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17 SEPTEMBER 1990



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# ***JPRS Report***

# **East Europe**

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# East Europe

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## CZECHOSLOVAKIA

### Mnacko Criticizes Minac's Polemical Answer to Vaculik

90CH0361A Bratislava NARODNA OBRODA in Slovak  
13 Jun 90 p 9

[Article by Laco Mnacko: "Open Letter to Vlado Minac"]

[Text] Dear Vlado,

After reading your response (in NOVE SLOVO No. 21 of this year) to Vaculik's article, I felt sad. Not so much because of its content, one can more or less agree with that, but rather because of the uncouth tone you used to refute the similarly uncouth rubbish in Vaculik's article which unfortunately obscured and mostly pushed into the background the entire sense of his thoughts on the common, or no longer a common, future of our two nations. We must and we shall think and hold discussions about these two alternatives intensively and for a long time yet. I tried to find the core of Vaculik's article, in spite of the awkward and in places even insulting formulations, in his musings about whether we are so linked by fate that we cannot part. Similar thoughts, or even declarative demands, appear far too often in the positions of the Slovak separatists, to which a citizen of the Czech Republic has the right to react in his own way, for example by wondering whether our coexistence must be the only alternative for the future of our two nations. And when this citizen of the Czech Republic formulates his thoughts in an peevish, offended, and in places knowingly offensive manner, he is perhaps also reacting to the paraphrase of the former marching song of Hlinka's Guard "smash and cut until you draw blood from that Czech noggin", which was recently sung by hundreds of citizens of the Slovak Republic on Hviezdoslav Square. How can a Czech, whose "knowledge" of Slovakia is restricted to "hic sunt holopupkos" [hayseeds live there], that is, a nation of "sheepherders" who consume—it must be admitted, a delicious "ostepek" [cheese made in Slovakia] and refreshing "cinzice" [buttermilk]—react to such outbursts of hate other than by the somewhat anguished, somewhat offended question "do we need all this?" Unfortunately, in this conflict, which has profound causes and subtexts, every bluster is inflated and generalized, the grotesque shouting of several hundred demonstrators "We are Slovaks! We are Slovaks!" is embarrassing as is also the loud expression of surprise by a Czech matron who is disappointed by "this Slovakia, she thought that in Slovakia there all only those picturesque cottages and, of all things, towns are there too." Some of Vaculik's pronouncements are of similar level. Only, when reading your response, I could not get rid of the feeling that this is not always an exchange of views but a ping-pong match at an "amateurish" level: You insult, I insult, you provoke, I provoke. The fact that Vaculik in several, not just those cited by you, places made unfounded, downright humiliating statements about the Slovak nation, demands a

calmly formulated, to the point, and critical (not tough) answer. Tough pronouncements, indignation, and insults can only make our mutual relations, bad enough as they are, even worse. Do we want it? Does Vaculik want it? Do you want it? If yes, and especially if not only Vaculik's but also your contribution to the discussion were to be the representative position of both our nations, then there is no help for us and it could possibly be truly best to agree to a divorce. This is precisely what Vaculik had in mind. It was just such a development that he tried to warn about in an awkward, "amateurish" way, as dictated by his own temperament.

It is not my intention to be an arbiter between you two.

I am concerned about more serious matters, about doing away with the fables that bedevil our relations. You added to one of them in your time by your statement about the genocide of the Slovak nation, having in mind a genocide planned and realized by Czechs. It is a dangerous fable contradictory to historical facts—and, in spite of whatever unfortunate experiences there are that could support it—also to historical experience.

Those unfortunate whatevers certainly have their roots in the arrogance of the Czech nationalism that denied the Slovak nation its place in the sun. The territorial division of the republic into "historic" and other, that is, not historic "countries", the thesis about a "younger branch of the Czech nation", the artificially fed philosophy of Czechoslovakism, the ignoring of the reality that the formation of the republic was actually a marriage of convenience, that this was an attempt at a coexistence of nations with basically different historical experiences, basically different mentalities, different levels of culture and civilization, and the indulgent attitude of the Czech burgher toward the Slovak "tinkers", all that had to lead to serious, even fateful misunderstandings. True, there were also romantic "amateurs" who dutifully loved the Slovaks (this Holecek, about whom you speak with such disrespect, in spite of the negative attitude to what the Czechs used to call a "language split"—the controversy about the legalization of a Slovak literary language was not played out only between the "offended" Czechs and the "ungrateful" Slovaks, it was carried on much more passionately among Slovak authorities—collected for the purpose of maintaining the material being of the Slovak high school in Revuce, perhaps the most important of the three then in existence, the sum, for those days enormous, of 10,000 Guldens. A sum, which would have been, if it were not for the fact that the existence of the institution was prohibited, enough to ensure the financial base of the high school for several years. Palacky, whom you thought of as a tailor of Czech history, contributed, probably never to see it again, 2,000 Guldens when the high school turned to him for help in financial difficulties; therefore these were not—as an expert on Gemer you should actually know that—only romantic dreamers and platonic lovers of Slovaks, their attitude toward Slovakia manifested itself in practical help, even from Czech chauvinists who did not recognize

Slovaks as a nation. The history of Czech-Slovak relations prior to the First World War needs a thorough, critical analysis which has been missing until now, as is most anything that has to do with our history. It is true that we cannot look for the embryo of the postwar state of the Czechs and the Slovaks in these quite intensive cultural and political contacts during the time of the monarchy, but it is a fact that in days that were the most difficult for the Slovak nation the Czechs, more mature in culture and civilization but also fighting for their national and political independence, had more understanding for the Slovak nation than, say, Czech writers following the Second World War, and especially after the introduction of the totalitarian regime, who did not "understand those Slovaks", by which they meant us Slovak writers, who "did not know what is actually going on in Slovakia". (Maybe you remember my report to the conference of the Czechoslovak Writers' Association in Hotel Devin in which I reproached them in a quite brutal manner for their indifference to the problems which we were grappling with in Slovakia.)

Maybe some Slovaks, the elections will show how many, consider this wedding of convenience, that is, the common state of Czechs and Slovaks, to be our national misfortune. (According to some of your pronouncements one could assume that, in contradiction to your position during the past decades, you sympathize with these people; at the very least some places in your article could lead some to such an assumption.)

Very well, then. The emergence and rebirth of the Czechoslovak Republic was a misfortune for the Slovak nation and it was threatened with genocide. But what alternative did Slovaks have in 1918? There were three. Remain "Upper Hungary", which would have meant a real genocide. Join up with the Poles, which would indicate, given the Polish policy toward the numerous Ukrainian minority after the First World War, a rather similar fate. Or to insist from the beginning on having an independent Slovak state. A small and weak state, intellectually only inadequately prepared to conduct its own affairs. (Vavro Srobar claims that before the First World War there were only about 2,000 citizens with higher education active in Slovakia who claimed Slovak nationality. There would have been probably more of them had an independent Slovakia come into existence, there were more of them also after the establishment of the Czechoslovak Republic, but even that "more" would not have been able to ensure a smooth internal working of a state and a national structure, particularly not with the existence of strong Hungarian irredentism.) You are perhaps aware that the military and volunteer units, fighting against the government of Hungarian Bolsheviks in 1919, were made up mostly of legionnaires and members of the Sokol organization, of whom several thousand were killed in the fight against the Hungarian attempt to teach those country bumpkins some manners and to make the East Province again part of the Crown of St. Stephen with all its consequences. What kind of consequences is indicated by the fate of the Slovak minority in

Hungary. Certainly, Bela Kun's attempt to establish a Bolshevik regime in all of Hungary did not have a hope of succeeding in view of the conditions then existing in Europe, but that does not change anything about the fact that the Czechs paid for the Slovak's freedom—although admittedly not entirely altruistically—in blood. And it was not only this payment in blood that misled the Czech petty bourgeoisie and nationalists into an indulgent, disdainful attitude of an older brother toward the exotic Slovaks, it was also the practice of everyday life. Other than the Matica Slovenska, which was far from able to provide for the cultural and intellectual growth of the Slovak nation by itself, there was no serious cultural institution. It was the Czechs who stood by the cradle of such institutions and their development. It was Czech teachers and professors who ensured an intense growth of a Slovak intelligentsia, including Slovak teachers and professors who spoke and felt Slovak. It was Czech judges, physicians (in Kysuce for a long time they talked about going to Halek, by which they meant going to a doctor), economists, skilled employees of the Czechoslovak National Railroads; and it was Czech artists who were present at the birth of the Slovak national theatre, Slovak musical groups, Slovak film, Slovak institutions of higher learning. And it was—no use denying it—Czech troopers, for lack of qualified Slovak applicants, who were sent to Slovakia to keep public order. One can have various reservations about what was understood under this term, as well as about many other methods with which Czech citizens active in Slovakia tried to uplift the cultural level of the Slovak nation, but the result of their activity can be evaluated by and large as real help, without which the development of Slovak culture, Slovak national life, Slovak economy, Slovak awareness and self-confidence would have been much harder and much slower.

Certainly Slovaks could have decided differently in 1918, chosen the alternative of an independent Slovak republic. Certainly such a state could have developed under its own strength and according to its own will. It is useless, because it is only hypothetical, to theorize about what form such a state would have had, whether a democratic or some other form. The brief existence of a Slovak state during the Second World War, however, permits us to think, out loud even, about which form. It is being actually thought about—again—out loud, and not only as a look back. Did not someone say here recently that Slovaks are not concerned so much about democracy as they are about religious freedom? As far as I know, you had it up to here with just such a Slovak statehood, so much so that you risked your neck in the fight against it. By this I do not want to say, of course, that sometime in the future there could not be also a different Slovak statehood than the one which historically did not give a good account of itself.

This is not my point, and I do not think it is yours either, in this polemic. The Slovak nation has the right to make its own decision about its fate, and therefore also about whether it wants to live in a union with another nation or

not. But we must not forget that the Czech nation also has this same right. Vaculik formulated this right in a rather uncouth manner. And he got in return—and that is what I regret about this whole polemic—also an uncouth answer. Irrelevant, tough, self-pitying. Again only a lament about being denied a place in the sun, again recriminations, of which some are justified although already overcome by developments, but the uglier ones belong to the area of half-truths and fables. Your polemic has a similar tone. Czechs, our misfortune, Czechs, our undoing...

Where does so much of this bile come from? Where do we look for the roots of this strident braggadoccio, the chanting of "We are Slovaks! We are Slovaks!" on one of the squares of the capital of Slovakia which today is a purely Slovak city? What do we want to prove to whom? I am afraid that to ourselves, that we are trying in this way to overcome the feeling of our own—totally unfounded and unwarranted—feeling of inferiority, that in this way we are painting on the walls of the ugly, neglected streets of Bratislava a specter of catastrophes which do not threaten, that we are again without justification feeling smaller than we are, weaker and poorer than we are, more backward than we are, that we do not have faith in ourselves. We are searching for our identity, as if there could be any doubt about it, as if someone wanted to take it away from us. We demand the right to live as equals with equals and we doubt this possibility ourselves. We are whining that "the world does not know about us" and we do not even pause to think why it does not know about us, and not at all about what to do so that it would know. The question of the state emblem and the name of the State certainly is not unimportant, but at a time when we must think about urgent questions of our immediate future it does not come before anything else, and it takes us to the brink of hysteria. Nothing can more strikingly document the chaos in our heads and our actions than a comparison of the well-thought-out, purposeful, and realistic concept of the future structure of our society formulated and implemented in the Czech part of the Republic by the Civic Forum, and the passive waiting of a great part of the Slovak nation to see how everything will work out. If we wait too long, we shall again, and not for the first time, lag behind in our own development—and we shall again blame others for it. Even today one can already hear the sigh that all important questions about the future of this State are again being decided in Prague, without giving a thought to what we ourselves contribute to that effort. At issue is the future, the democratic, stable structure of the State, at issue are revolutionary changes in all sectors of our devastated economic, cultural and political life, changes painful but necessary, and we are shouting on town squares that we are Slovaks. And to prove that we really are, we sing about smashing Czech heads.

I address this open letter to you knowing that we have been and are friends. I know you as the author of splendid, courageous articles that enrich public opinion, of analyses and essays. Your polemic with Vaculik I

cannot consider as such, it is not worthy of the author of "Duchania do pahrieb" [Blowing At Embers].

Yours,  
Laco Mnacko

## HUNGARY

### Soviet Troop Removal Agreement

25000765A Budapest MAGYAR KOZLONY  
in Hungarian No 52, 29 May 90 pp 1190-1192

["Text" of Council of Ministers Decree No. 97/1990 MT  
of 29 May 1990]

[Excerpt]

**Council of Ministers Decree No. 97/1990 MT of 29  
May 1990 Concerning the Proclamation of an  
Agreement Reached Between the Government of the  
Hungarian Republic and the Government of the Union  
of Soviet Socialist Republics in Regard to the  
Withdrawal of Soviet Troops Temporarily Stationed  
Within the Territory of the Hungarian Republic, Signed  
in Moscow on 10 March 1990**

*(The Agreement went into effect on 10 March 1990, on the  
day it was signed.)*

1. By way of this Decree the Council of Ministers proclaims the Agreement reached between the Government of the Hungarian Republic and the Government of the Union of Soviet Socialist Republics in regard to the withdrawal of Soviet troops temporarily stationed within the territory of the Hungarian Republic, signed in Moscow on 10 March 1990.

2. The Hungarian-language text of the Agreement is as follows:

#### Agreement

"Between the Government of the Hungarian Republic and the Government of the Union of Soviet Socialist Republics in regard to the withdrawal of Soviet troops temporarily stationed within the territory of the Hungarian Republic.

"Guided by the endeavor to develop friendly and good-neighborly relations, while consistently observing the basic principles of international law affirmed in the UN Charter and in the Closing Document of the Conference on European Security and Cooperation, including observance of the principles of sovereignty and noninterference in internal affairs,

"the Government of the Hungarian Republic and the Government of the Union of Soviet Socialist Republics (hereinafter: Parties) have agreed as follows:

*"Article 1*

"Withdrawal of Soviet troops temporarily stationed within the territory of the Hungarian Republic shall take place during 1990-91.

"Withdrawal of Soviet troops from the territory of the Hungarian Republic shall commence on 12 March 1990 and shall conclude on 30 June 1991.

"All personnel of the Soviet troops, including civilian persons of Soviet citizenship, as well as their armaments, military technology, and materiel shall be removed. The schedule for the withdrawal of Soviet troops from the territory of the Hungarian Republic is contained in an Appendix to the present Agreement, and constitutes an inseparable part of this Agreement.

*"Article 2*

"The Government of the Hungarian Republic shall be involved in securing conditions necessary for the implementation of the withdrawal of Soviet troops from the territory of Hungary.

*"Article 3*

"Transportation of Soviet troops, as well as disposal and destruction of various materials and waste shall take place in due consideration of the interests of the Hungarian civilian population, and in compliance with legal provisions pertaining to environmental protection.

*"Article 4*

"The troop movements of Soviet troops stationed within the territory of Hungary, as those relate to training and combat activities, including flights, shall be limited.

*"Article 5*

"The Parties shall designate their Authorized Representatives to ensure the implementation of the provisions of this Agreement, to supervise the organized withdrawal of Soviet Troops from the territory of the Hungarian Republic, recording, appraisal, transfer or sale of facilities, equipment and other material means by way of mutually agreed upon methods.

*"Article 6*

"Until the final withdrawal of troops from the territory of the Hungarian Republic, the legal status of Soviet troops, as well as property law and financial and other issues related to the temporary stay of the troops in Hungary, shall be determined by the Agreement reached between the Government of the Hungarian People's Republic and the Government of the Union of Soviet Socialist Republics on 27 May 1957, concerning the temporary stay of Soviet troops within the territory of the Hungarian People's Republic, as well as by the provisions of other Hungarian-Soviet agreements in force.

