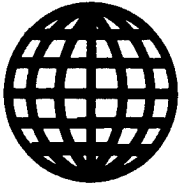


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21 SEPTEMBER 1990



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# ***JPRS Report***

# **East Europe**

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# East Europe

JPRS-EER-90-132

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21 September 1990

**NOTICE TO READERS:** Beginning 4 October 1990, the GERMAN DEMOCRATIC REPUBLIC section of both the East Europe DAILY REPORT and the East Europe JPRS Report will cease publication. Also on that date, the FEDERAL REPUBLIC OF GERMANY section of the West Europe DAILY REPORT will be renamed GERMANY. The GERMANY section of the West Europe DAILY REPORT will include material previously published under the FRG, GDR, and German Unification rubrics, as well as material previously found in the GERMAN DEMOCRATIC REPUBLIC section of the East Europe JPRS Report.

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## INTRABLOC

### Hungarian Monument Desecrated in Slovakia

25000786C Budapest NEPSZABADSAG in Hungarian  
21 Aug 90 p 3

[Article by K. T.]

[Text] A Hungarian monument was desecrated in the Slovak town of Szenc [Slovak name unknown]. Unknown persons painted obscene images on two of the figures of the World War I monument; they wrote "Slovak state" on the monument in English, while on its steps they wrote in German "Hungarian dogs." After several decades of absence, the monument was returned to its old place last December. On Monday local organizations of the Democratic Association of Hungarians in Czechoslovakia, the Coexistence Movement and the Christian Democratic Movement registered their protests with local authorities and filed a complaint against the unknown persons.

### Hungarian Situation in Slovakia, Interstate Relations Assessed

#### Nationalities Gains Seen

25000769A Budapest MAGYAR HIRLAP (weekend supplement) in Hungarian 21 Jul 90 p 1

[Interview with Hungarian writer, Slovak National Council representative Laszlo Dobos, by Andras Lukacs; place and date not given: "Changes in Slovakia and the Hungarian Situation"—first paragraph is MAGYAR HIRLAP introduction]

[Text] During the past period Hungarian cultural life in Czechoslovakia was reduced mostly to educational issues. That also covered the political arena. The Cultural-Social Association of Hungarians in Czechoslovakia [CSEMADOK] played a certain illegitimate role of defending interests; illegal, because the party state expected CSEMADOK to dance and sing, and to organize amateur groups. At present, the new law on association enabled the provision of real interest protection, and the substantive workings of the organization reorganized in the form of the Democratic Association of Hungarians [MDSZ] is also in the process of renewing itself. In reality, however, it intends to establish a societal base for its existence. On the other hand, direct political work was removed from the MDSZ because the new situation now enables independent political organizing. These are the issues and processes we discussed with writer Laszlo Dobos. Since the most recent elections he has become a representative in the Slovak National Council.

[Lukacs] Although we know a lot about the meaning of the present Slovak political transformation for Hungarians, would you please summarize these events?

[Dobos] The Independent Hungarian Initiative was established in Pozsony [Bratislava] in November 1989. This is a movement based on the principle of liberal democracy. As to its character it somewhat resembles the Hungarian Alliance of Free Democrats [SZDSZ]. Coexistence Political Movement was the second Hungarian political initiative. One of its characteristics is that it incorporates nationalities residing in Czechoslovakia, such as the Ruthenians, the Poles and the Germans. In its emblem each nation, including the Slovaks, designates itself in its own language. Fundamentally this is a national-moral organizing effort, its basic principles include human rights, national feeling, and solidarity. The Hungarian Christian Democratic Movement is the third formation. It rests on ethics and religious life; its orientation is similar to that of the European Christian Democratic movements.

[Lukacs] In what ways did these movements appear in the elections?

[Dobos] The three organizations came about under the constellation of pluralism, but the situation incorporates also the pluralism of minority existence. In this regard I must tell you that the three movements do not constitute a unity. Namely, the Independent Hungarian Initiative formed a coalition with the Slovak organization called Public Opinion Against Violence [VPN] and ran in the elections on the same ticket. This coalition constitutes not only an election alliance: It is also an alliance in terms of ideals and outlook on the world. Accordingly, the two movements formed an election coalition, and the Independent Hungarian Initiative together with the VPN obtained a majority [of votes]. Thus, based on this slate a few Hungarian representatives were seated in the legislature: five Hungarian representatives entered the Slovak parliament, while four acquired seats in the federal legislature.

[Lukacs] Accordingly, would it be correct to say that the Hungarian movements were unable to form a coalition among themselves?

[Dobos] This would not be quite accurate, because the Coexistence and the Christian Democratic movements entered into an election coalition and in the end jointly made a good showing. They received almost 300,000 votes, and thus were able to delegate 14 members to the Slovak parliament. I am among these. Eleven members were delegated to the federal parliament. Accordingly, 25 Hungarian representatives are seated in the 150 member Slovak parliament altogether. Considering ratios, this is no small matter: It amounts to about 15 percent. As a matter of comparison: only one Ukrainian-Ruthenian, and one Polish person got into parliament through the Coexistence coalition.

[Lukacs] Does this 15 percent ratio suffice [for the Hungarian minority] to have its voice heard in a substantive fashion, so that it may influence debate over the government program for instance?

[Dobos] One must see clearly the fact that at this moment we are at the beginning of a process; in the Slovak language our country is now called the Czech and Slovak Federated Republic. This represents a certain shift in the direction of evolving nation states, toward democratization. It also means that a shift in emphasis took place in favor of national parliaments. The scope of national legislation has expanded, and the jurisdiction of the federal government has shrunk in the reverse proportion. The Slovak political role, for example, is increasing substantially, since this federation formed in 1968 did not produce the expected results and since a year later it was once again followed by a concentration of power and the federation gained strength. This should be understood to mean the underscoring of the expression "federation" without any democratic content.

[Lukacs] How do you view the chances of the Hungarian cause in a fledgling parliamentary life?

[Dobos] National feelings were humiliated during the past decades. This applies also to the national minorities. During the past 20 years called "consolidation", the Hungarian minority was characterized by a decline, by a series of losses. I could present to you a long list of matters like this. To mention just one: 246 Hungarian schools were discontinued under the pretext of centralization. This was the era of humiliation. At present we are at the threshold of change. Social processes will also take new directions in the course of this, and this will also affect the Hungarian cause, of course. More free cultural, social, and political organizing has become possible, and a law was enacted to this effect. Also the opportunities for social self-realization are substantially greater. On the other hand, the revolution of last November contributed very little insofar as the collective rights of nationalities are concerned. Based on the logic of that revolution a more dynamic development should have occurred also in this field. The brakes were applied by someone, however. Temptations exist to exchange the communist power structure with a national-Christian power structure.

[Lukacs] In this context, how large is the disadvantage created by the fact that Hungarian political life is not unified?

[Dobos] In this regard we may talk about two political platforms of different colors from the standpoint of ideals, but which nevertheless are close to each other in several respects. The question is how we the Hungarians find our places in the given power structure represented in Slovakia by the VPN, the Christian Democratic Movement and the Democratic Party. (Let us add here that the Hungarian coalition, the communists, the Slovak National Party and the Greens are outside the parliamentary coalition.) The next few weeks will determine how the parties within and outside the coalition are able to reach a consensus in Slovak politics. The alliance of the Hungarian Christian Democratic Movement and the Coexistence Political Movements—which by now is also a parliamentary alliance—chose to become the

constructive opposition. It continuously seeks approaches to the movements of the Slovak coalition. I would pose this question as follows: In what ways are we able to represent and direct nationalities policies while we are present in the Slovak parliament? Namely, we may be voted down at any time by the government coalition, just as that has happened several times before. Accordingly, we have chances, which are laden with dilemmas and doubts.

[Lukacs] But still: Has the present, postrevolutionary democratic atmosphere provided chances for smaller organizing efforts by nationalities?

[Dobos] My response to this question is a clear "yes". Just to mention a matter close to me: The Hungarian Writers Association, for example, will be an independent organization, and not a faction of the Slovak Writers Association. One after another, independent and autonomous organizations are being established. I could mention for example the Association of Hungarian Artists in Slovakia, the Hungarian Demographic Society of Slovakia, and so on. Accordingly, in this regard we have indeed taken a step forward. At the same time the question is this: How could these formations which came about on the basis of autonomy relate to the corresponding organizations in Slovak society, while preserving their authority.

[Lukacs] Are such associations or linkages being impeded by some nationalistic influences from either the Slovak or the Hungarian side?

[Dobos] Doubtless, these new formations are strongly influenced by emotions. It is my hope, however, that these processes will not disappear in the direction of separateness. For this reason I regard the seeking of alliances as the next task.

[Lukacs] What would be the proper role of the Hungarian homeland in this evolving situation: to observe or to endeavor to encourage these processes?

[Dobos] Observing these processes, I would feel, while supporting any movement which points in the direction of enforcing human rights. Prime Minister Antall said that Hungarian [politicians] do not demand more rights for Hungarian minorities than what Hungary permits for its minorities. He respects the principle of mutuality, and this is appropriate the way it is. In this regard, of essence is not simple reciprocity, but the principle of mutual resolution of specific issues. In this context one requires regular and objective information above all, so that East Europe's new state formations become better acquainted with each other and that they be able to approach each other as a result of the better acquaintance. This means real support today.

### Czechoslovak Ambassador Presents Views

25000769A Budapest NEPSZABADSAG in Hungarian  
27 Jul 90 pp 1, 3

[Interview with the new Czechoslovak Ambassador to Budapest Dr. Rudolf Chmel, by Pal E. Feher; place and date not given: "Differing Views Must Not Impede Dialogue"—first paragraph is NEPSZABADSAG introduction]

[Text] A new ambassador of neighboring Czechoslovakia is working in Budapest. His name is Dr. Rudolf Chmel. The 51-year-old Slovak scientist has visited Budapest many times. He was studying links between Slovak and Hungarian literature, and as secretary of the Czechoslovak Writers Association he intended to put to use the practical benefits of his historical research. I inquired about his new activities slated to last for several years.

[Feher] You were not a practicing diplomat but you were actively involved in developing Czech, Slovak and Hungarian relations. How do you perceive your future workings in an official capacity at this time?

[Chmel] It is true; I am not a career diplomat, even though in the course of work I previously performed I had to act in such capacity. I also have a pretty good idea that to work in the Czechoslovak-Hungarian, or even more frequently, in the Slovak-Hungarian area, as you well know, is not a bed of roses. Now I am exchanging the function of literary scholar for the function of the diplomat, which seems to be less free, or perhaps not only seems to be, but is actually less free, but I do not feel such a great change in me. This is so because in practice, thus far in the framework of literary and scientific life, I tried to find the best forms of cooperation between Czech, Slovak and Hungarian writers, literary scholars, historians and members of the intelligentsia, even if this was not always a popular cause to pursue.

And the fact that both in our country and in Hungary a new political arena is evolving gives me confidence in my new post. Whenever I met with my Hungarian friends I always spoke openly, objectively and in a critical context, the result of which is mutual respect. We respected different views, the prerogative to think differently, we gave preference to arguments and views and not to demagoguery, and we did not let loose our emotions. Differences in viewpoints cannot be impediments to thoughtful, cultured dialogue, they cannot restrict efforts which lead to endeavors in search of a common truth—in regard to politics, just as to history and to environmental problems. This credo of mine remains unchanged in my new function. We may speak of successful cooperation only if we mutually take into consideration our differences, the specific historical determinants, and only this path can lead to that certain Europe. Both Czechoslovakia and Hungary are on their way to Europe, but the present euphoria should not mislead us; we will require very serious cooperation. I enjoy working toward this goal, but I know that the evolution of events do not hinge only on my endeavors.

[Feher] You began your career as a literary historian, and published a few outstanding works in the Slovak and Hungarian languages concerning our two nations' cultural relations. We would like to hope that you do not disrupt this work. What are your plans in this regard?

[Chmel] Not even the skeptic I feel I am is able to live without illusions. But in accepting my new job I nurtured a private illusion. Not too long ago I completed something which summarizes my work thus far. It is the history of Slovak literary critiques, and at this time I feel that it would be my duty to summarize my experiences in the other field of my activities, in regard to Hungarology. This is why I developed a plan—and this, perhaps, is not an illusion—that I would write a book about Hungary, treated from the subjective viewpoint, about its culture, history, literature and politics. This would be an essay which provides insight for the Slovak and Czech intelligentsia to the life of this nation, this country, which is also important to us. After all, we experienced so much good and bad together, and we are joint subjects of this complicated, neuralgic Central European fate.

[Feher] A significant number of Hungarians reside in Czechoslovakia, while in the Hungarian Republic the Slovak nationality makes serious efforts to preserve its national identity. Quite naturally, the nationalities issue is part of the problem cluster pertaining to general human rights. How do you view this problem?

[Chmel] To be terse: Even though the previous system ceaselessly stressed the phrase "proletarian internationalism", it bequeathed upon us an awful lot of tasks in the area of national and nationalities issues. In our country the unresolved relationship between the Czechs and the Slovaks takes first place. Together with that, in the Slovak part of the republic the problem of the relationship between Slovaks and Hungarians is on the table, both in terms of inside of Slovakia (this is the issue of the Hungarian nationality,) and in the framework of interstate relations. The causes of the critical situation may be found mostly in the past, because all of us reside in Central Europe which fell ill as a result of history, after the disintegration of the monarchy, Trianon, the Munich Agreement, the Vienna accords, the population exchanges or deportations and many other things which were designated in different languages as different things. And certainly, Europe more than once has manifested attitudes that are far from understanding our situation, based on different points of view. Zbigniew Brzezinski, for example presumes the outright revival of border conflicts as a result of the nationalities issue, and this kind of view does not make us appear in the best light before the world.

Returning to your question, however, I must note that these pertain primarily to domestic policy, and constitute foreign affairs only as a secondary matter. We must also state that there exist two kinds of approaches. The Slovak government for instance, regards the issue of the Hungarian nationality in Slovakia as an issue pertaining to both the Slovak and the federal government, while the

Hungarian government regards the idea of providing for the Hungarian minority residing in Czechoslovakia as its primary task. At the same time our government desired to render decisions in regard to all nationalities issues consistent with universal human rights and European standards. This problem has not only political, but also historical aspects. Following the dissolution of the monarchy the Hungarian nationality was able to preserve its national identity in the Czechoslovak Republic in the context of a more or less well-functioning bourgeois democracy, despite all the miserable experiences that followed World War II. On the other hand, the Slovak nationality lived in Hungary under Horthy, in a right-wing, antidemocratic system which did not comprehend, and did not want to understand the nationalities issue. Accordingly, in the course of seven decades the Slovak nationality was reduced to a torso, it made superhuman efforts to realize the attributes of national minority existence. Is it obvious that one cannot discuss reciprocity in regard to nationalities issues, precisely because of different historical circumstances and of present realities. History, which by far has not been a series of victories, cannot be changed. At the same time these issues must be discussed in a calm and democratic manner, based on facts, setting aside all kinds of demagoguery. Both at home and at the level of international negotiations. Otherwise a new hangover may easily follow the already mentioned European euphoria.

[Feher] It is well known that the fate of the Bos-Nagymaros barrage is one of the most sensitive problems of Czechoslovak-Hungarian relations. What possible resolutions could you tell us about?

[Chmel] This, for example, is a problem in regard to which the above-mentioned good intentions alone do not mean much. This has been one of the sore points in our economic relations ever since the middle of last year. Its resolution does not depend on environmentalists and economists only, but mostly on politicians. And our relations may deteriorate if we are not smart in this regard. The Czech and Slovak position is contained in the February letter of the president of the federal government, addressed to the Hungarian prime minister, and the same thing was resolved by the federal government in April. Based on these the Czechoslovak Government is proceeding with the construction. Thus far 14 billion crowns has been invested, and work has advanced so far that from a practical standpoint nothing can be halted on the Czechoslovak side; the money we must expend to maintain the finished facilities is increasing, otherwise the consequences will be felt on the Hungarian side. The Czechoslovak side will begin to operate the Bos (Gabcikovo) barrage next year, together with all necessary environmental protection measures. All this does not rule out the possibility of examining all present and future environmental protection problems, of weighing advantages and disadvantages in consultation with international experts as was done in Dublin, for example. Most of our decisions should satisfy both sides and

ensure a healthy environment for everyone. The responsibility for environmental protection in the eyes of society is the same for us as it is to our partners.

## CZECHOSLOVAKIA

### Doubts About Future of Federation Voiced

90CH0346A Prague FORUM in Czech 31 Jul 90 p 2

[Article by Petr Marek: "Parliament at the Crossroads?"]

[Excerpt] [passage omitted] The furor at the last session of parliament was caused by the unveiling of a commemorative plaque for Josef Tiso in Banovice nad Bebravou. This event and its ramifications were pointed out in an interpellation by representative Michal Prokop. The Federal Government condemned the placing of a commemorative plaque glorifying a man whose conquering powers of the Second World War it put on the list of war criminals. But the protests of the Christian Democratic Movement that this is a matter that falls within the competence of the Slovak side merit attention. It brings out, as do other key problems of recent times, the basic question of the real future coexistence of our two nations in a single state. It is time to ask whether it now makes sense to frame a new constitution of the federation, define the authority of the federal and republic agencies, and resolve a number of other important matters, when everything is standing on sand and we do not know whether the entire structure will not disintegrate, whether the Slovaks really want to live with the Czechs in a single state. In a situation when Slovak politicians (Christian Democratic Movement, Slovak National Party) often present demands which have the character of an ultimatum, and when it is only a matter of time before the work of the federal parliament will get bogged down (the law on shortening the election term of national committees which will make possible the introduction of local self-government, was adopted by the Slovak part of the Chamber of Nations only by a one-vote majority), it is impossible to concentrate on what we now need the most: economic and social renewal. If there is to be a referendum at some time about whether the Slovaks want to stay in this state, then that time is obviously now. To make it clear, the interminable political extortion in the Czech-Slovak questions does not solve anything. We need to know where we stand, whether to build a federal structure or only a republic one. We are at a crossroads, and it is important to know and act accordingly.

The last session of the parliament before the vacation recess had also other characteristic features. I shall point out at least one of them. The nationalistic movements in the Federal Assembly support each other on certain issues. For example, in discussions of the previously mentioned law on national committees. For the representatives of these movements the floor of the parliament is a platform for nationalistic oration motivated by personal political goals. Therefore the joining together of the Movement for Autonomous Democracy—Society

for Moravia and Silesia with the Slovak National Party is not really surprising, even though one would think that otherwise the ultimate goal of each one is different. In many respects we are now at a crossroads. We shall see what happens on the political scene during the summer and what the parliament will have to struggle with in the fall.

### **Pithart Sums Up His U.S. Visit**

*90CH0355A Prague LIDOVE NOVINY in Czech  
31 Jul 90 p 2*

[Interview with Czech Premier Petr Pithart by unknown CTK [Czechoslovak Press Agency] correspondent; place and date not given: "Learning Has Two Sides"—first paragraph is LIDOVE NOVINY introduction]

[Text] At the conclusion of his visit to Chicago, the premier of the Czech Government, Petr Pithart, was interviewed by a CTK [Czechoslovak Press Agency] correspondent.

[CTK] On several occasions in Chicago you mentioned that this is a historic visit, in fact, the first visit by a Czech premier in Czechoslovakia's postwar history. Could you give us an assessment of your visit?

[Pithart] For us it was above all a learning experience. All we had known before was that Czechs had lived here for many generations and that they have various organizations. However, our information was rather vague. At the last moment we tried to get hold of some publications of our compatriots; we were aware of the existence of the Czech-American National Council which invited us, but that was about all. We should like to share what we have seen here with the people in our country. Obviously, people in Bohemia who do not come here to visit their relatives have no inkling about the life of our compatriots here.

[CTK] There may be two sides to any learning. We have gained something, but so have they—our compatriots...

[Pithart] We were really interested in starting a dialogue and continue it in the future. Our compatriots in America also understand only part of what is happening in our country. Although their interest in their old country has intensified precisely since late November, the news they are receiving from their old country comes with considerable delay. We have encountered here a broad spectrum of attitudes. Often every individual sees us differently, in his or her own way. At every opportunity we tried to explain to our countrymen what is happening in Czechoslovakia. I must admit that it was not always easy. Czechoslovakia seen through the American eyes frequently seems incomprehensible.

[CTK] What impressions are you and our whole delegation gained from your visit with our compatriots in the United States?

[Pithart] I am going home with the realization that the people who live here have something to tell us. These people often had to make great sacrifices to settle here; they have prospered in their way. They live in a society which we naturally do not want—and cannot—copy, but which will be significant for Czechoslovakia's future particularly from the standpoint of a market economy. Thus, we simply must apply the practical experiences of the Czechs and Slovaks in America, especially of those who have already come to our country—be they entrepreneurs, businessmen or advisors. Our compatriots can explain the United States to us in Czechoslovakia better than anybody else.

It is interesting that our countrymen themselves have noted a revival of their activities after 17 November; far more people of Czech extraction are now showing their interest in Czech associations and in the language. A great renaissance is underway, but it, too, has its problems. Young people still remain more aloof from any involvement in associations than the old-timers.

[CTK] Thus, this marks the beginning of a new era—the beginning of new relations. Could you be more specific? How do you see Czechoslovakia's future relations with our countrymen?

[Pithart] Our role models are the Poles and Hungarians. We still cannot clearly see how is it possible that the Poles have never rejected their emigres, their compatriots abroad, not even under the communist government. The same is true for the Hungarians. I think that it now facilitates their transition to a pluralistic democratic society and to a market economy. On the other hand, we used to treat our countrymen unkindly—and I think that the system is not the only one to blame. However, our countrymen are our own people abroad. If our mutual relations are good, their frequent visits will become part of our life.

[CTK] What specifically should then follow your visit in the United States?

[Pithart] More visits, many trips of our countrymen to Czechoslovakia should follow. Many of them are coming not only for private visits with their relatives, a number of them want to help us; they come to do business, to counsel us, or to lecture.

Much greater numbers of our people should visit the United States. That is a tradition. In fact, Czechoslovak-American relations have been good since the onset of the First World War. Exchanges should be developed on various levels. A month ago Chicago and Prague had already entered a partnership. It seems that the state of California decided to initiate similar relations with the entire Czechoslovak Republic. We shall try to enter the American market and our countrymen can help us there. Many of them will do that because of financial considerations but quite a few due to idealistic impulses. That is not negligible.



Our task is to initiate very intensive contacts on every level. We must open doors that had been nailed shut for several decades. We must enable more and more people to come here. The experience amassed during all those years by our people in America must after all serve us to our advantage.

