Koschyk, owing to the coalition with the German Friendship Circle, succeeds in sitting at the table in Poland locally and regionally, that would be the biggest success of the expellee associations since Herbert Czaja obtained the disastrous 1973 constitutional court decision concerning the fictitious continued existence of the German borders of 1937. A comeback just at a time when no one in the FRG would care any longer about the associations—especially on account of their position concerning the German eastern border, an attitude reminiscent of senile stubbornness.

If nothing can be done about the border, the expellee associations now want to show that on “the 104,000 square kilometers of Germany given away,” there reside, at least in Upper Silesia, not only ethnic Germans but

also nothing but German citizens. Instigated by the expellee organizations, a run on the green federal passports has started.

On Saturdays every few weeks the Bonn attorney Robert Stuhr has office hours in the small town of Gogolin. The place where up to three months before the local party secretary resided, the German Friendship Circle now has its office, befitting its rank with a flag of the "Federal Land Silesia," black-red-gold with the Silesian eagle. Stuhr explains no longer only how to get out of Poland as resettler but lately also how to become a German citizen and stay nevertheless.

For as long as Article 116 of the Basic Law is in force, a German is a person who "has German citizenship or...was admitted as the latter's spouse or descendant in the territories of the German Reich according to the status of 31 December 1937." Whoever applied for a German passport in addition to his Polish passport until now had to expect reprisals. In the changed Poland, that is all a thing of the past. And they stand in line in the Gogolin townhall.

"I don't want to imagine what is going to happen once 150,000 or 200,000 people with German papers live here," prophesied Robert Stuhr, a specialist in constitutional law, who is not connected with the expellee associations. "That is when the federal government will face an enormous problem, also on account of international law." Even now thousands of FRG cars rattle over the separating lines of Adolf's old autobahn every weekend in the direction of Gleiwitz, young resettlers—there are, after all, over 500,000 since 1988 alone—visiting the homeland. If their parents now obtain German passports, Upper Silesia could become binational in an unintentional and creeping way.

The pioneers of the Friendship Circles are already holding the green paper with the federal eagle in their hands and would like to participate in the federal elections in December. Most Germans in Upper Silesia are, of course, still busy completing the forms of the Cologne Federal Administrative Agency.

"When did you leave Germany?", the question is asked somewhere in the form.

"Never," many write and privately think: "Germany has abandoned me."

[Box, p. 22]

Borderland Silesia

Since Germany has been united, the western tip of Silesia belongs to the FRG: Four former GDR kreises situated west of the Neisse river (Hoyerswerda, Niesky, Weisswasser, and Goerlitz). Most of Silesia can be found only on historical maps. The borders of the Polish woiwodships no longer coincide with the borders of the old Prussian province of Silesia, subdivided into Lower Silesia in the west and Upper Silesia in the east. Since the

Middle Ages "on the other side of the Oder, a mixed zone of alternating Polish and German influences has developed," from which, depending on the date used, either Poles or Germans should derive their "historical rights," writes the historian Martin Broszat. First in the national territory of the Polish kings, Silesia came under Luxembourg-Bohemian and Hungarian domination of feudal lords, belonged to Austria starting in 1526, and was annexed by Prussia in 1740. In 1921 the eastern part of Upper Silesia went to Poland by plebiscite. After World War II, the Allies awarded Silesia (except for the western tip) to Poland.

Regulations, Procedures for Election of President Described

91EP0043A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 8 Oct 90 p iv

[Unattributed article: "How We Will Elect the President: Universal, Direct, Popular, Secret Ballot Elections"]

[Text] Everything is already known about the two laws, one amending the Constitution of the Polish Republic, and the other governing the elections to the presidency of the Polish Republic, published in DZIENNIK USTAW, No. 67, on 2 October—the date on which they also take effect.

The president is elected by direct, popular vote ("by the Nation") for five years. Reelection is limited to one more term. Any Polish citizen who is upward of 35 years of age and has full Sejm voting rights may be the president.

The term of Office of the President is reckoned from the day on which he takes office.

The powers of the president remain unchanged. But the powers of the National Assembly (the combined Sejm and Senate) have changed. Now the National Assembly (which is convened and chaired by the Speaker of the Sejm) affirms the validity of the election of the new president and receives his oath of office; affirms the permanent inability of the president to exercise his duties owing to the state of his health; and considers the question of impeaching the president before the Tribunal of State.

The future president will depose an oath and not a pledge before the National Assembly.

The term of office of the current president of the Polish Republic expires once the new president, to be elected on 25 November, takes office (eventually later, if run-off elections are in order).

General Principles

Who has the right to vote? Every Polish citizen who is upward of 18 years of age on Election Day, as well as persons whose Polish citizenship has not been established, but who are not citizens of another country, if they reside in the Polish Republic for at least five years.

The right to vote does not belong to persons who are deprived of their public rights by a lawful court ruling; deprived of their voting rights by a ruling of the Tribunal of State; or declared totally or partially incapacitated by a lawful court ruling owing to mental illness or mental retardation.

Therefore, the elections are universal, direct (voting in person alone), popular (everybody votes in accordance with the same rules), and secret-ballot (screened accommodations assuring secrecy of voting must be provided in electoral premises, and the ballot is cast into a sealed voting urn).

The elections are conducted by the State Electoral Commission, the voivodship electoral commissions, and the district electoral commissions.

Volunteer Membership in the Commissions

The State Electoral Commission is appointed by the Speaker of the Sejm within seven days from the date the elections are ordered. Its membership consists of five justices each from the Supreme Court, the Constitutional Tribunal, and the Superior Administrative Court; the justices are nominated by the chief justices of these courts.

Within five days from the date of its appointment, the State Electoral Commission elects from within itself a chairman and two to four vice chairmen, and appoints a commission secretary. Data on its composition are immediately published in MONITOR POLSKI.

The voivodship electoral commissions are appointed by the State Electoral Commission not later than 45 days prior to Election Day. Each such commission consists of 10 judges nominated by the minister of justice from among the judges of appellate, voivodship, and district courts designated by the collegiums of these courts. Within seven days from the date of their appointment these commissions elect within themselves a chairman and two vice chairmen and appoint a commission secretary. Data on their composition are immediately publicized in the locally customary manner.

The district electoral commissions, consisting of seven to 11 members each, are appointed by voivodship electoral commissions from among voters nominated by the concerned gmina [township] councils, not later than 25 days prior to Election Day. In the electoral districts formed on Polish seagoing ships at sea and on land abroad members of such commissions are appointed from among voters correspondingly by ship captains and consuls. Immediately upon their appointment the district electoral commissions meet and elect a chairman, a vice chairman, and a commission secretary.

Members of electoral commissions are entitled to the legal protection provided for civil servants. They serve as unpaid volunteers. However, they are entitled to per diem pay and reimbursement of traveling expenses.

They may also receive unpaid leave from their workplaces; in this event they are entitled to lump-sum compensation for lost earnings. The related guidelines and amounts will be determined by the chairman of the Council of Ministers upon the request of the State Electoral Commission.

Clerical services for the State Electoral Commission are provided by its secretariat; for the voivodship electoral commission, by the voivodes; and for the district electoral commissions by the concerned gmina boards as a state-assigned duty. This applies correspondingly to the captains of Polish seagoing vessels and to consuls.

Electoral Districts

Electoral districts comprise 1,000 to 3,000 inhabitants each. When so warranted by local conditions, they may comprise fewer or more inhabitants.

The districts may be formed at hospitals, welfare homes, penal institutions, and detention sites, as well as on board Polish seagoing vessels at sea if they contain at least 20 voters and if it is possible to communicate the results of the balloting immediately to the voivodship electoral commission proper for the site of the ship-owner. As for Polish citizens sojourning on land abroad, the results of their balloting are communicated to the Voivodship Electoral Commission in Warsaw.

The current presidential elections will be held in this country within the electoral districts previously formed this year for the elections to gmina councils.

Lists and Registry

Persons entitled to vote are entered on the list of voters. A voter may be entered on only one list.

The list contains names of persons according to their domiciles. It specifies the name, surname, father's name, date of birth, and address of the voter.

The lists are prepared by gmina boards as a state-assigned duty.

Two copies of each list are prepared separately for each electoral district. The first copies of the lists of voters from electoral districts are combined and constitute the registry of the voters in a gmina; the registry is kept by the office which prepared the lists.

The registry of voters is permanent and subject to updating at least once a year. Voters have the right to inspect the registry to the extent justified by legal interests.

The second copies of the lists of voters are destined for the district electoral commissions and serve to conduct the balloting. They are subject to updating in accordance with the guidelines specified by the law. These copies are transmitted, not later than on the eve of Election Day, to the chairmen of the concerned district electoral commissions.

Registration and Deletion

Persons deprived of their voting rights are deleted from the list of voters. The minister of justice shall define the procedure for transmitting the related information to gmina boards.

A voter with no permanent domicile is registered on the list proper for the place of his present sojourn if he submits an appropriate application not later than seven days prior to Election Day. This applies correspondingly to persons who are not Polish citizens.

Military personnel who perform basic or periodic military service as candidates for professional soldiers, military personnel taking part in exercises and advanced military training, and conscripts who perform their basic military service in civil defense outside their domiciles, are included, upon request, in the list of voters prepared for the locality in which they perform military service. Such requests are submitted 14 to seven days prior to Election Day. This applies correspondingly to police personnel living in barracks.

A voter who changes his residence after the list of voters is prepared receives on demand from the office preparing the list an affidavit of his right to vote entitling him to cast a ballot at the site of his residence on Election Day.

The office which prepared the list of voters deletes from it the names of the persons whom it had issued affidavits of the right to vote, after it is officially notified that these persons are included in the list of voters prepared by another electoral district.

Voters sojourning on Polish seagoing vessels which are at sea during the period from the day the elections are ordered to Election Day are included in the lists of voters prepared by the ship captains. The inclusion is performed upon the request of the voter when said request is submitted not later than three days prior to Election Day. The request should specify: name, surname, father's name, and date of birth.

Voters sojourning abroad are included in the list of voters prepared by the appropriate Polish consulate for the area. The inclusion is based on personal application, whether made verbally, in writing, or by telephone, telegraph, or telefax. The application should contain name and surname, father's name, date of birth, and the place of sojourn of the voter. Applications may be made not later than three days prior to Election Day.

Claims Considered Within 48 Hours

Not later than 15 days before 25 November the gmina board makes lists of voters available for public inspection at its offices, for a period of five days, five hours daily, at times convenient to citizens, on notifying the voters about the place and hours of inspection.

Anyone may submit a claim about inaccuracies in the list to the office which prepared the list. The claim is

submitted in writing or verbally for the record, and it is considered within 48 hours of its submission, whereupon the office which had prepared the original list complements or rectifies it or deletes from it the name of the person whom the claim concerns, on transmitting a corresponding notice along with a rationale to the person concerned, or it may refrain from acting on the claim upon correspondingly notifying the claimant and presenting him with the rationale.

The decision not to act on a claim or to delete a person's name from the list of voters may be appealed by the claimant or by the deleted person to the district court proper for the area for which the list was prepared. A copy of the contested decision should be appended to the appeal.

The court, in a bench of one judge, considers the matter in nonlitigious proceedings within three days from the date the appeal is submitted. The court's verdict is communicated to the appellant and to the office which had prepared the list. There is no appeal from the court verdict.

Correspondingly, claims also are considered by captains of seagoing vessels and by consuls. Their decisions are final.

One Hundred Thousand Signatures

The right to nominate candidates for the president of the Polish Republic belongs to:

- Political and social organizations.
- Voters.

The nominating petition must contain signatures of at least 100,000 voters.

Candidates may be nominated within 20 days from the date on which the Speaker of the Sejm orders the elections of the president.

The nominating petition should contain:

- 1) The name, surname, age, educational background, occupation or profession, address of workplace, and home address of the nominated candidate, along with his affiliation with a political or social organization, if any.
- 2) The name of the organization submitting the nominating petition and the name, surname, and address of its representative.
- 3) A list of voters supporting the nomination; it should contain legibly written names, surnames, ages, addresses, and I.D. or passport or military passbook numbers of these voters, along with their personal signatures; each page of the list should contain the heading: "I support the candidacy of (name of the candidate) for the president."

Once affirmed by a signature, support for the candidate may not be withdrawn.

Appended to the nominating petition should be the candidate's written consent to the candidacy.

Registration of Candidates

The State Electoral Commission registers the candidates for the presidency if their nominating petitions are submitted in accordance with the provisions of law; the Commission keeps a record of the registration and notifies the candidate's campaign manager. If the nominating petition is flawed, the State Electoral Commission refuses to register the candidate and immediately calls upon his campaign manager to eliminate these flaws, within a period of time specified by the Commission. In the event that he disagrees with the validity of the Commission's ruling, the campaign manager may appeal to the Supreme Court within two days from the date of refusal to register the candidate.

Following the elapse of the 20 days during which candidates are nominated, the State Electoral Commission prepares an electoral list containing in alphabetical order the names, surnames, age, educational background, occupation or profession, workplace, and home address of the properly nominated and registered candidates.

On the request of the campaign manager the electoral list may also specify the candidate's affiliation with a political or social organization.

Not later than 15 days before 25 November wall posters with the aforementioned list of candidates shall be put up by the State Electoral Commission.

The State Electoral Commission shall delete from the electoral list any candidates who withdraw their consent, pass away, or forfeit the right to be elected. Such cases the Commission shall immediately make public.

Campaign managers of the candidates have the right to assign one representative each to the State Electoral Commission, to each voivodship electoral commission, and to each district electoral commission.

The campaign manager shall issue to his representatives authorizations on forms printed by the State Electoral Commission.

A corresponding notification is sent to the appropriate electoral commission not later than 10 days prior to Election Day. It should specify the name, surname, and address of the representative, and a document attesting to his powers should be appended.

The notification authorizes the representative to participate in electoral operations, in accordance with the provisions of law.

Alphabetical Ballot

The ballot specifies in alphabetical order the names and surnames of the registered candidates for the presidency. It carries the seal of the State Electoral Commission.

Information on voting procedure and ballot validity is provided on the ballot.

The ballot may be imprinted on only one side.

The balloting is done on the premises of the district electoral commission during a single day continuously between 0600 and 2000 hours.

Before the balloting the voter presents to the district electoral commission a document serving to verify his identity. If he lacks such a document but is named on the list, he may call upon two credible witnesses known to the members of the commission. The commission's decision as to the verification of identity is final. A voter presenting to the commission a certification of his right to vote is allowed to cast a ballot upon first being included in the list of voters.

Next, the voter receives from the commission a ballot and the commission ticks off his name on the list of voters. Thereupon the voter proceeds to the screened-off area assuring secrecy of balloting.

Only One Name

The voter personally votes for one of the candidates whose names are listed on the ballot, by placing the sign "X" to the right of the candidate's name. Thereupon he casts the ballot into the voting urn, which is placed in an accessible and visible spot in the voting premises.

Incapacitated persons may, while balloting, avail themselves of the assistance of individuals who are not members of the district electoral commission or representatives of the candidates.

Persons carrying arms are banned from access to the voting premises.

From the moment the balloting commences until its results are determined, at least three members of the district electoral commission should be present on the voting premises, with one of them to be the commission chairman, the vice chairman, or the secretary.

Representatives of the candidates have the right to be present in the voting premises on Election Day on the basis of authorizations issued by the campaign managers of the candidates.

The chairman of the district electoral commission safeguards the secrecy of balloting and the maintenance of order and peace during the balloting. He has the right to demand of persons disturbing peace that they leave the voting premises. On his demand, the head of the nearest police precinct is dutybound to provide needed assistance. In this event the prohibition against entry by armed persons naturally does not apply.

If owing to extraordinary events balloting is temporarily rendered impossible, the chairman of the district electoral commission or a person representing him may interrupt or prolong the balloting or postpone it till the

next day. A decision of this kind should be made public by the locally customary procedure and immediately conveyed to the gmina board, the voivodship electoral commission and, through the mediation of the latter, the State Electoral Commission.

The district electoral commission may order an early termination of the balloting if all the voters named on the list of voters have cast their ballots.

The Great Counting

Immediately after the balloting ends, the chairman of the district electoral commission shall, in the presence of members of the commission and representatives of the candidates, count and secure the unutilized ballots, whereupon the commission determines:

- The number of authorized voters.
- The number of voters who took part in the balloting.
- The number of valid ballots cast.
- The number of invalid ballots cast.
- The number of valid ballots cast for every individual candidate.

This counting is done on the basis of the list of voters and the number of ballots cast into the urn.

A ballot is deemed invalid if:

- 1) It is not an official ballot.
- 2) The voter marks with an "X" more than one candidate's name.
- 3) The voter does not mark with an "X" any candidate's name.

Write-ins of additional names or adding other inscriptions do not affect the validity of the ballots.

Ballots completely torn in half are not included in the official count.

The district electoral commission prepares two copies of the balloting record, in which it specifies the aforementioned results of the balloting and provides other necessary information. This record, to which is affixed the seal of the commission, is signed by the commission members present at its preparation.

Immediately after the balloting record is prepared, the district electoral commission makes public the results of the balloting. And its chairman transmits one copy of the balloting record in a sealed envelope to the appropriate voivodship electoral commission. The latter, after it receives balloting records from all the electoral districts, determines the overall results of the balloting in the voivodship and prepares a record in two copies.

The record of the overall results of the balloting in the voivodship is immediately transmitted by the voivodship electoral commission to the State Electoral Commission in a sealed envelope, together with the balloting

records for all the district electoral commissions. Additional copies of these records are, along with all the related documents, transmitted by the chairmen of district and voivodship electoral commissions to the village chairmen (burgomasters) and voivodes.

After copies of the balloting records are received from all the voivodship electoral commissions, the State Electoral Commission determines the results of the voting for presidential candidates and records the resulting figures and, on their basis, determines the results of the presidential elections.

Already in the Belvedere [the Presidential Palace]

A presidential candidate who receives more than one-half of the valid votes is considered to be elected.

If no candidate receives the absolute majority of votes, run-off elections are held after 14 days for the two candidates who received the largest number of votes during the first balloting, and who have not withdrawn their candidacy.

Run-off elections are not held if, for reasons referred to in Article 14 (death, forfeiture of the right to be elected, withdrawal of consent), only one candidate remains on the list of candidates. In this event that sole candidate is regarded as the elected president, even if he has not received more than one-half of all valid votes.

The results of the balloting and of the elections are made public by the State Electoral Commission in the form of an announcement. If the elections produce a tie, the Commission announces the names and surnames of the candidates for the run-off elections.

The announcement by the State Electoral Commission is subject to publication in *DZIENNIK USTAW*.

Run-off elections are held by the legally prescribed procedure, with the balloting to be conducted on the basis of the same lists of voters and only on national territory.

The candidate who wins a majority of the valid votes is considered the winner.

The subsequent procedure to be followed by the State Electoral Commission is as above.

Electoral Petition to the Supreme Court

A presidential election may be contested (petitioned) on the grounds of violation of legal provisions or on the grounds of an electoral crime, if said violation or crime may affect the results of the election.