*"Article 7*

"Property law, financial and other economic issues related to the withdrawal of Soviet troops not settled by agreements in force shall be governed by separate agreements. The Parties shall take action at the earliest possible date to resolve the above issues prior to the full withdrawal of Soviet troops.

*"Article 8*

"Disputed issues arising in conjunction with the interpretation and application of this Agreement, as well as in regard to the implementation of the withdrawal of Soviet troops according to the schedule plan shall be settled by the Parties within 30 days from the date that the issue has been raised, in the framework of the Hungarian-Soviet Joint Committee established on the basis of Article 17. of the Agreement, reached between the Government of the Hungarian People's Republic and the Government of the Union of Soviet Socialist Republics on 27 May 1957, concerning the legal status of Soviet troops temporarily stationed within the territory of the Hungarian People's Republic. Issues shall be resolved through diplomatic channels, in the event that the Joint Committee is unable to resolve any issue submitted to it.

*"Article 9*

"The provisions of this Agreement do not affect obligations stemming from bilateral and multilateral agreements now in force between the Parties, including obligations stemming from the Agreement on Friendship, Cooperation and Mutual Aid reached in Warsaw on 14 May 1955.

*"Article 10*

"This Agreement takes force on the day it is signed.

Prepared in Moscow on 10 March 1990 in two original copies, in the Hungarian and the Russian languages; both texts are equally authentic.

On behalf of the Government of the Hungarian Republic: [Signed] Gyula Horn

On behalf of the Government of the Union of Soviet Socialist Republics: [Signed] Edward Shevardnadze"

3. This Decree takes force on the day of its proclamation, but its provisions shall be applied effective 10 March 1990.

[Signed] Dr. Jozsef Antall, prime minister [passage omitted]

### **Nonviolent Transition From Dictatorship to Democracy Viewed**

90CH0278A Budapest MAGYAR FORUM  
in Hungarian 23 Jun 90 p 1

[Editorial by Istvan Csurka: "Disturbing the Peace"]

[Text] The word socialism is not included in our amended constitution but the red star is still glittering in

our national insignia. Several MDF [Hungarian Democratic Forum] representatives stated after the abortive Tuesday session that they dare not leave to go home.

Yes, after many small defeats, the leadership of the new Hungarian government arrived at its most spectacular, and symbolic one. In Hungarian life, symbols are not only important but also carry a mission. We topple regimes through a symbolic reburying or reintroduction of a concept, word, or form of greeting. Among these, the crowned insignia has a special significance. When General Kalman Keri, Parliament's grand old man, went—ran—to the speaker's platform on Monday, apologizing for not wearing a uniform, and took a stand for the crowned insignia, one could believe that a smooth decision would follow.

The two-thirds fell short by three votes. An explanation does exist, namely, that several members of the government were absent and the vote was preceded by an embarrassing interlude. But there is no excuse. The MDF lacks the decisiveness necessary for asserting its will. It is struggling with internal problems; this was apparent during the several acts of its National Convention, and its weakness almost provokes its adversaries to disagree.

However, there is another, more serious, problem behind the symbolic defeat, namely, the catastrophic divisiveness among Hungarians. It is clear that not everyone likes the crown. Of course, the socialists abhor it, but even some liberals say that it is as unacceptable to them as the red star. Those favoring the Kossuth coat of arms frown on those who like the crowned insignia, and the red-star supporters can now feel a malicious joy. There is chaos and rancor. The trouble is not that the crown did not win but rather that nothing did win. Hungarians were unable to reconcile—with themselves.

They were unable, for there was no clear choice. In reality, this was the end of a so-called quiet revolution that progressed without a plan, a unified ideology or even a direction. It cleared away the old regime from political life. It created freedom of speech and removed many a bad constraint from life. But it was unable to fundamentally change life, leaving the old regime's midlevel leadership in place, and leaving enough time for an enormous number of ugly desertions, illicit deals, cheating, looting and illegitimate gains. Indigence and hopelessness increased. Fears for subsistence also grew at the same time.

This is what the quiet revolution achieved: A weak and anxious MDF as government party, a government that is just feeling its way in a new direction and, consequently, almost as weak and anxious as its party, and an overburdened National Assembly with no legal status, resounding with internal conflicts, reflecting the country and society. It has been freely elected but is dazzled like a man who, having been spun blindfolded, sways after the removal of the blindfold.

When we open our eyes and our dizziness is gone, we will realize that we are in the middle of a not-so-quiet counterrevolution. A counterrevolution generally defeats a revolution and restores the toppled old order. This one is not like that. Today everyone wants democracy, there is no disagreement about that. Weak democracy is the breeding ground for unscrupulous ambition, illicit deals and extortion, providing grand opportunities for continued assertion of the power of institutions, positions and, often only proclaimed, expertise saved from the past; weak democracy, with its superficial licentiousnesses, is a great game of leading those by the nose—now in a democratic way—who could be led before, too.

We are at the halfway mark. Stuck in mud. Today's counterrevolution is characterized by its efforts to conserve, to play for time, to weaken central power, and to desire democracy not only in words but in fact, its single goal being not to allow the new order to gain power. It should survive, struggle, lose its self-confidence, beg in the world even in the name of its opposition, endure feuds resulting from the many unsolved and unsolvable problems, but its existence and survival should be a symbol of democracy in Hungary. Even though there is no democracy. Or it is so weak that it benefits only the privileged ones who gained power in the past.

One thing must be decided urgently, namely, what means are appropriate for a society to dig, fight or squeeze itself through from dictatorship to democracy, from simplicity to sophistication. One needs a spade for digging, a sword for fighting but, for squeezing through, one needs nothing but dieting perhaps. It seems that we Hungarians have selected the latter. With our belts tightened by Kadar and Aczel and by Grosz and Nemeth, we are forcing ourselves through a revolving door that is actually not revolving. The past is here, the future is there. Filth is everywhere. We should clean up, then, not for a political purpose, but because of prime necessities.

But the question has not yet been answered. What means would be needed? Can the transition from dictatorship to democracy be nonviolent? Will a budding democracy suffer if it tries to make room for itself through tougher actions or even assault and battery? Is it possible to create, solely through legislation, parliamentary decisions, committee studies, painstaking parliamentary arithmetics and democratic fair play, the conditions for which hundreds of thousands of people here cast their votes? For they voted for democracy, there is no doubt about that. But they voted for its existence and not for us to say that it exists when, in fact, it does not. Delegation also means that the delegate should find the best means. And use them.

These are questions. The questioner himself is also burdened by uncertainty. Hungarians are walking on a road no one trod before.

There is a fortress made of concrete, standing on the lot of Trianon. True, it is cinder-concrete that is crumbling



and decaying, but it is impossible to pitch into it with bare hands. The work teams of democracy, which were still singing yesterday, vowed not to use even a pickax for the demolition. And they rebuffed those who wanted to use explosives. This way, however, the lot will never be cleared and building the foundation cannot begin.

Should there be violence, then?

No! But there should be governmental decisiveness at the top and a little mass support.

The MDF must reach back again to its foundations. Everything must start from the beginning.

Counterrevolution must be driven back from Hungarian life.

The coalition parties must develop local coalitions and, after tending to the injuries suffered during the election battle, the second phase of the quiet revolution must be organized again, during which, culminating in local elections, the democratic takeover of the entire Hungarian life will take place.

This will be difficult, a true battle, because people who have known each other for decades will now be on opposite sides. People who have been shut together by life and who humiliated one another while they themselves were humiliated. Thus, now is the time when circumspection and moderation, as well as a sense of justice and responsibility are really needed.

Should we perhaps go out in the street?

Yes! In the second phase of its quiet revolution against the counterrevolution that is being organized, the MDF can rouse the masses, along with itself and for itself, to new forums.

Under flags displaying the crown. Or holding the poles of flags with the hole in the middle.

#### **Land Law: FKgP-KDNP-MDF Coalition Agreement**

25000774A Budapest TALLOZO in Hungarian No 31,  
3 Aug 90 p 1446

["Text" reprinted from the REGGELI PESTI HIRLAP of 24 Jul 90, page not given: "Agreement Concerning Conceptual Issues of the Proposed Land Law"]

[Text] From among the conceptual issues that accompany the legislative proposal concerning the settlement of ownership of arable land, a special committee composed of National Assembly representatives from the Independent Smallholders' [Agricultural Workers and Citizens] Party [FKgP], the Christian Democratic People's Party [KDNP] and the Hungarian Democratic Forum, assisted by the parties' experts, agreed upon the following:

1. At the outset we wish to state that the purpose of the law is to lay the foundations for agricultural policy, one

that is based primarily on the private property of natural persons, consistent with the requirements of a social market economy.

The fundamental goal to be achieved is to transfer arable land to the ownership of people who provide for the cultivation of such arable land.

Setting this goal is warranted because the agricultural branch finds itself in a bankrupt situation due to the deterioration of efficiency year after year in cooperative farming coerced by forced methods. Settlement of ownership conditions is an indispensable condition for discontinuing this situation. Regulation in this spirit is necessary to ensure the continuity of production.

At the same time, settlement of ownership [conditions] provides an opportunity to rehabilitate persons who suffered inequities and injustices during the decades following 31 December 1947 as a result of forceful "settlements" of land ownership, such as the mandatory offering of land, mandatory redemption of land, and the confiscation of land applied in the course of the kulak trials.

For this reason the primary beneficiaries of the law are the strata of people engaged in agriculture as a life-long avocation, i.e., those who tie their future to the [agricultural] branch, and further, those who suffered the earlier inequities and injuries.

2. The title of the law: Law Concerning Certain Issues Pertaining to the Settlement of the Proprietary Rights Attached to Arable Land.

3. Based on this law, claims for the ownership of arable land presently managed by state farms and owned by agricultural producer cooperatives shall be satisfied in the following order:

(a) persons engaged in the pursuit of basic agricultural activities up to a maximum of 1.5 hectares; in lieu of payment of compensation;

(b) owners who suffered inequities, to the extent of the lost arable land, but not to exceed an area of 100 hectares; without payment of compensation;

(c) the proven heirs of persons designated under (b) above, once again to the extent of the arable land lost by the legal predecessor, and to the extent of [each] heir's share of the inheritance, but up to a maximum area of 100 hectares; without payment of compensation, but with the obligation to pay inheritance dues;

—the justification of a claim by a proven heir is conditioned by the fact that the heir also pursues, or intends to pursue agricultural activities independent from, or along with a primary occupation, and obligates himself to utilize the arable land.

(d) members of producer cooperatives not engaged in the pursuit of basic agricultural functions, and from among state farm workers local residents whose membership

in, or employment relationship with organizations (grazing committees, joint ownership, milk cooperatives, etc.) established for the purpose of continuing or enhancing agricultural activities and deprived of their land in an unjust manner with or without liquidation after 31 December 1987; without the payment of compensation;

[Translator's Note: An apparent typographical error in either the primary or the secondary source garbled the above provision and combined sections (d) and (e). Section (e) is not designated in the original text. The likely text is as follows:

(d) members of producer cooperatives not engaged in the pursuit of basic agricultural functions, and from among state farm workers local residents whose membership or employment relationship ceased; with or without compensation;

(e) organizations (grazing committees, joint ownerships, milk cooperatives, etc.) established for the purpose of continuing or enhancing agricultural activities and deprived of their land in an unjust manner with or without liquidation after 31 December 1987; without the payment of compensation;

(f) from arable land remaining after the satisfaction of claims enumerated above, claimants designated in sections (a) and (e) in excess of 1.5 hectares, in lieu of payment of compensation.

\* \* \*

After the satisfaction of claimants, land which remains the property of producer cooperatives shall continue to remain the property of producer cooperatives, and land owned by the state managed by state farms will be transferred to the ownership of autonomous [local] governing bodies—with the exceptions noted in legal provisions.

Except for forests owned by forest land owners, the proprietary rights of the original owners of forests utilized as a result of injurious withdrawal of property cannot be restored. In such cases the owners of forests shall be indemnified with arable land of the plough or grass cultivation variety [as published], worth twice the gold crown value of the forest. Forests remaining after the satisfaction of the persons entitled to be indemnified will continue to remain state property.

Foreigners cannot claim arable land or forest property.

The committee established for this purpose limited its activities to formulate only the organizing principles which are indispensable for the development of the legislative proposal, because clarification of detailed procedural issues (legal consequences of failure to fulfill the obligation to utilize land, composition of land settlement committees, deadline, legal recourse) to be regulated may be clarified by way of reconciliation, based on the agreed upon principles.

Budapest, 22 July 1990

### **Smallholders Party (FKgP) Urges Dismissal of Holdover Officials**

*25000774C Budapest NEPSZABADSAG in Hungarian 23 Jul 90 p 5*

["Text" of statement]

[Text]

### **How Far Did We Get?**

On 8 April 1990 the people of Hungary declared that they reject the previous system and its executive power. The first, formal phase of changing the system has come to a conclusion with the establishment of a cabinet and with the adoption of its program. The method to accomplish the substantive fulfillment of the system change is the exchange of power, the taking over of power. It is impossible to accomplish this by leaving untouched the organs of power functioning in every field of life.

After 52 days of hard, but not at all undisturbed functioning of the cabinet, advocates of the old system, selected on the basis of counterselection, still occupy positions of power in the new system. In the view of the Independent Smallholders Party [FKgP] it is indispensable that these positions be taken over by persons committed to changing the system and to democracy, consistent with the schedule proclaimed in the cabinet program: Let competence decide in regard to professional issues, and let voters decide in regard to elected offices.

This is in the interest of not only the Independent Smallholders Party, it is in the interest of all of us. The Independent Smallholders Party has committed itself to this course, and it will cooperate in this regard forcefully in the interest of democracy.

Budapest, 21 July 1990

Independent Smallholders, Agricultural Workers, and Citizens Party

### **Foreign Ministry on Trianon Anniversary**

*90CH0315A Budapest MAGYAR HIRLAP in Hungarian 5 Jun 90 pp 1, 13*

[Interview with Andras Gulyas, chief of the Press Main Department at the Ministry of Foreign Affairs, by Szalay in Budapest, following the 70th anniversary (on 4 June) of the signing of the Treaty of Trianon: "The Old Dictated Peace Treaty Is No Reason for New Irresponsible Actions"]

[Text]

### **Interview**

To protect the rights of the minorities, the Hungarian Government is aiming for treaties supplemented and

reinforced by control mechanisms, we learned from Andras Gulyas, the chief of the Press Main Department at the Ministry of Foreign Affairs. We interviewed him about the official response to the celebrations commemorating the anniversary of the Treaty of Trianon.

[Szalay] This is the first time in several decades that we have commemorated publicly here at home the anniversary of the Treaty of Trianon. To the Foreign Ministry's knowledge, has that evoked any displeasure abroad?

[Gulyas] In conjunction with the 70th anniversary of the Treaty of Trianon, various statements have been made both at home and abroad, by officials and government organs, as well as by voluntary public associations, political parties and the press.