### **Klaus on Concept of Equality**

*90CH0359A Prague LITERARNI NOVINY  
in Czech 2 Aug 90 p 1*

[Article by Vaclav Klaus: "The Chimera of Equality"]

[Text] The socialist (or communist) ideal is based on the malignant premise that creativity—the creation of wealth—is something spontaneous and natural, and therefore, the amount of the created wealth used to be passively linked with the level of technology. The subject of criticism for socialist thinkers was then the distribution of that wealth, with some receiving more, others less of it.

After the complete failure of the forty-year experiment with an economic (and social) system which preferred the distribution to the creation of wealth, we—at least some of us—want to return to a normal order according to which an indivisible link exists between the creation and distribution of all that was created. That system is a market economy, namely, a market economy with no adjective added before the key word "market." Any such adjective would cast doubts on the word "market." Today we can afford nothing of that sort; reform communism can be given no opportunity to hamper, under a new banner, the changes that are now underway in our country.

Market economy narrowly correlates creation of wealth with its distribution, and thus, also the success and failure in one venture with the success and failure in another. Undoubtedly, for each of us this raises the amount we may win as well as the amount we may lose. No matter how effective concomitant social system we may organize, we must count on certain differences in our incomes, living standard and style. To create a safety net that completely prevent such variations, that would mean to destroy the very foundations of market economy.

At this moment an objection will be heard about the danger that social and economic inequalities may develop and about the rich and poor. Nevertheless, we must make our choice. If we want a higher living standard, we must provide adequate incentives for those who deserve it. Otherwise we shall never catch up with Europe.

However, we should remember that the past system failed to establish social equality (not to mention social justice), and that in our country we, too, had our share of castles and hovels, rich and poor, owners of mansions and housing of the fourth category, elegant residential districts and dirty inner-city streets; there were people

who traveled West every year, and others who never could visit there; there people who were able to do all their telephoning and shopping, or sit in a cafe, play tennis, build their houses in their work time, and others who could not leave their work places for one minute; there were thousands of minor and major advantages of every kind, but the worst thing about it was that in their entirety, all those advantages (and disadvantages) were mostly unrelated to the extent to which an individual contributed to the creation of wealth in the material and spiritual sense.

All my life I have been one of those who work with a pen and paper rather than with a shovel or a hammer. I never considered it something nobler and more meritorious than any other kind of work. I became even more convinced about that during the election campaign in northern Moravia when I visited a number of mines, metallurgical plants, glass works and other factories and could compare the working conditions there with the working conditions of persons who work with a pen or a brush. I was disturbed recently when I heard about the organization of councils to protect culture or science; therefore, I ask: To protect against what or against whom? To protect against potential undervaluation of the cultural dimension of our life, or to protect the privileges which the representatives of such professions often (though not always) used to enjoy? I am afraid that the latter is mostly the case.

The only solution is in consistent application of market relations; they alone can show us who deserves what. No potential Einsteins or van Goghs will be lost in market relations; however, those whose contribution to our daily bread will be too small and who are used to get more than they deserve, will be lost.

1 July 1990

### **Marxist-Leninist Club Rejects Negation of Party History**

*90CH0363A Prague RUDE PRAVO  
in Czech 27 Jun 90 p 3*

[Statement by I. Hruza, J. Vejvoda, and J. Weber: "What Are Our Concerns"]

[Text] The most diverse ideological currents are now shaping and asserting themselves in the Communist Party. We publish them as a contribution to the election campaign. Upon the request of the representatives of the Marxist-Leninist Club of the CPCZ [Czechoslovak Communist Party] we present here their position submitted last week to the editors of RUDE PRAVO. We present it without any changes:

The elections have shown that the focus of hundreds of thousands of our citizens on the aims of the founders and trailblazers of the communist movement could not be broken, thanks above all to the dedicated, devoted rank-and-file members of the party.

As guaranteed by its provisional organizational statutes, individual trends of thought are now shaping in the Communist Party of Czechoslovakia. The CPCZ's unity demands their mutual tolerance and discussion.

However, the selection of contributions from the followers of those movements in the party press is narrowly biased. That violates the equal rights of their creation so much more because it is not enough if a few individuals articulate them in a proclamation and the rank-and-file party members cannot express their views.

First of all, the individuals who adhere to Marxist-Leninist theory and who from its positions criticized various errors, shortcomings and wrongdoings already in previous years cannot get their views published. Then as now they were unable to voice their criticism openly.

This gives direct opponents of our party the opportunity to present to our public opinion half-truths, slanders and provocations aimed not only against our movement but under this pretext, against the whole CPCZ. By its very essence, Marxism-Leninism is creative and antidogmatic.

We are part of this ideological movement. We unambiguously support the CPCZ's continuous involvement in the world workers' movement—the hub of left-wing political directions which try to implement social rights of all people. For that reason, we proclaim our allegiance to the Marxist-Leninist theory which is an expression of such continuation.

We reject all authoritarian bureaucratic methods that have weakened this movement. Furthermore, their enforced influence on the interpretation of the Marxist-Leninist theory was the main cause of its dogmatic deformations from which it must be liberated and its inspiring role must be fully restored in political activities of the movement.

By the same token, we are categorically opposed to the criticism of authoritarian bureaucratic deformations and dogmatism which is focused primarily on the past. First of all, the danger that they might be revived in the current CPCZ must be averted and we must tenaciously insist that democracy be observed within our party, which is the precondition for the party's unity and capacity for action.

Especially now, in the stage of preparations for the 18th CPCZ Congress, it is imperative that all Communists join efforts and get rid of authoritarian bureaucratic methods both in our party and its press. This corresponds with the demands of democracy in the whole political system of our society.

Furthermore, it is necessary to enable the CPCZ to effectively defend and preserve the security of our working people in towns and in the countryside; in particular, to defend in the most effective way their right to work and to get fair reward for their work, and moreover, to preserve public ownership of primary

means of production and the transition to a centrally managed market mechanism in agreement with the socialist form of our economy.

We are greatly disturbed by current tendencies in the CPCZ which stem again from violations of democracy within our party. It is necessary not only to put an end to all former deformations once and for all but at the same time, to avoid falling into new ones.

Those tendencies include first of all preference for views that smear the whole history of our party—especially those that assess its development and social role after World War II in a one-sided and completely negative manner. It obviously is no accident that such attitudes are receiving undemocratic, prejudiced support.

They are supposed to justify intentions to abolish the communist aspect of the party either by changing its title or preserving it in name only. This attempt to liquidate our party threatens it from within and is even more dangerous than all outside attacks and pressures. At the same time, that attempt radically contradicts from the will of the overwhelming majority of communists, and increasingly assumes a dictatorial character in dealing with them.

Linked with it are new deformations involving attacks against certain decisions of the extraordinary CPCZ congress, which are concealed by formal declarations in support of those decisions. They oppose even guarantees adopted by the congress, which permit various ideological trends to coexist in the party.

On the one hand, such appeals call for the formulation of the so-called new ideology of the CPCZ—in its essence an intent to suppress the diversity of trends of thought within the party by proclaiming the ideological supremacy of one of them over the rest. Objectively they sound like a threat against all communists who might refuse to submit to that supremacy, and like pressure to make them leave the CPCZ.

On the other hand, quite antagonistic demands call for the "confederalization of the party according to trends of thought," i.e., they offer those factions organizational independence within the party's structures. By that they also oppose the decision of the extraordinary congress that makes diversity of thought in the party contingent on "their link with the party's action program and organizational statutes."

Thus, both those and other similar tendencies are objectively intended to break the CPCZ apart. For the followers of the Marxist-Leninist movement in the party it is absolutely unacceptable to leave its ranks in protest against them.

After all, this is our party—the party of workers, cooperative farmers, intelligentsia and other working people. Its future depends on the perseverance and dedication of

all honest communists, regardless of the trend of thought they support, during the preparations for the 18th congress and after.

Day after day it is becoming increasingly imperative that the Marxist-Leninist ideological movement in the CPCZ formulate its programmatic declaration and activate in its support also other communists and their sympathizers. Democracy in the party demands that the widest strata of supporters of this movement participate in the drafting of that program.

For that reason we appeal to all people whose views on the submitted standpoint are identical or at least, similar to ours, to send us their suggestions and comments for its joint formulation.

On behalf of the Marxist-Leninist Club of the CPCZ:  
I. Hruza, J. Vejvoda, J. Weber

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## HUNGARY

### Austria's Economic Integrating Role Analyzed

25000780A Budapest *MAGYARORSZAG in Hungarian*  
No 32, 10 Aug 90

[Article by Istvan Matko: "Central Europe: Toward a New Monarchy? Background to a Plan; Italian Experiments"]

[Text] The Hungarian public is not familiar with the name of the Burgenland territorial chief, even though he deserves to be known by all means, just as the report with his name should be known. During the first days of July he introduced a proposal in the territorial parliament to the effect that the western part of Hungary and Burgenland establish a common region, and that the affairs of that region be dealt with jointly by a mixed [Austrian-Hungarian] parliament. In his statement issued in Kismarton [Eisenstadt] the territorial chief, Mr. Sipotz, stressed that this is not a plan to be left to our grandchildren. No, according to Mr. Sipotz the future Hungarian-Austrian autonomous government may function beginning as early as in 1992. Burgenland would like to see Győr, Sopron and Vas counties on its side, along the border which by now cannot be separated even as a matter of formality. But the announcement and the decision did not cause surprise either in Hungary or in Austria. Neither politicians nor journalists picked up the story. There may be two likely—but distinct—reasons for that. The plan is either realistic and well known, i.e., there is nothing sensational about it, or the plan is entirely unreal, therefore it would be a waste of time to deal with it.

We could settle this matter easily, would it not be for the fact that there are other, controllable facts to prove that

beyond partisan political considerations Hungary and Austria have pulled out of the drawer the game called "How to rebuild the new monarchy capable of functioning, to replace the old, nonfunctioning monarchy?"

### It Once Functioned

Those intensely involved with the proposal state that the reason for doing so is historical necessity. Namely, the rearrangement in East Europe presented a new situation to both countries. Hungary lost its opportunity to procure cheap Soviet raw materials, and its possibility to sell on a wantless market, the East German market which was manageable from Hungary's standpoint, has ceased to exist, while Hungary must reassess its relations with several of its CEMA partners. Accordingly, this much is clear: Hungary is faced with great shock because both its industry and agriculture lack the strength to stand fast without further ado in the hard Western hemisphere. Under such circumstances the significance of an economic region which at one point in history has functioned (and not badly at that) has fully appreciated, and its leading industrial country is still Austria. A more closely knit division of labor may present to Hungary an instant connecting link to the Western integrations, to EFTA [European Free Trade Association], and to the Common Market countries, because Hungary's Austrian partners could provide developed technology and developed marketing concepts to Hungary. And then, in addition to the geographical proximity, historical traditions, increasingly close regional linkages in the fields of energetics and in environmental protection also support the strengthening of cooperation.

And what are Austria's motives? Viewed at the macroeconomic level the emerging picture is more complex. For the time being our Western neighbor is proceeding at full steam toward the West and not toward the East. It intends to join the Common Market as fast as possible. This is what Austria's future hinges on. If Austria intends to preserve its prosperity it must hook itself on to the engine, which is the Community, and within that to the strongest engine, the FRG. Austria's national income has increased at an unprecedented scale this year: it exceeds 4.5 percent. (This year more than 10 percent of Austrian industrial production will originate from firms with Austrian interests operating in the FRG.) Accordingly, viewed from this standpoint, Austria needs to use all of its energy in that direction.

### Not as a Colonist

At the same time, however, Austria knows well that it must gather further strength for its Western orientation, and that Austria itself must be an integrator. A new "monarchy" under Austria's leadership would be a more sovereign and a more attractive partner to the Community, and even more so to Germany which is taking a new shape. Accordingly, if the Hungarians go along with Austria, not only the populous army of tourists will go

across Austria all the way to Munich, but Austria, which helps its poor relative may also gain on a deal. More-over....

On top of all this one must and may count not only on the Hungarians. Here we have a Czech country and a Slovakia which swung over in a stormy manner, and within that the former Highland ["Felvidek," the area South of the Northern Carpathian mountain range to the present Northern Hungarian border], which has been "greased" in a spectacular manner. It has an industrial potential which is respectable even today, including a steel and machine industry, and a chemical industry. In olden days Vienna was linked with Pozsony [Bratislava] by tram, and the supervisor or the engineer took that tram to check invoices, designs. And further, to the south we have Slovenia, a region that "quit," and all that was once within the monarchy's sphere of interest. Roads and harbors to the Adriatic....

In other words: a Federal Republic of Austria-Hungary-Czech and Slovakia, and Yugoslavia. More accurately: whatever can be linked in a useful manner to Austria, which is gaining muscle and acquiring a new role to play. All this is not [only] speculation in the spring of 1990. Austrian Industries [AI], the holding company of Austrian state industry opened an independent representative office with respectable personalities, in addition to the existing Austrian diplomatic offices. AI employed Szabolcs Fazakas, a deputy minister of the Nemeth government in Budapest. He speaks fluent German and "Austrian." He has an outstanding knowledge of Hungarian-Austrian cooperation because for five years he served as a Hungarian diplomat in Vienna, and played no small role in achieving the fact that by the mid-1980's direct relationships evolved between Hungarian and Austrian enterprises.

According to industry minister Streicher and the holding company's president, Sekyra, the function of this representation is to wisely organize the broadest and most appropriate system of industrial relations. The essence of this system is that Austria wishes to establish relationships not as a colonizer, but as a cooperating partner, based on business and market principles, primarily in the fields of energetics, the chemical industry, and the manufacture of aluminum and machinery. The possibility exists of joining the three countries' electrical energy, as well as oil and gas pipelines, in order to avert crisis situations; always obtaining supplies from the most cost efficient source, or from wherever it is possible. Thus, in a given situation Soviet oil and gas, on other occasions imported Arab oil from the Adriatic, and yet in other instances oil from the oil wells in the North Sea would supply the energy system of the "small monarchy." In this way, jointly, it would be possible to optimize the use of Hungarian, Czech and Austrian steel mill capacities, since it is commonly known that efficient volumes determine how much of what should be manufactured. And of course, here we also have the possibility jointly manufacturing automobiles and automotive parts, and to jointly develop the machine industry....

Accordingly the industrial monarchy is at arms length. But before we foster excessive hopes for this idea, it would not hurt to state that it may have been in vain to recognize these interests. The organizations and levels of development are different; neither the crown nor the forint are convertible, and these matters may constitute serious obstacles in the path of integration. The fact that dozens of unresolved issues related to the Bos-Nagymaros power plant construction act against cooperation is the source of no small political and economic problems, and so is the fact that there is no prospect for Hungarian economic recovery in the near future. (It is interesting to note that according to Austrian views the process [of recovery] is faster in Prague. Our Northern neighbor makes up for its institutional backlog within months—including the banking system, economic regulation, and the disadvantage caused by an undeveloped market. Thus it is possible that results will show faster in Austria than in Hungary, even though during the past 20 years Hungary has built better political and deeper economic relations with its Western neighbor than Czechoslovakia.)

#### It May Come Together

Finally, there is one more thing, and it is hard to judge the role played by this factor. In addition to Austria, Italy also appeared in the role of the industrial and financial integrator in the region. Last year in Budapest the intent to establish closer economic and political cooperation among the countries of the Alps and the Adriatic working community was signed at the prime ministers' level. Things are progressing well, they are already holding their third meeting, this time in Venice. Just how far will they get? Will there be a kind of competition between Italy and Austria, and will the new East European development not render the original intent uncertain—the transformation of the Warsaw Pact, the collapse of CEMA, etc. One may count on a race if Italy continues to seek relations with as much commitment as it did thus far in order to strengthen its influence and to establish new interests.

But let us return to the epochal announcement by Mr. Sipotz. It would be beneficial—and this writer agrees—if the Burgenland opening would not remain without an echo, if today's governing forces on both sides would consider that here on Earth, great matters are often resolved in places of local interests, such as the conference room at Kismarton.

#### Interior Minister on 'Serving Justice' Package Plan

25000778A Budapest TALLOZO in Hungarian No 27,  
6 Jul 90 pp 1260-1261

[Interview reprinted from ESTI HIRLAP 27 Jun 90, page not given, with Interior Minister Balazs Horvath by Anna Maria Fiedler; place and date not given: "'Serving Justice' Package Plan Prepared by the Government; Finale Along the Villa Row; Chief Comrades To Be

Moved Out; Not Even the Wonder Castle Remains"—first paragraph is ESTI HIRLAP introduction]

[Text] Descriptions of tasks to be accomplished in the upcoming period have been gathered by the ruling party—the Hungarian Democratic Forum [MDF]—in a system composed of several sections. Part of this collection is the so-called “serving justice package plan,” which includes among other matters the discontinuing of high pension payments, the “demilitarizing” of the former leaders, and the removal of these same people from their official villas. A significant part of this work is to be accomplished by the Ministry of the Interior. Interior minister Balazs Horvath gave the details to this newspaper.

#### Natural Self-Purification

[Horvath] I intend to combine this so-called “serving justice” [program] with the streamlining of the Interior Ministry’s operations. Work is progressing according to an accurately developed plan. We will provide satisfaction to any and all Interior Ministry workers who were part of the public administrative or police staffs, and who were denigrated because of their political convictions or conduct during the past decades. In other words, they will be reinstated in their ranks, and we will promote them. We intend to implement this change in the Interior Ministry so that it becomes the result of a natural self-purification process. Local governing bodies will have a great say in this regard, because they will be involved in selecting the police leaders. The first step will be the election of county police chiefs. The necessary appraisal of chiefs of police will also qualify the staff. If the chief worked normally, in a tolerable manner thus far, he will ensure that the staff also works the same way.

[Fiedler] What will be the fate of Interior Ministry leaders who receive high pension payments based on their past activities, and reside in luxury villas in the most prominent districts of the capital?!

[Horvath] A separate legal provision is being prepared concerning the fate of high pension payments. At the same time I will take care of the “tormenting” housing concerns of those who, because of their political past, cannot be characterized in a complementary way neither by myself nor by the voters. Accordingly I prepared a list of those who reside in such homes. This is interesting, if for no other reason, because I took a look at a few of these residences and found some shocking facts. The member of the Central Committee and of the Politburo, the top level official, or the interior minister’s state security deputy are those who moved into these homes. Thereafter his daughter was given one of the floors, and his son’s family received the other, in other words, a chain of official villas owned by family clans evolved.

[Fiedler] There is nothing unusual about sharing a place with one’s daughter or son, but certainly, if these become independent lessors it would be more difficult to put these people out, and each would have to have separate apartments.

[Horvath] Exactly, and in such cases the lease is in their name. There are several examples for this. It is the clear intent of the interior leadership to have these official villas returned within the framework provided by law, and that these people move out. But the legal situation is that at present these are users of apartments in good faith, i.e., a home of similar quality would have to be secured for each and every family.

#### Biszku and His Associates

[Fiedler] The only hangup in regard to this matter is that if the average citizen experiences a housing problem he is not going to be provided housing on the spot.

[Horvath] I also I have reservations in this regard. This is why we are examining these cases. I do not understand, for instance, why Bela Biszku and his family need to reside in an Interior Ministry villa? He did not earn merits during the past decade to provide a moral foundation for him to reside in a villa. But I could go on listing Interior Ministry leaders and Politburo members. At the same time rather odd things are happening to these buildings. To mention just one example: The [former] Interior Ministry offered the villas at issue to the Capital City Council. In such cases the legal occupancy of these homes for service reasons would be transformed into a normal leasing arrangement, and it would become possible for the residents to purchase the Interior Ministry’s housing at low cost. I immediately requested the return of these villas from the second and 12th District Councils, and we will retain those as Interior Ministry official residences.

#### Ministers Renting Beds Only

[Fiedler] Hearing this, one is afraid that those who receive these residences anew may be able to settle in forever, just as the previous ruling stratum did. Could it not happen that just like in olden days when people receiving a diploma or certificate also received an estate, the men of the new system and their descendants will receive a perpetual right to such real estate together with their assignments? What will be the case if a given leader departs from his function? Could he continue to stay in that residence?

[Horvath] This is a legal issue; the Parliament will decide in this regard. The cabinet must prepare itself to face the fact that the housing problem of leaders will represent a daily concern, because unlike the practice pursued thus far, the cabinet will not be the government of the elite Budapest intelligentsia. Leaders will come also from the countryside and they will need dignified housing. It is natural that a foreign minister and the prime minister should have appropriate housing, because we discredit ourselves and the nation if a leader resides in a tent. Today a large part of the ministers is subletting, and there are some who rent beds, in the strictest sense of that term, only because people who drove this country into a moral and economic crisis settled into the residences at issue.

[Fiedler] Weapons held for self defense is a frequent topic. What will be the fate of these?

[Horvath] We completed the legislative proposal, and if Parliament accepts it, I will issue a decree for the return of all such weapons. I have no idea why a party secretary who has been weeded out, or the chairman of a producer cooperative should have a revolver. All this is part of the so-called "serving justice" package.

Although at this time we were only able to find out matters under the interior minister's jurisdiction, we

may be certain that the package contains many more surprises. We are curiously awaiting the continuation.

**Comparison of Changes in Major Constitutional Provisions**

25000773D Budapest HETI VILAGGAZDASAG  
in Hungarian 7 Jul 90 p 73

[Text]

**Changes in the Constitution  
(Amendments to the Constitution—Law No. 20 of 1949)**

Constitutional provisions concerning	Conditions as of		In force since
	31 Dec 1987	23 Oct 1989	25 Jun 1990
Definition of the state	The Hungarian People's Republic (MNK) shall be a socialist state.	The Hungarian Republic (MK) shall be an independent, democratic constitutional state in which the values of a civil democracy and of democratic socialism equally prevail.	The Hungarian Republic shall be an independent, democratic constitutional state.
The party(ies)	The Marxist-Leninist party of the working class shall be the leading force of society.	Parties shall not directly exercise public power.	Parties shall not directly exercise public power.
Economic order	The social ownership of means of production shall be the basis of the economic order. The economic life of the MNK shall be defined by a state people's economy plan.	The economy of Hungary shall also utilize the advantages of planning.	The Hungarian economy shall be a market economy.
Ownership conditions	The MNK shall recognize and protect personal property. Private property and private initiative shall not violate the public interest.	Public property and private property shall be of equal rank and shall receive equal protection.	Public property and private property shall be of equal rank and shall receive equal protection.
The president of the Republic	No such legal institution exists.	The president of the Republic (who also serves as the commander in chief of the Armed Forces) shall be elected by the National Assembly for a four year term .	The president of the Republic (who also serves as the commander in chief of the Armed Forces) shall be elected by the National Assembly for a five-year term.
The Constitutional Court (AB)	No such legal institution exists. The so-called Constitutional Law Council verifies the constitutionality of legal provisions, and may suspend the implementation of those—except for laws, National Assembly resolutions and decrees having the force of law.	Upon finding a legal provision (including laws) unconstitutional, the AB may declare such provisions null and void.	Upon finding a legal provision (including laws) unconstitutional, the AB may declare such provisions null and void.
No confidence motion	No such legal institution exists.	At least one-fifth of the representatives may move to call a vote of no confidence against the council of ministers or any of its members.	At least one-fifth of the representatives may move to call a vote of no confidence against the prime minister, with the simultaneous designation of a new nominee for prime minister.
Police custody	The constitution contains no such rule (according to the law on criminal procedure the police renders a decision during the first 72 hours concerning detention, thereafter the office of the prosecutor has authority to order detention for up to one year, thereafter the Supreme Court decides about continued detention).	The constitution leaves this matter to be governed by the law on criminal procedure and other laws (these authorize the police to make decisions during the first 72 hours, the prosecutor's office up to 120 hours, and the court thereafter).	A person detained shall be released within the shortest possible time, or shall be presented to a judge. (The criminal procedure law in force remained unchanged in its October 1989 form.)
Laws having the force of the constitution	No such legal institution exists (a two-thirds parliamentary majority is required only for the adoption of the constitution).	Rules pertaining to fundamental rights and duties may be defined by laws having the force of the constitution ("two-thirds laws") exclusively.	No such legal institution exists, (but there are 20 "cases" where the decision of a two-thirds majority is required).