The electoral petition may be submitted by a voter whose name was on Election Day included in the list of voters of one of the electoral districts. This right also applies to the organizations nominating candidates and to electoral commissions.

The petition is submitted in writing to the Supreme Court, not later than within three days from the date the results of the elections are publicly announced by the State Electoral Commission. This requirement is considered as satisfied—with respect to voters in the electoral districts formed on Polish seagoing ships or abroad—if the petition is submitted to the ship captain or to the appropriate consul.

The petitioner should formulate in the petition the accusations and present or indicate the evidence on which they are based.

The Supreme Court does not act upon a petition submitted following the expiration of the abovementioned time limit, or submitted by an unauthorized person. If the petition does not meet the requirements, the Supreme Court assigns three days for complementing it. In the event the petition is not complemented within the specified time limit, the Supreme Court may desist from acting on it.

If the petition contains an accusation of an electoral crime, the Supreme Court immediately notifies the attorney general of the Polish Republic.

The Supreme Court considers the petition in a bench of three justices, upon correspondingly applying the provisions of the Code of Administrative Proceedings for nonlitigious proceedings.

The participants in the proceedings are, by virtue of law [are] the petitioner, the concerned electoral commission, the attorney general of the Polish Republic, and a representative of the State Electoral Commission.

The Supreme Court formulates its opinion on the petition and presents it, together with the dossier of the case, to the Speaker of the Sejm.

On the basis of a report on the elections presented by the State Electoral Commission, and upon examining the accusations contained in the petition and the related opinion of the Supreme Court, the National Assembly decides on the validity of the presidential elections.

If the National Assembly finds the elections to be invalid, it also decides on the extent to which they are invalidated and on the conduct of new elections.

The Electoral Campaign: What Is Permitted and What Forbidden

On Election Day and during 36 hours preceding that day the following activities are prohibited: the convening of rallies, organization of parades and demonstrations, delivery of speeches, distribution of leaflets, and any other kind of electioneering. All forms of such electioneering on the voting premises are prohibited.

The conduct of electoral campaigns on the territory of workplaces in a manner interfering with their normal operation is prohibited. Likewise, the conduct of electoral campaigns on the territory of military units and

other organizational units under the jurisdiction of the minister of national defense as well as among civil defense units and among barracked police units is prohibited.

Electoral wall posters, inscriptions, or flyers bearing explicit identification of their originators or a statement identifying their distributors are subject to the protection of law. The provisions of Article 63a of the Code of Petty Offenses do not apply to electoral posters.

The affixing of electoral posters outside and inside the buildings housing the voting premises as well as the outside and inside state and local government offices and court buildings is prohibited. This does not apply to the electoral announcements legally issued by the electoral commissions.

On the walls of buildings and structures other than those mentioned above, as well as on partitions, electoral posters and inscriptions may be placed only after obtaining the consent of the proprietor or administrator.

If posters, inscriptions, leaflets or other forms of electoral propaganda and agitation contain untrue or inaccurate information, any interested party has the right to petition the district court to issue an injunction, or some other temporary order, against the dissemination of such information.

The court decides on such a petition within 24 hours in nonlitigious proceedings in a bench of one judge. The ruling of the court is transmitted to the concerned party, to the appropriate voivodship electoral commission, and to the person or organization ordered to implement that ruling.

The ruling of the district court may be appealed within 24 hours to the voivodship court, which is required to consider that appeal within 24 hours by the abovementioned procedure. The lawful ruling of the court is subject to immediate execution.

Irrespective of the applicable provisions of the Press Law, untrue or incorrect information pertaining to the elections and linked to the electoral campaign, when provided in the press or in nonperiodical publications, is subject to being rectified within 48 hours.

In the event of a refusal, the petitioner has the right to request the district court to issue a corresponding injunction, and that court is required to consider the case within 24 hours in nonlitigious proceedings, in a bench of one judge. The court's ruling is immediately conveyed to the plaintiff and to the party required to publish a rectification. The ruling of the district court may be appealed within 24 hours to the voivodship court, which considers the appeal within the following 24 hours. The lawful ruling of the court is subject to immediate execution.

As regards the rectification of information printed in publications other than daily newspapers, the court specifies the daily newspaper in which the rectification is

to be published at the expense of the guilty party within a time limit of not more than 48 hours. In the event of a refusal or failure to publish the rectification by the guilty party or the party named in the court's ruling, on the request of the plaintiff, the court orders publishing the rectification in executive proceedings within a specified time limit.

The utilization of the rights ensuing from the law being discussed does not encroach on the wronged or injured party's possibilities for seeking redress on the basis of other laws.

Candidates have free and equal access to the state radio and television.

The State Electoral Commission shall, in cooperation with the chairman of the Committee for Radio and Television, specify the guidelines for the presentation of election program and declarations by registered candidates and their specified representatives on state radio and television.

The information, communiques, appeals, and slogans proclaimed in the printed media or on radio or on television at the expense of the candidate or the organization sponsoring the candidate must specify the name of the sponsor and meet the requirements of the law.

Openness About Campaign Finances

The cost of the elections is defrayed from the state budget, but the expenses relating to the nomination of candidates and to their electoral campaigns are defrayed from the funds of the organizations sponsoring the candidates.

Legal entities and individuals may donate campaign funds for registered candidates. The funds donated by legal entities may derive from profits alone. This also applies to the nonreimbursable provision of services.

The following funds may not be allocated for electoral campaigns:

- 1) State budget monies.
- 2) Monies from the budgets of local agencies of the government administration and other state organizational units.
- 3) Monies from the budgets of gminas, self-government dietines, and communal associations.
- 4) Funds of the state economic entities and other legal entities in which the State Treasury is a majority shareholder.
- 5) Funds from foreign sources.

A candidate's campaign manager may organize public collections of funds for financing electoral campaigns, and this does not require an official permit.

The funding of electoral campaign is a matter of public record.

A report on the expenditures paid from the state budget is made public by the minister of finance within three months after Election Day. Campaign managers of presidential candidates submit to the chairman of the State Electoral Commission, within two months after Election Day, financial reports on the expenses associated with conducting the electoral campaign and on the related funding sources.

These reports are available for public inspection.

All written communications and judicial and administrative proceedings concerning electoral affairs are fee-exempt.

POLITYKA Weekly News Roundup

91EP0004A Warsaw POLITYKA in Polish No 38,
22 Sep 90 p 2

[Excerpts]

National News

The Sejm has named three new ministers at the request of the prime minister. Janusz Bylinski (age 38), a farmer from near Warsaw, associated with Rural Solidarity, Sejm deputy, a member of the Polish Peasant Party Solidarity (PSL "S"), will direct the Ministry of Agriculture; Waldemar Kuczynski (age 51), one of the closest advisors of the prime minister, an economist, will be responsible for the ownership transformation; Jerzy Slezak (age 51), an activist of the Democratic Party (SD), electrician, will take over the Ministry of Communications. [passage omitted]

The Forum of the Democratic Right is prepared to make a formal announcement of the candidacy of Tadeusz Mazowiecki for president.

Lech Walesa at a press conference in Gdansk on his presidential candidacy: "If I intend to be a candidate, then I will surely win. Tadeusz Mazowiecki will take at most 35 percent from me." He declared that he is interested in winning about 80 percent of the vote. On Monday, the Solidarity leader's declaration that he intends to be a candidate was published.

Details of the confidential report of the IMF in GAZETA WYBORCZA: it warns that if inflation or wages rise in the third quarter more than 14 percent it will halt payment of further installments of the promised loans to Poland.

Strikes. This past Thursday, in response to a call from the Trade Union of Railway Machinists, there was an hour-long strike by the railway machinists; 239 local passenger trains, 35 percent of the planned traffic, 305 freight trains, and 111 switching engines ceased operations. In Wroclaw, the employees of the retail stores struck to protest against the rent auction. On the other

hand, the employees of the State Motor Transport in Lublin resigned from their plan to strike; the enterprise received money for wage increases. The Solidarity organization at the Passenger Car Factory in Warsaw has announced a strike warning: it is demanding the punishment of Mieczyslaw Wilczek; the former minister of industry, for ending the licence contract; the recall of the current factory director; the introduction of workers' stock ownership; and changes in the rules for calculating the tax on excessive wage increases.

Sejm activity. From 5 July 1989 to the end of July 1990, there were 37 sessions which lasted a total of 75 days. The Sejm adopted 110 laws and 96 resolutions. The deputies also raised 366 interpellations and posed 81 questions. [passage omitted]

The average monthly wage in the five sectors of the national economy (without profit sharing) was 1,019,927 zlotys in August 1990, an increase of 5.2 percent in comparison with July. Prices increased during the same period by 1.8 percent. [passage omitted]

The board of the Slasko-Dabrowski Region of Solidarity has decided to deprive the citizens committees in the region of the Solidarity name and symbol.

The spokesman for the president told a journalist for Reuters that Wojciech Jaruzelski will not make an official visit to the United States next month. In the opinion of Reuters, this comment can be understood as a preliminary announcement the president will resign from office. However, a spokesman for PAP declared that the invitation still stands, although the president has not as yet said whether and when he will accept it.

In Lublin, the monument of thanks, a statue of a Soviet soldier, has been removed in accord with a resolution of the city council. [passage omitted]

The officers of PAX have expressed support for proposals to hold the presidential election as soon as possible and for L. Walesa's candidacy for the office.

Lech Walesa met with deputies of the Israeli parliament. After the meeting he said: "I proved to the gentlemen that I am not an anti-Semite. I want to say that as long as I have something to say in Poland, there will be no anti-Semitism in Poland." Deputy Uzy Landau said: "We are satisfied that Mr. Walesa has declared himself a friend of Israel and of the Jewish people, that he sees the need for the existence of a strong state of Israel that lives in peace." [passage omitted]

Who's Who. Two director generals of the Radio and Television Committee have been removed: Karol Sawicki and Andrzej Bober. In GAZETA WYBORCZA, Anna Bikont writes that among the employees of television there is a rumor "that the entire maneuver was aimed at removing Bober who had invited the antigovernment economist Rafal Krawczyk to the program "Letters on the Economy." Karol Sawicki is supposed to become the television correspondent in Bonn. The

Workers' Council at Lot Polish Airlines has approved Bronislaw Klimaszewski as chief director of the enterprise. He won a competition for the position nine years ago, but he did not receive the approval of the ministry at that time. During martial law, he was fired by Lot; recently he has worked as director of the Catholic Foundation for Rural Water Supplies. [passage omitted]

Opinions

Donald Tuski, a member of the presidium of the Liberal-Democratic Party "Independence" (LDP "N"):

(Interviewed by Piotr Skwiecinski, ZYCIE WARSZAWY 8-9 September 1990)

[Question] Why is Lech Walesa the optimal candidate for you?

[Answer] The word "optimal" is appropriate insofar as no one probably, including Walesa himself, would say that he is the ideal candidate.

We think that in the economic arena we are dealing with cosmetic changes and not with serious reform. Thus, the idea of acceleration filled out with concrete proposals is justified by reality. I cannot imagine a dynamic process to give citizens ownership, a general privatization, without a parallel dynamic political process. Walesa ensures such a dynamism.

Stefan Kisielewski, journalist:

(Interviewed by P. Gabryel, WPROST 9 September 1990)

[Answer] Unemployment is an absolute prerequisite for normal social development.... But our unemployment is abnormal because in Poland we are dealing with huge investments made by the communists for political purposes. The large smelters, steel plants, and mines are now collapsing; they have no chance. I am thinking, for example, of the Konin Basin and the Walbrzych Basin, which were artificially created for mass employment for the working class in spite of the fact that the coal in them was exhausted. These two basins will soon be a huge problem.... Thus, the question of unemployment in Poland is a question of the transformation of the country's structure of production, a structure created almost exclusively for political purposes ignoring the social and economic costs.

[passage omitted]

Lech Kaczynski, deputy chairman of the National Committee of NSZZ Solidarity:

(Interviewed by Jan M. Ruman, LAD 2 September 1990)

[Answer] Relations between Solidarity and the institutional Church from our side are respectful and deferential. The institutional contacts, such as occurred during the negotiations at the roundtable, are now much less frequent. There are no official talks between the union and the Church, but I do not think that in the present

situation they are absolutely necessary. We have taken a position of humility toward the church hierarchy, and we ourselves do not attempt to impose ourselves on it if we are not invited. There are fairly frequent contacts with the bishops in the dioceses at the regional level. My constant question, when I visit the regions, concerns current contacts with the local church hierarchy, which does not result from clericalism, but only from an understanding of the actual role of the Church in Poland.

YUGOSLAVIA

Serbian Candidates Present Programs

91BA0054A Belgrade NIN in Serbo-Croatian 19,
26 Oct 90

[Article by Tome Džadžić: "This Is What We Have To Recommend Ourselves"]

[19 Oct pp 22-25]

[Text] We asked the leaders of the parties, "What do you have to recommend yourself to the voters?" Readers of NIN will immediately see that some of the leaders see criticism of NIN as a recommendation (we are not "saved" even by the fact that that criticism is made even by those who have in proportional terms received the most "party" space in this magazine, or the fact that they are members of our editorial staff, or the fact that they have industriously written extensive articles for NIN on self-management categorization or on nonaligned party politics...) But—"a candidate who cannot state his program clearly in 25 words or less had better not run for election." These are those 25 words or less, but we are publishing in their entirety even those who said 50 or 75 to Tome Džadžić, who conducts this survey....

For Complete Freedom

Dr. Nebojsa Popov, president of the UJDI [Association for a Yugoslav Democratic Initiative], Belgrade

Our program is simple. Proceeding from the principle of the sovereignty of the citizen as an individual, we advocate full freedom of cultural, economic, and political activity, parliamentary democracy, pluralism of the forms of ownership, and the freedom to organize around interests, above all in the form of independent trade unions.

We advocate democratic procedure in which all complicated problems will be resolved, including the shape of the new Yugoslavia. Within that procedure, we will also be advocating the view of a democratic Serbia and Yugoslavia as a democratic federation.

We are convinced that in the election race our candidates for president of the Republic and people's deputies will attract the attention of the voters because of the preciseness of its programs and the prestige of the figures who stand for those programs. Right up until 9 December we will be making an assessment as to

whether the institutional conditions have been brought about for fundamental elections, and we will be presenting our view to the public in good time.

The 50 days of an election fight are not enough to make up for what was not done in 50 years, but still they make it possible to express clearly our ambition to live in a democratic society and democratic state; without ambition, there is not enough motivation for citizens to truly walk upright.

Against a Selloff

Milosav V.R. Jovanovic, president of the Yugoslav Workers Party [RPJ], Belgrade

The workers are threatened with the danger of continued exploitation under the new economic and political conditions. That is what will happen to him if there is not a strong and independent union in the enterprise and a strong political party in the parliament which can prevent the passage of laws and regulations detrimental to the workers, as has been the case up to now. The Workers Party will be that force, since from the very outset it has committed itself to be an opposition to the authorities, but not to this or that nationality.

After harboring a number of illusions, it has become clear to the workers that their true adversary is the government, since there is no good government, and even when the government performs well, a strong and powerful opposition deserves an immense amount of the credit.

The Workers Party is not the vanguard of the workers; it is their organization. We do not promise the workers a "better opportunity," we call upon the workers to join the fight for a better present, since this is the only road to a reliable future. The Workers Party is not against the rich, but it is against the workers being poor. That is why the RPJ demands a real price for labor, not the "subsistence minimum"! It is clear to the Workers Party that the workers will be paid badly so long as they have an expensive and overexpensive state.

All the privileges which the privileged social stratum enjoys, whether it gets them legally or has taken them by force, are also financed by miserably paid manpower.... All the Dedinjes in the country should immediately be turned into tourist facilities, medical institutions, or cultural establishments.

All those who thought up the capital investment projects that fell through, the purchasers of outdated technology, for which they paid high prices with public money, and in return received for themselves personally very high commissions, so that they became rich, are emerging today as the purchasers of the enterprises which Ante Markovic intends to sell off. It is interesting that Ante Markovic has undertaken to sell off enterprises at a time when at least half of the persons employed in the country are wondering how they will make it from the first of one month to the next.

We demand explicitly that the announced selloff of enterprises, more accurately of Yugoslavia, be stayed until the multiparty system is established in Yugoslavia.... We propose that the workers in enterprises form Worker Committees to establish the value of property and together with other employed persons take the destiny of the enterprise into their own hands until the determination is precisely made in Parliament as to who is the right and real owner or seller of that property.

We explicitly oppose the breakup of Yugoslavia and the reconfiguration of its borders. But if Yugoslavia is dissolved, which we do not desire, we want this to be done peacefully.

Our Principles

Milorad Stevanovic, president of the Old Radical Party, Belgrade

All the bourgeois parties are offering the same program—equality, a free market, justice.... However, that is the same thing that was offered by the Communist Party, and nothing came of it. It is also the same thing that is usually offered by an occupier when he captures some territory. Everyone wants to represent himself as a bringer of justice. Yet everything depends on practice and the people who carry out that policy.

It is significant that even the ruling Communist Party, which now calls itself the Socialist Party, which is an absurdity, because in scientific philosophy communism is a higher stage of socialism, is now taking over from the program of the democratic parties everything that was the opposite of its ideology: It attends all the religious ceremonies, it allows religious services on television, it promises to return the land which their predecessors took away, and so on, and so forth. And why? Only in order to stay in power.

When I say this, I am actually speaking about my own party, which has not changed since back in 1881 when it was established by Nikola Pasic and Aca Stanojevic, who adhered to the conventional principles of democracy and everything now being offered both by all the bourgeois parties and also by the Socialist Party.

All have adopted the same principles; now it only depends on how much money you have and how much clout you have with the news media, and whether this kind of competition will be honorable and whether this kind of victory will be honorable.

The question is whether under these circumstances victory means defeat, and at that a tragic defeat, not only for the victorious party, but also for its people and for the population as a whole.

Tax Incentive

Dr. Dragan Veselinov, president of the People's Peasant Party, Belgrade

The People's Peasant Party will naturally be fighting above all to return the land to the peasants, for the return of all the public farmland (common pastures, common lands...). We will be demanding the right for unrestricted expansion of landholdings, we will be seeking stable prices for the principal agricultural products, we will be looking for favorable credits for the purchase of land and equipment, and we will also be advocating that young married couples be exempted from taxes when they take over farms. We also favor reduction of contributions and discontinuation of mandatory old-age insurance for peasants.

Our party advocates the equality of entrepreneurs and private property with the socialized sector. That means the equal right to compete to obtain domestic and foreign credits and also the equal right to obtain project contracts in competition with the socialized sector. We will also be seeking adoption of taxes that give incentives for investment. We favor abolishing and reprivatizing social property.

The People's Peasant Party believes that there must not be unemployment and therefore that the surpluses of manpower must obtain favorable credits to open up their own firms. It is also our position that the workers who remain in their enterprises should acquire property rights to the same amount of capital being received by the workers who are leaving.