What I would like to say in answer to your question is this: Already years ago we regarded the Treaty of Trianon as the outcome of an unjust dictate by the great powers. The injustice of the treaty was based on its failure to take ethnic boundaries into consideration, and the right of all the peoples in the region to self-determination, to free expression of their will. In addition to taking away from Hungary two-thirds of its area at that time, the treaty forced a third of the Hungarian nation to live as national minorities. The absence of real democratic institutions in the newly formed states, and their prevailing ideal of the nation-state based on depriving the minorities of their rights, produced conflict situations conducive to the emergence of totalitarian dictatorships. In the period between the two world wars, the system that the League of Nations put in place for protecting the rights of national minorities was indisputably a novel idea, but it was unable to play its intended role despite the introduction of a mechanism to handle complaints of minority-rights violations. After World War II, under the gloss of an allegedly common ideology, the tensions resulting from violations of the national minorities' rights remained, although they were better hidden. With the changes in Central and East Europe, such tensions have now surfaced openly. We are convinced that these tensions must be removed as soon as possible, by guaranteeing for every national minority the individual and collective rights of its members, so that they may feel at home, their future secured. Otherwise interethnic conflicts would pose the real challenge to the creation of a unified, democratic Europe.

[Szalay] As the motherland of the largest national minority in Europe, how can Hungary contribute toward the abatement of that challenge?

[Gulyas] The Government of the Republic of Hungary is striving to promote the rights of national minorities in accordance with the principles it endorsed, and the obligations it assumed, within the framework of the Helsinki process, and in the spirit of rule-of-law statehood. Our objective is to promote open borders, guaranteed development of unhindered contacts, and statutory regulation of the national minorities' individual and collective rights. To this end we are ready—as we have

demonstrated through our initiatives on several occasions—to negotiate and sign bilateral, subregional and European-level agreements for protecting the rights of minorities, and to operate a control mechanism that provides for on-the-spot investigations, the handling of complaints or even proceedings before an international tribunal.

In the countries of the region—and hence, regrettably, in our country as well—the anniversary of the Treaty of Trianon has brought forth also inciting statements that wantonly abuse justifiable emotions. We are all too familiar with measures of this kind. Their purpose is to torpedo effective international cooperation based on rule-of-law statehood, to fuel the sense of national exclusiveness, and to provoke ill-considered actions. The wounding statements serve as an all too transparent pretext for the forces whose very reason for existence would cease with the establishment of good relations between our peoples, and with guaranteeing the inviolability of the national minorities' rights.

#### Demonstration

To mark the anniversary of the Treaty of Trianon, the Christian National Union staged a protest before the Basilica, in the afternoon. After speeches that in some instances were not free of manifestations of extremism, the demonstrators started off across the Chain Bridge toward Castle Hill, where the organizers had scheduled a mass rally for 6 pm.

In Disz Square on Castle Hill, the demonstration continued with a far more extreme formulation of the demands already voiced before the Basilica.

#### Scientific Conference

The History Institute of the Hungarian Academy of Sciences held a scientific conference to mark the 70th anniversary of the signing of the Treaty of Trianon. The institute's deputy director, Ferenc Glatz, emphasized in his opening address that, whenever the question of Trianon is raised in Hungary today, authoritative political forces tend to reply as follows: in the spirit of the Helsinki Agreement we consider the Trianon borders as a reality, regardless of whether that peace treaty itself was just or unjust. Historians who steer clear of current politics, he continued, include themselves among the political forces who see incorporeal borders as the political solution. Until such a solution is achieved, the leaders and historians of neighboring countries will be watching with 70-year-old suspicion what the neighboring country's parliament or historian is saying about Trianon. Perhaps the most important to historians is that there is at present a social consensus between the state's governing bodies and the population, and domestic suspicion has ceased.

At the scientific conference, noted historians lectured on the antecedents, international background and consequences of the peace treaty that sealed prewar Hungary's fate.

## POLAND

### Foreign Policies of Neonational Democratic Parties Examined

90EP0803A Warsaw ZYCIE WARSZAWY in Polish  
11 Jul 90 p 5

[Article by Pawel Ziolek: "On the Subject of Polish Foreign Policy: What Unites, What Divides"]

[Text] The foreign policy of the Polish Government is one of the problems that divide the parliamentary groups least. But, at the same time, we must not assume that they are unanimous in this respect. The differences among them are the subject of this article.

I believe that two very different reasons are the basis for this relative unanimity. The first is the international position of our country. The tremendous activity of Polish diplomacy during recent months, its new life style which contrasts so clearly with the preceding life style, and finally, the great changes taking place in the rest of the world create an impression of a profusion of choices facing the helmsmen of our ship of state. So, the lack of arguments usually accompanying such a situation is surprising. This is a seeming paradox. The relatively high degree of agreement among groups that are very quarrelsome in other matters is the result of the fact that countries such as Poland, not being the offspring of world politics, really have a very small area for maneuvering—also, the number of realistic options is very limited.

A policy calculated to ameliorate the consequences of a united Germany, aimed toward independence from the USSR and attempting to produce firmer ties with a uniting western Europe is, we become convinced, a canon of Polish foreign policy which no one questions in principle.

Another reason for agreement is significantly more banal. It is difficult to find differences between oneself and the government if one has information and experience imperceptibly greater than one can acquire in working editorially in publishing or directing international publicity. Thus far none of the groups has proposed any alternative and simultaneously cohesive foreign policy concept in response to Premier Mazowiecki's August inaugural address. At the same time, we must add that the role of ideology, which is so significant in other questions raised by the extraparliamentary opposition, clearly shrinks in this case. Certain exceptions here are the independence groups, particularly the new National Democrats.

I propose a look at the positions of several selected groups with respect to the most important foreign policy questions. These questions are a method of defining independence, relations with the USSR, relations to the future shape of Central Eastern Europe, the unification of Germany, and the road toward European integration.

The groups are the following: Leszek Moczulski's Confederation for an Independent Poland (KPN); the orthodox liberal Union for Real Politics (UPR) led by Janusz Korwin-Mikke; the neonational democratic National Party [SN]; the Christian Democratic Labor Party (SP); and Jan Jozef Lipski's Polish Socialist Party (PPS). These groups roughly reflect the political differences on the extraparliamentary political scene.

1. All the groups agree that ensuring Poland complete independence is the most important task of Polish foreign policy. But independence is variously defined. The KPN demands immediate removal of Soviet military forces from Poland, resignation from the Warsaw Pact, and conduct of a completely independent foreign policy that would maintain "equal distance" from Germany and Russia along the lines of the foreign policy conducted by the II Republic. The other parties perceive the prospect of achieving complete independence along an evolutionary and quite long road. They put more emphasis on economic force in this process.

2. Closely tied to the idea of independence are relations with the USSR. There are significantly greater differences on this point. Only the National Party takes an unequivocally pro-Russian position. It belongs directly to Dmowski's school of thought. In the view of the Nationalists, Polish policy should aim at reconstructing Polish-Soviet friendship, based thus far on ideology, into a partnership structure. The threat of Germany accentuates with special force the need for this closeness. We cannot allow a renewed German-Russian union to rise over our heads.

The Christian-National Union (ZChN), UPR, PPS and SP want to balance Russian influence with ties to Europe and do not exclude possible future strengthening of ties with the Danubian countries. They favor removal of Soviet forces from Poland while maintaining the best possible relations with the Kremlin. Advocates of independence take a diametrically opposite position. They evaluate Gorbachev's epoch as indicating a future decline of the domination of the USSR on the continent. After a recovery due mainly to economic help from the West, Moscow will return to its hegemonistic policy in Europe. For this reason, we must take advantage of the moment of weakness to push Russia away from Poland and Europe as much as possible and to weaken it.

The aspirations for independence of the Ukraine and the Baltic States should be viewed from the same perspective. The KPN is an unequivocal supporter of their secession as against the National Democrats, who, fearing the likely oscillation of Kiev in the direction of the Germans, consider the breaking up of the USSR along its western flank as a fatal danger for Poland. The remaining groups support the government line in this matter, that is, a balance between not exacerbating relations with the Soviets and verbally admitting to the nations of the USSR that they have a right to self-determination. At the same time, all groups agree on the

need to defend the interests of the Polish minority in the borderlands of the old Republic.

3. The Future of Central Eastern Europe. Opinions in this case are even more divided. Moczulski's party decidedly favors cooperation with the ABC countries (Adriatic, Baltic, and Black Sea). This sphere in their thinking would fulfill the role of strategically completing the eastern buffer (the Ukraine, Belorussia, the Baltic states). Such a partnership would balance the Russian and German forces in this sphere. The PPS believes that with little chance of a rapid integration with Western Europe, cooperation with the Czechs, Slovaks, and Hungarians might fulfill the role of the desired transitional stage and might be a unique "small integration." The SP also looks favorably on a similar rapprochement and leading role that Poland might play in it.

The ZChN is more skeptical. In its opinion, the countries in this sphere fear a Polish involvement in a dispute with the Germans, just as they feared our conflict with Russia at one time. Janusz Korwin-Mikke believes that we are the main obstacle to our establishing close ties with these countries. The Czechs and Hungarians fear two things: the Polish economy and Polish chauvinism.

4. All the groups except the SN admit the moral right of the Germans to unite. At the same time, they demand extending the two plus four negotiating formula to Poland and a clear position from Bonn on the boundary question, and they express more or less clearly their fears of the influence of the new power on European politics.

Only the authors of the ideological declaration of the National Party have taken an uncompromising stand with respect to German unification (four-fifths of the space in the declaration pertaining to foreign affairs deals with this problem). They assert that just as in the period between the wars, Poland is confronted by an inimical force that intends to take its territories. Poland's support for the process of unification would, in the opinion of SN, be plain madness. The KPN believes that the right of the Germans to unite should be balanced by international protection. In this spirit, it demands the presence in Germany of at least symbolic contingents of the countries sharing a boundary with Germany. The ZChN warns of the danger of a German-Russian agreement over our heads and the dangers of an impulsive, uncontrolled unification.

In summary, except for the KPN and the National Democrats, whose foreign policy programs are clearly entangled in historical thinking (not to say severely anachronistic), the great majority of extraparliamentary groups occupies a position that is actually close to that of the government. The mutual differences are only marginal in nature. We can certainly say that these differences are not very significant in political practice.

## YUGOSLAVIA

### Goals of Serbs in Bosnia-Herzegovina Discussed

90BA0280A Belgrade NIN in Serbo-Croatian 20 Jul 90 pp 24-26

[Interview with the chairman of the Serbian Democratic Party of Bosnia-Herzegovina, Radovan Karadzic, by Milorad Ucelic; place and date not given: "Serbs in Bosnia"]

[Text] The Serbian Democratic Party of Bosnia-Herzegovina [SDS-BH] was founded last week in Sarajevo. Radovan Karadzic was chosen chairman, and on that occasion we asked him for an interview.

[Ucelic] What are the program and organizational-political characteristics of the SDS-BH, of which you are the leader?

[Karadzic] The Serbian Democratic Party was founded with the objective of reviving Serbian political life in BH, in order that Serbs return to politics, with their own proper representatives, and in order to restore the necessary parity and reciprocity on the political scene, without which civil peace is not ensured.

We already have projections by renowned experts to the effect the formation of the SDS-BH is of enormous importance to Yugoslavia, and even for Europe, because what the Serbs in Bosnia-Herzegovina will do is very important.

[Ucelic] Why was the SDS-BH founded?

[Karadzic] I have a little theory about the illusions created by the current one-party government.

Among these illusions is that the revolution and the establishment of the new system resolved the social and national question in our own way, "unlike any other in the world," that religion became superfluous. Among many others, the illusion that the Serbian nation is small and insignificant was also created.

This illusion was created not only by our enemies, but also in part by all previous Serbian leaders in Yugoslavia, including Serbian representatives in BH, especially over the past two decades. This discouraged all our friends from taking an interest in us, encouraged the majority of our open and secret enemies to synchronize their efforts to put an end to the Serbian nation. Even a hare sharpens his claws on a dead wolf.

Right now, as the Serbian nation everywhere, including in BH is awakening from decades of paralysis, many people are surprised and angered. They are not accustomed to seeing the Serbs watching out for themselves and for their affairs. The Serbs are waking up from their delusions and coming to their senses very slowly, but these processes are historic events.

The illusion that the Serbs are smaller and weaker than they really are is very dangerous, because this generates

delusions among their enemies as well, and could lead to conflict. The Serbs are beholden, towards both friends and enemies, to be just as great and strong as they really are, nothing more and nothing less.

The Serbian Democratic Party of BH was founded with the goal of doing away with this and all other illusions created by the current government. And, of course, in order to permit the elimination of the other detrimental effects brought about by a system gone amiss. Nothing that it has attempted has been successful, aside from the use of force to obstruct the course of economic development for individuals and nations.

[Vucelic] What detrimental effects are you talking about? Do these effects relate only to the Serbian nation?

[Karadzic] We believe that entire generations are suffering enormous detriment due to the one-party, unlawful rule by an alienated oligarchy, subject to restrictions from no one, whereby I do not accuse the entire party. To a decisive extent, our lives have been defined by the autocracy and omnipotence of this powerful oligarchy. No one—not one nation or individual—was satisfied, aside from the members of the ruling oligarchy. But the Serbs fared worst, not only because of the immeasurable and disproportional human sacrifice during the war, but also because of their inequitable position after the war, continuing up to the present day. Serbs in Bosnia-Herzegovina have shared completely in the fate of their integral Serbian nation. Everyone has had to make some sort of sacrifice, give up something, but the Serbs most of all.

Because of the illusionary (an illusion once again!) and bogus domestic peace, Serbs have given up their very substance, names, national culture, traditions, they have had to turn their backs on their Serbian Orthodox Church in ruins. Our poems have been read more intently, and in them the traces of Serbian identity have been sought, because of which prominent poets have been declared Serbian chauvinists and have been persecuted.

This is the program framework for a policy that has resulted in the exile of several hundreds thousands of Serbs from Bosnia-Herzegovina.

Serbian regions, geographic entities inhabited by a Serbian population, are carved up through a concocted partition among municipalities and regionalization, in such a way that the Serbian presence there is weakened. The example of Ozren, a compact and well-defined Serbian region partitioned among five municipalities, suffices to show how Serbian regions have been impoverished and depopulated due to emigration. There are other such examples.

Thus, the effects are injurious, and they extend into the economic, cultural, and psychological domains, from the systematic "fright tactics" used on prominent intellectuals, to misgivings about Serbian traditions and

national culture, to the human and economic devastation of Serbian regions. I do not know which of these effects hurts most. The effects on the cultural existence of the Serbian nation in Bosnia-Herzegovina are very conspicuous and close to me personally.

Under the discouraging and unfavorable circumstances, it has not been possible to develop Serbian culture, while the phenomenon of acculturation has been set in motion, which has made particularly rapid inroads wherever Serbian Orthodox Church activities were thwarted. It will take some time before Serbs in the regions where the Church was thwarted can once again become real Serbs in the cultural and political sense.

[Vucelic] What is your economic program? Specifically, whom does the Serbian Democratic Party of BH attract, and on whom are you relying?

[Karadzic] Something that we have hoped for has happened, something in fact that we imagined in our wildest dreams: The party is getting good managers, business people, people who have achieved economic and comparable national and other freedoms. Our idea to offer a program slightly left of center, with an emphasis on private ownership and private initiative, the realization of social justice, has suddenly yielded results. I personally have proceeded from the viewpoint that it is the characteristic aspiration of all Serbs—farmers, artists, entrepreneurs, scholars—to become good managers in their area of activity. For Serbs, the proletariat is an imaginary thing. Every Serb aspires to seeing his work yield fruit, to increasing his wealth, to managing his household properly. In this way, focused people create national wealth. For them, socialism as we have had it is detrimental. Distributive, discouraging, parasitic, stupefying all human abilities. There is a little of the Protestant work ethic among Serbs, which is why it seems to me that there are much more favorable conditions for good relations between Serbia and Germany than those that now exist.