\*Another amendment took effect on 12 March 1990, according to which the president of the Republic shall be elected by the people.

**New Features in Local Election Process Described**  
*25000780C Budapest NEPSZABADSAG in Hungarian*  
*10 Aug 90 p 4*

[Article by Jozsef Katona: "Election Digest: New Methods for the New Program"]

[Text] In our Wednesday issue we published the schedule for local elections. At this time we call attention to some new features in the election process.

The capital, larger cities and small settlements establish their autonomous local governmental bodies in different ways.

Two ballot forms will be used on 30 September in municipalities with fewer than 10,000 people. One will be used to elect directly from among candidates for mayor, the other ballot form will contain the so-called short slate. The latter will include all nominees for [local] representative in the settlement. From among these, voters will have to select as many candidates as the number of seats in the local autonomous governing body.

The representative body in larger settlements will be composed of representatives, half the number of which will be elected from individual voting districts, while the other half will be elected on the basis of slates. Since in this case the mayor will be placed in office by the elected representative body, two ballot forms will be used in this instance also. In this way every citizen may support one individual candidate and one slate. Slates may be established by parties and social organizations able to run candidates in one quarter of the individual voting districts. (In this connection an organization is recognized as a social organization if it complies with the requirements of the law on association.)

In the capital, a third ballot form will be added to the two ballot forms used in large cities. Using the third ballot form the people of Budapest may fill three-fourth of the seats in the representative body of the capital. Parties and social organizations able to establish slates in at least five Budapest administrative districts may run slates on the third ballot form. The vacant seats remaining in the capital, and the total number of seats on county autonomous governing bodies will be filled by the elected (interested) autonomous governing bodies in settlements.

A person may become a candidate for representative if he was able to attract the nomination of one percent of the number of voters. Three percent support must be shown in order to be nominated as candidate for mayor. The question of whether a person runs as the nominee of a party or social organization, and not as an independent

candidate has significance only from the standpoint of whether the supporters of the candidate will possibly be able to establish a slate.

The method by which recommendations for candidates will be collected also differs from the method applied last spring. A nominating slip will be included together with the notice of voter registration. (The notice must not include the personal identification number!) Voters may mail the nominating slip as long as they write their names and personal data on the slip. Nominations may be made in person on a register established for each individual candidate to be found in official premises (generally at council offices). As a third alternative, voters will have an opportunity to nominate candidates without enabling the matching of the nomination with the voter's personal data. In such instances a voter must first prove his eligibility to vote to a representative of the election committee. Thereafter the voter may nominate a candidate without revealing his own personal data by placing the nomination in a ballot box established for that purpose.

Use of the so-called minority slate also constitutes a new proceeding. Minorities may establish separate minority slates composed of the individual candidates of national and ethnic minorities. Such slates will be presented together with slates in settlements established by parties and social organizations. If based on the ordinary method of calculation minority candidates do not receive mandates, the voting results must be given more weight. If one and a half times the number of votes received would suffice to acquire a mandate, the number of seats in the representative body will be increased by one, and that seat will be assigned to a person listed on the minority slate. (The procedure is similar also in regard to the small slate elections used in settlements with fewer than 10,000 inhabitants.)

**Local Elections, Autonomy: No Intense Interest Shown at This Time**

*25000781A Budapest MAGYAR HIRLAP in Hungarian*  
*10 Aug 90 p 4*

[Article by Gabor Varnai: "Who Wins the Local Elections? The Public Expects a Positive Turnaround"]

[Text] Extremely tense parliamentary debate, highly passionate accusations, and the shaking of the Hungarian Democratic Forum [MDF] and the Alliance of Free Democrats [SZDSZ] agreement governing the requirement of a two-thirds vote on certain laws, characterized the workings of the house while it debated the autonomous local government law. This law serves as the foundation for the local elections. The Hungarian Public Opinion Research Institute surveyed the views of the populace concerning local government while debate concerning the local government law was going on. (A 1,000 person national representative sample was used for the survey.)

Let's take a look at the following table:

<b>In your view, what will be the characteristic of the relationship between local power and central power?</b>		
	<b>(Percentage distribution of responses)</b>	
	<b>At present</b>	<b>In the future</b>
Local autonomy	11	31
Peace between local power and the center	22	31
Central oppression	54	17
Does not know	13	21
Totals	100	100

According to almost half the number of people, life will be better in places where they live after the local elections, and only 12 percent thinks it will be worse. Comparing this result with the table, we may say that people are definitely hopeful that the fall local elections will produce a positive turnaround in our lives. This applies in particular to young people with a higher education residing in cities in the countryside, most of whom sympathize with the MDF or the SZDSZ. Mostly persons having achieved a higher status, and in particular the MDF members, trust that local autonomy will indeed increase after the elections (villagers are not too critical about the past; in their view autonomy existed even then.) Incidentally, the viewpoint of persons who vote for the Hungarian Socialist Party [MSZP] is interesting: in their view local autonomy has existed thus far, but now it will cease to exist.

The issue of resources is one of the least clarified issues relative to autonomous local governing bodies. Who will pay for local expenses, who will agree to accomplish local tasks? According to 71 percent of the people the local authority must do so, 13 percent believe that the government should provide resources and accomplish tasks, while 12 percent said that the two institutions of power must jointly accomplish this. (Four percent of those questioned was unable to respond.) A more detailed analysis demonstrates however, that the older the respondents, the lower their status, the more they express a need for central intervention. Most persons residing in cities in the countryside assert a need for local financing and resolution of tasks, people in Budapest would more frequently assign the acceptance of the burden to the government, while residents in villages would use both the local and the central resources. The SZDSZ and Association of Young Democrats [FIDESZ] voter base clearly supports autonomy, while supporters of the MDF, the Independent Smallholders, Agricultural Workers and Citizen Party [FKgP] and the MSZP turn more frequently toward the government.

It is known that both the cabinet and the SZDSZ submitted to parliament legislative proposals concerning local government, and this matter evoked serious debate. Many viewed the SZDSZ action as an attack on the legitimacy of the cabinet, and regarded the executive power as being endangered. According to three-fourths of the people, however, the opposition has a right to do this, because everyone has the right to submit legislative proposals to parliament. The 12 percent of persons who held a different

view in most cases were MDF and FKgP sympathizers, older persons with a low level of education residing in villages. At the same time, 70 percent of the survey population mentioned local autonomous governing bodies to be regarded as the chief controlling authority having jurisdiction, and only 22 percent viewed the cabinet, and 29 percent the parliament as such.

Based on all of the above we might feel that the local election issue moves public opinion indeed. This is not so, however. Namely, 63 percent of the people has not discussed this subject at all within their closer milieu. Those who found this matter a subject to be discussed are characteristically supporters of the smaller parties seated in parliament (FIDESZ, Christian Democratic People's Party [KDNP], MSZP), are young, and enjoy a higher status. It is not characteristic of MDF or SZDSZ supporters to have discussed this issue more or less frequently than the average, while the Smallholders—whose chief base of support is in the villages—are not likely to discuss local elections at all.

Accordingly, one may draw the following conclusion: In reality, the local government law and the fall local elections occupy the public mind only moderately. The real issues are not being dealt with, and no large scale evolution of opinion has begun. In two respects, nevertheless, we may speak of crystallized points of view. We may state on the one hand that local elections and local autonomy constitute important issues in cities in the countryside at this time. They have the greatest expectations in regard to autumn. On the other hand it is visible that smaller parties seated in parliament intend to make use of this rapidly approaching event to increase their own strength. As it may be seen also from the character of the responses given by FKgP sympathizers, the inhabitants of backward peripheral villages which in principle should have the greatest interest in local elections, are beginning to withdraw, by resuming their former politically passive attitude.

In regard to the outcome of the local elections the people's view does not differ from the general conditions of party strength. Without further comment we present the results of our survey:

<b>Who will win the local elections?</b>	
<b>Party</b>	<b>Percentage breakdown of responses</b>
MDF	39
SZDSZ	17
FKgP	9
FIDESZ	6
MSZP	1
KDNP	1
MSZDP [Social Democratic Party]	1
MSZMP*	0
Does not know	26

\* [The next to the last line in the original table indicates "MSZP." If correct, this would be a repetition. It is safe to assume that the acronym for the next to the last response listed should be "MSZMP", which stands for the Hungarian Socialist Workers Party.]



### New Local Government Law Provisions Compared With Council System

25000781B Budapest NEPSZABADSAG in Hungarian  
13 Aug 90 pp 1, 7

[Interview with Dr. Lajos Szabo, head of the Interior Ministry main division on autonomous local government, by Jozsef Katona; place and date not given: "Law in a Poke"—first paragraph is NEPSZABADSAG introduction]

[Excerpt] In the avalanche of proposals and counter proposals it was quite easy to lose the line of thought. The fact is that a law concerning local autonomous government [hereinafter local government(s)] has been adopted. But what is in that law? Is it capable of guaranteeing the independence of the fourth branch of government? Will it be able to defend the right of citizens to act independently in regard to common affairs? What changed, if anything?

Dr. Lajos Szabo is the Interior Ministry head of the main division of local government. Previously he also served as an executive committee secretary of a council. I asked his help in comparing the council system with the local autonomous government system as the latter is outlined in the law just adopted.

[Katona] Who is the boss in one system and in the other? I.e., who was able to assign tasks to the council, and who will be able to do so in regard to an autonomous governing body?

[Szabo] In most instances the former received task assignments from the party organizations. The functioning of the council itself was a formality if for no other reason because usually the executive committee rendered a decision in its place. And the executive committee was dependent on the council executive committee, and the council executive committee on the government.

[Katona] What were the legal and economic limitations worth in terms of assigning tasks?

[Szabo] In the same way, these were in the hands of those who assigned tasks, i.e., the central power had an unlimited opportunity to interfere....

[Katona] And in contrast, what is the situation now....?

[Szabo] The local government determines its tasks for itself, just as it determines what part of which task it wants to perform. Tasks may be assigned to local government only by law, i.e., by the National Assembly. Part of these are expressed in specific terms in the local government law, but in addition to such specific statements the law contains 15 references in regard to certain functions and authorities to be provided for in the future by other laws. In the future, according to the rules, the National Assembly will simultaneously appropriate funds for the performance of a given function if it determines that a given local government function exists.

[Katona] What is the difference between the old and the new local power in terms of its means, and primarily in terms of [local] legislation?

[Szabo] About 2,700 legal provisions applied to councils. Aside from these, it would have been difficult to find a situation in life not regulated tightly by the central power. In this way, council decrees in most instances became local variations of already existing legal provisions. For example, the style and weight by which the promulgation of council decrees prohibiting the consumption of alcoholic beverages in public places spread throughout the country was characteristic. In contrast, the new law grants local government great freedom and broad authority in providing for local living conditions. By the end of the year the mass of legal provisions I mentioned is expected to be reduced to about one-third of its present volume. At the same time the level from where external regulations originate will be higher, characteristically it will consist of laws, and only in exceptional cases of government decrees.

[Katona] What is the difference in the utilization of financial resources?

[Szabo] Before, about 70 percent of the town and city council revenues were provided from a budget broken down at the county level. Beyond direct dependence, this also produced uncertainty, because these funds could be reduced even in the course [of a given fiscal year]. Council entrepreneurial ventures could start only beginning in 1986, when in the wake of the law on business associations, councils participated primarily in limited liability corporations [Kft]. But they did not have real risk funds for the ventures because at best they could be managers only of state property found locally. This was accompanied by the fact that income originating from such ventures was frequently gulped down by the budget.

In contrast to the earlier practice, the law provides property to local governing bodies, specifies various automatic and standard subsidies, and states that they may enter into entrepreneurial ventures freely, on their own responsibility. And they may freely manage their revenues.

[Katona] What kind of property, and what kinds of revenues are those upon which local governments may base their commitments?

[Szabo] Local governments will own, for example, the following state property: local real estate, forest lands, parts of waters specified by law, plants subject to funding by the state budget, plants founded by the councils, public works serving the populace except for facilities exclusively owned by the state, the assets of educational, cultural, health care, social and sports institutions managed by councils, council rental housing, public buildings and related land, with the exception of buildings which serve the purpose of implementing central state functions....

[Katona] You mention quite a few exceptions whose content is not known for the time being....

[Szabo] These will be accurately defined in separate laws; for example, in the law on proprietary reform and the land law. Similarly, there is a need for other laws, also in order to be able to interpret the meaning of various local revenues. From among the revenues, for instance, the local government law specifies the following: local taxes, revenues derived from enterprising and from return on capital, dues, a part of certain fines levied locally, part of the amount realized from the sale of enterprises founded by councils and sold by the State Property Agency, part of the personal income taxes, standard subsidies received from the National Assembly, as well as subsidies earmarked for special purposes. In order to understand these terms one needs to consult for instance the law concerning the state household, the law concerning local taxes, and even the government's three year economic program.

[Katona] I.e., one cannot tell at this point what the mandatory tasks of local governments are, what is part of their starting property, and how large their revenues will be. But let's look at the guarantees instead! In whose hands is local government? The present means available to citizens—the right to vote, popular referendum, popular initiative—have been available before. (Moreover, in theory, they could even recall their elected officials.) What made the positions [in local government] stronger?

[Szabo] They became stronger by discontinuing the opportunity of excessive interference. The power of counties for example, which in the past qualified matters, demanded reports and distributed money and tasks. There no longer is any kind of superior-subordinate relationship among local governments.

[Katona] If this is so, what function is left for counties?

[Szabo] The county general assembly (i.e., the local autonomous governing body) is supposed to provide for tasks applicable to the county as a whole, or to a larger area within the county. These will have to be itemized in the future in separate laws.

[Katona] The law just adopted leaves rather broad room for local governments in settlements to join together at will for the provision of joint functions. Aside from that, the automatic preservation of the county appears to serve the only purpose of having yet another party fight for the goods which serve several settlements. Who will do justice here?

[Szabo] Once we are aware of the law I mentioned, once the functions of the counties become clear, county property transfer committees will decide in regard to specific cases. These will be established by the cabinet.

[Katona] To what extent could we regard the delegates of the Republic who function in eight regions—one in each region—as the heirs insofar as the role of county executive committee secretaries is concerned? Is the delegate of the Republic going to represent the executive power, oversee the legality of local government, and in certain cases operate as an appeals authority?

[Szabo] That's not what we have in mind. The delegate of the Republic will not oversee, but control legality of action. I.e., he will not have power to act. In the event that he takes note that a law has been violated, he is authorized only to initiate action in court or before the Constitutional Court. His scope is limited as a forum for legal recourse in regard to state administrative cases. This role of the delegate of the Republic makes sense insofar as not all cases in which legal recourse is sought will burden the courts. Under the council system, legal recourse against authorities was sought in about 250,000 cases each year.

[Katona] Aside from direct party intervention, the council system slipped when it failed to differentiate between local government intent and organization on the one hand, and the state administrative intent and organization on the other. The state administrative string was the one by which it was possible to line up the councils subject to the central will. These two functions are not fully and consistently separated by the local government law. It also assigns state administrative functions to the mayor, the head of local government, even though in most places his position is underscored by the fact that he is elected directly. From a practical standpoint they are making use of the apparatus for two purposes. And at that point, on behalf of state administration, not only the National Assembly, but the cabinet, and in certain instances even the minister, could influence the people in local government. Are you not disturbed by this?

[Szabo] I do not regard this as a grave problem. The mayor may be assigned the function of a state administrative authority only in an exception. In general, these are reassigned to the town clerk, or to one of the leaders of the apparatus. This kind of thing always takes place based on law, or authorized by law, by way of cabinet decrees. In other words, the law also supports these actions. Insofar as the town clerk is concerned, it is true that he is the head of the local government office, and also the chief person in whom state authority jurisdiction is vested. But in reality this man belongs to the local government. They appoint him, and he depends only on them.

[Katona] Please help me prepare an inventory of legal provisions which must be established before the local governments described in this law can be evaluated and made functional!

[Szabo] Regulation by law is mandatory in local government with respect to the determination of added tasks, the establishment of mandatory committees, the mayor's salary, the public service act, the administrative procedure act, the local tax law, the land law, the law on proprietary reform, the law concerning the state household, the law concerning disaster abatement...[passage omitted]

### Hankiss Refuses To Broadcast Paid Political Announcement on TV

25000780B Budapest NEPSZABADSAG in Hungarian  
10 Aug 90 p 4

[Interview with Hungarian Television Chairman Elemer Hankiss by Gyula Fejer; place and date not given: "The MSZOSZ [National Federation of Hungarian Trade Unions] Advertisement Will Not Be Broadcast; Hankiss: 'This Is the Chairman's Prerogative'"—first paragraph is NEPSZABADSAG introduction]

[Text] According to information received the Hungarian Television refused to broadcast a political advertisement of the National Federation of Hungarian Trade Unions [MSZOSZ]. We paid a visit to Hungarian Television chairman Elemer Hankiss in regard to this report.

[Fejer] National television networks do not broadcast advertisements in any country, this is the function of commercial broadcasters. The Hungarian Television is the exception in this regard. But if this is so, why do you discriminate against certain advertisements?

[Hankiss] To my knowledge there are certain nonprofit television broadcasters who nevertheless broadcast advertisements and accept funds from sponsors. To my knowledge this is the practice even at the BBC. I have different information in this regard. And insofar as the second part of your question is concerned: well, the Hungarian Television does not make discriminatory choices between advertisements. It refuses the broadcasting of commercial advertisements based on accepted standards. Political advertisements fall in a different category. In a number of countries simply no way exists for the broadcasting of political advertisements. In Hungary this field is not yet appropriately regulated. Whatever regulation exists indicates that political parties may advertise political messages on the Hungarian Television during election campaigns.

This provision does not expressly prohibit the Hungarian Television from accepting advertisements of this nature at times other than during campaigns. But it does not obligate the Hungarian Television to do so either. According to my lawyers, it is within the sovereign authority of the chairman of the Hungarian Television to broadcast or not to broadcast political advertisements outside the period of parliamentary election campaigns.

[Fejer] According to what you say, will the chairman also render decisions concerning the fate of advertisements related to local elections?

[Hankiss] I do not know. We will have to check the provisions. If the law provides that the concept of election campaign also applies to local elections, and mandates the Hungarian Television to accept political advertisements, we will accept such advertisement.

[Fejer] Accordingly, you did not authorize the broadcast of advertisements by MSZOSZ. Why?

[Hankiss] Yes, I was the one who said that we will not broadcast these. At the same time I must add that I also told MSZOSZ spokesman Attila Balint that I regard the development of the institutional system for the protection of workers' and employees' interests, of the interests of the majority of society at least as important as anyone else. I regard the fact that there is a total vacuum in this field in Hungary today as a great problem, the system of rights and duties in regard to employers and employees is not regulated, there are no functioning collective agreements.

There are no laws to define how to settle conflicts, and there are no institutions which could settle such conflicts in a functional manner. This presents a terrible threat insofar as the country is concerned. If serious conflicts evolve during the fall or winter—conflicts which exist in every country during crisis periods—the cabinet, and the Parliament will simply not have a partner on the side of labor, people with whom they could negotiate.

Accordingly, I fully support endeavors for the development of the missing institutional system at the earliest possible date. I will be pleased, if in the framework of this system MSZOSZ finds itself an appropriate place and task. I believe that just now the already existing interest groups took the first steps to sit down and negotiate, and to develop a joint strategy to serve the greater cause. The placement of an advertisement by one of the negotiating partners at this time, concerning the matter of interest protection—an advertisement which propagates the organization itself at least to the same extent [as it does the idea of interest protection]—would disturb, rather than help this important process which just barely started. In addition to the above, I do not regard as fortunate the idea that the tremendous influence wielded by television be used in regard to any matter for organizing popular referendums. I am certain that television will find an opportunity to help the campaign if the organizers are able to gather the appropriate number of signatures on the street, and if a referendum is indeed held.

[Fejer] But couldn't television provide help in the meantime? If not by broadcasting paid advertisements, then in some other way? Mainly in the interest of bringing about the missing system and guarantees of interest protection as soon as possible.

[Hankiss] If we talk again in two months I will ask you to tell me whether you are satisfied with all we will have done in this regard, beginning in the middle of September, I believe. We are making a serious effort to provide opportunities for Hungarian society to [obtain] information and education, and for the airing of different ideas.

### Helicopters, Airplanes Salvaged by State Farm, Cooperative Leaders

25000778B Budapest TALLOZO in Hungarian No 27, 6 Jul 90 p 1262

[Interview reprinted from KIS UJSAG 28 Jun 90, page not given, with Agricultural Air Service Director Dr. Pal Horvath and Ministry of Agriculture Chief Division Head Istvan Fesus, by Pal Bela; place and date not given: "The Low Price of Helicopters; Control Stick Crisis; Stick Cabinet Crisis"—first two paragraphs are KIS UJSAG introduction]

[Text] The imagination of those who "salvage property" is inexhaustible. I hardly believed my ears when listening to the telephone conversation of one of our readers from the Plains. After hearing what he said, the contents of an article concerning telephone crooks began to take shape in my mind. But it was appropriate to take seriously what the director of the Air Service had to say. Also he reported that in vain did they put their helicopter into a locked hangar—even the battery was removed pursuant to requirements—its "owner" broke the lock and flew away. He was able to do so because he brought along a battery with the crowbar. To my greatest astonishment the Ministry of Agriculture requested help from the public, this is how much "demand" there is for agricultural helicopters.