Our party is, of course, in favor of Yugoslavia and a unified Serbia as a parliamentary republic.

The State as an Institution To Serve Society

Dr. Dragoljub Micunovic, professor, president of the Democratic Party, Belgrade

The Democratic Party offers a better life, peace, freedom, and especially development of civil institutions so that people can form associations not only for political purposes, but also for cultural, athletic, and other purposes.... Our party will in general encourage the development of civil initiative.

We will be striving for the state to be an institution serving society, not its lord and master. We will be trying to liberate all creative initiatives of both individuals and groups, and we will also be developing competition not only of goods, but also of people and ideas, since this is the only way of achieving the optimum results.

We are convinced that in this way the state will become inexpensive and subject to oversight, and the citizenry will become free and will display its initiative.

Our party will be fighting against all fearmongers, all retrograde projects, and all uncontrolled and irrational outpourings of passion. We will do this in an effort to bring about the necessary tranquillity and the citizen's belief in his own future without promises about an imagined paradise, but on the basis of real and rational

competitive projects for getting out of the present crisis, which is deep and dangerous.

When the workers themselves join independent trade unions on their own initiative, they can become equal partners in conclusion of a contract on the price of their labor, and the favorable terms of those contracts will depend on how strong and well-organized they are.

The peasantry will be encouraged and stimulated to produce food without limitation, and society will guarantee that production and marketing to a much greater extent.

We have commissions for all those areas of life.

Our party is also turning to other segments of the population and all citizens with the promise that in addition to the guaranteed freedoms of association and thought, they will also have, assuming their influence, a quite differently organized health care system, education, and culture....

The Democratic Party wishes to assure the citizenry that it will do everything, and that without any sort of risky experiments, for us to begin to look like a prosperous part of Europe as much as possible and as soon as possible.

As for nationality issues, the Democratic Party will also display enough patriotic vigilance so that it does not allow Serbia to lose territory in any way whatsoever, nor will there be any sacrifice of segments of the Serbian people who at the moment are outside its borders.

Dialogue With the Albanian Alternative

Dragan Jovanovic, chairman of the Executive Committee of the Green Party, Belgrade

In the election campaign, the Green Party will not be promising citizens a European standard of living and American salaries, as is now being thoughtlessly done by the ruling party and some of the opposition parties. We know that such promises are unfeasible, at least for the next 10 years or so, and even if they were feasible, they could be achieved only by uncontrolled importation of large amounts of foreign capital and its rapid return, which could have disastrous results for the environment in Serbia, which is in a dramatic condition already.

That is why we will be against any profoundly anti-environmental megaprojects such as the present authorities are even now advocating in a big way. These include, first of all, construction of four thermal electric power plants in Kosovo with Italian and French capital; they would be paid off by the export of power to Italy and France. This would signify consent to unprecedented neocolonialism. The consequences of what is called the big cycle in electric power would ultimately turn Kosovo into an environmental, social, and ethnic hell. The Green Party will be opposing most vigorously the construction of an industrial zone and port of Belgrade referred to by its originators as a "Hong Kong" or

"Taiwan on the Danube," as though they did not know what those Far Eastern seaports symbolize; the Danube will become environmentally dead once and for all and Belgrade, already overgrown and half-dead, along with it. Construction of the mammoth port of Belgrade would for all practical purposes signify legalized importation of radioactive waste (which we tracked down last year), arms, and drugs. Along with all the environmental troubles, this would turn Belgrade into the home base of a rapidly enlarged crime world, drug addicts, prostitution, and everything that goes with the docks of the large seaports.

The Green Party will attempt to prevent further inroads of the multinational companies, especially Westinghouse and the French nuclear lobby which has already conquered Croatia and in its march toward Bulgaria also wants to create a nuclear point of support in Belgrade, with the help of local "managers," so that it might bring to life a nuclear program in Serbia when the time is right.

We also will be advocating termination of the state of emergency in Kosovo, a democratic dialogue with the Albanian alternative, and multiparty elections in that province as a minimum of civil liberties, social justice, and peace.

Our model of economic, cultural, and social development is the vision of a postindustrial and postmodern civil society which in spite of its progressive nature and so-called constructive utopianism, is realizable here and now. This can be achieved without intervention of big multinational capital by favoring medium-sized and small enterprises (fewer than 500 workers), through stockholding by the workers, through very small private enterprise, with biofarms, revival of rural life, with work communities in the home, i.e., by creating jobs at home wherever possible. This means decentralization, lower costs, and humanization of work, which must not be a cult as it is in Japan and even in Europe, but a means of achieving material and nonmaterial prosperity.

Rebirth of Ethical Virtues

Dusan Stangacilovic, president of the Yugoslav Christian Democratic Party, Belgrade

We stand unshakably for Yugoslavia in our belief that the Yugoslav idea is great, strong, and lasting; we are in a crisis at the moment, but this crisis can be overcome.

We are a democratic party by commitment, and our first task is the political emancipation of the citizen in Yugoslavia, since we feel that we have to create a political ideal of Yugoslavism, because without that unified political commitment none of us have anything to look for on the world political scene.

As for the term "Christian" in the name of our party, we feel that since we live in a part of Europe where the Christian culture and Christian ethics have prevailed for 2,000 years, we should strive for a rebirth of all ethical virtues.

In any case, the first principle of our party's economic program is the utilization of all hydro capacity to generate power and for land improvement, especially since we are in last place in Europe with respect to use of water for irrigation.

According to the Demographic Pattern

Bela Tonkovic, president of the Democratic Alliance of Croats in Vojvodina, Subotica

Our party is in favor of full democratization of society within the framework of parliamentary democracy. The state, that is, should be so arranged that the lower-level administrative entities have as much autonomy as possible and those at the upper level only what is most necessary.

The greatest possible privatization of the economy is indispensable if a market economy is to be able to develop at all.

We favor free expression of ethnic, religious, and philosophical views, the free and equal use of one's own standard literary language in relations with government, administrative, and judicial bodies, as well as in public life in general.

We favor proportionate representation of all nationalities in government, administrative, and judicial bodies according to the demographic pattern of the population.

We feel that the state should return to the citizens all forms of property confiscated, nationalized, or taken away by some other means, regardless of what that might be.

As for sovereignty, we believe that the individual and the people as a collectivity possess sovereign rights, and that the state is only the political expression of that right, which means that the less state there is, the better it is for the people.

The basis of relations in society should be tolerance, acceptance of differences, and openness toward others, since that is the only road that leads to Europe.

We feel that the state and its bodies should be purged of ideological admixtures (traces) and the schools, administration, and courts should be politically and ideologically neutral.

With Us Even Into the 21st Century!

Veljko Guberina, president of the People's Radical Party, Belgrade

The People's Radical Party has its own tradition to recommend it, and from that tradition a lesson can be drawn about creating a sound democratic system in Europe. Thanks to this party an ideally arranged democratic society was created in Serbia, one in which, for example, the law on freedom of the press had only one article: "The Press Is Free."

During the time it was in power, the Radical Party demonstrated how a sound financial and well-ordered economic situation should be brought about. We are rightly offering this even now, since the People's Radical Party is headed by people who have always distinguished themselves by the same political conceptions. Having learned from the rich experience in the past of the Radical Party, the representatives of other parties have also acknowledged that at the beginning of the 20th century, when Serbia experienced its political and economic affirmation, it was an example of a happy country, and actually that is when it was led by the Radicals.

Just as Serbia entered the 20th century happily with the Radicals, so the present leadership of the People's Radical Party wants Serbia to enter the 21st century.

We Have Had It up to Here With Some People

Dr. Zarko Gavrilovic, president of the Saint Sava Party, Belgrade

The little bit of space which NIN is offering us to represent the parties is like giving a gravely ill patient the weakest dose of medicine, which actually does not help him, or like giving water to a hungry traveler instead of food.

It is shameful on the part of such a large publishing house as NIN to give the parties half a page of typewritten text to represent their extensive programs and thereby offer the opportunity to the ruling party, the Socialist Party of Serbia [SPS], to simply make fun of us as though we did not have programs, when actually, as the saying goes, we have had it up to here with some people!

If NIN were at all independent, it ought to help itself and us to arrive at democracy after half a century of one-dimensional thinking and dictatorship. I am amazed that newspapermen, without fighting for more space for the parties, at the same time are not fighting for their own freedom and independence of Bolshevism and communism.

It is unsuitable and uncivilized in the democratic and free states of Western Europe to belittle legally registered parties in this way and to favor only the political "wunderkind" in the person of the SPS. This is at the same time to belittle the entire Serbian people, which had democracy back at the beginning of this century, when it did not exist in neighboring states.

Postindustrial Civilization

Ilija Gligorijevic, architect, vice president of the Serbian National Renewal [SNO], Nova Pazova

Basically, the SNO favors a Serbia within its historical boundaries, which means that it would be the way it appeared when it created Yugoslavia along with Croatia and Slovenia. We will be using all the legal documents and agreements dating from that time in fighting for that

kind of Serbia, such as the London and Versailles treaties, as well as all other international treaties and agreements.

Neighboring countries—Croatia and Slovenia—were never even entered in any of the land records of Europe in the form of the present states. We do not recognize their territories within their present boundaries, which were given to them by AVNOJ, since for all practical purposes those decisions, if I might put it this way, were made by “four brigands in the woods.”

Another form of the struggle of the Serbian National Renewal will be the high level of civilization which Serbia wishes to achieve as a free democratic and parliamentary monarchy and with such a high material and spiritual condition of a rich modern state as to get back the Muslims, Macedonians, and all others who have fled and been proclaimed other nationalities, although they derive from the Serbian ethnos.

The SNO favors a postmodern monarchy that would be organized around knowledge. The basic concept of our program is not based on natural resources, nor on industrial civilization, but on postindustrial civilization. This signifies an essential change in the pattern of employment: a considerable turn toward the service industry. These are important scientists and specialists who stand behind all economic aspects in an organized state.

...There is not enough space given in NIN for a party like the SNO, which has 360,000 members (and has also engaged scientists abroad) so that it might represent its program in its most important outlines.

What Others Are Not Offering

Agoston Andras, president of the Democratic Community of Vojvodina Hungarians, Ada

Our party is a political organization centered around an interest; its goal is to discover, express, and advocate the collective interests of Vojvodina Hungarians. With this in mind, we are putting up candidates in all election units in areas where Hungarians live.

In our program, we are offering what no other party offers. They are all offering democracy and a rich life, but we are also offering the voters a readiness to fight for Hungarian schools, for an institute that would study the problems of Hungarians in Vojvodina, and we will also be fighting for news media in the Hungarian language that would express the basic collective interests of this nationality.

The EEC Signifies Voluntary Slavery

Branislav Kitanovic, president of the New Communist Movement, Belgrade

Our most important goal is building a democratic and humane socialism in which there will be no violence

done to people and in which all would have enough to eat and enough of the gifts of the spirit.

First of all, our goal is with the other forces of the left-wing front in Yugoslavia to prevent the restoration of capital and also the right from taking power. In that context, we are categorically opposed to the entire program and policy of the government of Ante Markovic, which advocates selling off our economy and natural resources and also entering the European Economic Community.

Entry into the EEC presupposes abandonment of socialism and entry into the Atlantic Pact, as well as the loss of political and economic independence [original reads “dependence”] not only of present, but also of later generations. This would be voluntary slavery, and voluntary slavery is the most shameful slavery. However, we favor equal and mutually beneficial cooperation with the EEC and all similar organizations in the world.

Our goal is the preservation of an independent and unified SFRY and an independent and unified Serbia, as well as a strong and unified Yugoslav People’s Army.

We feel that foreign capital is not coming to bring something, but to take away something. The best evidence of this is the four East European countries in which the counterrevolution has been triumphant and where the standard of living has dropped drastically, while the foreign debt has increased many times over, and all of this has been accompanied by mass unemployment and a decline of production. When those countries were socialists up until a year ago, they had an acute manpower shortage.

Capitalism is not in a position to solve any vital problem globally, as confirmed by the fact that out of 140 capitalist countries, about 120 of the peoples in them are hungry or barely making ends meet.

A Gift to the Socialists

Vuk Draskovic, president of the Serbian Movement for Renewal [SPO], Belgrade

NIN is nothing more than a megaphone for the Socialist Party (Bolsheviks) of Serbia, and I think it is extremely hypocritical to now offer other parties, the SPO in particular, which is four times more numerous than the SPS, to get half a typewritten page of space to represent its program. Thank you most kindly both for that much space and that much democracy. The SPO makes a gift of that entire space of half a typewritten page to the Socialist Party of Serbia.

Either NIN will offer a serious amount of space for representation of the SPO, or we will not ever take part in this kind of comedy.

When the Third Program of Television Belgrade offered us those 15 minutes to represent our program, we also gave them to the Socialist Party of Serbia. We never went to the television studio. The chairs were left empty. We

sent only one sentence: "Since for decades the SPO has been on television constantly and bored God and people to death, and since the Socialist Party of Serbia is young, an opposition party just established which they are not allowing to represent itself over television to the extent demanded by viewers and the citizenry, and since its program is extremely interesting and new, the SPO makes a gift of its 15 minutes to the SPS."

Unrestrainable SPIN

Predrag Vuletic, president of the Liberal Party, Valjevo

The Liberal Party has two main philosophical directions on which its activity is based:

The first direction is positivism in natural science, which means using what someone has already applied and has given good results. The second direction is evolutionism, which signifies constant and persistent reforms. Not revolution and some kind of extremism, but reform.

Our effort is characterized by four words whose initial letters have been put in our emblem: Freedom (S), Justice (P), Truth (I), and Science (N).

The initial letters of these three terms make up the word SPIN, which represents that feature of a particle that once something has been put in rotation, there is no way it can be stopped.

The background of the entire program of the Liberal Party is actually based on science. That is why we have engaged the well-known economist Dr. Zoran Popov as an adviser for economic affairs. The economic principles were presented last Saturday in Valjevo.

The essence of that part of our program is, first of all, that all property be returned to private ownership—everything that should not otherwise be public (stores and service centers...). This can be done immediately.

Another important principle of that economic thought is to stimulate enterprise with tax policy and credit and monetary policy.

We feel that all products should be purchased from agriculture at prices guaranteed in advance, since inexpensive food is an essential element of social welfare policy.

As for the political part of the program of the Liberal Party, we feel, for example, that there is no reason for provinces to exist in Serbia. As for the question of federation and confederation, it is worth remembering that America waged a war over this for three years and then became a federation—that is how serious an issue this is.

So we favor a federation with a clearly defined status. In any case, our idea, presented for the first time in the party's assembly on 14 December 1989, is to hold a referendum throughout the country and let the people vote for either federation or confederation. The Liberal

Party proposes that Yugoslavs decide this by a three-fourths majority. We also want 7 July, the date of the Serbian uprising, when in actuality Serb fired on Serb (Cvijetin Soldatovic in the group of Zikica "Spaniard" Jovanovic, from the village Bastava near Valjevo, fired on the Serbian policemen near the village Zavlaka near Valjevo). We want that day to be proclaimed National Reconciliation Day.

[26 Oct pp 31-32]

[Text]

Serbs in the Key Posts

Dragan Djurovic, president of the Republican Party, Arandjelovac

Our party's program envisages that Serbia would be a multiparty parliamentary republic with a president of the republic whose term would be four years.

This party favors private, state, public, and cooperative ownership, and it opposes the maximum on the size of the landholding, and it would speed up development of agriculture and rural areas through a favorable credit policy.

The Republican Party favors a federation. At the moment, we are active in Serbia, but we do not renounce the Yugoslav orientation once we are registered with the federation. Any citizen may become a member of the party regardless of religion or nationality.

The Republican Party also favors a market economy based on true competition, after the pattern of the Western countries. This party will pay particular concern to social justice: all the handicapped and others who are unable to take part in a market economy should be able to count on social welfare.

The Republican Party favors an economically strong, politically stable, and democratic Republic of Serbia. It favors full freedom of the press, radio, and television, which all citizens and their associations could establish through a system of notification, without prior permission.

We countenance only independent courts, which must adhere strictly to the law, while in enactment of laws the Parliament is required to respect only the will of the citizens. Those are conditions for a law-governed state and the legal security of the citizenry.

The Republican Party will fight to attract foreign capital, above all from our people abroad, who number about 2 million.

We have programs for rapid creation of jobs for everyone, especially young people, primarily in direct production. We favor reduction of the size of administrative staffs and relief of the burden on the economy, that is, we favor minimizing the financial obligations of enterprises to the state.

We will be demanding that all ethnic minorities have an opportunity to obtain education in their schools, but that Serbian be the official language in Serbia.

The Republican Party will also fight to save the environment.

We will be striving for the issue of Kosovo and Metohija to be solved once and for all. We would begin by immediately returning to the Serbs their houses and land which the government took away after the war in Kosovo and Metohija. All Skipetar separatists and emigres would unconditionally be deported to Albania. Our program also envisages doing away with the autonomy of Kosovo, a ban on display of the Albanian flag, and incentives for Kosovo and Metohija to be settled by Serbs and members of ethnic minorities in order to reestablish ethnic equilibrium.

We will be calling for all key posts in Serbia to be filled with experts who are Serbs. In any case, we think that we have one of the best economic programs in Serbia.

Cultural Autonomy of Muslims

Dr. Sulejman Ugljanin, president of the SDA [Democratic Action Party] for Sandzak and Serbia, Novi Pazar

The Democratic Action Party is a political alliance of citizens of Yugoslavia who belong to the Muslim cultural and historical segment, as well as other citizens of Yugoslavia who accept the party's program and goals. Democracy is one of the basic features of our party. Since this term is subject to differing conceptions and interpretations, we emphasize that by democracy we mean rule of the people which is regulated by the rule of fair laws.

We advocate retaining Yugoslavia as a free community of sovereign nationalities and republics with the present federal boundaries. Members of nationalities in federal units which are not the communities of their own nationalities have all the rights of the nationality within its own unit, and we do not consider any restrictions in this regard legitimate. In this connection, we demand cultural and educational autonomy for the Muslim population of Sandzak.

The SDA supports the program of economic reforms adopted in December 1989, but it considers it only the first stage in reconstruction of the national economy. In that context, we feel that at least two other radical undertakings are necessary. First, extensive denationalization of business enterprises, beginning with the smaller ones and going toward the bigger ones. Nothing should be left under state ownership except activities of general interest (PTT [Post, Telegraph and Telephone], the railroads, the mines, air transportation, and the like). Second, restore to agriculture the dignity and importance which it deserves in a country like ours, since agriculture represents a great opportunity for the country.

SDA attributes particular importance to preservation of the family as a source of moral and ethical values and the most important factor in bringing up a human being. Destruction of the family, which is one of the sinister aspects and concomitants of progress, should be halted in every way. The role of women in that task is irreplaceable. A woman who gives birth and successfully raises and brings up young people is in our opinion performing an important social function.