The Serbs in Bosnia-Herzegovina have recognized our program as their own, and now an amazing thing is happening in BH before our very eyes: There is not a single place in the republic that has not announced the opening of a local, municipal, regional, or subregional organization of the Serbian Democratic Party.

To be honest, it is not only our program that is responsible for this.

First of all, there is the enormous respect for Jova Raskovic, who is held in equally high esteem in BH by Serbs, Croats, and Muslims because he acts as a peacemaker.

Accordingly, it is obvious that in such a mixed environment, people of all nationalities respect peace most of all, and all other issues.

However, something in our program has attracted the young capitalists, the private entrepreneurs, and successful people who have joined the Serbian Democratic Party of BH en masse.

We are more than pleased with the turn of events, which scarcely give us a chance to open our eyes. But to get back to telling you the other elements of our program. In a word, it is the program of a modern, left-of-center party, by no means excessively socialistic but with social programs. The goal of the party is to allow each person to live from his labors, and in so doing to live a good and rich life, and to multiply the private and the general national wealth in such a way that it enriches itself. Social justice implies that the poorer strata are not handed over to the favor or disfavor of market competition. That would not be a Serbian, nor Orthodox, nor humane approach. But first, the national wealth must be created. It is easy to distribute it when others are creating it. Our socialist stage has convinced us of this.

[Vucelic] What is the attitude of the SDS towards communism and the communists?

[Karadzic] We do not have any attitude towards or relationship with communism, because it does not exist, except as a theory and distant dream of several generations. The party is a modern political organization that has nothing to do with dreams and that bases all of its activities on reality. But as far as communists are concerned, our attitude is very flexible. The party is not anticommunist, nor will it allow any anticommunism or revanchism.

A democratic party cannot allow itself to take such a stance.

We are aware that several generations of honorable and brave people were entranced with this dream called communism. The fact that they were deceived by "rats and their ilk" elicits understanding and sympathy among us. Not all members of socialist and communist groups in Yugoslavia are necessarily Bolsheviks as well. We have already been joined by a large number of members of these groups, and we welcome them.

Other people too who have worked in and for this system have our understanding. In this type of system, no one has been able to work well. If anyone had been able to work well, the system would not have fallen apart on its own, without any outside pressure.

However, we must point out to the Serbian nation in BH the detrimental effects of voting for candidates of the LC-BH [League of Communists of Bosnia-Herzegovina]. This has been tried out with the Racan-style communists. The Assembly of Bosnia-Herzegovina must not continue to lack genuine Serbian representatives. You yourself have seen, in Kosovo and Slovenia, how irresponsible and dangerous decisions can be made in the legislatures.

If such decisions were to contribute to outvoting or a coalition in the Assembly of Bosnia-Herzegovina, this would endanger the civil peace and stability of the republic and of the country, to a disproportionately greater degree than is the case with the assemblies in Kosovo and Slovenia. All of this in BH means and has to mean Serbs as well, who thus far have been significantly represented in the League of Communists. And at the bottom of this is an illusion: that Serbs have a Bolshevik mind-set and that through the League of Communists they are trying to save the existing order.

There have been numerous Serbs in the LC for many different reasons, but clearly not for the one noted. Most of all, Serbs were very numerous in party groups wherever they were "organized" by the CP [Communist Party]. Thus, Serbs were the biggest supporters of Yugoslavia, and the League of Communists presented itself as the sole guarantor of the stability of the Yugoslav community, which was yet another illusion. In addition, to this day Serbs have not had their own political organization. Now they have the Serbian Democratic Party, and I do not believe that many of them will stay in the League of Communists, and I especially do not believe that they will vote for it.

[Vucelic] What is the attitude of the SDS-BH towards Yugoslavia and Bosnia-Herzegovina, and what about the JNA [Yugoslav People's Army]? What is your view of support for federation, confederation, secession, establishing boundaries, and the boundary problem? It has long been said that there can be no Yugoslavia without a stable Bosnia. Today, it is being said with increasing frequency that there can be no Bosnia without Yugoslavia.

[Karadzic] Our party has adopted the view of the Serbian nation in BH towards these questions. Thus, the party is committed to a federal Yugoslavia and within it a federal Bosnia-Herzegovina on equal footing, with an unconditionally equal status for citizens and nations.

In the event that demands for a confederate transformation of the country prevail, the Serbian nation in BH will, through its SDS-BH, prepare its democratic response to that new situation as well. In any event, Serbs will not go along with living in some new Independent State of Croatia, nor in any state in which their mother country, Serbia, is not included. That must be clear, so that there is no misunderstanding. And this is not so because the party wants it, but rather because the Serbian nation demands it of its party.

In order to effect a confederate transformation, much of this would have to be changed, and for this reason confederation is not realistic. Serbs give top priority to civil peace and freedom, and both of these are jeopardized by such a transformation. Serbs in BH simply have no comment on Slovenian efforts to secede. Croatian secession is a different matter, because Serbs in BH are of the same ethnicity as Serbs in Croatia. Croatian secession must take this important fact into account.

Yugoslavia can survive without Slovenia, and perhaps Slovenia can even survive without Yugoslavia. Yugoslavia can also survive without Croatia. It is not necessary for all South Slavic nations to be part of Yugoslavia. The Bulgarians have never been part of it.

Bosnia (please don't forget Herzegovina) must not be split up or separated. Regardless of who is going to secede, Yugoslavia—and within it a Bosnia-Herzegovina on equal footing—can survive. Any other offer must reckon with major disorder, although not even this would happen without disorder.

Is it worth it? Can we afford it? Let the republican nation builders devote much thought to whether even one tear should be shed, or one drop of blood should be shed because of their nation-building appetites!

Croatian nation builders are chronically intertwined with the Serbian question, and this question hampers their entire undertaking. Nation builders in Bosnia-Herzegovina are in a different situation, because the Serbs in BH are not in the same position as they are in Croatia.

An entirely different question is what is implied by the concept of federation, and what by the concept of confederation. At our founding meeting, Mr. Alija Izetbegovic, the head of the SDA [Party of Democratic Action] (the Muslim party) announced that for him the most realistic thing is a reasonable federation, meaning a federation that has not one bit of authority more than what is necessary for the functioning of the state.

We are in full agreement with this viewpoint.

No one wants an unreasonable, centralized, expensive, inefficient federation. Even Slobodan Milosevic once spoke of a minimum of community affairs, necessary for the function of the state (the market, defense, foreign affairs). Many of the positions by democratic forces on this question are similar, and this is a just policy.

A modern JNA will enjoy our invariable support.

[Vucelic] At the founding meeting of your party, both Muhamed Filipovic and Alija Izetbegovic spoke. This fact was received with a fair amount of surprise. What is your view of this? It seems to us that this is a very significant fact.

[Karadzic] It was a surprise only insofar as an illusion about Serbian-Muslim discord has been created here as well.

Bosnia is full of surprises, not all of which are unpleasant!

Both Mr. Filipovic and Mr. Izetbegovic, as representatives of Muslim democratic groupings, wished our party a warm welcome. Our party, Filipovic's Forum, and Izetbegovic's SDA are all democratic organizations.

Serbs and Muslims basically do not have any conflicting interests. No matter what, Serbs and Muslims will always live in a common state, and they have managed and will continue to manage to live together.

There is no need for any third party to settle things between them.

There are some unnecessary differences of opinion, predominantly in the press, that come from a poor knowledge and understanding of one another, but these can be overcome, and they will be overcome by democratic representatives of the Serbs and Muslims.

[Vucelic] In the most recent issue of NIN, academician Mihailo Markovic said that Serbia is under no circumstances a threat to Bosnian Muslims, but that they are irritated and alarmed by unnecessary, immaterial issues. Croatia is a serious threat to them, but entices them with a series of cheap trifles and gestures. How much of this is true? Can you somehow corroborate these words and allegations?

[Karadzic] In this regard, I agree entirely with academician Markovic. Some Croatian circles deny Muslims their distinct ethnic character, while "recognizing" their Croatian ethnic affiliation and their right to their own religious life.

If Bosnia-Herzegovina were to be governed by these people, we would see what would happen to these religious freedoms....

In Serbia, on the other hand, the press often wrongly refers to a fundamentalist threat in both Bosnia and Kosovo. It seems that this is done under the influence of certain Western European circles, who have their eyes fixed on Bosnia-Herzegovina as the European bastion of Islamic fundamentalism.

Things are different in both Bosnia and Kosovo. Among the Muslims in Bosnia-Herzegovina, there are—as everywhere—extremists who have occasionally been close to power and who have amply abused that power. And who showed no mercy towards anyone. However, they did not act through Islamic organizations, but rather through the League of Communists of Bosnia-Herzegovina. Thus, this is a good reason to draw conclusions about the League of Communists, but not about Islam.

In Kosovo, the first hundred or so secret organizations were Leninist, not fundamentalist, which is once again cause to draw conclusions about Leninism.

It is obvious that the separatists are trying, with varying degrees of success, to take advantage of the Islamic religious community and its functionaries.

The Islamic community will probably distance itself from the separatists in order to avoid suffering the damage awaiting the separatists.



Islamic fundamentalism is coming to Europe in the form of people of other races and other languages, and Europe is seized with panic. In our country, we have Muslims of the Slavic nation, people of our blood and language, the vast majority of whom are committed to the European quality of life while preserving the Islamic faith. There is no place for panic here, neither among Serbs nor among Muslims.

In my assessment, there is no need for Serbs to once again serve as the defenders of Christian Europe in the struggle against Islam. Many of us Serbs are closer to our Muslims than to the Europe that does not recognize or identify with any of our vital needs. This is something that we have perceived both during wartime and now during peacetime, concerning the Kosovo question.

[Vucelic] Let us get back to your party. To what extent does it bring together a majority of Serbs from all the regions of BH, and to what extent will there be a division here as well in conjunction with the known tendency of the Serbian nation to split up?

[Karadzic] According to what we know now, the SDS will be the party of all Serbs in Bosnia-Herzegovina. There will be no divisions. We have committed ourselves to transcending the tragic divisions within the Serbian nation, not only politically but also culturally. We will work on bringing together urban and rural forms of Serbian culture and on integrating them. The Serbian middle-class intelligentsia has for centuries had problems with its own people who desire freedom. These middle-class citizens are often corrupted by their work, leading them to a position of misgivings about the freedom-loving intentions of their own people. In this way, various alibi ideas and rationalizations are generated among the unequal and oppressed Serbian intelligentsia, which leads to disdain for their own people as the source of misgivings. As a result, the most educated and most qualified part of the Serbian nation loses its ethnic identity. This is the tragedy of the cultural division. Political divisions are a separate story, but they can be overcome much more easily.

[Vucelic] Are you talking about reconciliation?

[Karadzic] Reconciliation is indispensable. Serbs must reconcile with others, and forgive to whatever extent possible. We do not have to force repentance from others. The repentant person himself must have both the motivation and the moral force, or otherwise it is useless. Serbs must also reconcile with themselves. The civil war within the Serbian nation must end, because it has already inflicted much harm. And from the social point of view it was completely unnecessary. We did not have that much contrast between classes. At some point, someone said jokingly that the Croatian bourgeoisie was fighting the Serbian bourgeoisie to assist the Serbian peasantry. Serbs have slaughtered each other so that others can solve their problems, and have complicated the Serbian national question. We see how all of this has turned out.

However, reconciliation does not imply that the defeated rise to the position of the victors while dragging the victors down to where we have kept the defeated in the past. This too would mean the resumption of civil war. Both the victors and the defeated must abandon their positions, their trenches, and meet halfway. However, up to now a small oligarchy among the victors has lived well from the victory of its fellow warriors, who ended up among the defeated in terms of social status. This oligarchy has misused honorable fighters, and for the sake of its privileges it continues to push them into battle against "domestic enemies," enemies of the people. The Serbs are the one nation that has been proclaimed, almost in its entirety, an enemy of the people, and thus of themselves. The Serbian nation will continue to be that if that proclamation is respected and the "class struggle" is continued where there are no classes.

[Vucelic] What are the immediate tasks of the party right now? Are the Serbs in BH running behind in political organizing, and what are the reasons for the delay? How do other peoples regard the advent of the SDS-BH?

[Karadzic] In terms of elections, the Serbs are running behind in political organizing. The reason for the delay is the Serbian reluctance to split up the joint political domain and institution, as well as the chronic, long-term lack of Serbian political leadership, which was subject to various pressures before it was established.

Now, this political leadership must recreate itself, which it is doing before our very eyes. Although they are still unskilled, there are sensible and dauntless people emerging who will represent the Serbian nation. If we are not blocked by improper action by the government, and if the unconstitutional Article 2, Paragraph 4 of the Law on Associations of Citizens is repealed in time, then perhaps we will be prepared for the elections. Otherwise, I cannot imagine how the Serbian nation will respond, and the SDS-BH must accompany it in this response.

The immediate tasks in the field, besides creating subsidiary bodies, are the preelection activities.

The reactions by members of other nationalities to the advent of the Serbian Democratic Party have been simply incredible. For many, it was a "weight off their mind" (M. Filipovic) when they saw how Serbs in BH had committed themselves to a democratic party, to a common life, maintaining peace, and preserving Bosnia-Herzegovina and Yugoslavia. We are continually receiving phone calls from Muslims and Croats complementing us on our first appearances, which they saw as very clear and without any mistakes whatsoever. And it was the Serbian nation that demanded that we be very clear. Our initial cabinet ideas were modified according to demands from the people, who have demonstrated incredible political will and clarity of their political goals. One could say that we did not create a party; rather, it created us.

[Vucelic] Is it already possible for you to say anything about the willingness of the SDS-BH to cooperate and join a coalition?

[Karadzic] The SDS-BH is willing to cooperate with any democratic organization. We have said that we cannot and will not cooperate with parties whose programs or activities include even a trace of anti-Serbianism, anti-Yugoslavism, anti-Semitism, or anti-democratism. We will consider the possibility, based on our quota, or

allowing the participation of any remaining Bosnian-Herzegovinan Jews in the government, but that of course depends on them.

As far as coalitions are concerned, more on this later. We must say that we will oppose coalitions on a national basis and at the expense of third parties, and these are the only types of coalitions that we will not enter into. There cannot be outvoting on a number of questions.

## HUNGARY

### Heretofore 'Unknown' Soviet Explosives Left Behind

25000768A Budapest TALLOZO in Hungarian No 28, 13 Jul 90 p 1304

[Article by Jenő Nagy reprinted from 5 Jul 1990 SOMOGYI HIRLAP, page not given: "There Was a Bit Too Much Haste..."]

[Text] According to news reports, Colonel General Bur-lakov uses an "ultimatum" as a threat: Troop withdrawal will be stopped unless they are able to settle accounts with the government. Then it turned out that new scandals surround the troop withdrawal. For this reason we asked to talk with Colonel Ferenc Csornai, deputy commander of the Kaposvar army corps, and Captain Laszlo Kosa. He is one of those who helps the Soviet troop removal within the army corps' jurisdiction.

Colonel Csornai said that in Somogy county Soviet troops have been removed from Igal and Tab thus far. Only a small technical unit remained between Nagyatad and Taranya.

Even a mine was left there. The latter was found by Bate railroad workers on 26 June. We learned that the explosive material involved is unknown also to Hungarian explosives experts. They found the four-legged mechanism the size of a can [as in canned foods] on the steps of a railroad car; they removed it by taking a chance, and later defused it.

[SOMOGYI HIRLAP] Colonel, you issued a proclamation according to which one may count on several similar pieces of ammunition and explosives as a result of the withdrawal of Soviet troops in Dombovar. Is that really true?

[Csornai] At the time we drafted the communique we thought that it was possible....