Dr. Pal Horvath, director of the Air Service received me with a large package of files in his hands. As it turned out, part of the state farms and producer cooperatives have already sold their helicopters for a small compensation; this compensation would be insufficient to buy on the free market a Trabant-kombi in relatively good condition!

[Bela] Director, first it would be good to clarify the ownership conditions. Who owns the 82 helicopters and airplanes used in agriculture: the state farms, the producer cooperatives or the Air Service?

[Horvath] In theory they belong to the producer cooperatives and the state farms; more accurately, to the Air Service.

[Bela] I believe that in addition to me there may be a few million people who did not become wiser by hearing this response. If, let's say, in theory and also in practice a helicopter belongs to a state farm, would laws be violated if that helicopter was sold?

[Horvath] Hungary has developed a great tradition of how to take away everything from people and communities while observing the law. Of essence is the fact that the leaders of producer cooperatives and state farms defrauded the people in every which way when they sold a machine worth several million forints for a few hundred thousand.

[Bela] I know that even 200,000 forints were very much welcomed by producer cooperatives at the brink of bankruptcy, but one cannot condone the assumption

that it was worth it for the sellers to sell the helicopters and airplanes as private persons, for less than their true value. The facts are that in those days an agreement was signed with the Air Service (at that time Ministry of Agriculture Air Service) according to which the producer cooperatives and state farms justly feel themselves to be the owners.

[Horvath] The legal predecessor of the Air Service State Enterprise—the Ministry of Agriculture Air Service on the one hand, and the agricultural plants, state farms, and associations of state farms, organized by the Ministry of Agriculture on the other—purchased between 1973 and 1980, with state subsidies, Type AN-2 helicopters and Type KA-26 airplanes. The Ministry of Agriculture Air Service maintained these under contract. In order to reduce the burden on large plants, the Service also agreed to reimburse the purchase price of the planes to the plants in the form of amortization expense, to be prorated per flying hours, generally within 10 years. After repayment, ownership would revert to the Ministry of Agriculture and to its institution, the Air Service.

[Bela] In very simple terms this means that after paying the amortization expenses the airplanes belong to the Service. But only after that! Until then they belong to the producer cooperatives and to the state farms. Accordingly, they may even sell these planes.

[Horvath] Yes, they may. But then they must pay us the amount we transferred to them in the form of amortization expenses. This they did not do. The most immoral aspect of the whole thing is that they waited until we completed major repairs, replaced main parts.

[Bela] Forgive me, but the contract specifically states that after payment of the amortization expenses ownership is transferred to the Air Service. This is the only way they interpret this!

[Horvath] Here you have it: "The parties to the contract agree that they will by all means review the present contract prior to 31 October of the year in which the ownership right of the owner, based on the overall contract, expires." Aside from the wording of the contract, of essence is the fact that we performed the repairs and we paid for the amortization expenses, i.e., the machines belong to us!

[Bela] Don't misunderstand me! I am not disputing what you say, but unfortunately the contract is not clear!

[Horvath] In any event, this is how we interpret it. When we learned that the planes were being sold at suspiciously low prices, I instantly indicated to the Ministry that they should help us prevent this. Our truth is supported by the fact that a majority of the partners interprets the contract the way the Service does: The ownership right to 41 vehicles whose value has been written off to zero has been transferred.

[Bela] The time has come to name those who thought otherwise and have already sold the planes.

[Horvath] The Gyozelem agricultural producer cooperative of Lajoskomarom, the state farms at Izsak, Kecskemet-Szikra, Szeksard, and Mor, the Vorosmarty agricultural cooperative of Kapolnasnyek and the state farm of Papa.

[Bela] This may be an unfortunate coincidence, but in viewing the list I find that three of the high value planes were sold below price to the Industrial Corn Producing System. And the founder of that is the Babolna Farm, where one of the deputy ministers of agriculture went!

[Horvath] Let's stick to the facts: They bought these below price. And in doing so they caused damage not only to us, but also to the communities of the Izsak, Kecskemet, and Szeged state farms.

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Chief Division Director Istvan Fesus received me at the Ministry of Agriculture.

[Fesus] Unfortunately the ministry cannot take action by way of dictatorial mandate. Namely, the Air Service is a state enterprise, and we cannot interfere with the affairs of the enterprise. I said "unfortunately," because we believe that the service is correct. Also I believe that the sale of helicopters and airplanes must be stopped instantly! By all means there is property salvaging behind the low prices.

[Bela] If this is also your view, why don't you take action in addition to expressing regrets. If for no other reason, in those days the Ministry of Agriculture also signed the contracts.

[Fesus] I repeat, we cannot interfere with matters under the jurisdiction of enterprises. But I feel that it is my moral obligation to see to it that we help. Indeed, the contract is not entirely clear. For this reason the Air Service may fight for its rights in a civil suit. We will find the best lawyers, experts, and the expenses will be paid by the Ministry. We are sending a circular to all agricultural plants equipped with helicopters and airplanes reminding them not to sell their planes until this matter has been clarified. In addition, since there exists substantial cause to believe that property was sold below price and that the salvaging of property is involved, we requested the State Accounting Office by letter to initiate investigations.

## POLAND

### Presidential Power: Polish, European Past Provide Potential Models

90EP0779A Warsaw PRZEGLAD TYGODNIOWY  
in Polish No 28, 15 Jul 90 p 3

[Article by Miroslaw T. Kulesza: "The Belweder Potential: Four Models of the Presidency in Europe"]

[Text] Basing a constitutional debate on personalities and the short-term interests of the participants is the greatest danger.

Unfortunately, we Poles have sad experience with regard to this question. In the basic law of 1921, the authority of the head of state was formulated against a particular individual. In the constitution of 1935, it was formulated for a particular individual, in fact, the same one as before. In both cases, the results for parliamentarianism and democracy were, delicately speaking, not the best. Now, as years ago, the idea and institution of the presidency are beginning to occupy an important place in a new constitutional debate. I will pass over the personalities and concentrate on the substantive dimension of the question under discussion. The as yet impoverished substance can be put into two basic statements. The starting point is the belief in the need for a strong presidency due to the weakness of the reborn Polish democracy and the avalanche of tasks which democratic government faces.

It is curious that the theses formulated 50 years ago by the camp of Jozef Pilsudski to justify the need for introducing strong presidential government into the Poland of that day harmonize with these general claims. The arguments used by the Pilsudski group are as follows: 1) the geopolitical location of the country; 2) the fractured nature of Polish political life; and 3) the weakness of the national character burdened by the partitions, the time spent without freedom and without its own state government. In spite of the basic difference that today we speak of securing strong government in a democratic system while then they spoke of a strong government which was to be implemented in a system called authoritarian today, these justifications are not so far apart. One could add that these old ones have lost little of their relevance.

The second thought of the debate, as was the case 50 years ago, concerns the specific provisions for the constitutional status of the president, since it is generally thought that this office and not another is to be the seat of the strong power in the state.

Among the rich history of ideas and institutions of the presidency, it is worth paying attention to Europe in the 19th and 20th centuries. In the European constitutions devised between 1848 and 1939, there are four fundamental formulas of presidential authority as the republican head of state. After 1945, new details were added, but the number of fundamental formulas has not changed.

The first assumes total resignation from the institution of the president in the state. This formula is not a purely theoretical solution; it was followed, among other places, in prewar Estonia. According to the second formula, the president occupies an office devoid of any real authority, by law, within the system of government. This approach was used by Portugal in its constitution of 1911. Another way of implementing this formula calls for giving the head of state defined rights, but the way in which they are framed in the provisions of the constitution deprives the president of any real ability to use them. An excellent example is the Polish constitution of 1921: the president is the commander in chief, but only during peace, or the president can dissolve parliament, but only with the agreement of the upper chamber.

The essence of the third formula, the most commonly encountered one, was to give the head of state a few authentic rights important to the whole of the system, which, however, did not permit the president to occupy the leading position in the state. Such a formula was applied in the French constitution of the Second Republic. The first president of the republic noted and removed the fundamental defects of this formula. He staged a military coup, formed the Second Empire, and ruled as Napoleon III. The final formula calls for clearly assigning, in the fundamental law, numerous, genuinely influential powers to the president that allow him to occupy a key position in the state and to effectively participate in the political life of the country.

The implementation of the last formula is for some of the dignitaries of our reborn political life an enterprise of compelling simplicity. Let us take a constitution of a given state—obviously after checking, whether it is not by chance a monarchy—and let us add to the text of the constitution the following provisions:

1. Lack of political responsibility for the actions of the president during his term in office and the right to take personal action without requiring a countersignature.
2. Vast presidential powers over the executive officers (civilian and military) in domestic and foreign relations, including power personally to direct the work of the government if necessary.
3. Power for the head of state to regulate the course of deliberations in the chambers and the right to dissolve them early.
4. Power for the head of state to intervene in the legislative process (for example, by a presidential veto) or for the president himself to create law, for example, through reserving certain matters in the constitution to the supervision of the head of state or giving the president, as if in advance, the right to issue legal acts essential to the execution of the laws or the operation of the government and administration.

Finally, in accord with the voice of the majority of public opinion, loudly demanding direct election, as something essential to a powerful head of state, let us add in the fundamental law a provision that the president will be chosen in a general election and the work is ready.

An expert evaluation of behavior according to the above recipe can be compared to the vision of a rural resident for whom a high-rise building is many peasant huts placed on top of one another. The essence of a strong president is not the accumulation of the greatest number of powers in the hands of the head of state. These powers are only the building material for the implementation of a particular way of situating the head of state with respect to the other bodies and institutions, of implementing it through an appropriate form of strong presidential authority adequate to the historical, political, and social reality of the given country.

The scale of the difficulties involved in the enterprise is revealed by the fact that during the interwar period in Europe alone several formulas of strong presidential authority were created. The first fundamental division among these models focuses on the question of whether a strong president in the given state is to serve the ideals of democracy and liberalism or not. Against the background of several of the democratic states of that period with strong presidencies, there is a clear predominance of states in which a strong president was to implement ideas more or less distant from democratic principles and parliamentarianism. Today we call such states authoritarian, and the Poland of the constitution of 1935 can serve as an example. The second division focuses on the decision whether the president during his term in office can be subjected to political responsibility for his actions, for example, to the parliament or directly to society through a referendum. In the Weimar and Spanish republics, the creators of their constitutions, in addition to strong powers for the head of state, included the power to weaken them by imposing political responsibility on the president by removing him from his position prior to the scheduled end of his term in office. Contrary provisions appeared in the constitutions of Finland and Czechoslovakia. There, presidents with strong powers were completely relieved of political responsibility during their terms in office.

The president of Finland, chosen by electors, had, of all the presidents of the democratic states of the time, the greatest authority. He had all of the powers essential to the creation of a strong presidency in his hands. The measure of the power of presidential authority, the head of the entire machinery of state, was the fact that the lack of his sanction for an adopted law meant it was impossible for the law to go into effect. Against this background, the powers of the president of Czechoslovakia, elected by the parliament, are more humble. But even he, in case of need, could, for example, personally direct the government and call early parliamentary elections. The president of Czechoslovakia, in the plan of the creators of the constitution, was to be a mediator in a crisis, or a president-arbiter; a peculiar constitutional reserve within the whole system of government.

Of the above constitutions, only the constitution of Finland has endured to our time, and even today its president has the most dominant powers among the heads of democratic states in Europe.

The second constitution, which in its current provisions clearly associates the ideas of a strong presidency with the principles of democracy and parliamentarianism, is the fundamental law of the French Fifth Republic of 1958. Both of these constitutions are a common source of inspiration for supporters of such a marriage, recently also in Poland. Two measures in the French model arouse particular interest. The first is the reserving of special, almost discretionary, powers to the head of state in the areas of foreign and defense policy, free of interference from the parliament and government.

The second is the clear assignment to the head of state of certain powers permitting him effectively to regulate conflicts between the chambers and the government. Recently in Poland, there has been increasing discussion of the French constitution as a possible model. This interest cannot be explained exclusively by the well-known quote from the bard, "What a Frenchman invents, a Pole loves," but rather by the conviction that the Polish measures are somehow unique and cannot be duplicated, whereas the French model can be adapted or serve as a source of inspiration.

These opinions require a certain correction because they are based on a clear misunderstanding. First, we have our own experience and proposals in this area, and they are better than the French ones since they were created directly in the country. Second, there is some evidence to show that Polish experience during the interwar period lay at the source of the later French constitution contemporary to us today.

When the president of France visited Poland in 1967, he did something unforeseen in the official program for the visit. During a visit to the cathedral on Wawel hill, he went to the catacombs and bowed his head in front of the coffin of Marshal Jozef Pilsudski. It was not just an act in honor of the victorious leader in the Polish-Soviet War, but also an expression of recognition for a politician whom the young officer of the French Military Mission in Poland had observed carefully, even after leaving Poland. The proof of this statement is the copy of the writings of Jozef Pilsudski published in German in the library of the private residence of General de Gaulle. The copy reportedly shows signs of frequent use, and the comments of the Marshal on the government and constitution of the state bear many notes in the margins.

A penetrating analysis of selected provisions of the French basic law of 1958 and a comparison with certain facts of our interwar history leads to the conclusion that we had an understanding of a number of the institutional provisions characteristic of the Fifth Republic earlier and on our own, and that we recorded some of them in legal acts.

First, Jozef Pilsudski, as the head of state, systematically followed the principle that the basic powers of foreign policy and military affairs should be concentrated in the hands of the head of state. Second, still prior to May 1926, the former head of state categorically claimed that the president in Poland must have his own, strong powers. Powers clearly reserved in the constitution that concerned his ability to intervene only in a crisis of the entire system of government. For Pilsudski, the president could not be an all-encompassing head, but only an arbiter who entered in a final, irreversible way when the other state bodies, within the range of their powers, were unable to handle a situation threatening the entire system. These ideas also lay at the basis of the proposed changes to the March constitution announced by the Pilsudski group after the coup. Parliament adopted the majority of in the so-called August amendments.

The provisions of the August amendments clearly strengthened the position of the head of state. The president gained, among other things, his own power to establish law and to dissolve parliament early. It was also important that in terms of law all of the changes made fit within the ideological provisions of the March constitution, a constitution faithful to the ideals of liberalism and democracy. Years ago, the great Polish historian Prof. Konstanty Grzybowski wrote about these interesting, now forgotten affairs in a penetrating and wise manner. One of his texts was titled "Searching for the Path, Although It Was Broken Centuries Ago." Well, perhaps not centuries ago, but certainly 50 years ago. The rest of the professor's commentary fits the current constitutional commotion on the Polish political state of 1990 like a glove. This commotion concerns issues whose importance according to the principles of the April constitution should be measured in generations and not by the short-term conditions and the ambitions and squabbles of personalities.

**Removal of 'Tainted' PAP Journalists Called For**  
*90EP0769A Warsaw OPINIA in Polish No 17, 5 Jul 90*  
*p 2*

[Article by Miroslaw Harasim: "If the Prime Minister Did Not Remove Me, That Means I Am Good"—OPINIA is a weekly publication of the Confederation for an Independent Poland (KPN)]

[Text] What is pap? A tasty dish for babies? Not necessarily. Among journalists, it is the ironic term for the products of the Polish Press Agency (PAP) formed in 1948 to replace the liquidated Polish Telegraph Agency. So we have been swallowing this pap for 42 years. In order to change the menu, perhaps it is necessary to change the cook.

In the phrase of the law dated 23 July 1983, the Polish Press Agency is the government press agency whose task is to inform Polish society about Polish and foreign news and to report news abroad about Poland. As the opinion forming agency of the government, PAP was always associated by society, including Poles abroad, with the policy of the former authorities. Today it is said directly that it was a court institution. PAP only formally, however, was subject to the government. The main chef and the chief cook did not work in either the offices of the Office of the Council of Ministers or even of PAP's building at the corner of Jerusalem Boulevard and Nowy Swiat, but across the street, literally a stone's throw away, in the PZPR Central Committee. There, the head of the Section for Propaganda and Information whipped up some dishes and made sure that everything that got into the hands, or rather the eyes, ears, and minds of the readers, viewers, and listeners did not cause a revolution. Not obviously in their stomachs, although frequently swallowing the product of this firm could cause indigestion.

From the beginning of PAP's existence, its employees were among the most "tested" people. It is a public

secret that the majority of foreign correspondents went thorough additional, special training and also worked for a second employer. For whom? Everyone knows, for it is easy to guess. In any case, it was a fairly common practice in the world, especially in the better, socialist world, and there is no reason to discuss it at length. The strange fact remains, however, that many such "correspondents" today remain at their foreign posts.

Since 1986, the head of PAP, excuse me, the President and Editor in Chief (God, how beautifully that sounds!) has been Bogdan Jachacz. Earlier, he was—exactly—the head of the Section for Propaganda and Information of the PZPR Central Committee. His predecessor, Janusz Roszkowski is currently the Polish ambassador in Copenhagen. The gray eminence in PAP is Janusz Solecki, director general of PAP, described by his subordinates with the elegant phrase "His Red Eminence." Where does the "gray eminence" come from? From Rakowiecka Street, from the desk of the personnel director of the Ministry of Internal Affairs. That is what the subordinates themselves say about their supervisor.

After the departure of Aleksander Kwasniewski, the heads of the Polish Press Agency are probably the last of the Mohicans (also red!) in Poland. Perhaps that is how our present government, watching them, treats them so that nothing changes in this preserve. A preserve is a preserve. Reportedly, Bogdan Jachacz himself has twice asked Minister Jacek Ambroziak to relieve him of the position of head of PAP. If, however, he is still directing what is a government agency, in any case, then it must be, as Bogdan Jachacz himself says: "If Prime Minister Mazowiecki has not removed me, that means that I am good."

The Factory Commission of Solidarity formed in March 1990 is of a different opinion. In an open letter to Prime Minister Tadeusz Mazowiecki, dated 15 May 1990, the PAP Solidarity organization demanded radical personnel changes. "Some dissidents in PAP still remember the times of Radkiewicz and Berman. Others have gone through 'thorough' training in the Office of State Security or the Ministry of Internal affairs. Still others have verified journalists and held responsible positions in the party apparatus. It is not surprising then that an atmosphere of fear and apprehension prevails in the Polish

Press Agency to this day," write the Solidarity members in their letter. They also demand a thorough restructuring of the agency and changes in its operations. They also want a return to the old, traditional name of the former government press agency, the Polish Telegraph Agency.

In 1981, the Solidarity unit active in PAP, at the time led by Marek Car, made a similar proposal, for which Car was thrown out of the agency when martial law was introduced.

Stanislaw Dmitrewski, chairman, claims that today the Solidarity organization in the Polish Press Agency is not a power in the firm. Of the 850 employees in the agency, including 150 of retirement age, only about 100 individuals belong to Solidarity; the rest of the employees are politically passive. The Factory Solidarity Committee is poor. Today it has barely 350,000 zloty in funds, and no one today can be enticed. Solidarity itself cannot do too much in its firm, thus it is looking around for partners who could help in reforming the agency. "We see ourselves as an ally for anyone who can put this place in order with an iron broom," says Stanislaw Dmitrewski, the Solidarity head. He says with conviction that PAP must begin to operate differently. The current agency leadership is passive and is doing nothing to change the aged organization and failing methods of reporting information. For current needs, the agency is too large and poorly equipped. Even today, it is not well understood what it means for PAP to be the government agency and in what way it is to implement government information policy. One hears reports of an improvement in the quality of the services and reports published by PAP, but that derives in large measure from the ending of censorship and the slow change in the mentality of a part of the agency leadership. All that, however, is too little. Substantively, little has changed. We should also remember that at present from 40 to 80 percent of the reports in publications (especially local papers) come from the services and reports of the five basic editorial divisions of the Polish Press Agency.

The government should carefully examine this kitchen and these cooks so that the pap tastes good to everyone and does not cause unnecessary disturbances in people's stomachs.



## HUNGARY

**Munkacs Radar Locator Construction  
Permanently Halted**

25000781D Budapest NEPSZABADSAG in Hungarian  
14 Aug 90 p 1

[MTI Report]

[Text] It's all over for the Munkacs [Mukachevo-USSR] locator station: Based on a decision by the Soviet Council of Ministers work will be halted. They are preserving the already existing facilities. They also mandated the Defense Ministry to use budgeted funds to mitigate the environmental damage caused, and to recultivate the affected parts of forests and plough land. Not too long ago the Ukrainian Parliament also issued a resolution in favor of freezing the construction of the Munkacs locator station, and in another resolution it prohibited the construction of high capacity locators within the territory of the Republic for a period of five years.

**RPG-7 Armor Piercing Rockets Sold by Soviet  
Soldiers**

25000781C Budapest MAGYAR HIRLAP in Hungarian  
8 Aug 90 p 3

[Article by (Iengyel): "Soviet Soldiers Doing Business Arrested; The Arsenal Was Squandered for a Hundred in Halas"]

[Text] Light was shed yesterday on a number of new details of the early August arms dealing transaction consummated by Soviet soldiers and Hungarian citizens in Kiskunhalas. Military prosecutor Lieutenant Colonel Dr. Andras Lele informed our editorial offices of the details.

According to what may be regarded as final information, two Soviet enlisted men—both are 20 years old, completed 10th grade and are trained—sold to Kiskunhalas resident Tibor Kiraly eight RPG-7 armor piercing rockets. Kiraly established regular commercial relations with the soldiers of the Soviet occupation army earlier. According to Kiraly the deal was struck for 100 forints altogether, for 50 forints according to one of the Soviet soldiers, and for 50 forints and a bottle of wine according to the other soldier. (Three explosive heads, four propellants and seven stabilizers have been retrieved since; the rest of the parts cannot be found for the time being however, even though the resultant danger is not insignificant. Not only the explosive heads, but also the propellants and the stabilizers contain explosive material!)

Kiraly passed on the treasure to a nonferrous metals dealer for a few extra forints as 10 kilos of aluminum. But warned by an acquaintance of his, the dealer soon discovered that he was concealing dangerous merchandise. Therefore, after some dispute and quarrel he

returned the material to Kiraly. Simply put, the cancelled the deal. Mutual apprehension did not come to an end however, just as the round-robin game did not. Kiraly located one of the Soviet soldiers and tried to persuade him to purchase back the remaining rocket parts by pulling off the trick of claiming that one of the explosive heads killed a child. The soldier was frightened and ran away, while the nonferrous metals dealer did not even stop until he reached the police...