Work, Saving, and Decency

Miodrag Mile Gojkovic, president of the Party of Independent Business People "ZaPIS," Belgrade

The Party of Independent Business People "ZaPIS"—Craftsmen and Tradesmen (Za), Entrepreneurs (P), Intellectuals (I), and Creators (S), is a democratic political organization which brings together and organizes those citizens who are craftsmen and tradesmen, business people, intellectuals, and others who see their political, economic, cultural, and other interests in establishment and development of a society in which there is a democratic, parliamentary, and multiparty system, a law-governed state. A market economy, it goes without saying, with firm guarantees for private ownership and encouragement of private initiative, support for development of the crafts and trades, small business, and all intellectual work and creativity, in which all civil, political, and other rights will be guaranteed.

It is the obligation of government agencies, we are convinced, to apply laws and other regulations toward all citizens dispassionately.

We favor a tax system that would be simplified and uniform for the entire country, a tax system for which the tax base would not be property, but profit realized. What is more, we will fight to protect taxpayers against all forms of unlicensed operation in the field of the crafts and trades and other services, we will be requesting favorable conditions and incentives in connection with the construction of new business facilities.

The party will be in favor of features in laws and a policy which is in the interest of craftsmen and tradesmen, business people, and creators. We favor democratic relations in the country, peaceful work, a strengthening of private initiative and property, respect for people's constitutional rights....

The party will adhere to the old time-tested slogan that only work, saving, and decency can bring us success.

For Our Freedom and Yours

Rasa Lazarevic, member of the New Democracy Committee—Movement for Serbia

New Democracy—Movement for Serbia will advocate, fight for, and, we are convinced, triumph in its effort for such a time and such a NIN in which parties and individuals making them up will have full, and that means unrestricted, freedom of public presentation of

their positions and views. What you are offering us now is only the change left over from what you have set aside for yourselves. It does not square with our understanding of freedom that we take for ourselves as much as we need and then dump on others the crumbs and remains which we do not need.

We will fight not only for our own freedom, but also for your freedom, the freedom which belongs to a modern world, just as New Democracy belongs to that modern world.

That is why we thank you for this "occasion" on behalf of those countless true occasions which we hope we will have.

Above All a Confederation

Aleksandar Spasic, general secretary of the Serbian Royalist Bloc, Belgrade

Our party's goal is restoration of the Kingdom of Serbia in its historical and ethnic borders under the dynasty of the Karadjordjevics. Our party will first of all advocate the concept of confederation and a confederal system of Yugoslavia with the Kingdom of Serbia as a confederal unit. Should it happen that Slovenia and Croatia secede, we would fight for an independent Serbian state, but then we would seek the old borders of the Kingdom of Serbia which were established by the 1915 London Treaty.

Just as we earlier advocated, now again we favor doing away with the provinces. As we see the future of this state, Serbia will be a multiparty parliamentary state headed by the Karadjordjevic Dynasty, with preservation of the spirit of Saint Sava, which kept us going during the five centuries of slavery.

Power in the Kingdom of Serbia will be legislative, judicial, and executive. They will all be independent of one another. This kind of separation of powers is the foundation of a law-governed state and of the legal security of all citizens on the territory of Serbia.

The king will be the symbol of state sovereignty and the national tradition and above all political parties, and the anthem of Serbia will, of course, be "God of Justice."

The official language in the Serbian state will be exclusively Serbian, and the writing will be Cyrillic. We guarantee ethnic minorities in Serbia all the rights which have been recognized in the most democratic countries of the world. We will take legal measures against all members of ethnic minorities who appeal for armed rebellion in Serbia or threaten the social system or commit terrorist acts, and we will try to send them back to the countries that represent their nationality.

We also feel that the army, the courts, the police, and especially the press should be free and independent of any party. We are against social ownership, but we favor state ownership and joint stock ownership. Business

enterprise should be the main driving force of the economy, along with the mandatory linkage between knowledge and capital.

Our party finds it indispensable to modernize Serbia's agriculture by applying new technologies so as to establish linkage with world capital. We will not, of course, accept foreign capital for renewal and growth of Serbia's economic life at any price, especially if this would be detrimental to Serbia and the Serbian people.

We will strive for all work to be fairly remunerated, especially work of the mind.

We will be seeking favorable loans and maximum tax benefits to accelerate the development of agriculture, animal husbandry, rural handicrafts, and various crafts and trades which are about to die out.

We will advocate the construction of asphalt roads to all villages, extension of electric power and telephone service, the building of post offices, and especially outpatient clinics for the most necessary medical care: The village and the Serbian peasant have always been and must once again be the biological foundation of the Serbian people.

We must restore respect to the Serbian Orthodox Church and the dignified place which it had in the history of the Serbian people before the Communists came to power, since the Communists committed more horrible misdeeds than the Turks: The Turks burned the body of Saint Sava on Vracar in Belgrade, but the Communists, led by an Austro-Hungarian corporal, tried to burn the spirit of Saint Sava in the Serbian people.

A Tax, but on Profit

Nikola Radosevic, president of the Party of Independent Business People and Peasants, Belgrade

Our party was the first registered in Serbia, and its registration is listed as No. 1, although that is not the essential thing.

Our desire is for independent business people and agricultural entrepreneurs (peasants) in this country to have their say once and for all and to help in carrying out a reform of the entire system of society.

We are explicitly and exclusively in favor of private capital, and then in favor of a unified Yugoslav market, and not only a Yugoslav market, but also a European and world market; we favor a federal Yugoslavia if that is what others want. We are pacifists, but if there has to be armed forces, we are in favor of unified armed forces.

The position of our program is that no taxes, duties, or other charges can be imposed on the principal tools and equipment of independent business people and agricultural entrepreneurs. This is an inevitability, since while in the western parts of Yugoslavia independent business people have in various ways been enabled to purchase up-to-date machines and equipment, while here in

Stradija we have junk in the streets for vehicles, junk in workshops for machines, junk in the hospitals...junk everywhere.

We are not against taxes, since we also want our children to benefit from social advantages—from schools to cultural institutions, but we favor taxation only of profit—net profit.

What we want above all is not for new strategies to be found in fiscal policy, but for a customs union and tax policy to be applied after the pattern of Europe.

We are against any unreasonable social welfare policy. Many are now promising some kind of great social welfare policy, exceptional benefits, but none of that is based on real productivity. Even the opposition leaders are promising a fourfold greater pension, but they have not said who will finance it: Where is it to come from?

We independent business people and agricultural producers feel that all of this actually represents a hand being put in our pockets. We demand that we all live from our labor and in this way increase our pensions. For a start, we have established in Uzice an independent business community whose purpose is for us to help the rebirth of the economy (but not the socialized sector), in which each of us will pay between 1,000 and 10,000 marks. In Serbia, we number 200,000 independent business people in all, some of us have already pledged a total of about 4 million marks which we will invest in our own bank and thereby extend credit for various projects.

To solve the issue of Kosovo, we want the people there to also begin to finally go to work, to produce, but we also demand that the issue be cleared up of whether they are the true owners of that real estate in Kosovo from which people were driven long after the war.

Montenegrin Party Leader on Union With Serbia

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3 Aug 90 pp 22-24

[Interview with Novak Kilibarda, leader of the Montenegrin National Party, by Dusica Milanovic; place and date not given: "We Are Beating Up on Each Other With Our Minds"—first paragraph is INTERVJU introduction]

[Text] Union would, in complementary fashion, have both a cultural and a practical dimension. And that united state would have a splendid geopolitical situation, it would hold the key to many Balkan approaches, it would have a splendid position on the seacoast. Ah, if Montenegro and Serbia had considered what might befall them in a "so-called" Yugoslavia, who knows if they ever would have created that Yugoslavia. And if Montenegro and Serbia had not invested their statehood in Yugoslavia, Yugoslavia would not even exist.

[Milanovic] We are talking with Novak Kilibarda, man of letters, professor, leader of the Montenegrin National

Party, about the possible union of Serbia and Montenegro, the aspirations and plans of the National Party, the current situation in Montenegro, its young leadership, the uncertain future.

You are a writer, a professor of our national literature, you have become the leader of the National Party, what kind of connection is there?

[Kilibarda] I would say that it has a certain internal logic. The fact that for many years I have been studying the literature of our nation and teaching it, means and plainly signifies a knowledge of the collective consciousness. Besides, I, as a writer using dialectal speech in my prose, was also interested in that collective consciousness before becoming involved in politics.

[Milanovic] What is the role of collective consciousness in politics?

[Kilibarda] The role of collective consciousness in politics is inherent rather than clearly observable on a day-to-day basis. I would say that it is a conception by which politicians measure themselves, so that in some way it generates, it controls the gestures of at least those politicians who know what collective consciousness is all about. I would not take just the most observable demonstration of collective consciousness, such as mass meetings. Mass rallies appear only at certain crucial times, and they very often become dated, but the collective consciousness, the national consciousness, is constantly pulsating, it is up to the politician to sense that consciousness.

[Milanovic] To what extent is a mass meeting the executive body of national consciousness?

[Kilibarda] It is the executive body of national consciousness, but its mandate is very limited. It is fulfilled, and then it is a very good thing when that consciousness goes back to its normal flow, to await its opportunity again. That is the mountain by which Mohammed, the politician, always measures himself, rather than the mountain measuring itself against the politician, which does not mean that sometimes a politician cannot be the initiator of precisely that mass movement. The question is of course an interesting one and would perhaps be worthy of a more scholarly approach.

[Milanovic] The National Party has been in existence since May of this year, and you are its only leader. Does that in some way explain the national connection, is it enough for the party to be represented by one man?

[Kilibarda] I would not attribute that to some sort of possible political charisma of one man. The term national literature does match up with the name we chose—National Party. And perhaps the people who warned me and after a fashion convinced me to accept this, had an ear for the fact that my profession would match the name National Party. I even had certain difficulties in keeping the name National Party. Some people wanted to add another word, so it would be

Democratic National Party. I did not agree, and I had to withstand a struggle in order for it to remain National Party, because all things are meant by that name. The concept is broad enough, but there have been other National Parties in the past, in Croatia, Serbia, and in Montenegro.

[Milanovic] You know what Andric thought of writer-politicians, and with you the politician is in fact mixing into the life of the writer. What do you think—must a single current here win out, or can it go on side by side?

[Kilibarda] I do not have any notion either, unfortunately, about the political dimension of a writer, if I may put it that way. However, I do have a specific view of politics as a job, politicians have seen to it that they somehow drape this occupation over with a hundred odd shawls and that it is regarded as something wonderful, clean through, just for a man to look another man straight in the eye, only for him to be deceiving the other—that it is a job in which immoral conduct is permitted as a normal civil code. However, I would not talk this way were communications and information flows in the world nowadays not something quite different from what they used to be.

Politics is a job like any other, it must be brought down onto the normal ground of human relationships, and the private one. What field does not have its private aspect: No one pours out everything about his family and personal life, even concerning some completely innocent things, because that becomes a crafty way of relating to people, to frighten with that kind of politics. Let us take our post-war politics, which the people were not able to monitor. It would interest me if someone even dared to ask about foreign affairs, all of that was so remote from the people. All of this must be brought down to the civil service level. Politics is a myth, a myth quite intentionally created as such, and a corrupt, crafty one at that. Not just in our country but also in many countries where the people do not control their freedom.

[Milanovic] That means that this is an exceptionally important area for you, for your study, considering that you are occupying yourself with the myths that live within the people?

[Kilibarda] In addition to all those things I care about as far as my involvement in politics is concerned, somehow it also means this: First, there is the actual physical aspect; second, I was not a man who was accustomed to constant publicity. I am not accustomed to being a person stared at. I am used to a normal middle-class life, as a professor, as a writer, and when there was some publicity it all took its course within the bounds of the normal. On the other hand, precisely what I discovered in those myths and in art created and directed by collective consciousness, I am now also discovering in life. That is strange, you know, someone becomes chairman of some party and suddenly certain individuals hold him in much higher regard than before. You

can imagine how it would be if I were noticed like that as a writer; that is what things are like.

[Milanovic] “Just so there are not more parties than there are people,” Beckovic cleverly put it. What do you think about the creation of such a large number of parties, is that good?

[Kilibarda] Perhaps it is not good but it is unavoidable. As in many countries, when democracy was being born after a dictatorship, later on it gets reduced to reasonable proportions; the parties that remain are the ones fighting for power democratically.

[Milanovic] How are things in Montenegro?

[Kilibarda] In our land we have a certain affinity for power, it is a multilayered and polysemantic phenomenon, and I think that there will be many more parties in Montenegro.

[Milanovic] At one time a characteristic of Montenegro was that there existed four territorial districts which had different ways of thinking. Does that still hold?

[Kilibarda] Those four nahijas [administrative districts] are the classic component parts; however, there are the seven mountains which gradually joined Montenegro, there is the Hercegovinian part, and then the coastal section. There is the difference between the rich south and the poor north. Regions differ from each other also by their nurturing of separatism.

[Milanovic] Tell us, what does it mean to be a separate nation, what is your experience with that concept?

[Kilibarda] I think that term separate does not fit with the term nation, because nation is defined in terms of something, and that is not separatism. However, individuals within a nation may have a separate way of thinking and thus contextually split off a part of the nation, and that context would have to be defined. You are posing very interesting questions, and it is a subject for serious work, not for newspapers. The various causes and manifestations of separatism would have to be defined. Montenegrin separatists are, let us say trying with all their might to tear Montenegro away from Serbdom in order to demonstrate that they are not a Serbian nation.

[Milanovic] But rather what?

[Kilibarda] A separate nation which does not even have anything to do with the Serbs, and is closer, perhaps, to other nations.

[Milanovic] In one of your texts you say that you are making efforts for Montenegro to preserve its Montenegrin statehood and Serbian nationhood. What does that mean?

[Kilibarda] Montenegro is an old Serbian state and Serbian people live in it. First a state grew up in Zeta, and then a state in Raska—two Serbian states which

Nemanja consolidated in such a way that there arose a united state, which after the [Turkish] oppression, at the Congress of Berlin, would be recognized as a legitimate state. That is, Montenegro is a state, and in whatever kind of union it must preserve its statehood. People often do not understand those ideas.

[Milanovic] There is talk that the National Party wants to sell Montenegro to Serbia.

[Kilibarda] Our program has been made public, and I keep emphasizing in speeches, and in press conferences, and in interviews, that it is not true. The truth is that we are proposing union in the event Yugoslavia falls apart, as there are many appearances that that will happen. Let me emphasize right away: The National Party supports a federal Yugoslavia, not socialist, but federal. However, if such a Yugoslavia cannot be preserved and if individual republics do not want to remain in Yugoslavia, let us say Croatia and Slovenia, we think that it would be necessary to build a Yugoslavia out of those parts that do want that state. The National Party considers a referendum to be unavoidable and that only after a declaration of the people can a stable state be created. Yugoslavia, in the event of the breakdown of its present form, needs to be created by two states—Montenegro and Serbia. Therefore, this would be a state made of two equal federal agents. Let us not forget that in Montenegro after the war being Montenegrin was very profitable business. The nationalists forced that. However, we emphasize that in Montenegro lives a Serbian people. The Vatican, the Comintern, Islam and all the rest acted on the basis that it was necessary to break up Serbian nationhood and expel Montenegro from Serbdom.

[Milanovic] Are you a White?

[Kilibarda] That is a set of old-fashioned concepts. Greens and Whites; it is an exaggerated one. The Whites were against an independent Montenegro, and the Greens were for one. The concepts date back from before World War I, when there were two currents, a Njegos party for the Serbs, and the other one. The concepts resulted from the colors of the sheets of paper they sent out about themselves. The one group had white sheets, the other green ones, and hence the terms.

One should not equate today's separatists with the old Greens, who wanted an independent Petrovic state, but felt themselves to be Serbs. Those longings of theirs had a psychological and historical justification, and however shortsighted their view, it was morally justified because the people feared several foreign dynasties and felt themselves to be Serbian people. Whereas the ones today I call Stedimlja-ist and Drljevic-ist, after Stedimlja and Sekula Drljevic, whose basic point of departure is that Montenegrins are not Serbs. And based on that there has developed an entire Serbophobia, that is to say a hatred toward Serbs. And believe me, if the National Party were to break up tomorrow, there would still remain its great

moral contribution...that it came out openly in favor of people returning to that basic feeling their fathers and grandfathers had.

[Milanovic] Which party do you think Njegos would have joined?

[Kilibarda] From reading his literary works and diplomatic correspondence, he would certainly have been in the National Party.

[Milanovic] You have strong support from the SPS [Socialist Party of Serbia] and from Serbian intellectuals in general.

[Kilibarda] Ultimately the Serbian people must look after their spiritual cohesion, they must have spiritual solidarity. Some villages in Croatia, Serbian villages, have voted for the HDZ [Croatian Democratic Community], for Tudjman. That speaks to the atrophy of Serbian Orthodox consciousness. Not coincidentally the Serbian church is reduced to a poverty-stricken level.

[Milanovic] Why did the communist spirit deflate most easily in the area of the Orthodox faith?

[Kilibarda] The Orthodox are no less established as Christians than the Catholics. Our nation is a Christian Orthodox civilization, but it has somehow lacked an everyday politically pragmatic dogma. The nation accepted communism because resistance was useless. The politicians abolished the church. Post-war generations have not learned anything of the history of the Serbian church. Thousands of people do not know what the word autocephaly means. A strong education encompassing all national groups is missing?

[Milanovic] You are a man from Niksic, you are from a city that once belonged to Hercegovina. What is Hercegovina's place in a possible linking-up of Montenegro and Serbia?

[Kilibarda] Artificial borders were fixed between Hercegovina and Montenegro in the nineteenth century at the time of the Serbo-Turkish wars, after the Montenegrin army had liberated a large portion of Hercegovina, all the way up to Mostar. It is interesting that after that warfare those borders of Franz Josef's remained. We have villages that are divided down the middle. Of course we are thinking seriously now about the issue of borders, but fundamental in this regard is what Hercegovina itself wants.

[Milanovic] A Serbian Democratic Party of Bosnia and Hercegovina has been created.

[Kilibarda] I was present at its creation. I spoke along with Mr. Raskovic and I saw eastern Hercegovina, which is united in the single intention of not again permitting anyone to artificially carve out borders. However, I am not going to say anything along those lines because based on that they can accuse me, and the National Party of wanting to take over Hercegovina. I repeat: In the event of a breakup of Yugoslavia, the National Party has to

think about where the Montenegrin army passed through and where the blood flowed. After all, we probably have greater rights to Hercegovina than Mr. Tadjman, who is already drawing Hercegovina in on his map considering himself to have an historical right to it. Austria-Hungary thought that way as well. Recently someone said that this way of thinking about historical right is precisely the same as Serbs saying that everything up to Buda is theirs—why?—since Turkey, their conqueror, had at one time occupied all the lands up to Buda. Nevertheless, Austria-Hungary was not a natural master of Croatia.

[Milanovic] What do you think about Mr. Tadjman the politician?

[Kilibarda] Tadjman is an important politician. I do not adopt anything from his program, but he creates a strong impression as a powerful political personality.