[SOMOGYI HIRLAP] Did you use your own experience as a starting point? Could it occur at the Hungarian Honved Forces that in the course of packing you would lose a mine?

[Csornai] It could occur that we lose something, but not a mine.... In other words we have more stringent discipline. But then you must consider something else! The withdrawn Soviet troops do not leave Hungary with the greatest of love. There was a bit too much haste.

[SOMOGYI HIRLAP] Rumors float around according to which the withdrawn troops leave ruins behind. I asked this question from Captain Kosa. He nodded in agreement. He should know the kind of conditions one may find. In Dombovar, for example, the Soviets asked 4 million forints for a shop in the barracks. Local people offered 250,000. Neither of these prices was realistic, but no one wanted to yield. What took place thereafter? The departing troops demolished the building.

[SOMOGYI HIRLAP] Colonel Csornai, what assurance is there that the troops will leave their existing Nagyatad-Taranya facilities safely.... So that there is no filth and trash left behind, and ....

[Csornai] If you have in mind that ammunition was left behind in barracks abandoned thus far, I would not dare say that there was no ammunition left behind. But finding such ammunition is not our job. Our authority extends so far as to assist in the withdrawal of troops.

[SOMOGYI HIRLAP] Who will examine the area then?

[Csornai] I do not have an answer to that question either.

According to Colonel Csornai, the official institute which manages property sequestered by the state, must provide for the guarding of the facilities. (Prior to putting such facilities to use, however, explosives experts would be needed, because in a place where discipline is so "casual" that they may have lost mines and ammunition, like in Bate, and as of most recently in the Kiskunsag National Park, I would not have confidence that the transfer documents are so accurate. Nor am I very certain whether the departing troops sold other things, as long as it was possible to sell a bean gun. We may confirm the truth of the latter in Dombovar. And in Igal and Tab. If the local people ever start telling stories.... But they do not even have to tell stories. Captain Kosa does not deny these stories either, instead he mentions a simple example:

[Kosa] I was not permitted to enter the Soviet barracks with my official car, in order to conduct the transfer. At the same time certain people—let us not designate them otherwise—were happily driving in and out. They took even the firewood with them....

## ROMANIA

### State of Defense Industry Surveyed

90CH0226A Budapest MAGYAR HONVED in Hungarian 16 Apr 90 pp 28-29

[Article by Engineering Corps Lieutenant Colonel Victor Amaczi: "Defense Industry in Romania—The Romanian Version of the T-72; T-54's and T-55's for Export; The ABAL Armored Transport Vehicle; Helicopters on French and Soviet Licenses; The Jurom Program: Multipurpose Tactical Aircraft; Air-Launched Missiles in All Quantities"]

[Text] Even in the past few years we have not seen much information about Romania's weapons manufacturing programs, despite the fact that our neighbor's defense industry produces a rather diversified arsenal of weapons for both domestic use and export.

Romania produces a domestic version of the T-72 medium tank under the designation TR-125, which differs from the original Soviet model in several of its

features. While the T-72(20) weighs 41 tons, the TR-125(20) weighs 48. The difference is attributable to the latter tank's reinforced armor plating. The redesigned features of the tank include 7 support rollers, and a one-piece protective skirting. Also more powerful than the original is its 650-kilowatt engine. The tank boasts a maximum hard-surface speed of 60 km/h, an effective range of 450-540 kilometers, and a fuel consumption rating of 285-325 l/100 km. Its armament is identical to that of the T-72. Its 8 fog grenade throwers are located at the left side of the turret, and as in the case of most of the Soviet T-72 M1 models, they are pointed forward.

The MLVM armored mountain vehicle was designed to transport 7 riflemen, or ammunition or other logistics supplies under battle field conditions. Its layout is similar to that of the BMP-1. The driver and the commander are seated at front left, the engine is at front right, the turret is in the center, and the fighting chamber is in the rear. The fighting chamber is fitted with firing ports and observation equipment.

The one-man turret is fitted with a 14.5-mm machine gun and a parallel 7.62-mm machine gun. Its flat turret is similar to those employed on certain versions of the Czechoslovak-made OT-64 armored personnel carrier, but its weapons may be raised up to a + 84 degree angle which makes it suitable for antihelicopter combat. This vehicle is not amphibious.

The ABAL armored transport vehicle is practically identical to the MLVM, except that it is used exclusively for ammunition transport. The vehicle can transport 64 100-mm , or 104 76-mm shells. Its armament is a 7.62-mm machine gun, located behind the driver, in front of the commander's seat.

The ABAL also comes in a 120-mm self-propelled mortar version.

In recent years, Romania has been producing 3 types of guns: a 152-mm howitzer, a 152-mm gun howitzer, and a special 100-mm caliber mountain gun. This latter's weight in firing position is 1.5 tons; its maximum range, using a fragmentation shell with indirect aiming, is 10,000 meters.

With direct aiming, using fragmentation-armor piercing shells it has an effective range of 600 meters. On a levelled plane, its barrel has an adjustable traverse of 50 degrees, and a vertical elevation range of - 5 to + 65 degrees. The gun is fitted with a multislot muzzel brake which is similar to the Italian 105-mm M56 Pack howitzer. It is manned by a crew of 7, and is usually towed by a DAC 444 overland vehicle or by horse.

A few years ago they began to use Czechoslovak-made M51 32-tube multiround rocket launchers, but instead of the Praga V39's, they have mounted them on the Soviet-made ZIL-151 trucks. The subsequently employed 40-tube, 122-mm multiround rocket launchers have been mounted on the Romanian-made DAC 6651 (6x6 wheel configuration) overland vehicle which is widely used in

the Romanian army. The missile's maximum range is 20,000 meters. The launcher can fire 40 rocket rounds in 20 to 40 seconds, covering an area of 210,000 square meters. The tube cluster may be horizontally elevated to a 55 degree angle. Its vertical traverse is 80 degree to the right and 100 degrees to the left. Reloading of the tubes takes 15 minutes.

In Romania they also manufacture 12-tube, 122-mm multiround rocket launchers, which are mounted on 4 x 4 wheel-configuration light overland vehicles. With a trailer they can transport an additional 18 rockets.

Developed for use by guerilla groups and mountain-based subunits is a single-tube, 122-mm tripod-mounted rocket launcher. The rocket has a maximum range of 13,400 meters. The launch pad is vertically adjustable to elevation angles of between - 3 to + 51 degrees, and has a horizontal traverse of 360 degrees.

The infantry weapons of the Romanian Army are manufactured on Soviet license. Their 40-mm grenade launcher is domestically designed, and is mounted on a tripod. The belted cartridge drum located on its left side holds 10 rounds. Its maximum range is 1,300 meters.

They manufacture several types of aircraft, some of which are domestically designed, while others are produced on foreign licenses.

The IAV Bacau plant builds a two-seater version of the Yak-50, under the designation Yak-57. To date more than 1,000 of these trainer craft have been produced for use in basic training. Under the model number IAR- 99, the IAV CRAIOVA firm also produces a domestically designed supersonic jet named Soim. Its seats are arranged in a single file. It is used as a training-practicing craft, and also as a tactical fighter.

The IAR-93 multipurpose tactical aircraft is a joint product of the Romanian and Yugoslav industries. The program is named Juron, and, outside of Romania, the plane is known by the code name J-22 Orao. The engines of this traditional overhead swept-back wing model are located in the fuselage. It has two built-in 30-mm machine cannons, and, on its two weapon suspension points under each half-wing, and on the single one on the bottom of the fuselage, it carries air-to-air missiles and aerial bombs. The plane also has a two-seater trainer version.

Most of the domestically designed light aircraft are produced at the Brasov plant of the ICA factory, but this is also where they assemble the Puma and Ka-126 helicopters built on French and Soviet licenses, respectively. ICA's IAR-28 MA two-seater craft was first delivered to the army in 1984.

Also being built at the Brasov plant under a French production license is the ICA IAR-316B two-seater helicopter, which is a replica of the SA-316B (Aluette-III). Under an agreement signed in 1972, they have produced 230 helicopters. Presently they are no longer producing

them, as the production rights have been acquired by the Indian HAL Ltd. firm. Based on the IAR-316 model they have developed a military version of that craft under the designation IAr-317.

Romania also produces several Soviet-designed air-launched missiles both for domestic and export purposes. The NATO codes for the weapons in question are AA-1, AA-2, AA-7, and AS-7. Although of rather old design, these weapons are still employed in the Romanian arsenal. The Romanian model designation of the

AA-1 radar-guided air-combat missile is A-90. The domestic designation of the AA-2 air-combat missile is A-91 (originally known as R-3Sz or K-13), which is similar to the American Sidewinder missile, and is carried by several different aircraft (including the MiG-21, MiG-23, MiG-27, SU-17 and SU-20). The Romanian designation for the AS-7 radar-guided air-to-ground missile is A-921. It can be launched from several types of aircraft, including the MiG-23. In Romania, the AA-7 bears the designation A-911, which stands for an infrared controlled self-guided missile.

## BULGARIA

### Bulgarian Foreign Trade Situation Reviewed

90BA0296A Vienna DIE PRESSE in German  
24 Aug 90 p 7

[Article by Peter Hornung: "The GDR as Hoped-For Partner"]

[Text] President Zhelyu Zhelev is Bulgaria's great hope. The writer and former dissident announced thorough economic reforms: It is a matter of averting a national catastrophe. Even agriculture is in a totally bleak condition. Yet Bulgarian fruit and vegetable growers have the reputation of being the best in Europe. Their products are in great demand on West European markets because of their top quality. Cattle and calves are bought by the demanding customers of the large Paris market halls, in Germany, Italy, and even Great Britain, as well as in Saudi Arabia, the United Emirates, and, before the Iraqi invasion, by Kuwait.

#### Fear of a Hunger Catastrophe

Threatened by the great crisis are all these markets, as well as the domestic market which had been amply supplied up to now. In order to fill the worst supply gaps, the president will make efforts to obtain, at lowest prices, the mostly third-rate surpluses of pigs, cattle, and dairy cows from the GDR agricultural sector which is facing collapse. "Otherwise our people will go hungry this winter."

After the election of Zhelyu Zhelev, deliberately delayed by the communists, nothing stands in the way of rapid and thorough reform. Zhelev's economic advisers, many of them educated in Western Europe and the United States, are preparing a large-scale, concerted action. In addition, there is also the desired close economic cooperation with a united Germany.

German enterprises even hold a market-dominating position in the Balkan country. German firms promote the development of a modern agriculture and expansion of Bulgarian vegetable growing from a small village economy into the large-scale, well-stocked vegetable and fruit garden of all Europe. The Stalinist policy of delimitation in the former East bloc had cut off these important connections and thus caused Bulgaria's severe economic crisis today.

#### Germany as the Drawbridge Into the EC

A reunited Germany will meet great willingness within the Sofia government to renew these old ties. That is the opinion of the undogmatic economic expert, Kosta Kostov, at present coordinator for cooperation with the GDR in the Bulgarian foreign trade ministry. He called a reunited Germany a "drawbridge for Bulgaria into the EC." It is understood in Sofia that one cannot become a full member in the EC right away. For that, many economic policy preconditions will still have to be created in Bulgaria. But in the meantime, one does not want

to wait idly on the outside. In Kostov's opinion, today's GDR, as the second most important trading partner in the East, together with the FRG, can be an "interesting mixture" for Sofia's future export and import deals.

As a prime example he mentioned the pharmaceutical industry, impressively thriving with the help of Hoechst, for Africa, the Mideast, and Southeast Asia. Hence the German unification process is being viewed with considerable feelings of elation. An all-German economic area is all the more important for Bulgaria, since matters cannot continue as at present with the crisis-torn GDR.

Despite an extensive annual protocol for 1990, which again provides for a goods exchange in the amount of 1.2 billion transfer rubles, there is little reason [to think] that the respective agreements would also be concluded. Rather, the GDR has initiated a wave of cancellations which has caused large-scale problems in the production and labor market in Bulgaria's closely interlinked economy. After all, a considerable percentage of the goods are produced in cooperation.

As a serious example, Bulgarian expert Kostov mentioned parts for computer installations which are manufactured in final production in the GDR and are delivered to the Soviet Union within the framework of CEMA accords. After the political turnaround in East Berlin, production of GDR computers has practically collapsed.

Hence the GDR has stopped all Bulgarian ancillary deliveries for this year in the amount of 100 million transfer rubles. The respective subcontracting plant in Stara Zagora is facing collapse if there is no success within a few months in concluding a cooperation agreement with a West German computer firm for simpler, but hi-tech equipment. But before such transactions can be carried out, all foreign trade restrictions must be abolished, and the managers of Bulgarian plants must be given full freedom of action, also in obtaining Western loans. Within the framework of his "concerted action," President Zhelev has already introduced corresponding legislation.

But the fact is unchanged that the GDR economy remains an important partner, since the deliveries to the USSR also are transacted via the GDR. This could also be important for the generous aid agreement by the FRG. It could make use of longstanding relations and also extend respective financial aid to Bulgaria and to restructured GDR enterprises. The stopped GDR deliveries for 1990 would have amounted to 15 million transfer rubles.

The situation is no better in other trade areas with the GDR, and no immediately effective alternative programs with the FRG can be developed. For the coming months, Kostov fears a mutual trade reduction of at least 50 percent. This strikes at a vital nerve of the crisis-stricken Bulgarian economy.

With the introduction of the inner-German economic and monetary union, the question of quality takes on

new significance. For example, the GDR refuses to continue purchasing of low-quality electric vehicles, while incomparably better ones, and lately also diesel vehicles "Made in Bulgaria" are being used in ever larger numbers at construction sites in the FRG, France, and Sweden. Bulgarian manufacturers would immediately have to deliver vehicles of equal quality to the GDR, or this market would be lost once and for all by autumn. A rapid expansion of the Western market is not possible. Competition is tough, and has recently become even tighter because of strong competition from Japan.

In the sector of hoisting and transport technology, in which Bulgaria holds a leadership role among CEMA countries, the sales crisis is slower, but just as painful.

#### **Cigarette Exports to the Soviet Union**

According to economic planner Kostov, the Bulgarian tobacco industry has had to make enormous efforts to balance the massive GDR cancellations. Up to now, cigarettes had been delivered to the GDR in the annual amount of 40 million transfer rubles. In order to prevent the looming closing of tobacco factories and widespread unemployment in the structurally weak region, at the last minute a new agreement was concluded with Soviet importers. The GDR must be written off as an importer of cigarettes. It is now dominated by the large German and U.S. brands.

The pain threshold in GDR trade has now been reached by the Bulgarian economy. Kostov pointed out that up to 1989, his country had always had a credit balance of approximately 20 million transfer rubles. Only for fruit, vegetables and wine does he see a good opportunity for defending old market positions and opening up new markets in the West. The reputation of Bulgarian agricultural products is outstanding internationally. It was the communist planned economy that brought this once flourishing economic sector into crisis.

The new great agricultural reform, actively pursued by President Zhelev, is to support every initiative by private farmers. The settling of new private farmers is also to be promoted. Every qualified farm worker is to be enabled to acquire 200 hectares of fields and 300 hectares of mountainous terrain with personal, almost interest-free development loans. Successful private farmers will be given the chance to expand their enterprises by 300 hectares. Private business cooperatives are considered very promising. According to polls, 70 percent of farm workers prefer this type of ownership.

#### **Wine Producers Have Adjusted to New Conditions**

Kostov sees particularly good opportunities for wine production. Here, also, state-owned enterprises are to be converted into private cooperatives. The GDR has not yet cut off wine imports. It and the Soviet Union purchase two-thirds of the production. For them, Bulgarian vintners have developed very sweet wines at low prices. Even after the turnaround, GDR consumers have remained faithful to the Bulgarian "syrup." They prefer

it to German types of wine. But the Bulgarian vintners developed alternatives in good time. They also produce top-quality dry wines. They are bought by tourists from the West, as well as by Great Britain, the Netherlands, and Sweden, and the newly opened-up markets in the United States and Japan. Even a cautious entry into the difficult wine countries of Germany, France, and Italy was possible.