Since the soldiers stole the rockets while on duty, causing loss to the Soviet army, a Soviet military authority will take action regarding their case. (Both were arrested.) A search is going on for the missing parts, and the explosive power of each part must be determined probably as a result of an experimental explosion. In response to our question Dr. Lele said that generally Soviet army soldiers do not deal in weapons, but in so-called consumable items, such as ammunition. Earlier, in Szeged a little girl lost her eyesight as a result of ammunition sold on the black market.

## POLAND

**Polish Army 'White Book' Containing Statistics  
Outlined**

90EP0759A Warsaw PRZEGLAD WOJSK  
LOTNICZYCH in Polish No 5, May 90 pp 8-12

[Article by Lt. Col. Marek Ryszkowski: "The Polish Army: Facts and Figures"]

[Text] An important element of a country's intelligence policy is that part which pertains to informing international and domestic public opinion about the stipulations of its defense policy, the war doctrine, defense undertakings and, above all, about the state of the armed forces which are the main component of every country's defense system.

For 45 years, all of the more important information about the Armed Forces and about the defense system was in the grasp of publishing restrictions. The result of this state of affairs was the quite superficial informing of the public about defense issues and the state of the Armed Forces despite the fact that modern technological reconnaissance methods, which were and are at the disposal of the intelligence services of our potential adversaries as well as the passing of time, had stripped most of our guarded information of its qualities of secrecy.

The weakening of international tension, progress in disarmament talks, stabilization of the domestic situation as well as growing democratization and openness of domestic economic and social relations have enabled the considerable expansion of publishing possibilities concerning the Armed Forces and the defense system. In 1989, a leap in terms of quality occurred in this respect. The extent of information about the Armed Forces of the

Polish Republic and the state defense system was broadened considerably in publications of the Central Office of Statistics [GUS]. Changes were made in the military publication regulations from which most of the restrictions were eliminated pertaining to military organizational structures (OW [Military District], RSZ [Branch of the Armed Forces], and IC MON [Headquarters Offices, Ministry of National Defense]) and military structures in main, central, and regional agencies of the state and economic administration as well as those pertaining to the defense industry. Deputies—members of the Sejm national defense committee—have been given authorization of admission to all zones occupied by military units and institutions. This was the first phase of the expansion of publication possibilities in the area of information about the Polish Army and about the country's defense system. As a result, scores of subjects and issues that had previously been bound by publishing restrictions may currently be extensively presented in the mass media. However, they do not take advantage of the newly created opportunities to their full extent. One of the reasons for this is the sketchy style of reporting about the Armed Forces and defense maintained and established for years in the journalistic community. Only the prompt familiarization of journalists and, above all, the military press with the new publication rules in the area of defense can enable the adequate utilization of the existing publication opportunities by the mass media.

In January 1990, a Polish white book entitled "The Polish Army—Facts and Figures" was published by the General Staff of the Polish Army.

The book contains eight chapters in which such fundamental issues from the area of national defense are discussed as Poland's defense stipulations, the state and structure of the Armed Forces, the program of structural and organizational changes in the army, the structure and size of the MON [Ministry of National Defense] budget, the production of armaments and military equipment, the structure of military training, as well as data about the fulfillment of the Stockholm Conference document by Poland and discussion of the Polish Army's peace mission between 1953 and 1989.

In the first chapter entitled "The Basic Stipulation of Polish Security" the foundations on which our country's security system is based are presented. The most important of these are:

- Poland's membership in the Warsaw Pact; particularly the alliance and the equitable, partnership-like cooperation and friendly relations with the USSR (it is emphasized that the military alliance pertains only to the nation's external security and not its government or internal order).
- Overcoming tension and conflict between nations by means of dialogue and negotiations, and forgoing the use of force or threatening its use in international relations.
- The elimination of stockpiles of mass attack weapons.
- Retaining only those Armed Forces that would assure the necessary defense capability but would not have the ability to carry out a sudden attack or to conduct offensive operations on a broader scale.
- Tying in the sovereign interest of national welfare with peace and security for the entire European continent.
- Not advancing any territorial claims with regard to our neighbors.
- Respect for the security interests of other nations.

The acceptance of such terms of Polish national security has become possible under conditions of improved relations between the superpowers, contrasting military-political groups in Europe and as a result of the overall improvement in international relations on our continent as well as on a world-wide scale.

In the second chapter entitled "Organization, Structure, and State of the Armed Forces of the Polish Republic," essential information on the numbers and structure of the Polish Army is given. First, the structure and composition of the state and Armed Forces defense control agencies of the Polish Republic is discussed.

The main agency controlling the nation's defense is the National Defense Committee (KOK) whose chairman is the president of the Republic of Poland [RP]—chief of the Armed Forces. The following make up the KOK [leadership]: the first deputy chairman—president of the RP Council of Ministers; the deputy chairman for internal security—vice president of the Council of Ministers and minister of internal affairs; and the deputy chairman for the Armed Forces and strategic-defense planning—minister of national defense. Members of KOK include: marshals of the Sejm and Senate; the chief of the Chancellery of the President of the Polish Republic; the minister of state and the deputy minister of national defense for general affairs; the chief of the WP [Polish Army] General Staff; first deputy minister for internal affairs; and the chief of National Civil Defense. The National Defense Committee also includes the ministers of foreign affairs as well as of transportation and navigation. In its structure, KOK has a permanent secretariat.

The Ministry of National Defense consists of:

- The minister (in charge of the ministry and the activity of the national defense agency).
- The deputy minister of national defense for general affairs (has control over the agency's areas of activity specified by the minister of national defense).
- The chief of the WP General Staff (the staff is the basic agency under the minister's command).
- The chief inspector of Territorial Defense (controls the implementation of tasks associated with the defense of the country's territory).
- The chief of the WP Main Combat Training Directorate (in charge of combat training of land forces as well as general military training and athletic activity in the armed forces).

- The chief of the WP Main Instructional Directorate (the directorate also controls the progress of service of the WP General Faculty Offices).
- The chief quartermaster of the WP (responsible for equipping the Armed Forces with quartermaster service equipment and materiel).
- The chief inspector of WP Technology (responsible for equipping the Armed Forces with technical weaponry and equipment as well as for the development of military technology).
- The head of the Personnel Department (responsible for the implementation of personnel policy in the Armed Forces, making use of the professional cadres as well as employment and professional self-improvement of military personnel).
- The chief of Internal Military Service (in charge of counterintelligence activity and control over military discipline and public order among soldiers).

Moreover, advisory-consultative joint agencies operate under the minister of national defense and are controlled by him. They are: the MON Political Advisory Committee; the MON Military Council; the MON Group; and the Council on the Military Advanced Education System and Instruction.

Other advisory-consultative agencies also operate within the Ministry of National Defense. The most important of these are:

- The MON Main Committee for Initiative and Innovation.
- The MON Council for Social-Vital Affairs.
- The MON Council for Social Sciences.
- The MON Council of Economic-Defense Affairs.
- The MON Council for Human Ecology and Shaping of the Environment.
- The MON Council for Physical Education, Sports and Tourism.
- The MON Council for Scientific-Technological Affairs.
- The MON Council for Cooperation with Social Organizations implementing tasks in the sphere of defense.

The composition of the Polish Army was also discussed and the numerical data presented below were given (according to the state as of 1 January 1990):

- MON Central Institutions—3,300 soldiers (1 percent of the manpower of the SZ RP [Armed Forces of the Polish Republic]).
- Land Forces—150,310 soldiers (47.9 percent of the manpower of the SZ RP).
- OPK [National Air Defense] Forces—48,200 soldiers (15.4 percent of the manpower of the SZ RP).
- Air Forces—38,000 soldiers (12.2 percent of the manpower of the SZ RP).
- RP Navy—21,200 sailors (6.7 percent of the manpower of the SZ RP).
- Military units of the central command—24,900 soldiers (7.9 percent of the manpower of the SZ RP).
- Military units and behind-the lines establishments—

28,100 soldiers (8.9 percent of the manpower of the SZ RP).

**Table 1.**  
**Changes in Manpower of the Polish Army**  
**between 1988 and 1989**

Types of Forces	Figures for 31 December	
	1988	1989
Land Forces	234,100	206,600
Air Force	40,900	38,000
OPK Forces	49,800	48,200
RP Navy	22,200	21,200
Total	347,000	314,000

Soldiers of certain military units belonging to the central command as well as rear support units were included in the statistics on the Land Forces given in the table.

Information made public in a television interview with Army General Florian Siwicki on 4 January 1990, regarding the restructuring of the SZ RP between 1988 and 1990, constitutes an important addendum to the data contained in this chapter. The minister of national defense has announced that by the end of 1990, the manpower of the military is to be reduced by 40,000 soldiers (as compared with the manpower of 31 December 1988) including 32,100 soldiers in the Land Forces, 5,400 soldiers in the Air Force and the OPK Forces inclusively, and 2,500 sailors in the Navy. Moreover, 850 tanks, 700 armored personnel carriers, 900 artillery pieces and mortars as well as 80 combat aircraft will be withdrawn from military materiel.

In 1989, the following were implemented within the framework of the restructuring of the Polish Army:

- 1) The number of soldiers was reduced by 33,000.
- 2) Four hundred tanks, 600 armored personnel carriers, 700 artillery pieces and mortars, and 809 combat aircraft were withdrawn from military use.
- 3) Sixty eight military units were completely demobilized.
- 4) One hundred forty seven military units were regrouped along with the concurrent reduction in their numbers.

On the other hand, in 1990 the following is planned:

- 1) The reduction in the manpower by another 7,000 soldiers.
- 2) The withdrawal from military use of 450 tanks, 100 armored personnel carriers, 200 artillery pieces and mortars.
- 3) The total demobilization of 50 military units.
- 4) The regrouping of 65 military units along with the concurrent reduction of manpower.

In the second chapter of the white book, it is given that 108,000 career soldiers serve in the Polish Army (according to the data of 1 January 1990) including 142 generals, 54,200 officers, 29,058 ensigns, and 24,600 professional noncommissioned officers. The full names and places where the basic command of tactical units and detachments entering into the make up of OW and RSZ is stationed was also given as well as the personnel and staff of command posts in the Polish Army (according to data of 1 January 1990). In this chapter, the structure of the principal state and military agencies; the organizational structure of MON, OW [military district], and RSZ [Branches of the Armed Forces] as well as of the OW command and the outline of the organization of the mechanized division were also presented. A map of Poland is attached with marked points where OW and RSZ commands as well as those of basic tactical units (DZ, BOW and BRD, KOPK, DLM and DLMB, and the MW RP flotilla [not further expanded]) are stationed.

The numerical data of the mechanized division were also revealed: approximately 11,000 soldiers equipped with 186 tanks, 199 BWP [infantry fighting vehicles] and armored personnel carriers, and 138 artillery pieces and mortars.

Some of the numerical data given in this chapter had already been published in GUS [Central Office of Statistics] publications and in the military press. Most of them, however, were published for the first time in the white book.

In the next, third, chapter entitled "MON Budgetary Expenditures" the structure of the MON budget in 1989 and the percentage share of MON expenses in the national budget (between 1986 and 1989) and in the national income between 1986 and 1988 were presented.

The structure of MON expenditures in 1989 is as follows:

- Upkeep of manpower: 1,246.0 billion zloty—58 percent of the MON budget.
- Armaments and technical equipment: 500.0 billion zloty—23 percent of the MON budget.
- Training, operation of equipment, and military facilities and for military operations: 380.0 billion zloty—18 percent of the MON budget.
- Investments: 28.0 billion zloty—one percent of the MON budget.

**Table 2.**  
**Percentage Share of MON Expenditures in the National Income and in the National Budget between 1987 and 1989**

Years	1986	1987	1988	1989
Percentage share of MON expenditures in the gross distributed national income	3.6	3.4	3.0	—
Percentage share of MON expenditures in the national budget	8.3	8.5	7.7	6.3

The numerical data contained in this chapter have already been published in GUS publications.

In chapter four entitled "Armaments and Military Equipment Production" some numerical data has been included pertaining to armaments production in our country.

It was given, above all, that 80 plants manufacturing for military needs have the status of defense industry enterprises. It was disclosed that in 1988, military production made up approximately 40 percent of the production power of these enterprises which constituted three percent of the production power of the nation's industry as a whole.

**Table 3.**  
**Conversion Scale of the Armaments Industry for the Benefit of the National Economy**

Data on the production of selected types of military equipment	Annual production capacity (in units)	Annual production between 1986-1989 (in units)	Annual production between 1991-1995 (in units)	Slowing of production output (in percent)
Tanks	250	approx.200	30	88
Artillery ammunition ranging from 85 to 152 mm	300,000	150,000	100,000	66
Radio stations on vehicles	80	30	20	75

In connection with the restructuring of the Polish Army, the reduction of manpower in military units, and the number of soldiers in active service, MON has substantially reduced the amount of orders for military armaments and equipment and the locating of the armaments industry in domestic enterprises. Therefore, an increasingly greater part of their production power may be used for production for the needs of the national economy including the production of consumer goods.

The numerical data contained in this chapter pertaining to the Polish armaments industry were not published previously.

In chapter five entitled "Military Educational System" and in chapter six entitled "Basic Military Duty" information is given that had frequently been published earlier in handbooks for candidates to military academies, advanced officers schools, schools for ensign training, noncommissioned officers career schools, as well as in generally accessible legal acts that stipulate the principles of fulfilling basic military duty by male youth.

In chapter seven entitled "Implementation by Poland of the Stockholm Conference Act Resolutions," military exercises observed on Polish territory between 1987 and 1989 are listed. Information is also given on the number of Polish officers observing military exercises in European countries.

**1. In 1987:**

- Observers from 34 countries—signatories of the CSCE [Conference on Security and Cooperation in Europe] document for the “Opal-87” exercises—were invited. Forty officers from 22 nations watched these exercises.
- The “Przyjazn-87” [Friendship-87] exercise was announced, which was conducted between 12 and 14 July.
- Polish Army officers were delegated to observe 16 different military exercises conducted in Europe.

**2. In 1988:**

- The “Tarcza-88” [Target-88] exercise, conducted between 4 and 11 June was announced.
- Observers were invited to exercises of the Polish Army and the PGW AR [probably Northern Group of Forces of the Soviet Army] conducted in Poland between 25 and 27 July. The exercises were witnessed by U.S. army officers.
- Polish Army officers were delegated to observe 13 different military exercises conducted in Europe.

**3. In 1989:**

- Observers were invited to the “Orion-89” exercises. These exercises were observed by 41 officers from 22 nations.
- WP officers were delegated to witness 12 military exercises conducted in Europe.

In 1990, military exercises subject to notice are not foreseen in the Polish Army. Officers of the Polish Army will only be observers of 12 military exercises conducted in Europe.

The greater part of the statistics contained in this chapter have been published for the first time in the white book.

In the last, eighth chapter entitled “Peace Missions of the Polish Army,” numerical data is given reflecting the participation of our soldiers in the peacekeeping activities of the UN Armed Forces from 1953 to 1989.

In their 36-year history of participation in UN Armed Forces peace missions, the soldiers of the Polish Army have participated in nine missions conducting activity in 13 countries of Asia and Africa. The first peacekeeping mission undertaken by soldiers of the Polish Army was in 1953 in Korea. Altogether, more than 18,000 soldiers of the Polish Army took part in UN Armed Forces peacekeeping missions working actively in Korea, Syria, Iran, Iraq, Afghanistan, Pakistan, Vietnam, both Laos and Cambodia in Asia, as well as in Egypt, Ethiopia, Nigeria, and Namibia in Africa.

The activity of Polish Army soldiers in UN Armed Forces peacekeeping missions is invariably highly regarded by representatives of this organization and by the authorities of countries where they carried out their service.

The Polish white book entitled “The Polish Army—Facts and Figures,” is undoubtedly a valuable source of information for persons engaged in the popularization of defense issues. It contains much numerical data and facts never before published or disseminated in various, frequently difficult to obtain, military and civilian publications. This book is also an excellent manual for instructors of defense training and for instructors conducting student military training. Readers interested in military and defense issues will undoubtedly reach for this book in generally accessible libraries.

With the publication of “The Polish Army—Facts and Figures,” the Ministry of National Defense is, for the first time, meeting the interests of public opinion halfway, both at home and abroad, with regard to defense issues of the Polish Republic. Therefore, the declaration contained in the introduction that “it is the intention of MON to periodically update this publication while concurrently upgrading its form and content” must please all those interested in these types of publications. The 2,000 editions of this book are to be found in libraries of military units from tactical establishments on upwards.

## INTRABLOC

### French Official on CEMA Problems, Remedies

90CH0303A Budapest MAGYAR HIRLAP  
in Hungarian 8 Jun 90 p 5

[Article by Lionel Stoleru, French secretary of state for planning: "CEMA Must Be Reformed; a Real Market, Instead of a Pseudomarket"]

[Text] Nowadays, when the countries of Eastern Europe one after another decide in favor of a market economy, each of them notices how difficult it is to make the transfer from a centrally planned to a market-oriented economy, and that it is almost impossible to successfully execute this transformation unilaterally, among other reasons because the CEMA members hold each other mutually captive.

It was revealed that there is no sense in changing orientation toward a national market until it was decided how to approach the international marketplace. How can an economy become market-oriented when, as in the case of Czechoslovakia, one receives petroleum in exchange for shoes, and no one knows how many pairs of shoes are worth one ton of petroleum? Nor is it feasible to assume that in the sea of international dictates a country can create a national island of economic independence. This is the root of the problem facing the seven countries of Eastern Europe: What to do with CEMA? The answer must be provided at the late June meeting in Moscow by the ad hoc committee that was created in Sofia in January 1990.

#### Double Failure

Established in January 1949, the Council of Mutual Economic Assistance was a political response to the Marshall Plan that was proclaimed in June 1947. However, the basic regulations were not rarified until 1959, and the executive committee created to promote the distribution of production functions among the socialist member countries has only been operating since 1962. As a result, the five-year plans are coordinated in order to quantitatively express specialization and trade relations. In the end, this method led to a double failure: The failure of being committed to goals. The national plans, in fact, were never synchronized. For example, the December 1985 attempt by the countries of Eastern Europe to respond to the Eureka program with a concerted scientific program of their own, failed. Thus, CEMA has never become a zone of multilateral trade relations, but primarily remained a byproduct of bilateral agreements signed between the region's countries and the Soviet Union. An operative failure: The transfer from natural trade to trade based on market value has never been successfully accomplished. Prices, to the extent that prices exist, are negotiated yearly on the basis of the previous five years' global averages. This method brings about two kinds of significant problems. On the one hand, when shocks and countershocks follow each

other on the global market of energy resources, the discrepancies between global prices and CEMA prices create disappointments and tensions. On the other hand, it is very difficult to determine the global prices of industrial commodities, and this leads to significant price differences, depending on who the negotiating partners are.

The transferable ruble, which serves as a base of accounting, is in fact nontransferable, that is, it cannot be exchanged for other currencies. This means that the upper limit of trade between the Soviet Union and the individual CEMA member nations is determined by their desire to keep the disequilibrium between exports and imports within reasonable bounds. Nor can the transferable ruble serve as a unit of accountability between two countries, one of which is not the Soviet Union, since the price of every commodity differs from country to country. It is no surprise that in 1987 and 1988 foreign trade within CEMA grew at one-third the rate it has grown on the global market.

#### Firm and Soft Commodities

The working group created at the January meeting in Sofia conceptualizes the future as based on two principles, to be applied as of January 1 1991: 1) prices must be fixed at the global market level, and 2) bilateral accounts must be settled in convertible hard currencies.

Applying the first principle will bring about significant changes and a certain number of surprises. Contrary to popular rumors, the current price of petroleum sold within CEMA is higher than the price on the global market (taking into consideration the mechanism of price determination.) This observation relates to the official ruble-dollar rate of exchange, in that said rate significantly overvalues the ruble. In the final analysis, however, the rate of exchange does not mean very much; one should think in terms of relative prices, because Soviet petroleum is traded for machinery and equipment whose quality falls below international standards. The relative price of Soviet petroleum sold within CEMA is lower than the relative price of petroleum, expressed in machinery, that could be sold on the global market.

If the Sofia decisions are not only for changing the prices but also for doing away with quantitative commodity trade and thus developing trade contacts that are similar to those on the global market, then they could be very important for CEMA nations: They will either pay hard currency for oil imported from the Soviet Union, improve the quality of industrial articles exported to the Soviet Union, or else that country will reorient its exports toward other countries. In fact, the three processes may take place simultaneously.

The future will be even bleaker for those commodities that "have no global price" simply because they cannot be sold on the global market. Invoking global prices may lead to the situation where we must distinguish between "firm" commodities that can be sold on the global market, and "soft" ones, that is, consumer end products

that may be considered for barter trade but do not meet the demands of global market.

Nor does the second principle create a more delicate problem. Taking the favorable case in which only the monthly or annual balances must be settled in hard currency, under a system of clearings this solution creates a de facto contact between CEMA (where no hard currency of any kind can be obtained) and global markets whence all hard currency originates. It will be determined by individual nations whether the relationships thus developing would enable the CEMA to develop internally or not. Thus, there is a possibility that the future system of trade contacts will become disheveled. Early in May West Germany's Economic Secretary of State Dieter von Wurzen will lead a joint East and West German delegation to Moscow, with the aim of studying this problem and the chances for creating a foundation, guaranteed by West Germany, for the purpose of maintaining trade between East Germany and the Soviet Union.

#### For Regional Transformation

The ultimate goal is to guide the nations of the East toward the global markets, and every possibility must be evaluated in this light.

The first possible solution is to create a payment union modelled after the European Payment Union, which proved to be very effective in Western Europe between 1953 and 1958. However, this solution raises a number of questions. To begin with, the system of monetary compensation may appear too centralized for the nations of Eastern Europe which may reject it on political grounds. Moreover, one of the greatest advantages of the European Payment Union was that it was able to attract external (in this case American) financial resources. Today, however, even aside the plans made concerning significant contributions by the EC, there are a number of international financial institutions operating, such as the International Monetary Fund, the International Reconstruction and Development Bank and even the new European Reconstruction and Development Bank. Finally, the European Payment Union tried, at the time, to develop trade contacts in a sphere where currencies were not convertible. Nowadays the much more energetic growth of international commerce prompts more rapid international openings, and the problem is more likely to be this: How to further develop international commercial relations, starting from a single region?

Another, even more problematic solution would be to eliminate CEMA suddenly, believing that each of the member nations could turn to West European and world markets to replace its former trade ties. For one thing, it is impossible to modify commercial trends in a few weeks (especially when they are embodied in oil or gas pipelines.) Their structural significance may be illustrated by the fact that the six small East European nations conduct 62 percent of their trade activities among each other (22 percent) or with the Soviet Union

(40 percent). Also, a transformation to global competitiveness cannot be accomplished in this manner.