[Milanovic] Do you think that Tadjman has come out from under Josip Broz Tito's "mantle?"

[Kilibarda] Yes, he is out from under Tito's mantle, but he did his own work during Tito's time. Both Tito and Tadjman are major Croatian statesmen. Tito is a negative figure for the history of my people, but entirely meritorious for the history of the Croatian people. As far as Montenegro is concerned, the revolution and Josip Broz Tito are to blame for the difficult civil war. And as far as the post-war period is concerned, there was not any wealth that needed to be nationalized in Montenegro, it was and remains a poor land, the socialist revolution has never had anything to do here. No historically encroached-on claim was returned to her. And there are still parts of Montenegro where there is no electricity, Montenegrin rural regions are devastated.

I am amazed that the Croats do not erect some big monument to Tito because of his success in getting the independent Croatian state—a Fascist state recognized by major powers such as Germany, Japan and Italy—not to pay reparations after the war, getting it transformed into an anti-Hitler state, and in addition getting the city of Zagreb to be awarded the Order of Hero Cities. I love the Croatian people, but we have to speak realistically. Mr. Tito still rests peacefully surrounded by flowers and pilgrimages are made to his grave. I am not in favor of acts of vandalism to graves, however I fear that he will need to be reinterred in his birthplace, or in some military cemetery, and again I am amazed at the Croatian gentfolk not arranging a ceremonial burial, since he is the greatest Croatian statesman since King Tomislav.

[Milanovic] There is a part of the National Party's program concerning the economy. Recently you said that Montenegro is not poor, but quite the contrary. It just needed to be properly directed and made the most of. In what way?

[Kilibarda] We must take all factors into account, the mental outlook of people, the social identity of people, the purchasing power of people, the work capability of

people, the competence of the state, or more precisely its lack of competence, to hold title to the social property that does exist in Montenegro. Theoretical solutions are easy for us, but the practical is difficult for us. I think we would need to bring in outstanding experts. Let us say from Japan. Why from Japan? Because the Japanese have succeeded in making a world-class economy out of their small state. The Montenegrins have not succeeded. Therefore, the Montenegrin economy must get help, because the economy is the most important sector of the state. It is necessary to create a market. To reorganize those big failed giants, for example Titeks. To ensure that people do not remain unemployed. It is necessary to watch out for the brain drain. To make good use of people who now are selling their brains to the West. It is necessary to make good use of Montenegro's natural resources.

[Milanovic] How do you view the creation of the SPS, and what do you think... how advantageous will that union be for the resolution of the problems in Kosovo?

[Kilibarda] If there were no Kosovo generating all the misfortunes in Serbia's politics, I would not have acclaimed that rushed linking up of the Communists and the Socialist League. However if it will help to solve at the governmental level such serious things as the problems with Kosovo, I am inclined to hope for a positive result. Since in Kosovo there is so much wear-and-tear and wreckage, it must be resolved by the state itself, without asking larger neighbors what to do.

The Serbian nation cannot alienate Kosovo because then that Serbian nation would not have its historical honor, and to deprive a nation of its historical honor means writing it out of history.

[Milanovic] What do you think about the young Montenegrin leadership?

[Kilibarda] The National Party is realistic because it follows the caution and wisdom of the people. The young Montenegrin leadership scored historic points, and that is a fact. They were leading the people when the coup was carried out in January 1988, and that was an important event for Montenegro. They have our respect, but I think they no longer have any political consistency that would impress us. Recently Momir Bulatovic made the statement that he does not like the program of either the Liberal Party or the National Party, not drawing any distinction between those two. The statement was made in a setting of multiple national and religious groups, probably based on the thought that he could pick up points that way. We are astounded. I think that the leadership is in a difficult situation because they are wandering and do not know what to turn to. We will respect them if they win democratically at the elections.

[Milanovic] Perhaps one should not be speaking about a union of Serbia and Montenegro based on brotherhood, common language, common historical heritage, but rather based on certain other sorts of interests. What do you think?

[Kilibarda] Although it is a fact that in these times people are able to unite based on interests, it is also a fact that Montenegro and Serbia can unite precisely for that reason. They have many of the cultural links, one language and one faith in both Serbian states, but if we go right to the area of interests, to the economic area, one can say the following: Both of these states are obviously very interested for practical reasons. Montenegro has the seacoast and vast natural beauty. In order to preserve the Moraca and Tara Rivers canyons (it is too late for the famous Piva River canyons), it can get electric power from Serbia, and thus can preserve these canyons unspoiled. The Bar harbor, an enormous harbor, would bring enormous revenue to Montenegro if it were brought up to a high standard, and Serbia in fact cannot be without a port on the Adriatic Sea. I mean, Montenegro is doing this at the very least for reasons of harsh economic necessity. Montenegro is a rich land, if it would only make good use of its natural resources. Union would in complementary fashion have both a cultural and practical dimension. And that state would have a splendid geopolitical situation, it would hold the key to many Balkan approaches, it would have a splendid position on the seacoast.

Ah, if in former times Montenegro and Serbia had considered what might befall them in a "so-called" Yugoslavia, who knows if they ever would have created that Yugoslavia. And if Montenegro and Serbia had not invested their statehood in Yugoslavia, Yugoslavia would not even exist. Yugoslavia's pivot is Montenegro and Serbia. They sacrificed a great deal in the first instance so that Yugoslavia could be created. The time has come for it to be said, and one must still testify to the fact, that today Montenegro and Serbia are more interested in Yugoslavia than others. I think that there is greater economic interest to be in Yugoslavia for a Croatia than for Serbia and Montenegro. But it is always emphasized that we will disappear without Yugoslavdom. Well, whether individually or whether as one state, Montenegro and Serbia, which existed for so much of their time without Yugoslavia, can also exist now without Yugoslavia.

Need for Tax Reform Stressed

Problems of Tax System

91BA0024A Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 1 Oct 90 pp 10, 12

[Article by T. Dumezic: "Tax Reform: Without Basic Prerequisites"—first paragraph is EKONOMSKA POLITIKA introduction]

[Text] Is the tax system in Yugoslavia bad because of too much decentralization? How to tax profit when there isn't any. Why could not the existing system of financing a common state be retained. Only the elimination of contributions is not in dispute.

Is a rational tax reform possible under conditions that characterize the domination of social enterprises in the overall economy which are uninterested in profit, and the absence of an agreed-upon concept of functions, rights, obligations and authority of a common state? We would say that the significance of these facts is underestimated and that this underestimation has also been reflected in the material of the Concept for Fiscal Reform drawn up by the Economic Institute in Belgrade and the Institute for Public Finance in Zagreb.

It is not difficult to agree with the statement that the tax system in Yugoslavia is bad. It is not bad because of exaggerated decentralization—the tax systems in all republics are very similar. It is not good in even one of the republics; this means that the objective conditions do not exist that would lead to the establishment of an effective tax system, a system that is more or less similar to those used in countries with a market economy.

The tax system and tax policy in Yugoslavia and in each republic separately do not satisfy basic economic and social criteria. Logic in the system and the means of taxation is also missing; this is best shown by the category of gross personal income, which in the individual republics does not contain even 50 percent of the contribution for retirement-disability insurance, but because of that contains the financing (almost completely) of science, culture, physical education, direct child care and the like. With the formation of autonomous interest associations for social activities, taxes and introduced contributions are reduced. These contributions are applied to personal income and enterprise income. Basically only the name was changed, while the essence remained the same—and in this case it is a question of taxes, because the so-called free exchange of labor has never been able to function. From this it follows that the basic weakness of the tax system in Yugoslavia, as well as in all republics and provinces, is the illusory separation of taxes from contributions. In both cases budget financing is the issue.

A second weakness of the tax system is the domination of indirect taxes. In the budgets of social-political associations (from the township to the federation), sales taxes (the basic sales tax, the sales tax on products and services for financing the Yugoslav National Army, and special republic or province sales taxes) and customs and import duties constitute the main income source. Over 80 percent of total revenues in the federation budget are obtained by means of these instruments. The share of the sales tax is also significant in republic, province, and township budgets. By taxing consumption with high tax rates, inflation is stimulated and the difference increases between prices on the domestic market and prices in neighboring countries. Socially unacceptable consequences also appear—people who realize a smaller income and cannot save are allocating relatively more for financing state organs.

Direct taxes are almost completely missing. In truth, there are taxes and contributions from income or quasi-profits (income reduced by a part of personal incomes that is not taxed), as well as a tax from personal income. These taxes are proportional and are, as to the tax base and the output that they create, very similar to direct taxes—primarily the value added tax.

The artificial difference between taxes and contributions has led to a situation where the category of gross personal income practically does not exist. In some republics taxes and contributions from personal income exceed a rate of 100 percent of net personal income, while the collective rate of all taxes and contributions in other republics is about 38 percent. This does not mean that the economy of these other republics is less burdened with taxes and contributions. The burden is about the same—the differences are a consequence of the fact that some republics tax gross personal income more, while others tax net personal incomes more. Defining the category of gross personal income is not exclusively a question of the tax system and tax policy. It is primarily an economic question. Gross personal income is a cost to the enterprise of doing business; this means that each owner of an enterprise who is interested in minimizing costs and maximizing revenues is interested in economizing labor costs. There is not a single argument that would support a situation where secondary school and college education, science, culture, physical education, direct child care and other areas are financed from gross personal incomes of employees. Overall the contribution for retirement-disability insurance paid by the enterprise, as well as the contribution for basic protection and health care, would have to fall into the framework of gross personal income. All other so-called social activities, to the extent to which they do not charge for the economic cost of their services, would have to be financed from the budget of the appropriate social-political association.

The Directions of Reform

One of the basic aims of the FEC [Federal Executive Council], the Economic Institute, and the Institute for Public Finance in the sphere of the tax system is the merging of taxes and contributions. Without a doubt, this is the only possible solution (under the condition that the contribution for retirement-disability insurance and the contribution for health care are excluded), since all other cases involve budget consumption. In addition, a mutual aim is also an increase in the importance of direct taxes in the tax system of Yugoslavia and all republics. Here two instruments must assume basic importance: a tax on the profits of enterprises and a synthetic tax on the income of citizens or households.

As far as taxing the profits of enterprises is concerned, something special cannot be invented that is not already functioning in countries with a market economy. The rate for this tax should not exceed 50 percent of the profits of enterprises. However, the problem is of

another nature—independent economic entities motivated by profit do not make up the Yugoslav economy, but rather social enterprises in which social factors dominate—employment, equitable distribution, and the like. To the extent a different motivation essentially influences the final effects of doing business, Yugoslav enterprises are not profitable. For this reason there are no practical possibilities of introducing a tax on profit. Profit is minimal in any case, and would be reduced still more by being taxed. As a result, budgets of social-political associations would remain without planned-for revenues. If the basic motive of an enterprise is maximizing consumption, then only that which is intended for consumption through personal incomes and allocations from joint consumption can be taxed. This type of approach means adapting the tax system to the existing economic system. Certainly, it would be much better to carry out a transformation of the economic system—the conversion of social enterprises into mixed and private ones, a transformation that would make possible the introduction of taxes on the earnings or the profit of the corporation.

A second group of tax instruments would relate to taxing consumption. Instead of the basic sales tax and special sales taxes, a value added tax would be introduced. This system exists in the majority of European countries, meaning that this would contribute to the creation of a comparable system. However, it must be pointed out that the differences between sales taxes and value added taxes are not very great. The transformation of existing sales taxes into a value added tax would not bring about essentially different economic and social qualities.

A third group of instruments is taxing citizens. Instead of existing tax brackets, the introduction of a synthetic tax is proposed—a tax on the income of citizens or households. This tax is progressive in almost all countries. The same is proposed for Yugoslavia as well. It is essential that the progression be such as to satisfy social criteria (adequate redistribution of income), but also that it not act as an economic disincentive on citizens who must be interested in maximizing their personal income.

The question of tax deductions and exemptions is also basic. It is certain that tax deductions and tax exemptions must always be tied to the social-political association that directly realizes income from taxes. For example, the federation could not make decisions on tax exemptions and tax deductions for taxes that are a source of income for the republic. Naturally, the same principal also holds true for the opposite situation—the republic could not make decisions on tax exemptions if the tax is a source of income for the federation.

Financing of Common Functions

Authorizations of the common government in the sphere of the tax system and tax policy must depend on what kind of government that will be—its types and the extent of its functions, rights, and responsibilities. It is usually

said that sources of incomes flow to the federation, and contributions of states constituting a confederation flow to the confederation.

As far as genuine incomes for the federation are concerned, the opinion dominates that they should be direct taxes—a tax on the income of an enterprise and a progressive tax on the income of citizens. In truth, this thesis is supported by representatives of less developed republics and provinces, since under this system their federal units would contribute significantly less to financing the common treasury. Today the federation has sources of income—the basic sales tax, a special sales tax for financing the Yugoslav National Army, and customs and import duties. Therefore, the financing comes from direct taxes. In addition, there also exists the tax assessment based on a quota system in republics and provinces whose share in overall revenues falls from year to year, especially after introduction of the special tax for financing the Yugoslav National Army. Why couldn't this system be retained in the following period? A contribution to the common treasury is proportionate to consumption and the import of federal (confederative) units, meaning that it is also proportionate to their economic strength. The tax system based on a quota system in the republics also corresponds to economic strength, since it is based on the relative share of its social product in the social product of Yugoslavia.

The primary problem is not the tax system itself and tax policy. It is necessary to change the economic system, which would function on the basis of economically motivated economic entities. With such a system it is not difficult to bring about a specific standardization of tax instruments and tax policy, while retaining maximal decentralization where tax deductions and tax exemptions are concerned.

No Easy Solution

91BA0024B Belgrade EKONOMSKA POLITIKA
in *Serbo-Croatian* 1 Oct 90 pp 11, 12

[Interview with Dr. Marijan Hanzekovic, minister of finance in the Croatian Government, by M. Lakicevic; place and date not given: "There Are No Ready Prescriptions"—first paragraph is EKONOMSKA POLITIKA introduction]

[Text] Excessive rights of the republics are not the main problem in the Yugoslav tax system. The demands of the federal government are unjustified. Financing the federal government exclusively through tax assessments based on a quota system. There is no disagreement on technical questions among Yugoslav experts. The first meeting of the Commission for Reform of the Fiscal System, with which work on the last segment of economic and social reform (more on this in the last issue of EKONOMSKA POLITIKA) began for all practical purposes, was recently held in Belgrade. We took advantage of this opportunity to ask a few questions of Dr. Marijan Hanzekovic, one of the best-known Yugoslav finance

experts and now minister for that sphere in the Croatian government, as well as a member of the federal government commission mentioned above.

[Lakicevic] Regarding today's tax system in Yugoslavia, where do you see the greatest problem?

[Hanzekovic] I see the greatest problem in the fact that there are two tax instruments that are collected from physical and legal entities; this is so because of the fact that there are taxes and contributions. I think that is the first thing that should be eliminated, or that contributions should be converted into taxes.

Moreover, the Yugoslav tax system is criticized for being fragmented among republics. This is certainly true, but these systems are very similar. Two agreements on the tax system and tax policy have been concluded so far, and although these agreements were drawn up over quite a long period of time, even if they were not literally completed, the results have nevertheless been positive, so that the tax systems and policies are very similar among the republics.

[Lakicevic] There is no disagreement about the elimination of contributions and their replacement by taxes today in Yugoslavia; where the future fiscal system is concerned, the argument is mainly, if not entirely, about the division of authority between the republics and the federal government.

[Hanzekovic] The question is what should be uniform and what can be different in a federation or confederation. In my opinion direct taxes can be different. They do not affect the unity of markets. Only indirect taxes, meaning the sales tax and duties, affect the unity of markets. We have a uniform sales tax and common duties and that's quite all right. These small differences that exist between direct taxes in republics do not affect the unity of markets. Look, in the European Economic Community (EEC), not one government has changed its system of direct taxes. Now the first attempts are being made perhaps to bring the taxation of enterprises somewhat closer, but where citizens are concerned this is not the case at all. And the question is whether this will succeed even with enterprises. Two commissions have been formed so far in the European Community for making direct taxes uniform. Neither of them has achieved anything. That which has been successfully completed is the uniform customs system and the introduction of a value added tax. All countries of the EEC membership had to introduce it and it is a condition for entering the Community. Spain was not able to become a member because it did not do that, the same goes for Greece, too. Therefore, this well-known uniform market is maintained by customs duties and a uniform system of indirect taxes, or value added taxes, but in principle each nation has its direct taxes. This is determined by historical legacy, the level of economic development, the organization of social life, etc.; there are a thousand circumstances that affect it and some uniformity is not necessary at all here.

[Lakicevic] Are the demands justified that the federal government is making through constitutional amendments and by which it seeks the expansion of its authority in the sphere of the tax system?

[Hanzekovic] From my point of view, no. I think that they are unrealizable, because political development follows contrary tendencies. All right, Professor Ksente Bogoev is of the opinion that the authority of the federation should be greatly broadened, that the federation should receive its own revenues, etc. That's his view of development; I see development differently, and it seems to me that this can exist only as a nice wish, but is in practice unrealizable.

[Lakicevic] When the common functions of the federal government are discussed—I assume that it will nevertheless have some common functions—how would they be financed in your opinion?

[Hanzekovic] I think only from contributions, or tax assessments based on a quota system in the republics. When the Constitution was ratified in 1974, this was the idea; then the federal administration voted to collect customs duties and the sales tax.

[Lakicevic] In the Concept of Fiscal Reform document, which was signed by the Institute for Public Finance in Zagreb and the Economic Institute in Belgrade, it says, among other things, that this system no longer exists anywhere in the world.

[Hanzekovic] Mr. Ksente Bogoev wrote that. That's his opinion and, also in his opinion, even confederations no longer exist. But they are indeed being created. One is appearing in the Soviet Union, the Czechs and Slovaks want to form a federation, South and North Korea...

Listen, there is no uniform prescription for everything: That which can be good in one country at one time, is not good in another country at another time, just as in the same country what was good today is not necessarily good tomorrow. I don't believe in prescriptions. If someone says to me, "That's modern," I ask: fine, what's "modern," what's the context, the content of it. That's no kind of argument at all. Bogoev has maintained his opinion, as far as I know, for 20 years. He is a unitarian; that's his right, and from this standpoint he sees a logical system, one consistent with itself. Conditions are developing in another direction and I think that the unitary system has no future.

[Lakicevic] Nevertheless, there is a continuous tendency in the EEC to equalize the tax system as soon as possible. Isn't that a kind of unitary system?

[Hanzekovic] Without any prospect. Except, of course, that there are common customs duties and a sales tax. And that Ksente Bogoev has spoken about some equalization in the taxation of enterprises, but they continue to be taxed differently in each country. Indeed, there are not great differences here, but each country will retain its system; there will be no equal tax.

[Lakicevic] Is there agreement among Yugoslav experts about how the fiscal system in Yugoslavia should look?