In addition to Germany as a cooperation partner, trade missions are also being exchanged with investment-minded Taiwan. Extensive joint venture agreements in the computer electronics and machine building sectors are in preparation. In cooperation with Austrian tourism authorities, new hotel projects are to be carried out, and tourism is to be further modernized.

### **CZECHOSLOVAKIA**

#### **Excess of Economic Laws Criticized**

*90CH0204E Prague HOSPODARSKE NOVINY  
in Czech 30 May 90 p 5*

[Article by Ludmila Kolarova, doctor of law, Kraj State Arbitration in Hradec Kralove: "The Critical State of the Commercial Law Sector; Less Would Be More"]

[Text] The intensively prepared, urgently needed changes in the basic legal regulations, which will act as the rules of the game in the market mechanism, made the author think about the current situation and what caused it. The aim is to attempt to chart the mistakes perpetrated over the years in this sector, and avoid similar mistakes now and in the future.

The commercial law sector is in a deep crisis. As one of the primary historical causes, one should mention the large volume of legislative authorizations of various agencies established by Law No. 109/1964 Sb. [Collection of CSSR Laws], which, admittedly, revoked a total of 29 laws and other legal regulations that had previously noncohesively established the relations between organizations, and between organizations and the Center, as well as other attendant conditions for the realization of planned management, etc., but at the same time, it incorporated extensive authorization to issue instructions on execution, on which it relied for the detailed amendments of individual fields or of some other activities.

#### **The Inflation of Regulations**

Thus, within 11 years of the Commercial Code coming into force, about 56 basic conditions of deliveries and their amendments were issued for the execution of the Code, and were either published or registered in the Collection of Laws. By 31 December 1988 their number exceeded 60. During the same period about 65 additional instructions on execution of the Commercial Code were issued. Even though some were replaced or amended over time, their number did not decrease, if anything, the opposite happened. The standard of these

norms differed greatly, but over time, there was a general deterioration. It was impossible to implement some of them without publishing additional explanations or commentaries, which was the normal practice, for instance, in the financial, construction and technology, agricultural and food, and other departments.

Such "re-chewing" of regulations became a widespread phenomenon especially after 1974, when a three-stage organization of the production factor base was introduced. Increasingly it became the done thing to have various drafts of the generally binding regulations for the needs and on the conditions of the departments or the VHJ [economic production unit]. The ultimate consequence was that the enterprise sphere did not adhere to the generally binding regulations, but to these redrafted instructions, commentaries, and explanations, which gradually also embodied wishful thinking, originating from the realization of political power, and sometimes even unspoken wishes. Sublegal standards were issued, but their authors did not address the basic rules expressed by the Commercial Code, possibly because they did not know it, or did not need to know it.

A recent example of this is the Ruling of the Federal Ministry of Agriculture and Food Nos. 155 and 156/1988 Sb., which published the basic conditions of agricultural and food products (after the HZ [Commercial Code] Amendment of 1988) that limited the will of contracting parties in a way that was totally contradictory to the provisions in Section 395 of the HZ when, instead of using the principle that "everything is permitted unless it is explicitly forbidden," the used the principle that "everything is forbidden, unless it is explicitly permitted." This, of course, is merely one of many examples.

The situation in the investment structure is very frightening, where, apart from a large number of regulations that were imposed from above and applied to the preparation and realization of the investment structure, the State Commission for Research and Development and Investment Expansion alone issued 16 additional generally binding regulations between 1983 and 1989, which are still valid today. The impenetrable number of financial and price regulations, including various commentaries, explanations, and instructions makes one think of a bog in which hundreds of thousands of organizations' employees have been drowning for years, usually without any visible effect on the business activities or, to the contrary, with a negative effect.

One can concede only one thing to these regulations, and that is a greater authority in implementing them in the enterprise sphere, than the regulations establishing obligation relations have, since the reprisals for violations, threatened by the control agencies are more specific and more numerous. Application, however, is made more difficult due to indistinctness, lack of specifics, noncoordination, and incomprehensibility both for organizations, and for the control agencies themselves, so that sometimes the situation becomes downright bizarre.

Information on this situation has been gathered over many years from some arbitration conflicts, and especially from price and consultation inquiries on the part of employees of the financial administration agencies, former price offices, committees of people's control, etc.

#### **Ignorance of the Law Is No Excuse**

As a further cause of the crisis and its serious manifestations, one must mention the attitude of economic management agencies and organizations to the implementation of the commercial law sector's regulations.

Apart from the considerable fragmentation of the legal regulation system, its disunity and instability that manifests itself through frequent, sometimes unjustified changes in the regulations, the absence of legal authority increasingly affected the obligation and other relations, caused by the changing, uncoordinated directives from the Center, changes in plans, intervention by political agencies into the activities of the administrative agencies and into the activities of organizations. This resulted in apathy on the part of the enterprise sector when concluding and realizing contracts, in the unwillingness to conclude contracts altogether, and consequently in legal uncertainty in respect to mutual relations.

A quotation from a letter written by the minister of agriculture and food of the CR [Czech Republic] on 23 November 1989, and addressed to the chief arbiter of the CR, could serve as an example of the situation: "The contracts on the preparation of deliveries for the Eighth Five-Year-Plan were concluded in 1986 under totally different circumstances, and therefore, considering the changes evoked by the implementation of the above-mentioned 'Rules' (i.e., the regulations of 30 June 1988 on the restructuring of the agricultural mechanism), one must consider the contracts on the preparation of deliveries, concluded in 1986 for 1990 for the Eighth Five-Year-Plan, to be null and void." Such a categorical and authoritarian procedure was totally contradictory to the provisions on the origins and changes of obligations, and to the use of the economic administrative organizations' legal authority to intervene in the activities of the organizations managed by them, and he could not change anything in the nature or form of the obligations. Once again, this is one of many examples.

#### **Possible Solutions**

In the "Rules of the Game," applicable to the origination and realization of the relations of economic entities, one must bear in mind that workers in the agricultural sector, in other words usually laymen in legal matters, play the game according to these rules every day, and it is impossible, or possible only with great difficulty and totally unjustified exertion, to play the game according to the currently valid rules. The attempt to strengthen the commercial, planning, and contractual discipline



through a stricter sanction and control system, introduced primarily at the beginning of the 1980's, proved to be totally ineffective, and this should be a lesson to us in the future.

Even if the current situation has partly got rid of these practices, at this time it is less than a partial solution, which cannot succeed considering the present state of affairs. The solution adopted in the Amendment to the Commercial Code is also only a partial solution. What I have in mind, above all, is the preservation of economic penalties, even if the number is limited, since the recent amendment provides relatively effective measures for protection against discriminatory actions and unfair competition. A positive step would be to revoke all basic delivery conditions, which is an action that, in my opinion, should have been realized at the latest by 1 July 1988. This objective was not totally realized by the HZ.

Let us think about the future, and about the justification for the existence of the Laws on state enterprise, agricultural cooperatives, housing, consumer, and production cooperatives, enterprises with foreign participation, on joint-stock companies, on private business activities, on the conditions for the activities of organizations with international elements, that is to say on their scope, and add the proviso that, in our opinion, the Commercial Code should regulate the establishment, status, rights, and obligations of these entities individually. If this were so, a Business Code, for example, would be sufficient to regulate the legal rights in private enterprise—the relations between the state and the entrepreneurs—and one regulation with an amendment of a cooperative democracy for cooperative organizations. To differentiate between individual types of entities, an amendment in the Business Code, providing for it, would suffice.

In addition to the urgent need to issue an amendment to the Commercial Code to set transition standards that would make it possible to realize ownership and business relations between existing and newly created entities up to the publication of a qualitatively new regulation—the Business Code—the Law on Macroeconomic Planning No. 67/1989 Sb. and the CSSR Government Statute No. 81/1989 Sb. must be rescinded as a matter of course. New legal sectors, sectors of business law must be created as soon as possible. Work on the creation of business legislation has already begun.

#### **Left Defends Komarek's View on Economic Reform**

*90CH0356A Bratislava NOVE SLOVO in Slovak  
19 Jul 90 pp 4-5*

[Article by Ivan Spani: "Experiment at People's Expense?"]

[Text] Questions about radical economic reform. Originally we wanted to say in this space directly before closing this issue that after the discussion in the Federal Assembly on the announced program of the government more questions are now clearer, and that the direction of

the economic reform underwent a thorough analysis. But that again did not happen, similarly as the previous parliament did not get around to discussing the reform either. And so the specific course of the reform remains a great unknown with many question marks for the public as well.

"And it is divine naivete to think that if we change price relations, if we increase rents and make cars less expensive, increase the price of food and make consumer goods less expensive, that we shall get closer to a market economy. We shall create competition by demonopolization, not by increasing the units but by creating such conditions when these units must fight for survival... To have enterprises live in a competitive environment can in no way be achieved by the simple act of price reform," agreed Dr. Eng. Valtr Komarek, C.Sc. at the beginning of April, then still the first deputy premier and the main strategist of the economic reform.

He is the same V. Komarek for whom students called in November on the square to head the government, because "under Komarek the koruna will be like the mark," who gained popularity then with his economic program; but about whom they wrote already in May in SMENA (in Window on the Boiler Room) that in the competition for the greatest windbag of the velvet revolution he is leading at the moment by three lengths. "At present he is getting ready to return to his job as director of the forecasting institute of the Czechoslovak Academy of Sciences.

The government of national understanding, after some more or less unpublicized discussions, approved in the middle of May a strategy of economic reform with a time schedule to the end of the year, without opposition in the Federal Assembly which has been demanding it for a long time; well, the government came to an agreement—but only by a very narrow margin, we hear—only at a time when it was no longer in session and when journalists, as we became used to it for years, again began to "comment" forcefully; that means, describe and defend what the state authorities already approved.... As we still mostly cannot explain to the readers what is only being planned "at the top", and discuss publicly the most important planned decisions (because we do not know everything), we should give more space for discussions by those in the know. It is difficult for a journalist to be their referee, he should rather be a mediator, but most of all he should be a representative of the public, ask on behalf of the public the questions it has and also express the public's doubts. We want to express some of those questions and doubts about the steps taken in the economic reform, although with the risk that, as I learned in the pages of the SLOVENSKY DENIK, the principle of "doubting everything" is the sign of an alliance with Satan, or at least with a Satanic sect. I hope that I will not suffer a witch's punishment for it.

Because, as Valtr Komarek says, "the repercussions of our own mistakes are unsuspected," it it nevertheless cheaper to obviate bad decisions, especially on such

substantive issues as the economy. Among other things, by making people think and search for the best solutions in discussions.

If you listen separately to the explanations of the authors and critics of the individual steps of the economic reform already approved by the government, you will agree with both. But it is also true that probably neither of them will be right. Practice will tell.

But, will that not be a costly experiment at the people's expense? If Valtr Komarek were the only one.... Well, he is not the only one of the important economists who warn, even ring the alarm bell, that the risks of the adopted strategy for reform are being underestimated, that the sequence of steps (which both contending groups consider key) is not right, and that it will lead our society into a difficult economic, social, and thus also a socio-political crisis.

#### Road to Hell or Suicide?

The first controversy is about whether it is possible to first free (liberalize) prices and only later attend to the development of a competitive environment, or vice versa. V. Komarek has been emphasizing from the beginning that it is necessary to first quickly create a healthy and demanding environment leading to a truly functioning market, setting market forces which will compete with each other into motion. Other economists also stress that a liberalization of prices can be carried out only in concert with a gradual creation of competition in individual areas of the market. A market economy, they remind us, does not come into existence by a free movement of prices, but exactly on the contrary, a free movement of prices is the reflection and result of the healthy process of a market economy. They consider it totally wrong to give top priority to introducing the liberalization of prices within the individual steps of the reform—as proposed by the reformist group around Minister V. Klaus and V. Dlouhy. The liberalization of prices can only be the consequence of the introduction of conditions for a functioning market.

Some talk about "a road to hell", others about an "economic suicide, pointing out that, under conditions of a high economic disequilibrium (the predominance of demand over supply is estimated at Kcs 250 billion!), it is possible to either reduce the overall demand—or increase the supply. Well, no goods will be made by freeing up (increasing) prices, and therefore the process of restructuring the finances flowing into the national economy must be combined with speeding up domestic production and economic growth. To free up prices in this situation will only lead to hyperinflation, nothing will force the monopolistic suppliers to improve the efficiency and economy of production, despite the fact that it has the most unused capacity in comparison with foreign countries; instead, they will increase prices at one stroke or will thoughtlessly export things without which their domestic partners cannot move ahead....

The freeing of prices has still another aspect: They cannot be freed only for some kinds of businesses (private, foreign enterprises), or gradually only for some types of goods. It is not possible to give advantages to some entrepreneurs (taxes, levies) and force others to lose in competition with them.

In a deficit economy, when there are shortages, it is possible to make money quickly on anything: buy up exclusive foreign goods as well as our goods in a state store and sell it for profit around the corner, be a "private businessman" using enterprise material, energy and overhead, or simply only make use of information gained in one's regular job and at its expense for making private deals.

#### Beggars' Tourist Rate?

The other disputed and very much debated question is the exchange rate of our koruna and how to make it convertible. When I read the ideas of some—even renowned—economists, I am wondering why none of them has yet entered and won the Dollar-rich contests on how to make the Ruble a convertible currency.... The diametrically opposite ideas about regulating our Koruna do agree on one point: they insist that they are the one truly reliable way to a quick internal and then also external convertibility of the Koruna.

Economists warned the government that devaluation of the currency leads to its depreciation, to a cheap sale of the national wealth. In spite of that we devalued the currency and the government is planning another devaluation. Lots of criticism from various directions can be heard about legalizing the black market exchange rate of Western currencies into a tourist rate.

Professor Sik also does not recommend keeping the "market", unobjective black market rate which is underwritten by the black market moneychangers. "Putting them out of business cannot be our only consideration. That is too narrow a criterion. And, moreover, the exchange rate alone cannot do away with them. After all, there will always be goods for which moneychangers will find it profitable to offer still more even if the rate is greatly devalued", he wrote in SVOBODNE SLOVO.

I suspected that the government in this case sacrificed the economy for the sake of a considerable political capital which it could gain from this operation, particularly before the elections. It so happened that people, given this totally disproportionate exchange rate, seeing how much foreign visitors gain by it and how attractive it is to the "also tourists", began to actually demand price increases, especially for subsidized food, and even writers in serious newspapers, otherwise quite level-headed, saw the way of preventing the buying up of our republic in price increases.

Does anybody actually seriously think that our economy, our labor productivity, is so much worse that it resulted in this exchange rate? Or was it to someone's advantage to show before the elections the results of the previous

management of the economy in Czecho-Slovakia in the worst possible light? Neither the market exchange rate of the koruna (nor that of the black market moneychangers) grew because we have cheap food, but because of the expensive (especially foreign) electronic goods on which the state charged a high turnover tax, and most of all because of the long-suppressed curiosity of our people, their inability to see with their own eyes how it looks in the West.

The set rate of exchange is the result of the very limited and considerably distorted foreign currency market. It therefore cannot be either the reflection of the economy or a realistic exchange rate. Is it perhaps the picture of our economy if a "convertible" Pilsner beer costs a West German five times less than at home for beer from a run-of-the-mill brewery? We set the maximum exchange rate of the dollar according to what our pressured citizen is still willing to pay for it, although the reverse does not occur to anybody—for example, to exchange the currency of a country to which nobody is interested in travelling practically for nothing, to offer it for the "market" price.