Certain illusions will probably have to be dispelled. Poland, Romania, Czechoslovakia, Hungary and Bulgaria will probably have to be convinced that not only are they not ready to join the Common Market (where they would likely bleed to death), but the Market is not ready to receive them. As a Bulgarian leader told me with a touch of bitterness: "Our problem is that we have no West Bulgaria."

If we, thus, reject the above two solutions, we necessarily arrive at a scheme in which the Soviet Union regains much of its autonomy, East Germany is absorbed in the Common Market and the other five nations of Eastern Europe survive together the positive and negative aspects of the next few years of organized regional transformation.

Obviously, this scenario is far from being popular in these five countries. Each of them are preoccupied with a single thought: Enough of the past; enough of the East: the rudder must be turned entirely toward the West! Each tries to forget the forced marriage to CEMA, in order to find new partners. Vaclav Havel alone tried to pursue a Polish initiative and sat down in Pozsony [Bratislava] with his fellow presidents from Poland and Hungary to discuss: Could these countries synchronize their approach to the Common Market, or would they knock on its door separately, even in conflict with each other? As we have seen, his attempt produced little; however, the facts are glaring and the obstacles real.

The first obstacle is represented by the effect of size. Each country is trying to escape the condition of centralized economy. Must every monopoly be eliminated in order to create a competitive situation, and should every country strive to produce everything? Obviously not: Choices have to be made, and a competitive size must be determined, taking not only national but international factors into consideration. In some cases, the choice may indeed lead to the fragmentation of production and distribution. In other instances (in steel manufacturing, for example) it will be revealed that a certain "combination" may have a monopoly within the nation's borders, but on the global scale it is a small shop. In such a case, breaking the monopoly is likely to be a short-range goal that may be seen as a mistake in the long run.

The second obstacle could be international opening. As revealed by economic history texts of all varieties, during the past few decades it was international trade that promoted prosperity by growing twice as fast as the economic activities of individual nations. By contrast, within the past six months trade activities within CEMA have been significantly reduced, instead of increasing, and I see this as grave symptom. In the case of small countries for whom international trade is indispensable, this could even have tragic consequences.

Naturally, such international trade activities among these five countries do not exclude other trade contacts.

For one thing, there is no reason for these five countries to desert their already developed trade contacts with the Soviet Union in their effort to enter global markets, as long as such contacts are maintained in the framework of short-term agreements, rather than the former practice of rigidly conforming to Soviet plans. By the way, such a possible regional cooperation would not mean that commercial contacts between countries of the Common Market and those of Eastern Europe would remain stagnant. On the contrary, negotiations concerning trade agreements with the countries in question are proceeding at this time, and it has also been planned to expand the PHARE program, which includes the support of multinational investments among its main goals.

The third obstacle is competitive specialization. In the course of years, CEMA executed a tremendous dismantling of its economic structure, compelling each of the member nations to undertake misguided specialization and thus compelling them to exhibit mistaken solidarity. The remedy for this, of course, is not autarchy, as it has been demonstrated by the example of Albania, but rather a return to genuine specialization based on the relative advantages of the individual countries, characteristics of which can be revealed only through participation in international trade.

### Three Points of Reform

If we accept the above analysis of realities in Eastern Europe, then the following three-point reform program may be formulated in Moscow:

- 1) Quantity-based commodity trade must be eliminated, and all trade transactions must be executed on the basis of value and accounted for in hard currency;
- 2) A dynamic market must be created among Hungary, Poland, Czechoslovakia, Romania and Bulgaria, with rules of the game that favor competitive trade without special custom regulations; this would make it possible to create a transition between national and global markets; and
- 3) Trade agreements, with the Soviet Union as well as with countries of the EEC, must be defined, along with the rules of the game and custom regulations which will make it possible for the five countries to gradually improve their competitiveness and aid them in breaking into the global markets.

In other words, it appears that CEMA can be reformed and its member nations would not have to throw out the baby with the bath water, provided they can utilize the experience according to which the trump card of national and international apprenticeship is the forte of every existing trade zone.

Let there be no misunderstanding: In the European confederation to which the President of the French Republic referred as the peak of his dreams, there is room for every nation. As my private opinion, I would add that my visit to the five [East European] countries

convinced me that all the resources, and specifically the human capabilities, are available to them to achieve an integration into the European market. If that is accomplished, the economy of the reunified Europe will be comparable on the global scale to those of the United States or Japan.

This goal, however, is not yet within our reach; and the problem is to find the order of decisions that lead to such a meeting of West and East in one European market.

Coincidental meetings may happen in romances, but never in economic life.

In economic life, every convergence is prepared. In the countries of Eastern Europe this could happen by transforming the pseudomarket of CEMA into a genuine market, which will be the school of international trade for those countries. In the Western countries the same process is accomplished by generously opening their markets to those East European commodities that can be sold there, while also financing the reform of East European production structure through the channels of the European Reconstruction and Development Bank. This way, the time will slowly come when only the doors will have to open for everyone to feel at home here in Europe.

## CZECHOSLOVAKIA

### American Technology in CSFR Nuclear Industry Viewed

90CH0358E Prague HOSPODARSKE NOVINY  
in Czech 11 Jul 90 p 2

[Article by Richard Stregl: "Will We Make it Into the World Elite? American Technologies for Czechoslovak Nuclear Industry"]

[Text] Three world-renowned companies—American Westinghouse Electric Corporation, French Cegelec, and West German Siemens are interested in supplying a regulation and control system for the Mochovce nuclear power plant. Decision on the Czechoslovak side was supposed to be made by 20 July 1990. Details on the American firm's proposal and other information on its prospective cooperation with the Skoda Praha state enterprise were learned yesterday directly from R. J. Slember, a vice president of the Westinghouse firm, and Eng Masak, director of Skoda Praha.

The regulation and control system for Mochovce represents an investment of some \$50-60 million. Westinghouse is offering Czechoslovakia the option of paying 15 percent of this amount in goods, equipment, services and also, which is the most interesting offer—in uranium which Westinghouse would sell in the American market apparently for prices the CSFR itself could not attain.

Independent of the choice of supplier for Mochovce Westinghouse intends to cooperate with Skoda Plzen as well as Praha and likely become a shareholder in the



stock company into which the state enterprise Skoda Praha is to be converted by the end of the year. The American firm's interest in Skoda is not accidental since the production programs of both firms overlap a great deal. Westinghouse among other things designs and builds all kinds of thermal power plants (also the combined type so much needed here), equipment to purify ash, waste incinerators, and is a leader in the world's nuclear technology. A Westinghouse specialty is technology transfer; 30 of their licenses have already been sold to 13 countries in the world.

The first project which should result from cooperation between Skoda Praha and the American firm is to be a 3,000-4,000 MW block for the nuclear power plant in Temelin (or some other location), that is a project considered for an international bidding competition. Its acceptance would give the Czechoslovak industry an opportunity to utilize its own design and production capacities. A joint undertaking of both firms could be also a complete nuclear power plant of the highest world standard with reactors generating up to 600 MW and equipped with the nowadays much-touted passive safety.

Inseparable from nuclear energy questions is the issue of uranium, that is, nuclear fuel. Westinghouse has the capability to supply within the shortest time technology needed for its production. In this regard then the CSFR would become independent of the Soviet Union and additionally introduce an economically advantageous production line. The Americans do not see uranium enrichment which is too demanding for the Czechoslovak industry as a dependence because it is only a matter of the market whether the uranium for CSFR will be enriched in the Soviet Union or elsewhere in the world. When asked whether Westinghouse is able to resolve our problems with processing spent nuclear fuel which for the time being is stored in the Soviet Union, R. J. Slember replied that within the scope of cooperation his firm can merely offer its technology for processing radioactive waste, but for political rather than economic reasons it is unable to take responsibility for its storage.

Following the press conference the American firm's representative was received by Czech Government Minister Miroslav Gregr. Both sides reviewed the prospects for mutual cooperation in the energy field and resolving the issue of the entire fuel and energy system for the future. The offer is a comprehensive one which could move our producers, not only Skoda in Plzen but also for instance Vitkovice and Sigma Olomous, within a short time to a leading edge in the world, in both delivering top-quality equipment and the technical and technological field.

#### **Agricultural Industry Denationalization Process Viewed**

*90CH0290A Prague ZEMEDELSKE NOVINY (supplement) in Czech 11 Jul 90 p 3*

[Article by Eng. Tomas Smetana, Agricultural Economics Research Institute, Prague: "The Denationalization Process in the Agro-Industrial Complex"]

[Text] Past emphasis has been on increasing the influence of the state and agencies of state power in all areas of the public and private lives of citizens. This has had undesirable consequences mainly for enterprises. Agencies of state power have tried to manage firms with a system of detailed plans, numerous decrees and limitations, down to the minutest of production details. The denationalization process in manufacturing consists mainly of separating enterprises from state administration. This involves terminating the vertical links between enterprises and supervisory central agencies, in particular the so-called branch ministries, as well as the direct links to the state budget. Enterprises will now be managed indirectly, mainly using the tools of economic policy.

The transition to a market economy in the agro-industrial complex [APK], as in the rest of the economy, will require the development of conditions of equality among economic entities. This means eliminating all kinds of monopolies (professional, territorial, etc.) concurrently with the denationalizing of the APK. This is also understood to mean diversification of forms of ownership and measures to assure that one form not be granted precedence over another.

Currently the agricultural production part of the APK is dominated by agricultural cooperatives and state farms, with the private sector accounting for a very small share, even though it is now the center of attention. State enterprises are the predominant form of ownership in the services and the food industry.

Agricultural cooperatives control 64 percent of all agricultural land and play a critical role in agricultural production and the performance of this sector.

Despite certain shortcomings it can be stated that the cooperative (group) form of individual ownership will also demonstrate its advantages under a market economy.

For this to happen an appropriate organizational framework has to be created for the effective development of the agricultural cooperative. There are different ways to achieve this objective. One way is to break up certain very large JZD [cooperatives], which grew to their present size administratively. A second possibility is full economic independence for the economic units of an agricultural cooperative and the development of conditions for their efficient management. Yet a third alternative is to rent land to members or nonmembers of a cooperative.

The collective of cooperative owners must have full authority to approve new organizational forms. Only in cases where an agricultural cooperative is not independent can the state condition its support on compliance with required measures.

The renovation and consistent application of cooperative principles and the relationship of cooperative members to the common property will strengthen their entrepreneurial activity and interest in making the most of their total resources. It will be impossible to correct the current situation without the full renovation of the cooperative principle of joint property participation by members. The right of a member to a share of the profits reflecting his or her share of cooperative property would, by acknowledging that member as a contributor to cooperative property, renew a sense of property ownership and, mainly, stimulate a long term interest in the development of the cooperative. This would then stabilize the labor market and the rural population. This adjustment would have to be carried out, however, independently of wages. By the same token, reviving the concept of land ownership and then using it economically by distributing a share of profits based on the percentage of contributed land would also deepen the cooperative member's feeling of allegiance to his enterprise. In some cooperatives, to be sure, this could revive temporarily social rivalries that have been suppressed by the elimination of land ownership rights for cooperative members. On the other hand long time labor participation in a cooperative and its development should be recognized in multiple ways (especially in the case of outstanding employees).

State farms operate on 30 percent of the agricultural land. They were created and developed organizationally along administrative lines, and as a result are mostly nonfunctional organisms dispersed over wide areas with a high percentage of unproductive costs.

After analyzing how production is organized, how particular farms are performing economically, and determining ownership relations to property and land, state farms will:

- be divided up into their original or new cooperatives;
- be changed into corporations;
- implement incentive programs for employees based on economic performance, such as renting land to them.

Another resolution that is applicable in particular to border regions, will be to convert state farms into publicly profitable state enterprises and private firms, and family farms for which the proper economic conditions must be developed.

Private land management is a promising entrepreneurial form for agriculture. Its development, even given preferences, will not collide with the ownership or lack of ownership of land.

Our success in developing private enterprise in agriculture (on the land) will be determined by the level of interest of the individuals involved (private land owners), their desire to be permanently tied to the land and to high intensity work, and by the support provided

for them in the form of tax breaks, favorable interest rates, subsidies, and national social policy.

Joint enterprises, which are a kind of partnership of agricultural and other product and service organizations in the APK, have basically proved their viability, despite certain shortcomings. Enterprises engaged in agricultural production not directly related to the land have good developmental prospects.

Their future fate will be determined by their founders, who have the following avenues open to them:

- conversion to a corporation;
- transfer to the ownership of one of the member enterprises after settling property issues with other members;
- transfer to the ownership of another entity, after settling financially with the other members;
- liquidation and distribution of the liquidated assets to the member enterprises.

Monopolization is the rule in the APK in the area of services for primary agricultural production. Representative firms are Agricultural Supply and Procurement [ZZN], Food Industry Engineering Works [SPP], Oseva, Slovosivo and, in the food industry, the all-sectoral and regional enterprises.

This administrative management mechanism has failed totally and must be eliminated rapidly. This is the only way that normal market relationships can develop between enterprises and monopolies be broken up.

To demonopolize services laws in the areas of seeds and seedlings, breeding and veterinary services (the law on protection of new strains of seed and nursery stock, the law on animal breeding, and others) must be either rewritten or new laws passed.

Dealing with the current Agricultural Supply and Procurement [ZZN] is problematic. The following steps would be helpful:

- Disband the monopoly on grain procurement, then reorganize concern enterprises in the regions as joint cooperative enterprises or as corporations, using their warehousing facilities on a commercial basis.
- Create as independent entities certain concern enterprises (such as Zempo) that will offer their services based on supply and demand.
- Provide agrochemical services through joint cooperative enterprises (new or existing) or in other appropriate forms.
- Reorganize producers of fodder mixtures as divisions of joint cooperative enterprises or as corporations with direct incentives for product quality and increased specialization.

—Reorganize fodder research institutes in conjunction with fodder mixture production. One can assume that joint cooperative enterprises and corporations will develop other operations that make use of local resources.

APK enterprises will develop both horizontal and vertical relationships (along vertical product lines) based on economic advantage, without regard for specialization, sectoral, or territorial location or organizational form. One can assume that a number of differing production, business, and capital alliances will evolve, and that they will be chained together in differing ways.

Adopted legislative measures and existing currency, credit, and price policy must assure that these developments do not result in the formation of undesirable monopolies.

Complete denationalization and demonopolization, accompanied by full equality for all forms of ownership, the so-called implementation of legal, production, and economic independence, in view of the number of entities involved in the same or similar activities, will result in the need to organize enterprise or interest groups of producers of the same or similar products or services (growers, breeders, food industry unions, etc.)

These associations will mainly represent the interests of their members to the center and other APK partners. Other tasks might include, for instance, organizing auctions, providing services in the area of information and scientific-technical development. These services could lead to additional consulting services, such as legal, financial, technical, marketing, foreign trade services, etc.

The varied nature of interest structures and their focused concerns combined with the inevitable entrepreneurial interactions points to a need to form regional agro-food chambers which would serve as a single democratic platform for entrepreneurs, their associations, interest groups, etc.

The function of these chambers would be to deal mainly with regional issues. In addition, these territorial chambers will submit and lobby in republic chambers basic proposals and measures for inclusion in new laws and economic measures.

The agro-food chamber, growing out of the need to coordinate the activities of associations, should operate as an organization for the public good. They will be financed mainly by member contributions and, for certain well defined purposes only, by state funds (for instance education, public information).

In conjunction with the requirement for healthy diets, ecological awareness, and the process of demonopolization and elimination of directives from state organizations for primary agricultural production, we also need to redefine the activities of state supervisors, inspectors, and controllers.

A pressing demand is for state agencies to publish their positions on the above process of denationalization, demonopolization, and privatization, in conformance with the long range state economic policy for the APK.

#### **No Individual Entrepreneur Permits Issued Yet**

*90CH0358C Prague ZEMEDLSKE NOVINY  
in Czech 29 Jul 90 p 9*

[Unattributed article: "The World, Without the World, With the World!"]

[Text] The range of private entrepreneurs in Czechoslovakia should include also foreign persons. As competition, a standard, as well the figurative whip to insure that our "domestic racers" will not grow overly haughty and snug.

We tried to find out at the Czech Republic's Interior Ministry, in the private enterprise department of the civil administration section, how many interested foreigners have already received entrepreneur permits. The reply was shocking. Yes, applications are relatively plentiful, 10 to 15 people phone in daily (others send written inquiries) on this matter but no one has received a permit as yet. In two and a half months since May! Applicants trying to find their way frequently begin here first which is premature. Here they are told where they should turn to get the ball rolling.

A foreign person (which includes also a Czechoslovak citizen carrying on business exclusively in the CSFR if his permanent residence is outside the country) first must deposit a security [kauce] in the amount of 100,000 korunas with a financial institution. If he wants to engage in foreign trade he must obtain a permit from the Federal Ministry of Foreign Trade. If he plans to provide foreign economic services, he must apply for a permit from the appropriate central authority depending on what kind of services are involved (for instance in the area of publishing and distributing books, sheet music and other nonperiodical publications, he must apply to the Ministry of Culture). Once the foreign applicant gets the permit he must turn to the private enterprise department of the Czech Republic's Interior Ministry where he obtains a permit to carry on a business in the Republic. On this basis he obtains registration at the appropriate Okres National Committee (but determining which one is not always without problems).

So the result of the whole process so far is that interested foreigners are "wandering adrift" in our regulations. And that most surely is not in order.

## **HUNGARY**

#### **EFTA, EC Prospects Discussed**

*90CH0304A Budapest MAGYAR HIRLAP  
in Hungarian 5 Jun 90 p 6*

[Interview with Peter Balazs, department head at the Ministry of Economic Contacts Abroad, by Ilona Kocsi;

place and date not given: "Drawn by Integration: Are We To Sign a Contract With EFTA in Mid-June? Europe's Economic Outlines Are Becoming More Visible"—first paragraph is MAGYAR HIRLAP introduction]

[Text] Is Hungary caught up in an association fever? Or are there opportunities in the Western trade blocks which no country aiming at market-based development can ignore? But why do we have two of them at the same time? Why are we not satisfied with achieving the much wanted associate agreement with the EC? Why do we hear with increasing frequency about the European Free Trade Association [EFTA], connected to a relatively concrete event: In mid-June we will sign a cooperation agreement with it. Then, the rest could follow... We interviewed Peter Balazs, department head at the Ministry of Economic Contacts Abroad.

[Kocsi] For quite a while we have been told that Hungary will join EFTA. Now, however, the news is only about a cooperation agreement. Why the reversal?

[Balazs] Everything in its own time. To begin with, we have to sign a mutual declaration which, while containing no rights or responsibilities, proclaims a desire to cooperate. This is the start of the multistage course through which we can reach our goal. The next step could be a free trade agreement, followed by (perhaps, because things happen so fast in Europe, almost simultaneously) the act of association. Of course, EFTA treats that term cautiously, because it has never had such a relationship with a third country.

[Kocsi] Not even with Yugoslavia? As late as the last year, EFTA opened a \$100-million developmental account for that country...

[Balazs] Yugoslavia is at the level of agreement which we hope to reach by mid-June. A Yugoslav-EFTA joint committee was created, simultaneously with the issuing of a declaration of cooperation. The only exception may be that of Finland, but that type of association is not available to other countries.

#### No Through Traffic

[Kocsi] Lately, not only Hungary but other East European countries have made EFTA their destination. All that hurry is becoming a little suspect. That may be why overheated expectations are cooled with assertions that EFTA will never set up another \$100-million fund for any country, or that it is vain to hope that the road to the EC is shorter through EFTA.

[Balazs] Words like "never" or "forever" make no sense in global economic diplomacy. Who knows? Perhaps some kind of assistance would materialize. Previously, Portugal received such aid. By the way, I agree that EFTA is not a shortcut to EC. These are two separate and distinct integrative bodies, and it would only be beneficial if we could cooperate with both of them. EFTA is smaller and less bureaucratic, in which the national

sovereignty of member states is given greater significance. While all obstacles to trade have been eliminated within the association, there are no regulations concerning external contacts. When it comes to trading with a nonmember, each member nation is free to proceed as it sees fit. In this organization one must respect "otherness," national traits, and specific characteristics; such tolerance never presented an obstacle to cooperation. The EC has a different philosophy: As indicated by the united market, to be realized by 1992, in that organization the emphasis is on unity and synchronized economic policies. And there is a bureaucratic machinery of thousands of officials to help realize this goal. Thus, there are two doors to the so-called European economic sphere, which is being shaped during the 1990s. Neither EFTA nor the EC can be ignored, at the risk of being squeezed out of one market or the other.

[Kocsi] Let us, then, proceed to another type of news concerning these integrating bodies, the most frequent of which says that Hungary is joining EC, and quite soon...

[Balazs] Announcements concerning EC membership must be considered as a political statement and a declaration of desire. And this is the way it should be, since political conditions are ripe for this. After all, the Rome Agreement (the founding document of the Common Market) sets out two major conditions: Every European country may become member (and there has never been any question concerning our "Europeanness"), provided its political life is democratic. With the free elections, we fulfilled the second requirement. If those involved did not object, there would be no legal obstacle to us joining EC. However, the most difficult question still needs to be answered: Does economic development of the country make it possible for us to join? What kind of external competition can our economy tolerate? These issues have not been analyzed yet, so it is illusory to talk about joining in the near future.

#### Childish Enthusiasm

[Kocsi] Could a membership in the EC be just the thing we need to accelerate our economic development?

[Balazs] It is interesting to see the existence of such childish enthusiasm in Hungary about Western integration. As if membership in these bodies had only advantages. Of course, that is the substance; however, if conditions necessary for joining do not exist, serious social problems can result. Even if everything worked perfectly, the accommodations that will have to be made will not be easy. The Community will not modify its basic rules for our sake and it will make no allowances because we have economic problems; at best we can discuss the pace of accommodation. And the later a country joins, the larger the bundle of rules it must accept without questions... But it is too early to talk about this. Joining without sound economic bases would only have the immediate effect of worsening the crisis

phenomena (but I emphasize that this is a theoretical point, because a country without such bases would not be granted membership...)

[Kocsi] We are not the only ones negotiating with EFTA and EC; the two bodies also have plans to collaborate with each other...

[Balazs] The whole of Europe is on the move. The unified market, to be realized by 1992, will also influence the chances of outsiders. An EFTA-EC agreement could broaden this internal market, thus making it possible to create a so-called European economic sphere. In view of these developments it is also advantageous for us to sign agreements with both bodies. With EFTA we sign an agreement to cooperate, and with the EC we may soon sign an agreement of association.

[Kocsi] After the good-sounding promises this does not seem like much...