[Hanzekovic] There is for the most part, although not quite complete unity, naturally; there is never complete unity, but there are very similar views for the most part. A difference exists in that there are experts who see the whole tax system from a unitarist standpoint, from the standpoint of a uniform Yugoslavia, and who thus wish for the central government to have a decisive influence on finances in the whole country. And there are those who view the matter from the standpoint of decentralization, like me for example. I do not think that the future of our fiscal system is in a centralized Yugoslavia. If Yugoslavia is decentralized our tax systems will also be decentralized, but they will be very similar, I believe. Because, tax systems are very similar in general in the world today. Let's say, where the taxation of enterprises is concerned, profit is taxed all over the world; even variations in the rate are relatively small, varying between 40 and 50 percent of profit. As to taxation of the public, income is taxed. Two systems exist here, one the so-called bracket and the other global. But, the differences even between those two systems are not so great as it seems at first. It is more or less confirmed today that the global system is more modern and better. Perhaps so, and perhaps not. We have the bracket system for now, but it is similar to the global one. Because, after incomes from various sources are taxed, when they exceed a certain amount, then they are taxed at a progressive tax rate.

Listen, we all know each other, we talk among ourselves very often, we publish in the same journals so that, if you like, we even unintentionally influence each other and our views are very similar, I mean in regard to our specialty. Politically we can have different opinions, but regarding our specialty our views are very similar, maybe even identical.

[Lakicevic] Except where the rights of the federal government are concerned.

[Hanzekovic] That's a matter of the budget, as to what belongs to whom. But the budget is predominantly a political question and not a technical one.

[Lakicevic] Many experts believe that the federal government can and should have a broad degree of authority, such as direct taxes in its jurisdiction, as in the Federal Republic of Germany, and that the problem of fair, or legal distribution of income to the republics should be resolved in a different way.

[Hanzekovic] That's a possibility, but I think with the least prospect of being realized. At most uniform customs duties and sales taxes would be retained. But I don't believe that either. I believe that the future will bring about a federation budget centered on a tax assessment based on a quota system in individual republics. In keeping with the fact that the authority of the federation or confederation, whichever it's going to be, will be basically reduced; and the federation, if it remains, will have a basically reduced authority.

HUNGARY**Air Force Allegedly Has U.S. F-16 Fighters**

*91P20023A Helsinki VIIKKOLEHTI in Finnish
29 Sep 90 pp 18-19*

[Article by Ilppo Kivivuori in Budapest: "First American Fighters Already in Use"]

[Excerpt] [passage omitted] The Hungarian Air Force has two American F-16 fighters, according to Colonel Lajos Hajma.

Colonel Hajma, who works in the Hungarian Defense Ministry, told of the fighters to a group of foreign journalists. However, he did not provide any additional details regarding the matter.

Strict rules regulate the export of U.S. weapons. West Germany could hardly have delivered the aircraft to

Hungary, which is still part of the Warsaw Pact, without the permission of the United States.

The procurement of the fighters makes sense only if there is an intention to obtain more of them later. Regardless of whether the aircraft are borrowed or purchased, they have evidently been obtained for the purpose of testing them out.

Hungary is the first socialist country to announce that it is leaving the Warsaw Pact. This is expected to lead to Hungary's also procuring weapons from the West in the future.

The Hungarian Air Force is now based on MiG-21 and MiG-23 aircraft. The military leadership is giving consideration to replacing them, and, for reasons of image alone, Western weaponry—for example, these American F-16 fighters—constitutes a noteworthy option. [passage omitted]

HUNGARY

IMF, World Bank Loan Expectations Discussed

91CH0067C Budapest NEPSZABADSAG in Hungarian
3 Oct 90 p 1

[Interview with Hungarian National Bank First Deputy President Dr. Frigyes Harshegyi by Maria Lakatos; place and date not given: "Everyone Is Waiting and Watching"—first paragraph is NEPSZABADSAG introduction]

[Text] Last week the financial world met in Washington to attend the general meeting of the International Monetary Fund [IMF] and the World Bank. There were several news reports concerning loans promised to Hungary. We asked Hungarian National Bank [MNB] First Deputy President Dr. Ferenc Harshegyi about these loans. He conducted negotiations with private banks in the American capital.

[Lakatos] According to some reports the IMF would grant another loan to Hungary in the middle of October. Would this loan serve as a substitute for the negotiations about to start in the middle of October concerning a three-year loan package to be signed later?

[Harshegyi] The IMF delegation will indeed arrive in mid-October, and discussion will begin about this three-year loan package to support our economic policy. It appears that the cabinet's economic concepts for next year are becoming solidified. Thereafter, substantive negotiations may begin, based on these concepts.

[Lakatos] But the "white paper" containing the program appeared last week already, although it did not contain figures.

[Harshegyi] They are in the process of compiling the figures, and next week's cabinet session will yield a decision. These will be submitted to the IMF, because they will contain specific ratios. Based on the results achieved thus far the world organization would grant loans up to 150 percent of the Hungarian quota. This represents an annual amount of between 250 million and 300 million SDR [Special Drawing Rights], the equivalent of about \$400 million. Negotiations have just begun, of course, and therefore no decision should be expected before the end of the year.

[Lakatos] Did Hungary request some other loan from the world organization last week?

[Harshegyi] We have not yet done so officially, but we can see already that the oil crisis which affects us, may cause serious problems by next year. Similarly, one cannot foresee the extent to which for example Hungarian machinery exports to the Soviet Union will decline, and in general, how much it will cost to buy oil, and from where we will obtain it. The structure of Hungarian foreign trade has significantly changed already. While previously 50 percent of trade was settled in dollars, and 50 percent in transferable rubles, by now

trade transactions to be settled in dollars amount to twice as much as the amounts to be settled in rubles. Next year everything will be accounted for in hard currency, and this represents a heavy burden on the Hungarian economy. Both world organizations, the IMF and the World Bank, have special funds for such purposes. We may request on one occasion only, 200 million SDR's or \$250 million from the IMF, and about \$150 million from the World Bank for such purposes. Thus far we conducted preliminary negotiations to assess the situation. But such loans cannot be discussed until we sign the three-year IMF loan agreement.

[Lakatos] I would think that the private money market is also waiting for this agreement to be signed.

[Harshegyi] Indeed, everyone is waiting, watching, because they regard the Soviet situation as critical. We try to call attention to ourselves because our results are good. As of the end of September the current balance of payments surplus exceeds \$200 million.

[Lakatos] And despite this fact creditors are reluctant to grant us additional loans.

[Harshegyi] Look, this year we wanted to obtain loans amounting to \$3 billion to increase our reserves, even though our needs called for only \$2.5 billion. Thus far we received \$2 billion in loans. Next year we will need \$2.2 billion. And I hope that jointly the international financial institutions and the Common Market will grant loans amounting to \$1.2 billion to Hungary.

Draft EFTA Agreement on Customs Duties, Free Trade Established

91CH0070C Budapest NEPSZABADSAG in Hungarian
29 Sep 90 p 4

[Article by G. Zs.: "Hungary and EFTA [European Free Trade Association] Remove Customs Duties"]

[Text] A press conference was held yesterday at the Korona Hotel concerning the outcome of the just concluded negotiations of the first joint committee meeting of Hungary and the European Free Trade Association [EFTA]. Dr. Peter Balazs, leader of the Hungarian delegation, said that an agreement was reached concerning the removal of customs duties and quantitative restrictions, and that drafting the text of the asymmetric free trade agreement will begin this year.

EFTA delegation chairman Silvio Ariola announced that the agreement signed yesterday in Budapest attests to the fact that EFTA countries recognize the transformation taking place in Hungary, and are sympathetic toward further steps to be taken in the direction of a market economy. He added: "we worked in a wonderful atmosphere and agreed on the next steps to be taken in the course of implementing the Goteborg Declaration."

Several individuals responded to NEPSZABADSAG's question whether the asymmetric character of the agreement to be prepared was a political gesture or if it was

based on some economic consideration. The head of the delegation mentioned the fact that a similar gesture was made by the member countries toward Spain, and stressed that the benefit to be provided to the Hungarian party is also in the economic interest of the free trade association. The Swedish delegate called attention to the fact that asymmetry applies only to a period in which EFTA countries abolished customs duties earlier than Hungary did. The Norwegian delegate underscored the gesture quality of this measure which exerts the effect of an "incentive on cooperation."

Balazs on the other hand stressed that the agreement to be prepared is essentially not asymmetric, but symmetric, because its contents are mutual, only the timing of the measures differs. As a matter of comparison he referred to the GSP [Generalized System of Preferences] benefit, one that is not being returned by countries which enjoy that benefit, in contrast to the planned agreement between Hungary and EFTA.

The next negotiating session is scheduled for 19 November.

Enterprise Council Elections: Most Retain Old Regime Managers

91CH0070A Budapest NEPSZABADSAG in Hungarian 5 Oct 90 pp 1, 5

[Unattributed article: "After the Enterprise Council Meetings: No Change of Massive Proportions"]

[Text] It appears that workers were not inclined towards a reckoning despite stormy events surrounding enterprise managers. Previous managers were confirmed in 227 out of 293 enterprise council elections; in 18 cases no voting took place because the top leaders were relieved of their duties earlier, and invitations to submit competitive applications for the positions had been announced. Only 48 enterprise presidents were not confirmed in their positions. At first glance the list of those not confirmed does not suggest any particular general trend, at most one could say that machine industry and construction industry chief executives constitute a majority of those not confirmed.

In seven out of the 48 enterprises the top leaders did not run for election; they resigned their positions earlier.

The following enterprises did not give their president a vote of confidence:

Reanal, Ganz Rolling Stock and Machinery Manufacturing Enterprise, Agram Machinery Manufacturing Enterprise, Drive Mechanism and Painting Equipment Factory, Romhanyi Ceramics Factory, Csepel Custom Made Machinery Factory, Mako Agricultural Machinery, Hunor Glove Factory of Pecs, Hungarian Viscose, MIGERT, Re kard Agricultural Machinery of Győr, No. 26 State Construction Enterprise, Construction Industry Investment Enterprise, Bazis South Trans-Danubian Construction Enterprise, Earth Machine,

Ujpest Machine Component Part Factory, Panolit Kobanya Enterprise, Hoisting Machine Manufacturing Enterprise, Construction Industry Machinery Manufacturing Enterprise, Northern Hungary State Construction Enterprise, Richards Fine Textiles, Tisza Chemical Combine, KOGEPTERV, Granite Abrasive Disk Manufacturing Enterprise, Hungarian Advertiser, Consignment Department Store Enterprise, Compack Commercial Enterprise, Budapest Chemical Works, Silk Knitwear Factory, Szeged Printing Press, Szeged Iron Casting Works, Bonyhad Shoe Factory, Sheet Metal Works, Kontakta Electrical Installation Enterprise, Alkaloida, Hajdu Region Industrial Works, Debrecen Shoe Factory, Palota Leather Goods Factory, Kapos Machinery Works [KAPOSGEP], Construction Industry Production Tools Commercial Enterprise, and Gravel Mining Enterprise.

Prior to the elections, the presidents of the following enterprises resigned: Kiskun Shoe Factory, Agricon Agricultural Machinery Works of Kecskemet, Therapeutic Hotel Danubius, Budapest Hosiery Factory, Csemege Commercial Enterprise, Duna Construction Industry Enterprise and Kender Jute and Politextiles.

Enterprise presidential elections in Győr-Moson-Sopron County—the county with the new name—will begin on Monday with few surprises but not without uncertainties, according to our reporter Jozsef Ferenczi. The process is complete in a majority of firms directed by enterprise councils. At RABA Hungarian Railroad Car and Machine Works—the largest enterprise in Western Trans-Danubia—President Ferenc Karpati stood to be elected for the second time within the past few months. Once a chief technology specialist at RABA, Karpati was an enterprising small tradesman during the summer. Now he has been confirmed by the enterprise council as president with only one negative vote. At successful enterprises the previous presidents were given a vote of confidence without debate—on the basis of full unanimity one could say. This was the case at the Magyarovar Aluminumoxide Factory, which ranked eighth among the 100 largest Hungarian enterprises from the standpoint of last year's results. The situation was the same in the successful Győr Baked Goods and Wafer Factory. From among the presidents who performed their duties as party workers a few years ago, Ferrovill President Laszlo Horvath was reelected.

The largest chemical enterprise in Komárom-Esztergom County, the Hungarian Viscose Enterprise of Nyergesujfalu became the center of attention a number of times in recent months, according to our reporter Bela Kovacs. As reported in this newspaper, not too long ago two workers raised the possibility of shutting down the testing facility unless the president met the workers' wage and other demands. Meanwhile an agreement was reached in the case which grew into labor law litigation. One cannot tell whether this matter played a role, but the

newly elected enterprise council relieved enterprise president Miklos Bakucz of his duties on 26 September, and invited applications for the position. The dismissed president made no secret of his disappointment and noted that time will tell who was right.

A different solution was found in the Agricultural Combine of Kornye. Based on a joint agreement the enterprise council of the combine terminated the employment of Dr. Janos Tecszi who had served as president thus far, and appointed one of the deputy presidents as acting president until the vacant position of the president is filled.

Leadership changes at the Komarom and Babolna Agricultural Combines took place last year and this year, respectively. Zoltan Pulay and Dr. Robert Burgert, the two previous presidents, and the two presidents elected to replace them—Janos Szucs and Dr. Laszlo Papocsi—were given a vote of confidence in the present elections.

Privatization Loan Structure, Effect of Oil Price Changes Detailed

*91CH0085B Budapest FIGYELO in Hungarian
4 Oct 90 p 13*

[Unattributed article: "Hungarian National Bank (MNB) Council Meeting Concerning Privatization Loans"]

[Text] The Hungarian National Bank [MNB] held its council meeting last week. The following items appeared on the conference agenda: financing and refinancing of the new start loan system and presentation of the new system that went into effect as of 1 October; the structure of privatization loans; agricultural damage caused by drought and the possibility of providing support by way of loans; accounts settlement problems with East European countries beginning in 1991 and the effects of oil price increases on the balance of payments; presentation of various views concerning free account management of various organizations funded by the state budget; review of the economic situation and the fourth quarter monetary policy plan. MNB deputy president Sandor Czirjak presented the various agenda items.

Three topics stand out among the subjects dealt with during the several hours long conference: privatization loans, the anticipated effect of oil price increases, and the problems to be resolved in regard to accounts settlement among former CEMA countries.

The two components of privatization loans are the so-called small business fund and the MNB's privatization loans. The basic resource for the small business fund is the 100 million marks made available by the Federal Republic of Germany [FRG], which may be replenished later depending on needs. Loans from these funds may be secured by private persons agreeing to purchase fixed assets owned by the state. The maximum loan amount available is 50 million forints. The borrower's own

capital contribution would progressively change beginning with the lower amounts. It is planned that depending on the magnitude of the amount, borrowers would have to contribute between two and 25 percent of the borrowed amount from their own capital.

The peculiar feature of the MNB privatization loan is that there is no maximum amount. The borrower's own capital contribution requirement is set at the uniform level of 25 percent. The fact that the borrower need not be a private person is not an exclusionary condition; various combinations of ownership forms may take advantage of this resource.

The relationship between the two kinds of loans may be close, and the conditions of one kind of loan do not rule out the other. Both types of loans are administered by commercial banks. The issue of the extent to which stock, and the nominal or market value of stock, may become an element in the transfer of property for which a loan may be obtained, was raised. A substantive debate followed at the council meeting concerning this agenda item.

Insofar as the effect of changing oil prices is concerned: a one-percent increase in oil prices represents \$50 million in added expense. Loss on exchange rates due to the future purchase of Soviet crude oil at \$20 per barrel represents an annual loss of approximately \$1 billion. A one-percent change in interest rates represents an annual loss or gain of \$100 million. It is expected that oil price increases will also be reflected in the form of increased interest rates.

Beginning in 1991 accounts with East European countries will be settled in free foreign exchange. No information exists in regard to the actual implementation of such settlements other than an agreement in principle. Similarly, it is not known who will make payments, what methods of payment must be applied, etc. For this reason the MNB leadership requests commercial banks to obtain direct information in this regard from their partners, because the transition to the new method of settlement is rather close.

Electrical Works Officials Optimistic About Winter Energy Supplies

*91CH0067D Budapest NEPSZABADSAG in Hungarian
29 Sep 90 pp 1, 5*

[Article by Judit Kozma: "There Will Be Light: Multilateral Electrical Relations"]

[Text] Even if temporary technical problems may occur, officials at the Hungarian Electrical Works are counting on secure energy supplies this winter.

As we learned from Tibor Pinter, director of the National Load Distributor, Hungarian power plants are operating without disruption, and imported electricity is also flowing without obstacles. In fact the technical

security of Soviet imports is improved these days. These imports account for more than one quarter of Hungary's consumption.

The situation is not expected to deteriorate in the winter, according to Gyula Lengyel, the Hungarian Electrical Works Trust [MVMT] deputy president for engineering. He said that no accurate information is available concerning the Soviet energy system, but in his view whatever technical problems the Soviets may have, will not threaten the delivery of electricity. Even if one cannot rule out a shutdown of one power plant or another, in the course of inspecting nuclear power plants, or as a result of miners' strikes, this will not present an obstacle to Soviet exports.

The fact that technical problems may arise at any time is another matter. If a larger electricity-producing facility drops out unexpectedly, or if a user country consumes more electricity than agreed upon, the delivery of electricity may halt temporarily. Fundamentally two kinds of technical problems occur, the details of which we will not describe here. As a result of these [problems], a 600-megawatt capacity, or in the worst case, a 1,000-1,100-megawatt capacity drops out.

Smaller deficiencies in capacity may be supplemented by the Hungarian power system. In the 7,000-megawatt Hungarian power system an inherent reserve of 900 megawatt exists. This reserve is increased by an additional 500 megawatt capacity, because this year we consumed 2.8 percent less electricity than last year. If this reserve is insufficient, we may obtain temporary help from Poland and Czechoslovakia, and from the electrical system of the former German Democratic Republic, based on bilateral agreements in effect. In addition, we could establish an insulated link with Austria and Yugoslavia. Because of the arrangement of long distance power lines, electricity obtained from this source could be used only in a small part of the country, nevertheless this would serve to relieve the national energy system. As a result of these international connections we may obtain an additional 400 megawatt capacity.

The situation is different if imports come to a halt for a longer period, rather than temporarily. Lengyel believes that the occurrence of a situation like this is unlikely insofar as all imports are concerned, and that only a natural disaster, an earthquake or a revolution—i.e., internationally recognized major disasters—could cause such a disruption of imports. Otherwise disrupting the imports in the long term would constitute a grave breach of contract, and this contract is different from all other contracts. Our agreement specifies terms by the hour, the conditions are more stringent, and violation of the agreement to this extent has not yet occurred. Quite naturally, preparations for this were made in our plan of average deliveries. In this case service to large electrical energy consumer plants would be reduced on the basis of a predetermined schedule so that the cutbacks do not affect the populace.