The current foreign currency allotment at the market "tourist" rate is enough for a one or two day visit standing in a state of shock before a Viennese shop window that has a depressing effect on our citizen—how badly off we are.

We are certainly badly off economically. But specialists point out that the current tourist exchange rate makes beggars out of us. Pity, that again we are not all equal here, and those who do not have the time to wait at the doctor's office and to run around Prague trying to find medicines (nor their family members) and take enough trips on "state" matters, do not see in how "dignified" a way our citizen travels for a weekend in Venice and gives the famous St Mark's Square a new local color: At lunchtime at the stroke of noon there are empty restaurants and snackbars and bored waiters, and on the curbsides all around the square sit Czech and Slovak tourists enjoying the "provisions" they brought with them.

The purchasing power of our koruna, however, is much higher than the set exchange rate would indicate. Many economists doubt the widely held opinion that Czecho-Slovakia's road to convertibility (free currency) leads through the devaluation of the koruna. Similarly debatable is the argument which is used to support this view, namely, that the black market indicates (sets) the economically substantiated level of the exchange rate, and that the official market exchange rate should meet this rate. On the contrary: only a rate close to the parity of the purchasing power (five to six korunas to the dollar) will make convertibility possible.

When the rate was "pushed up" by the high prices of consumer electronics, it was necessary to first quickly deal with this reason for it. The amount of money which the state gained at the expense of the moneychangers is

not worth the other losses to the national economy. To the question of a reporter from PRAVDA as to what impact the devaluation of the koruna against the hard currencies had on our economy (what is Kcs1.7 billion, but in the FZ [expansion unknown] they talked about 20-100 million a day!), sad to say, the Minister of Finance Vaclav Klaus at the end of March did not reply.

Not even the Federal Price Office recommended a further softening of the exchange rate, the Czech Government demanded that the tourist rate be discontinued, the Economic Council of the Czecho-Slovak Socialist Party demanded the strengthening of the purchasing power of the Czecho-Slovak koruna against the free currencies and pointed out that another (announced) devaluation of the present exchange rate, which is unrelated to the real parity of the purchasing power, would not only further distort the real productivity of our economy, accelerate the selling of our wealth, but would also "reduce our standard of living to the level of the most backward countries in the world".

#### Privatization Yes, but How?

The critics of the third contested point of the reform—privatization—do not expect it to end in an economic disruption or a deep crisis. Rather, the argument is about the extent, speed, and method of converting state property into private property; the warning voices speak about putting too much value on the importance of privatization, while very few reject it categorically, and out loud practically no one. It is only being pointed out that the promised introduction of various equal forms of ownership is somehow not so much a goal any more. The doubts about that maybe also exist because, as LIDOVE NOVINY wrote, "the idea that a neighbor who until now appeared to be just an ordinary person could become an industrialist is for the majority of people obviously indigestible." In February, Premier Marian Calfa promised in the Federal Assembly that "the principles of the privatization program will be presented to the public for discussion at the earliest time". It has not happened yet.

The skeptics point out that the desire to overcome in a "great leap" the current ownership anonymity is an expression of the kind of thinking which connects the incentives of economic management exclusively with private ownership. However, following the managerial revolution that is doubtful; the incentive for a manager and the way he works is not connected with ownership. The influence of "stockholders" (especially those who get their share for nothing) on the development of an enterprise and the choice of managerial leadership is still doubtful. Therefore many economists speak in favor of a quick privatization in the sphere of small enterprises where the incentive factor of privatization can show up most quickly, because ownership and management are not separated there. They point out that in Austria only 2 out of 100 citizens own some shares, and they call for moderation of views and expectations. They think it is an illusion to see in the change of ownership again, as in the communist ideology, a panacea.

"Radical ideologues may be interested in an immediate privatization at all costs, but economists think about using the powerful motivational role of private ownership in a real economy, that is, in connection with a lively entrepreneurship and not with a passive "rentierstvom" [as published]", by which Valt Komarek poses the question whether to distribute state property to people who work there and improve it, or to rentierom [as published] who are interested only in profit and did not necessarily contribute directly to its management.

Another chapter is the denationalization of enterprises. All reformers agree that it is inevitable (although there are different views on whether the new law on state enterprise does not preclude it).

#### (Not) a Duel of Athletes and Spectators

Members of the government of national understanding who continue to be in the government, especially Vaclav Klaus and Vladimir Dlouhy, defend their "only feasible concept", some of the departing ministers, many economists from the Economic Institute and the Forecasting Institute of the Czechoslovak Academy of Sciences, as well as others assert, in agreement with Valtr Komarek, that it is the "Polish road" on which we cannot avoid the catastrophic Polish consequences.

However, in place of a more persuasive duel of arguments there are attacks on the person of Valtr Komarek, although he is not the only one who holds such views. It is said that he did not come up with any ideas, when it was time to formulate concepts he was in America, we even all of a sudden learn from the Premier about the longtime director of the team in the Forecasting Institute of the Czechoslovak Academy of Sciences, its former and future director that he does not have a feeling for team work!

Klaus's advisor (and today already a member of the Czech Government) T. Jezek wrote in SVOBODNE SLOVO about the dispute interpreted as a duel between Klaus-Komarek, that "it is not a contest between two runners but a curious relationship between an athlete and a spectator who is trying to persuade other spectators that the athlete is running too fast, that he will not finish the course, and who from time to time throws a rotten tomato at him to make sure he does not finish", and V. Klaus explained it in MLADA FRONTA by saying that Deputy Premier Komarek did not support actively any concept of reform. There is one concept of reform and the other is the notion that it is possible to continue in the way that was introduced by the former Adamec government."

What are the most frequent arguments the radical proponents of a radical—"shock"—reform use against their critics and opponents? Do they take into consideration the warnings of other economists at all?

They say that "they are well aware of all these problems", and claim that none of the critics presents any constructive program. Vaclav Klaus emphasizes that the

reform program is clearly stated and approved by the government and that precisely this program (?) received a mandate from the voters in the elections, and therefore he does not see any reason to change anything in it. To the question how to maintain a reasonable level of inflation and unemployment given the existing monopolistic structure of the economy, and if prices are freed at a single stroke, V. Klaus (according to SVOBODNE SLOVO) replied: "I know that this is the greatest problem of the reform. When we considered whether to first allow the freeing of prices or denationalize the economy, we decided to free prices because of the changing external conditions. At a time when all of Europe is changing to a market economy and payments in hard currencies, we cannot stay behind. We do not have the time to denationalize the economy first. We shall try to deal with inflation and unemployment by a restrictive budget policy."

Vladimir Dlouhy sees the risks of reform this way (in MLADA FRONTA): "Our economy is able to avoid a triple inflation, enormous foreign indebtedness, to prevent a total disintegration of the domestic market. Of course, as a result of price modifications there simply will have to be a certain stagnation in the standard of living. I believe that there will also be a temporary increase in the foreign indebtedness of the state. But we must prepare ourselves for all these problems, quickly set aside means for supporting the weaker members of society, retrain citizens, and above all prepare conditions for local agencies for creating new job opportunities. Only thus will it be possible to solve the situation in a civilized way."

And in LIDOVE NOVINY he explains: "The notion that we shall first create competition, increase the efficiency, productivity and competitiveness of our economy and only then liberalize prices and the exchange rate is fiction, and it will lead us directly back to central planning." He insists that the only way today is the liberalization of prices, which will of course lead to inflationary pressures that will have to be countered by a restrictive fiscal and budgetary policy.

"We must create balanced prices corresponding to the relations in supply and demand. For that reason a quick liberalization of prices is a part of the so-called quick version. We shall all try for an intermediate step, which would be a certain central setting of some prices according to how we shall be able to estimate today which way the prices will go. But the goal is to let the invisible hand of the market do its job and have it replace the hand of the central planning", Vaclav Klaus explains the problem.

According to Vaclav Klaus, it is not possible to wait until the real market comes into being and then liberalize prices. It is essential to correct the price structure immediately and under conditions of restrictive measures. The market then will develop during the "process." In his lecture at the Charles University, where he said this,

he stated that the liberalization of 1 January 1990 will apply to all prices, therefore also to wages as the price of the labor force.

The government sees privatization as the necessary condition for a functioning market mechanism, for the development of competition, and therefore V. Dlouhy demands that we give up state ownership everywhere where it is at all possible. But lately in his speeches he refers to it as a long process, which can "last maybe even 10 years."

### Questions That We Did Not Ask Ourselves

I do not dare to act as a referee on the disputed points of the economic reform. But it seems to me that the public should get to know these points, even judge how they are being decided on, and even bring other experts into the discussions and decisionmaking. Certainly, a patent on wisdom is not held just by one group of infallible politicians. An experiment at citizens' expense is no laughing matter. Even if in case of economics it does not necessarily follow that the majority is right. Well, a citizen must have the opportunity to control the steps taken by the government, ask it unpleasant questions, and especially compare its objectives, proclamations, and promises with its concrete actions.

But he must have the opportunity to choose. Because it is not possible to choose the better of two "goods", he must choose the lesser of the two "evils". Do we want low taxes and minimal social security, in which an individual and a family will take on a "greater responsibility for their own living conditions", or higher taxes and higher social security for people in the important situations of their lives? Do we want low prices and low wages, or the other way around? Will we like a system in which every individual will try to create as much wealth as he can and in which the age-old principle of alms and charity will be reactivated, or will we push through strong social laws that will carry with it great responsibilities by each individual to society? Will we prefer to have less efficient employment for everybody or shall we create an army of the unemployed? He must have the opportunity to know the risks of wrong solutions and choose among them. And in fact, will the reform affect a citizen as a producer (as was promised) or primarily as a consumer (as it appears)?

These are questions which we were not used to talk about, we never asked them of ourselves, in fact we did not have a reason to think about them seriously. They were resolved for us by the "party", from above. I do not think, therefore, that they were answered by having the elections. That some "party" or movement should again resolve them for us. The fate of the country cannot be subordinated to the momentary political or other aspirations or vanity of anybody. Nor can it be planned under the pressure of time without hearing opposing views, and allow ourselves be surprised by the results. And we cannot even look around to see who it was that actually told us that our house is on fire, who perhaps

had something up his sleeve. We must look whether something somewhere really is on fire. The warnings are serious. But are they substantiated?

The proponents of a radical reform do not want to discuss any more. They claim that if we debate about how and with what to replace the old system, then we shall not only not prevent the disintegration of the economy, but because of the proposed foolishness we shall voluntarily rush into it. But most of all, that: we do not have a choice! However, they see the risks of the reform mainly in whether we shall be successful in maintaining a strict anti-inflationary budget, whether the government will withstand various social tensions and pressures, be prepared for the problems of unemployment; and another area of risk will be (as always) the external conditions in the economy.

They say it is not necessary to have a discussion, that it is not customary around the world, that an economic program is formulated by experts and the government, formed according to election results, implements it without any further discussion with the people. If it does not work, the people will elect another government in the next elections. That may be true, but here at stake is the property of all the citizens, and it is also debatable whether citizens elected the candidates of the Civic Forum and the Public Against Violence precisely so that they would at the same time accept the radical economic program of Klaus and Dlouhy. V. Klaus and V. Dlouhy take the election result as an unequivocal approval by the people to continue with the reform program. V. Klaus is justified in this also by the highest number of all of the preferential votes, but the preferential votes also brought to first place the singer Marta Kubisova (what is her economic program?), and on the other hand, among the winners in the elections were also Valtr Komarek and other critics of the radical approach who were candidates in victorious movements. The old-new Premier Marian Calfa talks in LIDOVE NOVINY about the election results more realistically: "The notion that what is behind us were classic democratic elections would be illusory.... Change was made to...political movements undefined by any bonding programs, basically without clear views. That is totally atypical in the democratic world. Why did I, in particular, let us say, receive an absolute majority in the East Slovakia Kraj, where I was the Public Against Violence candidate? Certainly not because the voters decided on the basis of conviction about my professional and political qualifications. The important point was that they knew me, that I come from there...."

So that we can still, and should, stop and think whether someone somewhere in our house lit a match which can start a fire, or whether someone is just throwing rotten tomatoes at some swift and successful runners.

### **Bata Management System Application Outlined**

*90CH0287D Prague NARODNI HOSPODARSTVI  
in Czech May 90 pp 31-32*

[Article by Eng. Otakar Srubar: "In the Footsteps of Socialist Enterprise Management—Application of the Bata System"]

[Text] As is well known, the entire economic front searched immediately after the war for the most efficient form of industrial enterprise management that would put the ruined postwar economy back on its feet as quickly as possible. The decision was reached to use the Bata system of management for all industries and during the first republic this system led to the development of a vast, modern shoemaking industry and to the development of the entire Zlín area. Under the conditions of building a socialist state, it was given the name Socialist Enterprise Management (SEM).

The SEM system was organized in the years 1948-51, that is, during a period when it was not expected that the world would be divided into two economic systems and that the laws of value would be disavowed in the socialist system which, as a result, would be detached from world prices and convertible currency.

It was assumed that even in the socialist ownership of the means of production, profit would remain the criterion of successful entrepreneurship, and that enterprises would cover their primary as well as the more extended reproduction process from their own resources, and be able to use those resources, given a convertible currency, in world markets with prospects of purchasing the most advanced technology.

Even during the course of organizing SEM it became obvious that the form of ownership of the means of production is not decisive, that in all forms of ownership of the means of production success depends mainly on the system of management and the abilities of the managers. The organizing groups that were introducing the SEM system into the enterprises, and were composed of top experts, created the necessary conditions by placing the most capable individuals in positions of responsibility.

The SEM system was therefore to apply the proven Bata system of enterprise and enterprise subdivision management to socialist enterprises. It took over the entire formal and organizational side of the system in its totality. And the organizers also introduced it in almost all the industries in the CSR. But the goal was to apply the spirit of the system, its motivational aspect, i.e., the self-financing of enterprises and the rewarding of workers strictly according to merit measurable by their share in the profit produced in the enterprise subdivisions as part of the total enterprise profit. But in that it did not succeed, and so it happened that "the Golem was molded into shape after an enormous effort, but the Shem had to be thrown away." In 1951 a system operating under the profit principle was condemned and the

word "profit" was erased from the vocabulary of socialist economics for a third of a century. Self-financing was replaced by a planned drawing off and redistribution of enterprise resources. That was the beginning of the deformations in the economic sector.

### **Characteristics of the SEM Method**

The system was based on the premise that profit is created in all sectors of enterprise activity, that is, not only in the individual phases of the manufacturing process but also in the service and administrative activities. Whoever did not contribute to the production of profit was not needed by the enterprise. It therefore divided enterprise activities into independently managed units where the creation of profit could be demonstrated, it put at their head responsible managers and gave collectives a share of the profit they created.

Economic units were to be able to supply and sell their spare parts, semiproducts, subassemblies or services for wholesale or internal prices, or for an overhead rate or inclusive prices with the enterprise subdivision profit calculated in. The administrative centers were mostly organized on the cost basis, working according to the budget.

The sum of profits of the units represented the profit of the whole enterprise. A 10-class, efficient chart of accounts made it possible to budget and keep records of the enterprise as a whole in financial accounting, and of the enterprise subdivision units in the so-called operational blocks. The operational blocks contained not only a profit and loss statement but also all the original documents on cleared items including the so-called estimate acknowledgement of the delivered production or delivered services with an enumeration of the acknowledged volume of wages of the unit and the acknowledged profit from such delivered production. The facts shown in bookkeeping records were compared in the operational statements with the estimate acknowledgments and the economic results of the operations were thus ascertained. A higher profit belonged to the collective and worse results were offset by the collective. Settlement was made by means of personal accounts of the employees, to which portions of the profits were deposited and from which losses were defrayed.