[Balazs] The Common Market came into existence in 1958. During the first 30 years of its existence we were not even talking to each other officially. Only since 1988 have developments been accelerating, when we signed the first basic agreement with the Community. And now chances are good that we may also become members. The way I see it, events are proceeding at breakneck speed. Of course, announcements come at an even faster pace at times... By the way, there are great opportunities even in an agreement to affiliate. Even though the Community has several such agreements, [ours] sets a precedent when it comes to East Europe. Thus, everything is possible. Much depends on how many ideas will be incorporated in our preliminary negotiations, and how many of those we can realize. And if the experts have enough feasible ideas, then it would be practical only to ask for permission to negotiate from the Government of Hungary or from the other 12 member nations.

#### Not By Incantation

[Kocsi] Please, look into the future: What will be the situation in Europe five years from now? How would you draw the map of integration?

[Balazs] Let us start with the CEMA, because we should not forget about that body. I feel that it will survive in some form, although completely transformed in accordance with European norms. The European Community will still have 12 member nations five years from now but, based on the agreement between EFTA and EC, the outlines of a European economic sphere will be visible. That sphere will be expanded in two directions: On the one hand, toward "the orphans of Europe," the countries which belong to neither of the integrative bodies. Malta, Cyprus and Turkey could be mentioned in this category. On the other hand, by that time all of the East European countries will have signed agreements of affiliation with EC, thus the continent's economic sphere will be broadened at the original level.

[Kocsi] According to this, you do not think it feasible that Hungary will be a member of the EC by 1995?

[Balazs] Until 1992 the EC will be preoccupied with its own internal affairs. After that, it will discuss the issue of Austria's membership, and that will take several years... The processes must be viewed with a certain realism. There is a threshold that must be exceeded before the issue of membership can be discussed. Austria applied for membership at the time when about 60 percent of its trade was with the EC member countries. With most members, this ratio is around 50 percent, while in the case of Hungary it is barely above 30 percent. Integration cannot be accomplished by incantation or declarations from above: It can only happen through a process pursued from below.

## HUNGARY

### 1989 Budget Audit Reveals 54 Billion Forints Deficit

25000776B Budapest FIGYELO in Hungarian  
19 Jul 90 p 11

[Article by P.F.]

[Text] The State Accounting Office completed its report concerning the implementation of last year's budget. The report reveals that the actual deficit amounted to 54 billion forints rather than to 21.1 billion forint deficit as planned.

Measured at constant prices, during the past the gross domestic product [GDP] increased by 21 percent, exceeding the 1988 GDP by almost 300 billion forints. The ratio of income collected centrally from enterprises and cooperatives within the GDP increased by 1.6 percent. The faster production of income was altogether favorable from the standpoint of all [persons] receiving income. But due to the high level and rapid acceleration of interest rates the entrepreneurial stratum benefitted less from the faster rate of income production.

During the year the government was forced to take unexpected steps in order to finance the budget. These measures reduced to a certain extent the volume of the budgetary deficit. Even with these steps the actual deficit turned out to be more than twice as high as had been planned. The reason for this is that debt service payments postponed previously on a regular basis were settled, and time delays in this regard were discontinued. This increased the deficit by 22 billion forints. Preferential advance payments on home mortgages caused excess budgetary expenditures amounting to 12 billion forints.

Also last year's debt service payments to be made from the state budget increased by leaps and bounds. While in 1988 6.7 billion forints were spent on paying debts, the same expenditure last year amounted to 7.2 billion forints. Interest payments increased from 27.2 billion forints [in 1988] to 31.3 billion forints [in 1989]. The

budget was also burdened by a significant volume of transferred interest. This amounted to 24.7 billion forints in 1988, and to 11.5 billion forints in 1989. Thus, as compared to 58.8 billion forints two years ago, total debt service payments [in 1989] amounted to 50 billion forints. But this amount was significantly changed by the [indirect] effects of the flow of money. The actual money paid in 1988 amounted to 47.7 billion forints, while in 1989 the actual amount was 61.673 billion forints.

**1989 Budget (Billions of Forints)**

	Revenues	
	Planned	Actual
Payments by business organizations	218.5	224.2
Consumption taxes	227.5	230.7
Payments by individuals	34.6	44.5
Payments by centrally budgeted organs	3.3	3.3
Income derived from international financial relations	4.1	5.8
Profit taxes and dividends paid by financial institutions	21.5	21.4
Other revenues	10.4	5.2
<b>Total Revenues</b>	<b>519.9</b>	<b>535</b>
	Expenditures	
	Planned	Actual
Subsidies for business organizations	69.4	73
Consumption price supports	44.3	44
Accumulation expenditures	45.4	49.8
Support for centrally budgeted organs	135.3	134
Support for councils	123	123.3
Segregated state funds	49.7	66.8
International relations	18.2	19.6
Debt service	37.9	61.7
Other expenditures	15.8	16.8
<b>Total Expenditures</b>	<b>541</b>	<b>589</b>

[All figures as published]

**Air Pollution, Catalytic Converter Issue Analyzed**

90CH0263A Budapest *MAGYARORSZAG*  
in Hungarian 8 Jun 90 p 24

[Article by Erika Zador: "Ecology: It Is Costing Us Billions; The Price of Treaties; Manufacturing Catalytic Converters"]

[Text] We are choking on the streets of Budapest. Each morning a pleasant-voiced female radio announcer tells us, in an entirely natural manner, how far the carbon monoxide or nitrogen oxide (NOx) content of our air exceeds the level of harmfulness. Meanwhile, we are reminded of such things as the Geneva Convention, the Montreal Memorandum or the Bergen Declaration; these international agreements call for reducing, hopefully before it is too late, the emission of pollutants that

are harmful to our environment and our health and are exposing the earth to the effects of a "slow nuclear war." Hungary has either already joined these agreements, or is now ratifying them. Protecting our environment has always been a serious matter, but now that we are trying to close the gap between us and the developed world, we must be even more diligent about obeying international treaties.

**Can the Country Take It?**

However, joining these treaties is not simply a question of making a decision. Even when a country's technological development is quite high, respecting the prescriptions of environmental protection means considerable extra expenditure. In Hungary, where much of the technology is behind the times, the quality of energy resources is low, and the average age of the vehicle park is over 12 years, it may be asked: Can the country bear the burden represented by the prescriptions of environmental treaties? This is the question to which experts (economists, engineers, meteorologists, physicians and chemists) sought the answers, at the request of the National Committee for the Development of Technology (OMFB). They published a thoughtful study which describes the system of conditions necessary for fulfilling our international obligations in the area of atmospheric pollution. As Dr. Jenő Fekete, one of the study's coordinators, said, we are facing both the expenditure of heavy billions in every sphere of our activities, and changes in organization and philosophy.

One of the most evident example is the area of transportation. According to 1987 data, vehicular road traffic contributes to our atmosphere 38 percent of its carbon monoxide, 31 percent of its nitrogen oxide and 35 percent of carbohydrogens. While the nitrogen oxide emission of power plants and other pollution sources was reduced by 20 percent between 1980 and 1990 (due to the introduction of more modern technologies), in the same period pollution caused by road traffic increased by 10 percent, and the study forecasts a further 20 percent increase during the next five years. We are talking about huge quantities: The 1990 emission is estimated at 120,000 tons.

Experts are proposing organizational measures that would be relatively inexpensive and could be implemented through technological development. Railroad or water transport facilities emit about one-tenth as much nitrogen oxides per unit as road transport. That means that if some of the travelers and shippers could be encouraged, with the application of suitable tariff regulations, to use railroads, water or mass transport facilities, the emission of nitrogen oxides would be cut by 10-12 percent each year. Alas, even though the standards of living are declining, the number of personal automobiles is growing; moreover, these are not vehicles that are easy on the environment (as in the developed countries) but vehicles that are old and therefore even more likely to pollute.

### Tax Breaks Are Due

Of course, the situation could be improved. In the case of gasoline-powered vehicles, the best solution is to install regulated three-way catalytic converters (and thus reduce nitrogen oxide emission by 70-80 percent), which would increase the price of an average car by 10-15,000 forints. Unregulated three-way catalytic converters, which would cut emission by 40-50 percent, would add "only" 10,000 forints to the price. Reducing early ignition (which would bring a five to 15 percent improvement), costs 500-1,000 forints, while redirecting the emitted gases (30-50 percent improvement) costs only 1,000-3,000 forints. True, the cheap (but effective) methods also bring about reduced efficiency and a cut in gas mileage, while the catalytic converters require the use of lead-free fuel. With diesel-driven vehicles, similar interventions could bring similar results. The best results could be achieved by installing more modern engines; however, this would require the expenditure of 30,000-40,000 forints per car.

In more developed countries the consumers are encouraged by tax breaks to purchase the more expensive but environmentally less harmful cars. The OMFb study also proposes that the government should significantly reduce the duties to be paid on cars equipped with catalytic converters which individuals bring into the country. It also proposes that, since we cannot prescribe the factory installation of catalytic converters on cars we are presently importing, we should at the earliest opportunity begin manufacturing catalytic converters domestically, so that in the future only cars with such equipment could put into operation. In five years' time, this would reduce the predicted growth in nitrogen oxide emission by 5,000 tons annually; at the expense of 4.5 billion forints which would have to be paid by the consumers.

Catalytic converters can be installed in cars no older than four years; this would represent another reduction by 1,500 tons of nitrogen oxide emission each year; in exchange for the expenditure of 1.5 billion forints which, according to Dr. Jenő Fekete and his colleagues, should be split between the consumers and the national budget. The use of catalytic converters requires additional maintenance and reduces gas mileage, which would increase their cost by another 0.5 billion forints. In addition, we should make sure that enough lead-free gasoline is available. According to plans, by 1995 we could have enough of this type of fuel to supply cars equipped with converters. For the time being, the use of this environmentally safe fuel by the other cars is out of the question. Thus, it cannot be expected that, similarly to the developed countries, drivers would be encouraged to use this type of fuel by reducing its price.

All in all, by 1994 we could reduce the highway emission of nitrogen oxide by 12,000 tons annually; at the price of one billion forints for each 1,000 tons. It is good news, according to the study, that with the spreading of new technologies we may expect significantly reduced

nitrogen oxide emission levels in industries, especially in the production of electric energy.

Thus far we have spoken only of transportation, and only one polluting aspect of that activity. However, in addition to nitrogen oxide, vehicles also emit carbon dioxide, carbon monoxide and hydrocarbons; the power plants and carbohydrogen-burning stoves release sulphur dioxides, while spray cans, punctured refrigerator cooling units and certain processes of chemical industries put halogenized hydrocarbons into the atmosphere, etc. The OMFb experts made an estimate as to how much it would cost to reduce the sulphur dioxide emission by 90 percent (involving the stabilization of 80,000 tons annually) with the use of various methods. The project would require an investment of 3.5-5.0 billion forints, and operating costs would also increase greatly. True, if some of the byproducts could be sold (in the form of cement, sulfuric acid or pure sulphur), a portion of costs would be regained. However, even using the most favorable calculations, the price of one kilowatt of electrical energy would increase by 0.41 forints.

### Time Is Running Out

The above notwithstanding, it is obvious that time is running out, and we must make sacrifices when it comes to this issue. After all, the pollutants mentioned above not only find their way into the atmosphere, but also stay there. For example, nitrogen oxides remain toxic for 25 years, and halogenized carbon hydrogens for 45-70 years. And the problem is becoming ever more serious: Regrettably new technologies often introduce new pollutants either because we find out about materials hitherto considered safe are in fact very harmful, or because a method, more precise than earlier ones, shows that the "pure" steam-water released by modern power plants transports hazardous elements (accumulated in the soil) to the environment.

So how can our country, struggling with an economic crisis, participate in global efforts made against environmental pollution? We asked Dr. Jenő Fekete, who assisted in preparing the EGB [not further expanded] conference for environmental protection held in the Norwegian [city of] Bergen. According to him, Hungarian participation in the international agreements is one of the conditions of closing the gap between ourselves and Europe. However, in each case we must examine whether we have the resources to implement those agreements; are we able to cover our share of the costs, or do we need to use foreign assistance? We must develop a suitable network of monitoring stations. We must introduce measures that are synchronized, so that we should not experience cases when a measure intended to protect the environment actually causes pollution elsewhere. We should not join international agreements just to receive "points," and we should take on responsibilities only if we can meet them.

### Enterprise Mutual Indebtedness: Background Analyzed

90CH0285A Budapest FIGYELO in Hungarian  
31 May 90 p 3

[Article by Katalin Mero: "Who Is Financing Whom?"—first paragraph is FIGYELO introduction]

[Text] According to some estimates, the volume of enterprise payment orders held up by the bank pending sufficient funds already exceeds 200 billion forints. Based on a study by the Economy Research Institute (GKI), the following article on the enterprises' financial structure sheds some light on the background of this phenomenon.

In international practice, the systems by which market economies finance their businesses usually are divided into two main groups. On the one hand, the countries where the principal way for businesses to obtain additional funds is to enter the capital market, with new stock or bond issues, are said to be "market-oriented." The United States and Great Britain are the most prominent representatives of this group. On the other hand, the countries where the typical way for businesses to obtain additional funds is to go to the bank and apply for a loan are said to be "bank-oriented." The GDR, France, and Japan are such countries.

On the basis of this classification, Hungary could be assigned to the bank-oriented category: After all, the channels through which capital is raised in the capital market are just developing in Hungary. But if we examine the structure of enterprise assets and liabilities in the light of the enterprises' balance sheets, the figures are very similar to the data for the market-oriented countries. For example, "capital gearing" [preceding two words published in English, equivalent to capital leveraging]—the ratio of the enterprises' various borrowings and other debt to their balance sheet totals [total assets, and total liabilities plus equity]—is the indicator best able to distinguish the two categories. The following picture emerges if we compute the values of capital gearing for several developed countries and Hungary:

#### Development of Capital Gearing in Some Countries in 1986

Country	Percent
France	70
FRG	59
Japan	85
Great Britain	55
United States	39
Hungary	30

Source: OECD FINANCIAL STATISTICS (OECD, 1988).

The development of investment loans shows the same relationship. As a share of GDP [gross domestic product] at producer prices, investment loans outstanding in 1987

amounted to 13.9 percent in Hungary, and to 14.9 percent in the United States.

With some intuitive second thought, this structure is "neither bank- nor market-oriented." The main cause of this situation must be sought in the high proportion of enterprise self-financing. The enterprises' own capital is decisive among their resources. That capital did not originate from final capital contributions by outside stockholders. Instead, it consisted originally of administratively allocated state assets, subsequently augmented by retained earnings and reinvested profits. Thus the value of their own capital does not show how much capital the enterprises were able to raise in the capital market, and how much profit they were then able to earn and retain by reinvesting the capital they raised. Instead, the value of the enterprises' own capital reflects how much assets they received from the state, and how much they have been able to add to those assets by managing efficiently what they originally received. Here again, augmentation of the state assets allocated to the enterprises depended on administrative decisions: Up until the policy to liberalize the economy finally made headway in recent years, numerous special regulators determined the formation, distribution, and use of enterprise profits.

To explore the internal interrelations of the enterprises' financial structure, the GKI processed the 31 December 1988 balance sheets of enterprise-type business organizations and used the data as the basis of its computations.

When analyzing the structure of an enterprise's assets and liabilities, the most important question is the enterprise's liquidity. In other words, does the enterprise have sufficient cash, and suitable other liquid assets that can quickly be converted into cash, to meet its current liabilities as they become due? To measure the enterprises' liquidity, the GKI computed each enterprise's current ratio (i.e., the ratio of its current assets, which are expected to be converted into cash within a year, to its current liabilities) and examined the most important characteristics of the current ratios [preceding two words published in English].

Naturally, it was possible to construct the current ratios from the balance-sheet data only at the cost of several methodological inaccuracies. For instance, it was necessary to assume that inventories, including truly frozen stocks, were liquid assets; and it was not possible to include among the current liabilities the investment loans' annual servicing costs in the given year, because those costs could not be disaggregated from the balance sheet. (Although this makes the analytical results somewhat uncertain, it does not affect them significantly.) The individual current ratios computed from the data of each enterprise were arranged in ascending order, and the enterprises were assigned to 31 groups on the basis of the values of their respective current ratios. The enterprises whose current ratios were negative or zero were



assigned to the first group. The other enterprises were divided equally among the remaining 30 groups.

Figures 1 and 2 show the 31 groups of enterprises along their *x* axis, and along their *y* axis they plot other enterprise characteristics as functions of the current ratio.

Figure 1 presents the characteristics of the ratios of short-term borrowing, accounts payable, and accounts receivable, respectively, to the balance-sheet total. These curves, supported by other numerical results of the analysis, suggest that in Hungary the enterprises with favorable current ratios are the ones where the proportion of self-financing is extremely high, rather than the ones where good financial policies produce close harmony between the structures of assets and liabilities based, respectively, on their maturity and the order in which they will be liquidated.

The enterprises with high current ratios usually operate with low levels of liquid assets, making little use of external sources of financing to maintain their liquidity. The development of the current ratios suggests that this is the only method offering maximum security. If outside assets and external sources of financing play a bigger role within, respectively, the structure of liquid assets and the structure of liabilities due within a year, that almost always leads to low liquidity.

Giving an index of 100 to the combined total net proceeds from sales of all the enterprises, and also to their combined total hard currency export earnings, Figure 2 shows how the individual enterprise groups, differing in their current ratios, share in these combined totals. It can be seen that the liquidity of the enterprises with large net sales, and especially of the ones with large hard currency export earnings, is worse; whereas the liquidity of the smaller enterprises, and of the ones that export less, is better. This again confirms that the management of liquidity through self-financing is generally not a feasible approach in the economy. It is mostly the small and medium enterprises, oriented primarily on the domestic market, that are able to operate without significant use of external sources of financing. Payments for hard currency exports take longer, and large production volumes obviously involve more extensive relations with customers and suppliers. Therefore the enterprises must extend a larger volume of commercial credit, and this directly worsens their liquidity.

The development of current ratios also calls attention to the fact that it is primarily the improper role of commercial credit which lies behind the liquidity problems. We come to the same conclusion if we investigate the role of commercial credit in enterprise financing.

To this end the enterprises must be ranked according to the ratios of their accounts payable to their balance-sheet total, and then classified on this basis into one group that does not use commercial credit from its suppliers, and 30 additional groups that do. Next, it is necessary to

examine with what other categories of assets and liabilities the category of accounts payable shows a relationship. The result of the analysis is that the amount of accounts payable shows a relationship only with accounts receivable (see Fig 3). Thus the circle of enterprises that make extensive use of commercial credit from their suppliers matches the circle of enterprises that extend considerable commercial credit to their own customers. This relationship, too, only serves to support a viewpoint that by now has gained also general acceptance: that the matter of the over-expansion of commercial credit—or of the volume of enterprise payment orders held up by the bank pending sufficient funds, which is the same thing—must be regulated as soon as possible, because it makes the enterprises' financial situation utterly confusing.

Investigation of the relationship that exists between the enterprise's profitability and its financial structure likewise calls attention to the distorted functioning of commercial credit. If the enterprises are ranked and classified into groups on the basis of their rates of return on assets as reported in their balance sheets, it becomes evident that the gap between extended and received commercial credit widens at the most profitable enterprises; which means that this group of enterprises extends the most commercial credit. While the average enterprise ties down 4.2 percent of its assets in the net commercial credits it extends to its customers, the enterprises in the first four groups tie down less than two percent of their assets, but this proportion ranges from seven to 23 percent in the four most profitable groups of enterprises. (See Fig. 4).

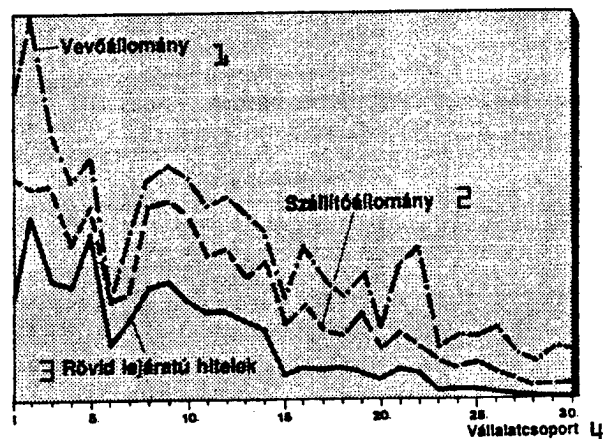


Figure 1. Ratios of short-term borrowing, accounts payable, and accounts receivable to the totals of the 31 December 1988 balance sheets, by current ratios of enterprise groups arrayed in ascending order.

Key:

1. Accounts receivable
2. Accounts payable
3. Short-term borrowing
4. Enterprise groups

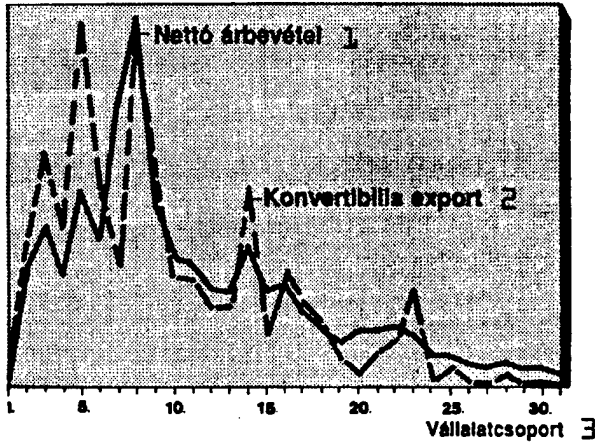


Figure 2. Percent of the enterprises' combined net revenues from sales and combined hard currency export earnings, by current ratios of enterprise groups arrayed in ascending order, on 31 December 1988.

Key:

1. Net proceeds from sales
2. Hard currency export earnings
3. Enterprise groups

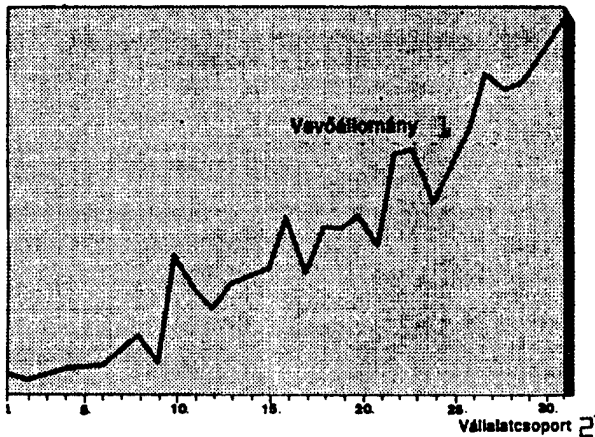


Figure 3. Ratios of accounts receivable in proportion to the totals of the 31 December 1988 balance sheets, by enterprise groups differing in the extent to which they make use of commercial credit from their suppliers and arrayed in ascending order.