Accordingly, professionals count on secure supplies insofar as the coming winter is concerned. More accurately: These stipulations apply to the first part of the winter because our agreement expires at midnight, 31 December 1990. Negotiations to extend the agreement, and an agreement for electrical energy deliveries next year were initiated. Our intentions call for the importation of a similar volume of electrical power next year. Meanwhile we are making efforts to reduce our one-sided energy dependence by trying to link up with the West European energy system. For the time being, only preparations are made in this regard.

Mandatory Emission Tests, Other Environmental Measures Planned

*91CH0067B Budapest MAGYAR HIRLAP
in Hungarian 5 Oct 90 p 4*

[Unattributed article: "Kaposvar Conference: Next Year Environmental Protection Inspection of Automobiles Will Be Mandatory"]

[Text] A transportation science conference opened at Kaposvar on Thursday [4 Oct]. Environmental Protection Ministry State Secretary Mrs. Laszlo Tarjan told the conference that revenues derived from the expected increase in gasoline prices will be spent for environmental purposes, and that the annual inspection of automobiles from an environmental protection standpoint will be mandatory. The threshold figures for the emission of pollutants will be made more stringent, and in two years they will begin to install filtering equipment in automobiles not equipped with catalytic converters.

The Ministry recommends that financial support be provided for the rebuilding of automobiles for environmental protection purposes.

In conclusion, they want to cover all these expenses by factoring surcharges into the price of gasoline and automobile taxes.

Industrial Production: Overall Decline Reported

*91CH0088C Budapest FIGYELO in Hungarian
11 Oct 90 p 4*

[Unattributed article: "The First Eight Months of Industrial Production"]

[Text] Central Statistical Office [KSH] data show that industrial production during the first eight months of the year declined by 10 percent in plants with fewer than 50 employees, as compared to a year earlier. Production declined at the large enterprises: Firms employing more than 300 persons show a decline in production of 12.1 percent, while in firms employing between 50 and 300 persons production increased by 20.5 percent. This trend evolved not only because of an actual decline in production, but also because of the fact that as a result of decentralization, productive units formerly belonging to large enterprises are now becoming independent, and these increased the number and production of smaller

firms. The strong growth of smaller entrepreneurial ventures is indicated by the fact that the number of small organizations rose from 1,913 at the end of 1989 to 3,500 by the middle of this year.

The decline in Hungarian industrial production was determined by the decline in domestic demand backed by an ability to pay, and by the slowing-down of exports subject to settlement in rubles. Industrial enterprise production for domestic consumption declined by 10 percent, for further processing by industrial enterprises by 9.5 percent, and for use by other Hungarian producers and for investments by 17.5 percent, as compared to the previous year. At the same time, exports subject to settlement in currencies other than the ruble increased by 14 percent.

The rate of employment also decreased along with declining industrial production. An average number of 1.228 million persons work at plants employing more than 50 persons. This number is 8.3 percent smaller than a year ago. The number of employees declined by 13.2 percent at base material producers. This is the fastest rate of decline. Within this figure the rate of decline of the number of employees was 18.6 percent in the foundry industry, and 16.5 percent in the mining industry. At the same time, the rate of decline in the processing industry amounted to only 7.6 percent.

Industrial producer price [increases] became more forceful. While last year such price increases amounted to 13.4 percent, this year the rate of increase was higher than 21 percent as compared to a year earlier. Producer price increases amounted to 21.4 percent in the processing industry, and to 20.5 percent in the base material producing industries. Prices increased even higher in the food and pharmaceuticals industries. In these sectors price increases amounted to more than 30 percent.

**Data on Unemployment, Unfilled Job Positions
Jan-Aug 1990**

91CH0088B Budapest FIGYELO in Hungarian
11 Oct 90 p 4

["Graph of the Week"]

[Text]

Number of Registered Unemployed Versus Vacant Positions Between January 1990 and the End of August 1990

Numbers in Thousands

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Unemployed	24.0	30.0	32.5	32.0	37.5	42.5	45.0	46.0
Positions	38.0	38.5	34.0	35.0	37.5	37.4	36.0	34.0

Source: National Labor Market Center

Semiannual Report on Enterprise Performance

91CH0019A Budapest FIGYELO in Hungarian
6 Sep 90 p 6

[Article by Dezso Suto: "Differentiation in Enterprise Performance; Semiannual Balance"]

[Text] According to data from the first half of the year, the growth on return for enterprises is a result of the increase in producers' prices. That is to say, both production and sales volume decreased. During the first half of the year, several thousand new ventures were established—primarily limited liability companies and share companies. The number of ventures required to report data at midyear was 3,299, a 23-percent increase over the number for the same period in the previous year.

Because of the change in regulations, preparation of an exact balance sheet report is required only at yearend. PM [Ministry of Finance] Order 11/1990, however, requires midyear data reports from economic organizations with annual returns greater than 250 million forints. These were used as a basis for the analysis.

Growth

Compared to the same period last year, ventures submitting midyear data reports that can be regarded as new ventures totaled 837. It must be added, however, that these new ventures either in part were separated from existing ones and restructured, or had not been required to report their data in accordance with the regulations earlier on. Of the total numbers of ventures in the base time period, 213 economic organizations (8 percent of those in the previous period) are not listed this year, and can essentially be regarded as defunct.

The real-price net return for enterprises increased 8.4 percent in the first half of 1990 compared to the same period in the previous year, and the volume of sales decreased.

Net return for industry grew by 8.3 percent. Among industrial sectors, the growth in return for electrical energy, construction materials, and foodstuffs exceeded the average. Prices increased more than 20 percent in the basic materials production industry. For mining, an approximate 13 percent sales increase was accompanied by a 12 percent fall in production volume.

The return in the machine industry decreased by 8 percent. The return on ruble-based exports in the machine industry was 23 billion forints less. Increases of almost 6 billion forints in return on convertible [currency-based] exports and 1.6 billion forints in return on domestic [sales] in the machine industry moderated this [loss]. As the bottom line result, machine industry total sales decreased by 15.4 billion forints, compared to those for the same period in the previous year.

With regard to branches within the national economy, net return in the construction industry also decreased, specifically by 9.2 percent, with building experiencing

the primary fall-off in the construction trades. The greatest slump occurred in the civil engineering sector.

In the areas of transport, post, and telecommunications, net return surpassed that of the base time period by 7.9 percent. For transport, return grew by 9 percent, while for commerce it increased by 4.2 percent—although the increase amounted to only 1.4 percent in domestic commerce.

...and Decrease

The 32.4 percent decrease in ruble-based export returns for enterprises met the target set by the government. Ruble-based export returns for industrial ventures fell by 30.7 billion forints, or 35.3 percent, in the first half of the year, compared to the same period last year. Ruble-based exports for every significant exporting sector in industry decreased substantially. Most importantly, machine industry exports fell by 41.6 percent. Ruble-based export returns decreased by 20 to 40 percent in the remaining sectors.

The forced decrease in ruble-based exports contributed to the dynamic rate of growth in exports accounted in convertible [currencies]. Non-ruble-accounted export returns for enterprises surpassed those for the first half of last year by 28.1 percent, or approximately 46 billion forints. Return on convertible [currency] exports for industrial ventures was 19.8 percent larger during the first half of the year. Export growth in light industry and the foodstuffs industry exceeded the average.

Return on convertible [currency] exports in the machine industry grew by 24.2 percent, but the increase lagged behind that of a year ago. A similar tendency can be observed in the export sector that has been the most dynamic up to now, the chemical industry, in which return on convertible [currency] exports grew by a mere 6.4 percent compared to earlier growth of from 30 to 40 percent.

Loss

Based on the data from enterprises required to submit midyear reports, profits realized during the first half of the year surpassed those of the same period last year by 25.5 billion forints, or 19.7 percent. The loss total is 30.1 billion forints, which is 2.8 times that of the base time period. The total result is larger by just 6.1 billion forints, and barely 5.2 percent, than last year's at the same time.

Never before have the results from two important sectors, the machine industry and the construction industry, gone to the minus side.

Results declined in every single industrial sector with the exception of mining, the electrical energy industry, and the foodstuffs industry. The size of the decrease was generally from 20 to 30 percent, except for metallurgy where the drop was even greater, with results down 65

percent. Profit increases at financial institutions, however, (at 66.3 percent!) were very striking, caused by the earnings to be derived from the high interest on credit. Surplus earnings amounted to 14.9 billion forints. The quickening pace of price increases determined profit trends at economic organizations. Industry's 11 percent growth in domestic returns paralleled the increase in the domestic production price index—more than 20 percent. Sales volume decreased, and demand was moderate. Industrial production—excluding the foodstuffs industry—was 12 percent lower than during the first half of last year.

The decrease in subsidies is playing a significant role in the growth in losses. Total subsidies for those reporting data at midyear fell—in accordance with the [government] program—by 16.8 billion forints, or 24.3 percent.

...and Loss

Differentiation in the economic situation of the enterprises is accelerating.

In the first half of 1990, 772 ventures disclosed a total of 30.1 billion forints in losses. Of this amount, close to 4 billion forints were accounted for by 223 new ventures. It is evident that the average loss at entities that were in operation earlier is three times as great as that of the new ones. For the same previous time period as well, the number of ventures showing a deficit was 209 (27 percent of the total). At 142 of these losses grew, while they decreased at 67.

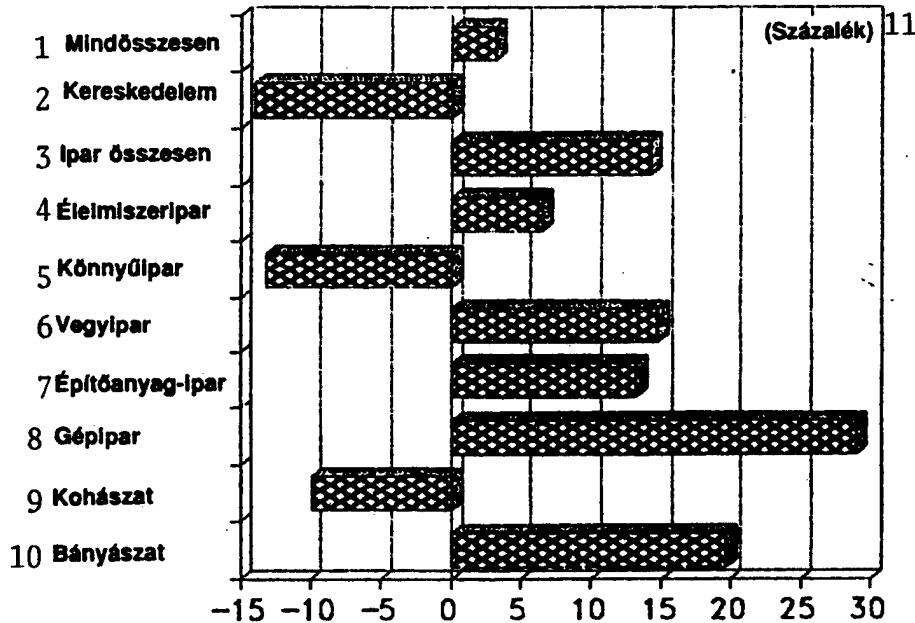
The concentration of losses provides a clear trail to follow. Sixty-one percent of the losses are concentrated at 74 enterprises. The increase in returns from convertible [currency-based] exports had a favorable effect on result trends at ventures. As a proportion of returns from total exports, [convertible export returns] reached 74 percent, while they comprised merely 60 percent during the base time period.

Export and Domestic Market

Domestic returns for enterprises in the first half of 1990 grew by 9.0 percent compared to the same period in the previous year. Of total return on exports, return on ruble exports fell by 35.4 billion forints, while return on convertible exports grew by 46.1 billion forints.

If we look at the domestic return trends per unit export for the two time periods (see chart), it is evident that [industrial] branches are going their separate ways, in part because of the change in export and domestic markets. Tight restrictions on ruble exports and an increase in the domestic production price index are not the only things that make convertible exports attractive. The changes in the proportion of domestic to export returns as flexible coefficients indicate that a further steep decline in ruble[based] exports may be the factor that drives up prices on the domestic market, because of the weak restraints on it. (For example [enterprise] queuing, and prices.)

Comparative Change Between Return on Domestic and Export Sales



Based on data from the first half of 1989 and 1990

Key:

1. Total
2. Commerce
3. Industry, total
4. Foodstuffs industry
5. Light industry
6. Chemical industry
7. Construction materials industry
8. Machine industry
9. Metallurgy
10. Mining
11. Percentage

Outlays for materials and energy increased at a relatively moderate pace, by 6.2 percent.

Enterprise expenditures on wages rose by 15 percent with the exception of mining, where reductions in the number of employees were particularly large. The rate of increase for wage costs is outpacing growth on returns everywhere.

For the first time, productivity and numbers of employees both declined together.

Banking expenses increased the most as a portion of total expenses. During the first half of 1990, banking expenses increased by 14.3 billion forints, growing by a rate of more than 40 percent. Budget payments for the first half of the year fell 3.3 percent behind the amount allocated

for this year. The decrease in subsidies is significant, but somewhat less than the amount planned for the period.

Inflation: Statistical Report, Social Situation

91CH0088D Budapest FIGYELŐ in Hungarian
4 Oct 90 p 4

[Article by Zoltan Meixner: "Inflation: It Goes On and On...."]

[Text] According to Central Statistical Office [KSH] calculations the consumer price index during the first eight months of the year was 27.1 percent higher than a year ago. The largest increase may be seen in retail goods. The price increase in this regard amounts to 35.4 percent. The price increase in regard to technical goods,

which constitutes 60 percent of retail trade amounts to 24.4 percent. (Clothing: 22 percent, mixed industrial goods: 25 percent.)

The rate by which prices increased accelerated in August. During the first six months of the year the increase exceeded the previous year's level by 26.3 percent, while in August the excess amounted to 31.6 percent. On top, last August the prices of meat and meat products, milk and dairy products and of flour and tropical products was 40 percents higher than in 1989. But the prices of poultry and poultry products, butter, lard, cooking oil, bread, and many other important food products also increased by 30 to 40 percent. It may be attributed to mere luck that the prices of seasonal greens, vegetables, and eggs increased only by 15-20 percent. At the same time, consumers had to pay prices 40 to 45 percent higher than last year for fresh fruits grown in Hungary.

Thus far the facts. And what follows from all this? Increasingly fewer people will be able to afford appropriate nutrition and sufficient clothing. Luxury items, such as cigarettes, alcohol, candy, etc., has become almost unaffordable to millions already. Or, if we follow the old wisdom, according to which a man may get along without food, but in no way without tobacco....we find that hundreds of thousands are puffing smoke on a hungry stomach. And we have known ever since the ancient Greeks that passions feel particularly at home in an empty stomach. Here we are, facing the heating season, and we know that once again hundreds of thousands, or millions of people will shiver through winter in an unheated, often dark room. They can't even afford to pay the electrical bill. Families live in railroad stations, children are born homeless, because they have no place elsewhere. All this time the changing of systems continues to go on and on....But what for?

POLAND

Financial Costs of Environmental Deterioration Outlined

91EP0037A Warsaw GAZETA BANKOWA in Polish
No 39, 23-29 Sep 90 p 7

[Article by Andrzej Graczyk and Jaroslaw Szyngiel:
"Losses From the Air"]

[Text] Nearly 70 percent of Polish forests is threatened by airborne gases and impurities. Pollution measurements indicate that more than 12 million Poles live in regions in which the norms are constantly exceeded.

Air pollution has also an economic dimension. At present, however, public attention is focused on completely different economic problems, and environmental protection is relegated to a secondary plane. This is largely due to the fact that the threat to the environment is not being perceived in its economic aspect serving to compare costs and benefits by analogy with most economic undertakings.

The losses caused by the pollution of atmospheric air have been estimated at 1,028.7 billion zlotys in 1988 prices and consist of:

- Health hazards, 183 billion zlotys.
- Losses of fixed assets, 736.5 billion zlotys.
- Losses of arable crops, 51.2 billion zlotys.
- Losses due to acidification of soils and waters, 19.9 billion zlotys.
- Damage to forests, 38.1 billion zlotys.

Given the considerable variability of prices, the mere listing of such losses does not sufficiently illustrate their importance. They have to be relativized by comparing them with other economic quantities.

The overall losses due to air pollution in 1988 correspond to 4.1 percent of the gross national product generated in that year; this is a higher proportion than in most other European countries.

The losses due to the effect of air pollution on human health are equivalent to 16.7 percent of the expenditures of the State Budget on health care. It should be added that this pertains only to certain, measurable loss elements.

Forest losses correspond to 12.2 percent of the net output of forestry, or, if allowance is made for the acidification of forest soils, 16 percent. However, this estimate applies only to the areas in which the damage has been verified, and not to all threatened forests.

As for agricultural losses, these are distinctly lower, accounting for 1.8 percent of the net output of agriculture, even if soil acidification is allowed for. The ratio of losses of fixed assets in agriculture to the gross value of these assets is even lower.

The losses due to air pollution may also be compared with the extent of the expenditures on clean air. In 1988 these losses were nearly 15 times as high as the investments in cleaner atmospheric air. Both this ratio and the fact that in other countries such losses are relatively lower, point to the possibility of increasing outlays on clean air.

The draft National Program for the Protection of Natural Environment until 2010 includes a program for reducing sulfur dioxide emissions from their present 4.3 million metric tons to 2 million tons in 2010. The investment outlays for this purpose were fixed, in 1986 prices, at 2,400 billion zlotys.

To compare these outlays with the extent of future potential losses it is better to use dollars as the yardstick in view of the noncomparability of prices in zlotys for discrete years. Thus, implementing the program for curtailing sulfur dioxide emissions would reduce to \$21.3 billion the losses due to air pollution during the 1988-2010 period. Were this program not implemented, the losses for that period would amount to \$27.2 billion. Both estimates are based on the assumption of a fixed,

identical level of the influx of foreign pollution and linear variation of the changing domestic emissions.

Thus, the implementation of the program for curtailing the emission of impurities would avert losses totaling \$5.9 billion. The related investment outlays may be estimated at about \$4.8 billion.

Curtailing the emissions of sulfur dioxide would also involve certain operating costs which are difficult to estimate in view of the variegated nature of the techniques that can be used to this end. It seems, however, that the problem of operating costs should be approached differently and should not be a prerequisite for implementing this program.

After all, operating costs are not a precondition for applying other techniques of reducing environmental pollution, for example, the purification of water for water supply systems or dust precipitation at electrical power plants, where such operations are nowadays viewed as a normal part of present day process technologies. At most, we expect them to be more effective rather than profitable. And besides, costs can be markedly reduced with time, owing to technological progress.

That is why it appears that the need to markedly reduce the emissions of sulfur dioxide should ensue from a comparison of the investment outlays on this purpose with the extent of the avoidable losses. Calculations show that the Polish economy has sufficiently matured to undertake such a program.

It should be added that avoidance of losses is only one of the advantages that can be achieved by reducing the emission of impurities. Thus, for example, we may expect greater income from tourism (important, in view of the proximity of Germany), more competitive exports of Polish agricultural products, etc. Then there are also the nonmeasurable benefits such as the satisfaction derived from living in a safe environment, the decline in diseases, etc. Thus it is worthwhile for measures to reduce air pollution to gain approbation not only in view of their importance but also in view of the advantages they yield.

YUGOSLAVIA

Issue of Enterprise Ownership Slows Restructuring

90BA0323B *Belgrade EKONOMSKA POLITIKA*
in *Serbo-Croatian* 10 Sep 90 pp 19-21

[Article by Vladimir Grlickov, including interview with Ljubomir Popovski, general director of the Skoplje Commercial Bank; place and date of interview not given: "To Ownership Through Outstanding Claims"]

[Text] The subject of the capitalization of banks, and in connection with this the collection of outstanding claims that objectively reduce their capital value, has become relevant again. This is because the results of a review of

banks' balances is being awaited, together with what they will yield as a result. Everyone expects, however, that we will finally get the true picture of the balances, and the uncollected (or uncollectable) outstanding claims, and that in connection with this the choice of the type of financial rehabilitation they will enter will become clearer. Naturally, the outcome of all this will determine how banks' creditworthiness and credibility will be assessed, and that in turn will determine their chances for entering into any new activity.

One of the basic tenets of the reform of the banking system is a permanent solution of the problem of banks' uncollected outstanding claims, or losses. The point of departure is the principle that the banks' losses are only the other side of the coin of the losses of their founders. This approach is a significant innovation, because it promises that the problem of uncollected outstanding claims and losses will be solved "at the root," with both the banks and their founders. This is an attempt to eliminate permanently the "phenomenon" of uncollected outstanding claims through a restructuring of the ownership of the founders, making them capable of operating, and putting them in a position in which banks are collecting outstanding claims. The role of the banks in this would be significant, since they would be responsible for the process of the transformation of ownership. Specifically, the starting point is that the banks, as the main creditors, will acquire ownership rights in the founders, which would give them the opportunity to take all the necessary actions to put the founders on "their own" feet, and to make them capable of operating normally. Along with our article on this subject, we also have an interview with Ljubomir Popovski, the chief director of the Skoplje Commercial Bank. The subject of the transformation of ownership deserves such attention because it is one of the prerequisites for creating room to mobilize free domestic funds, and especially for an influx of foreign capital (among other things, people are counting on a World Bank loan for restructuring the financial system).

Naturally, the bank's situation for assuming a significant role in the process of the transformation of ownership and in their own capitalization is far from simple. From the standpoint of the system and regulations, there are no major obstacles, but bankers are pointing out that past attempts to achieve a transformation of ownership through banks have not yielded any particular results. The transformation of bank funds into owners' shares for the founders, with all management rights and rights to profits (dividends) as well as risks, although it has been done according to regulations, has not brought about any improvement in bank operation. This is because it is essentially a matter of changing "clothes," and not reform changes; the bank funds have only been renamed "owner's" shares of the enterprises, without anything having changed in the ownership structure of the enterprises.

Perhaps one could also speak of a mistake in determining the sequence of the steps: Instead of transforming

the ownership of the enterprises, the process of restructuring the banks was initiated. This did not yield any results, because the "capitalization" was done on the old basis. In the first place, these are old funds or "new" shares whose historical appearance is well-known—on the basis of issuing loans as the only means of financing, but also on the basis of the well-known "coercive" means of revaluation. In the second place, the founders' shares acquired formal "capital" characteristics, but those holding them, in the form of the state, enterprises, funds, etc., remained immanent representatives and "propagators" of social ownership, which has been proven to be inefficient.

Naturally, in principle one should add to all of this the low "historically" inherited capital value of the banks, since they themselves have not taken it into account; under the conditions of social ownership, in fact, it was not the main purpose of their operation.

Consequently, the starting position of the banking system in the reform has been based on the mere transformation of the old funds into the "new" owners' shares. In contrast to the low capital (fund) value of the banks, is the balance of assets, the other side of the coin of that unfavorable situation. Since the reform is trying to have the banks as well "transferred" from a social-administrative to a different market-based means of operation, the real quality of those bank assets, their investment, and outstanding claims should be determined. This, naturally, is a question of determining their quality through the economic and financial review of the balances that is being conducted by the SDK [Public Auditing Service], with the "super" active participation of a foreign auditing firm, and also with the intention of determining and applying objective criteria that will apply to all banks. An attempt is in fact being made to conduct the review according to world criteria, which are more rigorous than our past practice, but at the same time do not represent a copy of what exists in the most developed financial and banking systems. This is because the review criteria have been adapted for a less developed banking market structure like ours. It is a review of the banks' final accounts for 1989, which seems less essential to bankers, and also of a review of banks' creditworthiness. That is the essence of the matter for them, since that "dissection" will determine their commercial image, reputation, and the position from which they might enter financial rehabilitation (which is planned to be carried out on the basis of the new market principles, for the first time, with prior acceptance of capital conditions for operation). The outcome will also determine their chances for entering into new credit and other business, also associated with the transformation of the ownership of the founders.

The essential thing is analysis of the banks' assets, which is being done primarily by classifying investments (in five categories, from A to E), depending upon their quality, which, in turn, is based on the regularity of repayments of the loans by enterprises. In this regard, the

"lower" categories of investments (from C to E), collectively—more precisely, 50 percent of category C, 75 percent of category D, and 100 percent of category E—represent the banks' so-called questionable assets. The banks' questionable assets, thus compiled, which include all investments with one beneficiary, both short-term and long-term, mature ones and those that have yet to mature, foreign exchange and dinar, and also guarantees that have been given as a potential obligation for the banks, viewed statistically constitute the "burden" that has a crucial influence upon the classification of banks into various categories and that should be the starting point for determining their business capabilities.

Naturally, little can be criticized in this method of portraying banks' balance situation, because the purpose is to get a true picture of the situation, so that nothing will be presented falsely or erroneously or concealed in the area of banks' operations. This kind of "unmuddied water" would be the starting point for financial rehabilitation of the banks, but also for determining their creditworthiness. Of course, bankers can make the criticism that the real questionable assets that have been identified are not phenomena that appeared yesterday, because they are the result of several years of the accumulation of bad business moves, as well as the fact that today questionable assets and bad business results also depend upon external socioeconomic trends and shifts (such as, for example, the broader consequences of the crisis in the Persian Gulf). Those trends can fundamentally change the situation "in an instant," with business success turning into business failure, and vice versa. And bankers can also make the criticism that it is not clear to them how one will proceed with banks of different (read lower) categories when they are being restructured; in this regard, they stress that they really do not know whether there will be a "forced" write-off of bad debts during the transformation at the expense of the funds, i.e., their capital value, or whether (and to what extent) the problem will be solved through so-called one-time financial rehabilitation, with the bad loans being taken over by a specialized Agency for the Financial Rehabilitation of Banks. One of the proposals that we recently heard in Skoplje from Ljubomir Popovski, the chief director of the Commercial Bank, is that a one-time rehabilitation of the banks be started at once, although this itself would not mean a permanent solution to the problem of losses (outstanding claims). A "healing" of the wounds is possible in the long term (seven to 10 years), if operation on the basis of the new market criteria is accepted, based on the bank's capital value.

Of course, acceptance of these criteria by bankers does not mean that they have not respected them in the past, but rather only that before the reform they were not in a position to be governed by them. This can act as a statement of the "good" reasons for poor performance, and they do not have to be accepted. It is only that in this regard one should bear in mind what is being offered as an alternative to that, viewed above all in terms of the banking profession and familiarity with this complex

subject. One should not reject people's knowledge and competence, which are in short supply in any case (that is publicly acknowledged), if they are ready and prove that they can cope with the painful reform process of the transition to a new market world of banking. In particular, one should not fall into the traps being set by the old political structures which are trying, in the name of the reform, to remove people with a new view and a new idea of operation.

Of course, the personnel element can be vital in approaching the financial rehabilitation of banks. One-time rehabilitation and the placing of banks in approximately the same starting position are not, however, motivated only by that intention.

The aim is that this action will virtually erase the losses that have accumulated for several years, and thus "eliminate" the differences that exist among banks. A sort of justification for such an approach may be offered by the so-called "historical" element (there is no bank that can boast of positive performance; instead, they differ in the extent of the share of bad assets in their capital, with the ratio ranging from 1:3 for the "best" banks to 1:6, 1:7, or even more for other banks). Another justification is that differential treatment during financial rehabilitation would also mean a "heating up" in this sphere of what are already turbulent interethnic relations (in the event of the failure of one of the national banks). Putting banks in the same starting position in the reform (in the sense of everyone starting from zero) could be accepted if afterward any failure to abide by capital criteria for operation were severely punished, without ruling out in this regard even the application of the existing positive regulations that also include the bankruptcy of a bank. In all of this, naturally, one should not lose sight of a significant fact: If one of the reasons for the impossibility of business differentiation among banks today is the ethnic motives, it is not clear whether and how it will be possible tomorrow.

Problems of Undefined Ownership

Proceeding from the principle that transformation of the ownership of enterprises is the "heart" of the reform of the economic system, a major role is given to banks in one of the possible ways of changing the ownership structure. Naturally, the banks, as the largest creditors and those "responsible" for the uncollected outstanding claims, will be interested in changing the ownership structure, above all by coming into possession of a "controlling" block of shares in the debtors (at a significant discount compared to the estimated value of the enterprises). By buying controlling blocks of shares, the banks would use the enterprise's board of directors to institute radical changes in business policy, including changes in the management team, the introduction of new people, a new investment policy, market research, a policy for establishing ties abroad, etc. It is expected that after all of this the enterprise's market quotations would be improved; this would actually be a starting point for the banks to sell the healthy enterprise to a new owner.

Naturally, this is a lengthy process, especially since there are still unresolved problems in connection with this transformation of ownership: From the still undefined subject and the vagueness about who could be the seller of an enterprise (the buyer is known), to whom the money for the sale will be paid (the opstina, workers' council, state investment fund...), while the mercantile spirit indicates that it should be the one who sells the enterprise. For this issue we interviewed Ljubomir Popovski, general director of the Skopje Commercial Bank, on the subject of the transformation of ownership.

[Grlickov] Transformation of the ownership of enterprise by means of the outstanding debts owed to banks is not a new phenomenon. Such procedures are well-known in the world, and are carried out by the method of debt conversion. I would like to ask you to explain that method, as applied to our situation, with respect to the relationship of the bank as creditor and the one responsible for outstanding debts and their debtors, i.e., the founders.

[Popovski] It is already well-known that the bank funds have been redesignated as the founding capital of the founders. The funds received the name of capital, and we know what has been done and what has not been done so far in "finding" the owner of that capital.

[Grlickov] The problem is how banks can solve the problem of bad debts on a permanent basis. That is, how can they equip enterprises in which funds have been invested to operate well and begin to repay the loans?

[Popovski] The bank funds have been redesignated and have obtained, if I may say so, a first name and a surname. On this occasion they have been presented in the form of capital, i.e., as the founder's contribution, from an OHIS [Skopje Organic Chemicals Factory], community for insuring property and persons, etc. They have formally become shareholders in the bank, while we bankers, again in a formal and legal sense, are a sort of management that is supposed to be employed by them (the shareholders) and to bear responsibility for liquidity and the bank's credibility. Our alleged owners, however, are essentially not owners, although from the standpoint of the system and regulations it is clear what they represent. Our owners, or founders, have not yet been transformed into one of the defined forms of ownership, as public, mixed, private, etc., firms.

I think that it is a process that is only beginning, and that will last for a long time, at least two to three years. Accordingly, at this time we do not know who the owners of our founders are, and what their legitimacy is. The problem is complicated by the fact that most of them are in a crisis, and there are major daily problems in ensuring liquidity, the quality of the concept of production, prices, imports... No one has yet taken the right commercial steps to clear up the bad situation, so that from that standpoint as well we do not know what the fate of our alleged owners will be, as well as what will

happen with the process of the substantive transformation of ownership. The circle is closed by the fact that our outstanding claims are not being collected. The debtors, on a widespread basis, are not paying their obligations that have come due.

We are faced with the problem of what to do, and whether and how we, as a bank, should intervene in connection with those outstanding claims, and, naturally, by doing so help in the transformation of the economic system. We are thinking that some of the outstanding debts that we have from bad firms that will go into bankruptcy or that are facing or in the process of collapse can be saved in various ways. In some cases we are trying to reschedule the debts, especially in the case of firms that are not in the most serious position and meet certain conditions. In some cases we are trying to convert our outstanding claims into the bank's permanent shares in the firm. In liquidating a firm, we try to take over its shares, while attempting to have this be the basis for attracting fresh capital, possibly in combination with another bank or firm. We are taking over the function of organizing the enterprise's production, with the intention of making it capable of profitable operation and allowing it to be able to ensure a dividend for its shareholders, including us.

I must mention, however, that such transactions of converting outstanding claims into a bank's permanent capital are nevertheless restricted in some way. According to the regulations, a bank can put up to 20 percent of its own capital into such transactions. But in all of this, the capital that serves as the bank's basis for converting outstanding claims into permanent shares is small, and such small capital will probably be eroded even more by the processing of cleaning up bad debts in the banks' balances.

[Grlickov] Whenever we have talked with bankers, the subject of the financial rehabilitation of banks has come up. In this regard, it is well-known that it will not be conducted at just one level, at the level of the bank, but instead, at least on paper, several steps are planned in that process.

[Popovski] Three levels in the financial rehabilitation of banks have been planned. This is a process of covering losses based on the so-called questionable debts, ranked in three categories by the degree of the collectibility of the outstanding debts (groups C, D, and E). Part of the bank's outstanding claims would be covered at the expense of its capital; perhaps 100 percent of the capital would not be included, but one cannot rule out that possibility. That means that the so-called owners of the bank also bear the risk of such a business situation: The assumption is that they are not spared; even if they have not made the bad decisions, in any case they have influenced (or have not wanted to influence) the adoption of those decisions. The second level is the sociopolitical communities, opstinas, and republics, which should ensure real sources of financing in their budgets

for financial rehabilitation, because they have contributed to the bad business situation through their influence upon the operation and creation of the banking system. In fact, under the influence of the policies of the republics, various executive councils, and so forth, mistakes have been made in development, and the so-called questionable bank investments have been made here. Finally, the third level of financial rehabilitation is the specialized federal Agency, which will deal with that business of "covering" banks, for which purpose specific amounts have been allocated in the federal budget. In any case, the banks' capital will be eroded, and this will certainly represent a limit on banks' new activity and transactions associated with converting outstanding claims into permanent shares in the founders' capital. But those transactions are beneficial to both the banks and the founders, from the standpoint of expanding the economy as well, because these transactions will accelerate the process of restructuring and undertaking the right measures in the system of management, decision-making, employment...

[Grlickov] The issue is what management's legitimate authority to make these changes is today, if the basic problem of ownership has not been solved. In whose name would it do it?

[Popovski] The problem is not so much the bank's management, because by definition it is employed by the owners. The problem is the legitimacy of the management in social enterprises, which is its security and stability in entering into the process of restructuring, when today there is no defined owner that is (also) backed by the state. On the other hand, you have workers who function as economic or technological surpluses, with all of the uncertainties that appear through those problems.

[Grlickov] And you do not have a defined owner with whom the bank would talk about taking over or buying up enterprises? Does this call into question the transformation of the ownership of firms through banks?

[Popovski] Not just that, but we cannot see what firms' business prospects and plans are, and what the options for the most rational choice are, not to mention that if this question of ownership is not resolved, we cannot do any more thinking about offering any assistance to enterprises, and least of all, providing any fresh capital in order to enter a new investment cycle. The most serious question of all is the subject to whom the money will be given from the standpoint of the rationality of its utilization. And if the problem of ownership is not solved, we cannot find out anything about the enterprise and its qualities.

[Grlickov] We know that as a bank, you have already had experience with certain enterprises (Elegant in Djevdjelija) where you intended to carry out restructuring on a new basis.

[Popovski] That is only an everyday reflection of these unfavorable situations that you have mentioned. These

are firms with business difficulties, and two banks, we and Yugobanka, have 90 percent of the outstanding claims. We offered alternatives that meant, without bankruptcy, revitalization of the firm under three conditions. In the first place, it would be obligated to allow the separation of two shops into separate units, which could survive better under such conditions. In the second place, the condition was the formation of a management team, and in the third place, a reduction in the number of employees from 1,700 to 1,100. Furthermore, it was a condition that a mortgage would be ensured by which the creditors could be satisfied within a period of three to six months by assuming ownership,

with the possibility that the firm would thus be put in a position of having an economic function. The current owners, i.e., the firm's employees, rose up, however, and did not allow anyone to leave his job, promising "bloody" work for the firm. A crisis situation arose, various opstina structures became involved, including the former and present leadership, and nothing could come of the transformation. After 15 days another group of workers came, with different demands. Since we do not have a bank, we do not know who to talk to. There is no legal security that the restructuring operation can be carried out successfully, either in the person of the owner, or in the person of the state.

HUNGARY

Catholic Primate Paskai Rejected as Head of Conference of Bishops

91CH0084A Budapest REFORM in Hungarian
12 Oct 90 p 22

[Article by R. K.: "What Will Be the Fate of the Compromised Cliques Within the Catholic Church?"]

[Excerpts] Thus far the religious and lay communities have received only indirect information concerning the storm of internal changes. This is indicated by new appointments: Cardinal Laszlo Paskai, Bishop and Primate of Esztergom was not reelected in early September by the Conference of Catholic Bishops as chairman of that conference. Bishop Istvan Seregely from Eger became the new chairman. [passage omitted] Szeged-Csanad County Bishop Endre Gyulay was elected to serve alongside Seregely as vice chairman.

This personnel change follows the instruction provided by Vatican II, and breaks away from a peculiarly Polish and Hungarian tradition, according to which the country's primate automatically serves as chairman of the Conference of Bishops.

Certain forces, groups within the Hungarian Catholic Church make radical demands for further renewal in the

church leadership, notably the resignation of certain leaders of the Church for serving the earlier regime in an unprincipled manner.

The new leaders of the Conference of Bishops are faced with great challenges, and with countless unresolved issues. Beyond reacquiring nationalized church real estate and institutions, beyond starting anew the various religious orders, and beyond the problems of the system of schools, theological training and religious education, the crisis that emerged in the framework of spiritual work must also be resolved.

Hopefully, the new leadership of the corps of bishops will realize that the aging community of priests which has lost its prestige in society may pursue only a windmill struggle in providing daily religious services, unless it acquires trained and recognized lay eucharistic ministers.

But in order to truly concentrate on pivotal problems, the Church must do away with cliques which liquidate entire institutions, as long as they are no longer able to acquire such institutions. Such actions are motivated by endeavors to acquire power, or by efforts to hide the fact that certain individuals compromise themselves, and take place under the pretext of "reorganization." These compromised circles—"dark forces," as one Hungarian high priest referred to these in a statement made abroad—present a particularly great threat today to the balanced functioning of the Church.

Accordingly, between two and three million dedicated Hungarian Catholics expect to see the beginnings of an uplift following 40 years of restrictions.

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