Key:

1. Accounts receivable
2. Enterprise groups

Which means that the present system of commercial credit pumps money from the profitably operating areas into areas that operate less profitably. In other words, profits and money flow in opposite directions.

The contradictions of the enterprises' financial structure, as well as its peculiarities foreign to a market economy

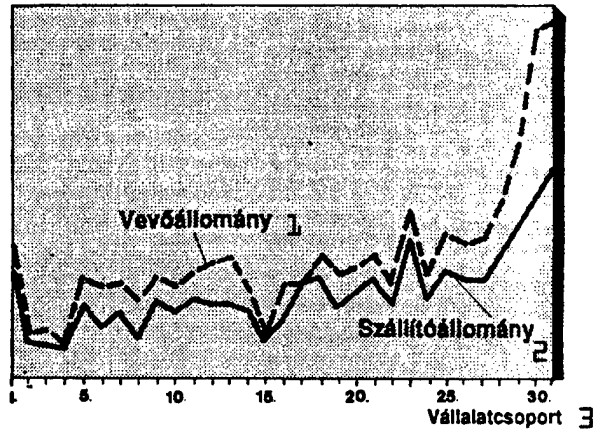


Figure 4. The ratios of accounts receivable and of accounts payable in proportion to the totals of the 31 December 1988 balance sheets, by reported rates of return on assets by enterprise groups arrayed in ascending order.

Key:

1. Accounts receivable
2. Accounts payable
3. Enterprise groups

are obvious. At the same time, the spreading of financial categories in the economy can only be registered, but not shaped, through the financial structure. It will be possible to achieve the proper functioning of the financial categories in enterprise financing only parallel with the market economy's development.

## POLAND

### EFTA Outlines Economic Support Goals

90EP0760D Warsaw TRYBUNA in Polish 28 Jun p 1

[Article by (J. Sier.): "The EFTA on Poland"]

[Text] During the recent conference of the heads of the governments of the EFTA member countries (Austria, Finland, Island, Norway, Sweden, Switzerland, and Liechtenstein), the participants adopted a declaration on trade, economic, industrial, technical, and scientific cooperation with Poland.

Emphasizing their support for Poland's efforts to alter its economic system to a market system and make deep structural change, the EFTA countries expressed their readiness to support that process in the following ways, among others: by reducing technical barriers in trade with Poland; by promoting the development of trade by organizing joint seminars, participating in exhibits and fairs; by facilitating the flow of economic, trade, and technical information; by accelerating investment in Poland; and by facilitating the flow of capital and joint financing of trade, technical, and scientific undertakings agreed upon.

Cooperation between our countries would also include such areas as environmental protection, tourism, transportation, and exchange of information.

The EFTA countries, in consultation with Poland, intend to form a joint committee to supervise the implementation of the decisions made and define a program of cooperation for the immediate future.

### Ekolog Design and Engineering Enterprise Described

90EP0760A Warsaw TRYBUNA in Polish  
21 Jun 90 p 4

[Article by (HEL): "Ekolog"]

[Text] The Ekolog Design and Engineering Enterprise was formed in 1982 by a three-individual group of coiniciators, led by Engineer Krzysztof Horodecki, the current head of the firm.

The enterprise currently employs about 200.

"Our activities," says Jacek Trojnariski, director for organizational and developmental affairs, "include design, construction, completion of shipments, start up, and modernization of existing sewage treatment plants.

"We have branches not only in Pila but also in Poznan, Koszalin, and Bydgoszcz. A new branch is also being formed in Swietochlowice which is to specialize in industrial sewage."

Above all, Ekolog is synonymous with modern technology. The employees are mostly highly specialized technicians trained in well-known Western firms, in the Scandinavian countries or Great Britain, for example. They are using the knowledge gained there to create the most modern technologies and designs now.

"We are joint founders of the Bank for Environmental Protection in Warsaw," emphasizes Jacek Trojnariski. "The bank was founded with the cooperation of the National Fund for Environmental Protection and the European Fund for Environmental Protection in Milan."

Two programs are being conducted as joint ventures: one with the Danes to protect the Baltic waters and one with an American firm to solve the problems associated with industrial sewage in Silesia.

Ekolog alone has already constructed 100 facilities and participated in the construction of 100 others at various stages—from design to biological start up of treatment plants. In Poznan, an office of the Ekolog Design and Engineering Enterprise has been opened which imports elements, including pumps and valves produced by well-known Western firms, used by the treatment-plant specialists in Pila.

### Holding Company Planned for Major Transport Firm

90EP0760B Warsaw RZECZPOSPOLITA in Polish  
21 Jun 90 p 2

[Article by Krzysztof Szczesniak: "Holding on Wheels"]

[Text] In many transportation firms the effects of the recession have been evident since the beginning of the year. Obviously, that is the case with firms in the domestic market, since those in the international market are doing well, much better than anyone could have expected. The largest and best known international transport firm, the motor transport enterprise PKS [State Motor Transport] Autotransport, Incorporated, expects, for example, to earn 350 billion zloty in profit this year, which has never happened. Having cash in hand, it has also ordered an extra 50 new Volvo and 50 new Renault trucks, which will increase the transport capacity.

It is not hard to figure out that the favorable market relations for Autotransport depend on conditions favorable to exports. Our enterprises are doing a lot of business abroad, and Autotransport obviously carries the goods in both directions, although somewhat less to Poland because imports have, unfortunately, declined. Nevertheless, the average utilization of the vehicles hovers around 80 percent, which is a satisfactory rate in comparison with Western firms.

All this has made it possible for the managers of the partnership to have a little more time for conceptual thinking. The partnership was formed eight years ago and was organized in accord with the models of that time. "As its director," says Jerzy Pochec, "I had the authority to interfere in the smallest details below; those below were in turn dependent on the upper echelons and showed no inventiveness or initiative. That system somehow still operates, but it will not be competitive when privatization begins and firms similar to mine offering services at lower prices are formed."

In this way, the idea of forming a holding company or a partnership of partnerships arose, a form which is fairly common among transport firms in the West.

During the first stage, independent firms will be formed in each of the five garages (Blonie, Slubice, Szczecin, Srem, and Czechowice). Their stockholders would include the employees (up to 20 percent), the State Treasury represented by the Enterprise for International Motor Transport (also 20 percent), the rest, 60 percent, would be held by PKS Autotransport. These would be transportation partnerships. In addition to the five garages, a sixth is planned in Slubice which would be a freight forwarding firm and a joint venture with an American firm, which wants to invest in Poland in warehouses and refrigerated storage, etc.

In spite of the appearances, this plan of action is already well advanced. If everything goes well, the first five

transportation partnerships could be registered in July 1990. Almost on the same day the holding company will surely be registered, which will be the mother partnership for the others, will conduct the transportation and tariff policy, and will prepare plans for development, new forms of activity, etc. It will not, however, interfere in current operations. From then on each of the former garages must earn its own keep, and how it does so will be its problem; on the other hand, the profits each year will obviously be divided according to how much each earned. A reinforcement of interests will occur.

#### Articles, Value of Trade With Australia Noted

90EP0760C Warsaw *RZECZPOSPOLITA* in Polish  
28 Jun 90 p 2

[Article by A.Z.: "Niki Breaks a New Trail"]

[Text] This year a small passenger car called Niki has appeared on the roads and streets of Australia's cities. These cars are imported from Poland. Niki is none other than a Fiat 126p; 1,706 of these cars will reach Australia in 1990. The automotive offer from Poland for the antipodes also includes Massey-Ferguson tractors produced on licence and sold in the sales network of that firm. Efforts are also being made to develop exports of Melex carts.

The automotive industry is not the only one which is penetrating the Australian market. Efforts to develop exports of light planes and gliders are also being made. Further studies of sales of mining machinery and equipment, hydraulic equipment, high compression engines, and other electro-technical products are also being made.

These things are to expand our traditional export offers on the fifth continent. Until now, in Australia, Poland has sold shoes, glass, ceramics and crystal, textiles, frozen fish, chemical products, food articles, and lathes. However, we import primarily two goods from Australia—wool and raw skins. There is a serious chance to import iron ore and to connect the imports with shipments of machinery and equipment. It is also worth noting that trade with Australia is conducted under most favored nation status. Poland's \$122 billion balance of trade is negative.

#### Warsaw Television Plant Transformation Viewed

##### Production Plans Noted

90EP0763A Warsaw *RZECZPOSPOLITA* in Polish  
5 Jun 90 p 2

[Article by A.Z.: "Television Sets in a New Garb"]

[Text] There was a factory. It was called the Warsaw Television Factory. Now there will be a company. At first the name was changed to the Warsaw Television Factory Elemis. The word in the name sounds foreign, but it is a Polish abbreviation from the words for

electronics and emission. Marek Kloczko, director in chief says that the firm's time will begin even before the end of the year.

Work to optimize the selection of a way to alter the ownership of the Warsaw Television Factory has been underway for two and one-half years. The ultimate goal is to turn it into a stock company. For now, on 1 April 1990, the name was changed, and during 1989 investments in machinery, equipment, and tools have been made whenever possible. In this way, the 81 percent decapitalization has been reduced to 51 percent. As a result, nearly 90 percent of the assortment produced has been replaced. Every two or three months in 1990, a completely new line of televisions is to come off the production line. The newest model, the Westa 401 color set, will appear in the stores on 11 June 1990.

Beginning 4 June 1990, the prices for black-and-white sets were reduced. The production of that type of product is ending. During the first five months of 1990, the production of black-and-white sets has been reduced by 25 percent. Factory service seven days a week has also been introduced. During the soccer World Cup, the repair service will work 12 hours each day.

"The main goal of Elemis," according to Stanislaw Kujawa, director for marketing, "is to supply the market with reliable products at a respectable price. That respectability also depends on retail markups. Thus, Elemis, as it goes private, is seeking private buyers, retailers who follow the principle of lower prices and higher volume. And it is finding them with increasing frequency.

The change of the factory into a company is not a one time effort. Much remains to be done. The first steps show promise. Soon the Elemis Fund will be formed to issue and trade stock until a stock market is formed in Poland. At the end of August a new type of Sirius set with teletext circuit will come off the line. The stock should be available in the fall.

#### Future Organizational Structure

90EP0763B Warsaw *ZYCIE WARSZAWY* in Polish  
5 Jun 90 p 2

[Article by kmk: "Retuning the Warsaw Television Factory"]

[Text] (Our own report)—A press conference organized by the management of the Warsaw Television Factory on 4 June 1990 was clearly supposed to be a promotion before the introduction of the Westa 401 set. But the journalists turned it into a testimonial for the new ideas for operating a factory in Poland.

The Factory has been in operation for 35 years and, beginning in April 1990, it changed its name to the Warsaw Television Factory Elemis. And as the factory managers say, the name change is to allow the move from a television factory to a serious electronics firm. Today

economics and the consumer market require the change. Literally it was put this way: we have a mission of supplying good products at respectable prices. Thus, by this fall, we must change 90 percent of the assortment of products. The production of black-and-white sets will be nearly abandoned. In place of them nearly 300,000 color sets will be offered. Screen sizes from 14 to 26 inches, remote control, and, for the Westa 401, a kinescope from Samsung and an Italian cabinet.

Journalists were, however, most interested in the future organizational structure of the firm. It turns out that the management of Elemis has already presented their parent body with a proposal for gradually privatizing the firm. Ultimately, it will be a stock company with public trading of shares. For now, however, as long as there is no market in Poland, there is talk of a workers stock partnership with the State Treasury. There should also be an Elemis Fund to sponsor the entire process of privatization.

The managers strongly support large-scale participation by the employees in the management of the firm. "We do want for some state bureaucrat, even at a high level, to decide what we are to do here."

Whether the factory's employees will buy the stock is the next question. Today it is difficult to determine, although it is assumed that the shares will be priced reasonably—one share is to cost 50,000 zloty. The significant dividend at the end of the year is to be an attraction. And the awareness that one decides for himself about his own money.

Today the Factory is one of the few domestic producers not complaining about its sales. Will it become one of the first firms to operate according to the new model? We will find out perhaps as early as the fall of 1990.

### **FRG Firms Plan Joint Venture for Road Repair, Machinery**

*90EP0760E Warsaw TRYBUNA in Polish  
26 Jun 90 p 2*

[Article by A.Z.: "Money Is Lying on the Streets"]

[Text] Money is lying openly on the streets, which require rapid repairs. Rapid, in other words the type of repairs which make it possible for cars to whiz by 30 minutes after the completion of the work including painting the markings. And that is the moment for the money.

Every repair of the streets requires expensive detours, closing streets to traffic, and the use of numerous teams for road work. Greatly shortened repair times are the first money; fuel savings, the second; less destruction of other streets due to detours, the third, and so forth.

Wirgten GmbH from the FRG, the Warsaw Directorate for City Roads, and the Komadex State Factory of Warsaw want to form a joint venture and make good

money on street repairs, improvements, and reconstruction of asphalt surfaces. In Warsaw, 7.5 billion zloty have been earmarked for repairs and modernization of streets in 1990. And that is the money that can be picked up off the streets.

Alfred Reher, sales director for Wirgten, told a journalist for RZECZPOSPOLITA that his firm has been in Poland for 10 years. It produces machinery for comprehensive street, road, highway, and runway work. The use of old materials for new surfaces is a major advantage of their work. In the case of asphalt streets, they can use as much as 80 percent of the old material. Polish operators of Wirgten machinery are receiving special training from the manufacturer.

It is expected that in the second half of July 1990, repairs of Warsaw streets will begin commence using their machinery. Further, the city fathers of Chorzow, Bielsk, Krakow, and Rzeszow are interested.

Walter Hofmann GmbH, another FRG firm, will be a partner in the joint venture; the firm specializes in the production of various types of machinery for painting markings on streets.

## **YUGOSLAVIA**

### **Yugobank, Citicorp Form First Bank Venture**

*90BA0279A Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 6 Aug 90 pp 22-23*

[Unattributed article: "Start of Mixed Banks"]

[Text] The opening of foreign banking units in Yugoslavia is becoming a "hot" topic, because it is introducing new forms of cooperation and opening the country's borders in foreign relations. It has to do with the reform's attempt to "create" a market environment and a "healthy" competitive attitude within the banking system as well, in order to achieve greater investment efficiency and to raise the quality and range of bank services.

Yugoslavia is just beginning the process of opening its borders (market) to foreign banks, and so one should not expect rapid and spectacular results immediately, especially in the area of new investments. One should not expect the kind of results that have been achieved, for instance, in other countries that have taken similar steps (Spain, for example).

Currently, there are certain objective limitations to the rapid development of foreign banking units, and thus also of new investments in Yugoslavia. For instance, the European and world environment is oriented more toward finding opportunities to invest in the "centers" of political and economic changes in Europe (the USSR, East Germany, etc.). Naturally, one should also not lose sight of the so-called subjective elements that (for the time being) are preventing even greater freedom for foreign banks, and thus for the movement of capital.

Above all, this is a question of certain barriers to reforming ownership in the banking and economic system, but also of a fear that competition from a developed banking system could "destroy" domestic banks.

Nevertheless, the establishment of foreign banking units in Yugoslavia is slowly beginning. For the time being, these are mixed banks in which the foreign banks are able to operate on the basis of a share in the founding capital, together with one of our banks. There are not yet any other possibilities that would ensure completely independent operation by foreign banks in the form of a branch or even their own bank. Under the regulations it is not possible to establish a completely independent foreign bank or branch. There are prospects that a regulation (the Law on Banks) will make it possible to open branches of mixed banks from abroad when Yugoslav banks have a share in their founding capital. Consequently, the participation of the foreign bank would be ensured with our formal and legal "involvement," even though it comes from a bank whose headquarters is abroad.

It is clear, moreover, that it will be necessary to permit the opening of branches of foreign (mixed) banks in Yugoslavia from the very arguments used to justify them. Specifically, they (the branches), and not only mixed banks, are appropriate, if not even more appropriate, for operation in Yugoslavia. Branches "belong" completely to the foreign bank, and share its fate and risk; domestic credit, monetary, and foreign exchange regulations, which are often inappropriate, do not apply to the branch, because it comes under the regulations of the host country... And since foreign banks are directly interested in the success and development of the branch's operations, it can be assumed that precisely in these cases the foreign banks will provide the most modern things they have: from banking services, engineering, and consulting, to participation in the most modern information systems.

#### Mixed Banks

The first to agree to establish a mixed bank were the well-known New York Citicorp (the executive board of directors) and Belgrade's Yugobank (the executive board). The principles for its establishment are clear. The founding capital is \$20 million, with the American bank providing a majority share of 75 percent. Naturally, the majority share gives the American bank corresponding management rights in the new mixed bank. This should eliminate all the dilemmas associated with foreigners' motivation for having banks in Yugoslavia operate as successfully as possible. The fact that the foreign bank intends to "take things into its own hands" can be seen from the fact that the president of the mixed bank will be an American, who will also bring four managers with him. Our investor will also be represented in the management team, of course. The vice president will be a Yugoslav (a woman), which comes to that position from the United States, where she headed the

Yugobank Agency. Furthermore, 24 managers will be Yugoslavs, which represents a favorable circumstance—among other things, because they will be paid by the standards of the American bank—but at the same time creates the problem of how our banks will be able to cope with the competition and retain competent people.

The fact that influence, and thus also motivation (including profit motivation) for good operation and development will be crucial for the foreigners is also apparent from the fact that the American bank will be first in the name of the new bank (City Bank Yugoslavia). Naturally, whether our investor is also represented in the name of the mixed bank is not an unimportant detail. Yugobank, according to chief director Milos Milosavljevic, does not intend to create any problems over this, because it is still the American partner that is providing the majority share of the mixed bank's capital.

Naturally, in analyzing mixed banks on the basis of this example of the joint investment by Citicorp and Yugobank, one should not lose sight of the fact that the amounts of initial capital are small. That may be an argument for those who prefer branches backed by foreign banks with considerably more capital. It should be pointed out, however, that nothing is keeping the mixed bank from expanding its capital through subsequent investments (along with the possible profits), depending on the volume of its operations, in the same ratio (75 percent to 25 percent) as in the beginning. It is apparent from our enterprises' interest in the bank's establishment and initial operation that there could be more work than permitted by the mixed bank's start-up capital. Our exporters are particularly interested in it, but also firms that want to go into joint investments with foreign partners.

There may also be great benefit from the operation of foreign banks through mixed banks in the development of transactions with securities, as well as the range of securities. Citicorp is coming in with great ambitions, and is not ruling out the possibility of becoming the sole owner of today's mixed bank by buying up securities. Naturally, its aspiration to have its own bank in Yugoslavia cannot be controversial, because it would be an even firmer base for operation and development in the Yugoslav market. First, however, it would naturally be necessary to clarify the formal and legal "ground," as well as some issues associated with our banking system's unequal conditions for competition.

If the example of City Bank Yugoslavia is followed, mixed banks would not handle all banking transactions at first. The "prohibited" category includes transactions involving the populace's savings. Specifically, it is felt that at first foreign banks should be "excluded" from that field, because they could take advantage of their appearing as "completely new" banks, without inherited liabilities and unburdened by so-called dubious elements, and so they could offer more attractive terms to people with savings accounts and to potential borrowers. All of this does not mean, however, that mixed banks are

excluded in principle from savings transactions. They could also join in the competition in that sector of the domestic market, after our banks are brought into a position where they can compete equally—naturally, through successful financial rehabilitation on the new market basis, which would mean a radical change in business policies and their being placed at the service of capital. At the same time, however, our banks should be relieved of the burden of all their fears that the state will continue to use nonmarket measures to take away the opportunity to work on “creating” capital away from them. By the way, that group of state “culprits” also includes failing to fulfill the obligations to compensate completely for interest on foreign exchange savings deposited with the National Bank of Yugoslavia (on paper, an average of five percent of the interest should be compensated for, and after the increase in domicile rates, it would be seven percent).

Why stagnation is occurring in all of these areas is a separate subject. The most urgent problems, associated with the announced limitation of interest rates on loans, are worth mentioning, however. Just as in the case of financial rehabilitation, the banks see great danger in this, and so they are seeking compensation for the earnings “denied” them, through being allowed to introduce or increase fees for various bank services. Those fees that would be increased also include the ones (commissions) that are charged citizens when buying or selling foreign exchange.

The mixed banks would, of course, operate in accordance with domestic credit/monetary and foreign exchange relations, because those are the rules of reciprocity for the operation of mixed banks. It would be interesting to see how they will react to a possible limitation of interest rates on loans. In principle, logic suggests that they could also be against such an administrative measure, even though the limitation of interest rates will not particularly affect them, as banks without liabilities. Whether an attempt will also be made to reduce dinar interest rates and deposits is another matter. The initial reactions are that it should not be

done, because the dinar would thus be undervalued in comparison with foreign exchange (the rates for which have been increased).

One more detail is not irrelevant to the activity of foreign banks through mixed banks. A foreign bank is being allowed to provide part of its capital in the mixed bank in dinar funds, obtained from the conversion (sale) of old payment claims that they have with respect to our partners, with the provision that the foreign bank cannot provide more than 50 percent of its share in the mixed bank's capital in that way. The possibility of providing the capital in dinars from conversion does not have to be a bad move, because it means an incentive to relieve our banks of their inherited liabilities (foreign debts). It will also reduce the already small investments of “fresh” money from the foreign bank. For example, Citicorp would only put \$7.5 million in “fresh” money into the new mixed bank, whereas \$7.5 million would come from conversion.

Nevertheless, the appearance of foreign banks in Yugoslavia should be anticipated with optimism. (Export) enterprises from the entire country are showing interest in the new City Bank Yugoslavia. That is why the possibility of the bank's opening branches in Zagreb and Ljubljana is not being ruled out. Naturally, the branches of the mixed bank, which has ambitions of growing into an independent bank, are just one more argument for all those who advocate a similar approach by other mixed banks from abroad. For our Yugobank, it is an additional motive, in our fragmented banking market, to seek the right to establish branches in areas where its ties were recently severed. Of course, the same right to unhampered activity in the Yugoslav market would apply to all banks, and not just one.

In any case, possibilities are being opened up for mixed banks, and the appearance of foreign banks. City Bank Yugoslavia is an example that should be followed. Although the entire business of approving the new bank's organizational outline and charter (as well as the scope of its operation) has not yet been completed, it is nevertheless expected to be over soon, that the documentation for obtaining an operating permit from the NBY [National Bank of Yugoslavia] will be completed, and that the contract on founding the mixed bank will be signed at the beginning of September.

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