Not only the manufacturing operations belonged among the economic units but also auxiliary and service operations (factory power plants, boiler rooms, locksmiths' and joiners' workshops, maintenance operations, etc.). And part of the administrative centers also belonged here, particularly purchasing and marketing. Only a small part of the operations of an administrative character was incorporated into the cost centers, where the share in the savings of budgeted costs was taken into account (therefore not of the estimated profit).

The fact that the units were literally selling their services, products, etc., to each other and shared directly and significantly in the profits, led to a perfect enterprise subdivision self-control. The signed receipt by the buyer

freed the supplier from responsibility for the amount and quality of the goods. Everybody watched out to make certain that the received output was of good quality and was careful about the quality of his own deliveries.

The economic unit, therefore, was basically an independent, separately managed entity. It was run with the help of:

- An operational production plan.
- An operational estimate.
- An operational budget.

It was controlled by means of a statement of delivered production (services), evaluated by the operational estimate and operational bookkeeping showing the real costs. The difference between the estimated and actual profit was the main source within the system of the economic incentives of the unit's employees.

The wage therefore consisted of a tariff wage calculated into the price of the product (semiproduct, service) and paid exclusively in an amount according to the estimate acknowledgement of the delivered production, and from the unit's share of profit. According to the system, part of the wage was deposited to the personal account of each employee. An eventual loss was covered from that account. That is the way it was supposed to be but in practice this system of incentives was never implemented.

#### Procedure in Organizing SEM

The brain center of the SEM organization was in Zlin. Groups of organizers were trained there, all printed matter issued, and uniformity of the system and procedures ensured. An organizational center was established in every general directorate of industrial branches to which the internal organizational groups were subordinated. As a rule, one of the specialists from Zlin worked in the center. Internal organizational groups were composed of specialists in these fields: leader of the group, financial accountant, cost accountant, stock clerk, and a specialist in operational planning and calculating. Each of them organized work separately. In the headquarters there were also groups of specialists in the organization of special units (power plants, enterprise subdivisions, transportation, etc.).

The groups often worked in the enterprises and factories under trying conditions. But the organization was so perfect that for example in the glass industry an enterprise with two and as many as five factories was organized within two and a half to three months. During that time, two 14-day settlements had to be made by the SEM system and all employees of the enterprise and factories trained. The organizers worked at least 12 hours a day and during the settlement they may not have slept for three days. The full settlement, including arrangement of documents into "blocks", had to be finished in a week using only hand calculators. Of course, meeting the deadlines and the terms for turning over documents for settlements was a law which was not a matter for discussion.

Given the current equipment with computer technology, there should be no problem for the enterprises to introduce this system and at the same time enrich it with new knowledge. That applies mainly to enterprise subdivision management. However, entrepreneurial philosophy should keep in mind that in this country the disrupted value relationships still persist and that our currency is not convertible. For an entrepreneur who can not find state-of-the-art technology on the domestic market, there is the danger that he will not be able to use the financial means set aside for investment if he does not at the same time create adequate foreign currency resources.

To begin with, I do not think that evaluating the efficiency of enterprise profit as the only criterion will suffice. If export efficiency can be evaluated by the cost of production per one unit of hard currency, then such an indicator is at the same time the gauge of the level of the product and also the gauge of entrepreneurship in comparison with advanced countries. The involvement in the production and marketing sphere will obviously be judged along these lines. In view of the cheapness of our labor, it will be sometimes necessary to make comparisons with advanced countries directly on the basis of the material conditions of production and marketing, such as the technological level, productivity, service, etc. But that is another group of questions.

I believe that the use of a modernized SEM system could contribute to a quicker transition to a market economy.

## HUNGARY

### Nagy on Shifting Landownership Concepts

90CH0314B Budapest *MAGYAR HIRLAP*  
in *Hungarian* 27 Jun 90 p 9

[Interview with Minister of Agriculture Jozsef Ferenc Nagy by Peter Czauner; place and date not given: "I Did Not Ask Them To Spy"]

[Text] In recent weeks, many ambiguous aspects of the land reform and the agricultural program of the Smallholders' Party have been cleared up, but there are still plenty of areas that remain unclear. One needs only to refer to the land polemics that have been going on for days in *MAGYAR HIRLAP*, or to the fact that during the elections, spokesmen for the Smallholders had promised a quick return to the property conditions of 1947. Today they are already moving away from this promise by saying that we need not go back 43 years in time, but only to 1968. What is more, there have even been statements coming from within the party suggesting that what we need is not a new land law, but gradual property acquisition. This variant, they say, will perhaps require less of a "blood sacrifice." We have asked party



chairman and minister Jozsef Ferenc Nagy to talk with us about the internal, yet at the same time public affairs of his party and ministry.

[Czauner] During parliamentary recesses, deputies of the Smallholders' Party have complained that recently the party has not been getting good "press." It is indeed true that it has not been faring too well in televised debates, which opponents of its program have been taking an advantage of.

[Nagy] I consider it essential that we continue to inform the public about our program's progress, but I also believe that only those who have something to say should challenge us to a debate. I can tell you that we intend to carry out everything we promised during the election campaign. Our nation's progress depends upon the return of the land to its original owners. It appears that most of the attacks have been aimed at our land program. We want to look into what it is that causes people to criticize, and occasionally personally attack us. At the same time we must also accept the fact that the issue of property settlement has polarized not only our society, but also the members of our own party. Since the implementation of the program requires national collaboration, we need to sit down with the opposition, and other forces outside of parliament, to discuss how to go about it.

#### Even for Half the Money?

[Czauner] Perhaps you have misunderstood me, Mr. Minister, but my question concerning the press was aimed at finding out how you, as party leader and the head of the Ministry of Agriculture feel about some of the excesses reported there. I am thinking here about Mr. Torgyan's "village tours," and about indications that as a result of the "blustering" by certain Smallholders' Party members the villages have indeed become polarized. According to our information, there is more than one cooperative manager claiming to be innocent of any wrong doing, who has been forced to shield himself from constant harassment.

[Nagy] As party chairman I am trying to "calm" these few extremists. There are many things within our party that need to be sorted out. However, I want to take this opportunity to once again caution our members to be careful with their statements, because our aim is precisely to maintain calm, and not to stir up anxiety. At the same time I also want to make it clear that the leadership of the party and ministry does not intend to destroy our well-functioning large agricultural farms. I appreciate the warning, and in the interest of our own future, I will continue to remain open to them in the future.

[Czauner] It is definitely reassuring that this is how you as minister and party chairman view the affairs of the Hungarian village. Perhaps this will also reassure today's agricultural managers who, let us face it, are different from the ones who were in charge 10 years ago.

[Nagy] And we badly need those 50,000 agricultural experts, most of whom are between 35 and 40 years old, and, as I tell people everywhere I go, who are also our children [the next generation]. I am certain that sooner or later we will hammer out an agreement with them.

[Czauner] It appears that our agriculture is in a difficult situation. Particularly since on the one hand, it is on the threshold of complete privatization, and on the other, it is moving into a rapidly approaching harvest season without the government having agreed to settle the price of one of its largest cash crops. Moreover, in accordance with our agreement with the International Monetary Fund, we are compelled to revise this year's budget which will have a more than "unpleasant" impact on agriculture...

[Nagy] From the point of view of the Smallholders' Party, this is the worst possible timing for us. I myself used to be a large farm manager, so I know the kind of burdens our cooperatives and state farms are expected to endure. However, this branch, too, must accept its share of the responsibility of reducing the budget deficit. I, for example—if others agree to do the same—am willing to sacrifice half of my pay toward that end.

#### Silver Buttons

[Czauner] Pardon me for saying this, but this also implies that you are in favor of a tax increase and other central withdrawals. This, however, is not what the member parties of the coalition government had promised.

[Nagy] As minister, I have visited several of our large farms, and was sad to see that while in the capital city wages of up to 60,000-70,000 forints were not uncommon, in agriculture there are people who make as little as 3,000 to 5,000 forints [per month]. We need statutory provisions to put an end to the payment of million-forint bonuses. It is in our national interest to have everyone assume his fair share of the sacrifices that need to be made. The capital city is packed with Western cars, and magnificent villas are popping up all over the place. In 1848, when the homeland was in danger, the leading citizens of the nation had even cut off their silver buttons and "turned them in."

[Czauner] This, of course, is not only true for the capital city; people in the villages are also better off. And as private businesses continue to proliferate, these income differences will continue to increase. "Turning things in," incidentally, may not be the most fortunate choice of words.... But let us change topics: what can you tell us about the reorganization of our agricultural leadership? Have you conducted an internal investigation in connection with the Omolnar affair, and, if so, what were your findings?

[Nagy] For the time being, the Ministry of Agriculture is unable to investigate, by its own authority, the charges of corruption raised by Miklos Omolnar. The case was turned over to the Public Prosecutor who since then has



returned it to us. What we need to find out, figuratively speaking, is which ministry vault we need to look into to find the answers to the questions raised by Miklos Omolnar.

#### Only a Miracle

[Czauner] As long as we are on the subject, the chief editor of KIS UJSAG has recently stated, in connection with the privatization of the former MEM [Ministry of Agriculture and Food] publications, that the Smallholders' Party-led Ministry of Agriculture could use these media forums. Do you share his view?

[Nagy] The MAGYAR MEZOGAZDASAG is an important weekly, and Mr. Hutter has significantly contributed to causing it to "disappear" in MUSZI's [Office for the Organization of Agricultural Business Management] administrative labyrinth. I have not talked to AGRICOLA publishers, but there are many other issues that need to be addressed here. For example, it is ridiculous, that our ministry does not even have a single apartment to house its staff, as the existing units are either still occupied or have been bought by former officials. When I met with my staff I told them I would appreciate it if they submitted written suggestions to me regarding ways of improving their own performance and working conditions in general, and of addressing certain anomalies. Don't misunderstand me, I did not ask them to spy, only to contribute to the joint effort. So far I have received only one letter, and even that contained only generalizations. I have already fired 3 main department heads: Ferenc Baranyai, Dr. Andras Glozik and Jozsef Gemesi.

[Czauner] As you have already mentioned, many problems have come to a head at the same time, all at the wrong moment. On top of everything else, the program of the Smallholders' Party has not been received with anything resembling a consensus either by the coalition parties, or by the opposition. Moreover, the ministry is also facing some serious day-to-day problems.

[Nagy] We have agreed to perform our share of the tasks and to be a loyal partner within the government coalition; however, this does not mean that the interests of the Smallholders' Party have become of secondary importance. Our task for the immediate future is to disarm all extreme, and, for the most part, emotionally-charged views within our party. The ministry is faced with enormous problems. I would even go as far as to say that only a miracle can help us. I am a devout believer, but I must admit that it would be a waste of time to expect such a miracle to happen. I have already said on other occasions that we are still haunted by the ghost of Rakosi, and the intricate web that has been woven around us over the past 30-40 years will long continue to hinder our well-intentioned efforts, and keep our hands tied.

### Cabinet Proposal for Privatization, Ownership, Indemnification

#### 'Ownership and Privatization' Document

25000783A Budapest FIGYELO in Hungarian  
23 Aug 90 pp 22-23

[Excerpts from an official concept paper slated to form the basis of a legislative proposal, published to elicit public comment; omissions not indicated in the original—first paragraph is FIGYELO introduction]

[Text] As indicated in our previous issue, we are publishing with a few omissions the cabinet's theses concerning proprietary reform and the stimulation of entrepreneurship and privatization, so that our readers may present their professional views.

To [support] the new proprietary structure and the masses of new small and medium-sized enterprises that came into being, as well as in the interest of privatization, the central economic policy goal of the government is to establish a supply market which offers parts of today's state property—factories, plants, areas, shops, restaurants, vehicles, etc.—for sale and for entrepreneurial pursuit by domestic and foreign investors and entrepreneurs.

The government is opposed to the autonomous type of enterprise management that evolved, it intends to restore forms of ownership and management, and of worker participation, which function in market economies.

The program's aim is to develop the proprietary, entrepreneurial and organizational forms and proportions which evolved in developed market economies. It does not build on any kind of romantic autonomous or "small ownership" concept which prevailed prior to the 19th and 20th centuries. It intends to establish the leading ownership institutions of developed market economies: pension funds, insurance companies, investment banks and companies, autonomous governing bodies, state and private entrepreneurial holding companies.

In parallel with restructuring the proprietary structure, the government intends to support new small and medium-sized enterprises. By decentralizing large enterprises and large cooperatives, its aim is to establish an atmosphere in which large, centralized organizations decline in response to self-initiative, in addition to government incentives. The government will take continuous action against cartel and monopolistic agreements.

#### Everyone's Liability

The restructuring of the proprietary structure, and new entrepreneurial ventures constitute a parallel process. For this reason, the government is developing an ownership and enterprise reform [proposal]. The government states a basic principle: It will transfer encumbered property permanently and free of charge to autonomous

governing bodies and to social security (pension funds). The remaining persons active in the economy may acquire property through market processes. This may take place in the form of purchase, or the [transfer and] acceptance of liability related to property.

The government proclaims as a matter of principle that the public burden must be carried by the nation. During the past four decades every citizen of Hungary suffered as a result of burdens presented by political, social, and economic distortions. Every Hungarian citizen could present a bill to the government of the Hungarian Republic, to the state budget, and to social institutions requested to provide moral rehabilitation. The combination of the present given economic situation of the country, and the constraint to integrate with the leading values of modern society, do not enable the payment of bills presented by individuals and groups. Any rehabilitation of a moral type is the fundamental duty of society, of the parliament, and of the government. This means that the full mitigation of damages stemming from previous ownership and from profits not materialized will not be possible. The government is able to agree to liquidate the consequences of the historical dead end street and of the forced historical deviation only in the framework of partial indemnification.

The principle extends to the liquidation of arrears accumulated during the past four decades, and to the payment of debts. Except in specific fields, property cannot be distributed free of charge, nor sold without considering the indebtedness and the public burden to be carried by the nation.

In conjunction with ownership, enterprise, and privatization, the government establishes the following fundamental principle: it intends to create forms and proportions characteristic of market economies within an ownership exchange and privatization process lasting between three and five years, and not by way of a onetime proprietary reform.

The government also announces the following fundamental principle: any property owned by the state, which the government is unable to sell at a given point in time in final form to new owners at a price reflecting the real worth of such property, will be leased or offered for operation in some other form to Hungarian and foreign entrepreneurs.

### Three Lines of Pursuit

During the entire period of the three-year program, the government will implement privatization in a way that property offered [always] exceeds both the domestic and foreign demand. In order to accomplish this, the government will develop and help establish institutions which accelerate privatization in three distinct, but mutually enhancing, lines.

The first line of pursuit will be privatization initiated by the state, to be developed in coordination with the State Property Agency. In this framework the government will

offer for sale given groups of state enterprises several times each year at the securities exchange, for post liquidation sale, for sale after organizational decentralization, and for reorganization. In each instance the government will consider various forms of enterprise as possibilities equal to [outright] sale.

Privatization initiated by state enterprises and cooperatives will constitute the second line of pursuit. In these instances the enterprises themselves will develop their own custom-tailored privatization programs. Governmental institutions will regard these as competing with programs developed by independent business institutions. Implementation of the best alternative chosen will then be supervised by the government.

In the framework of the third line of pursuit, Hungarian or foreign private entrepreneurs, entrepreneurial groups, investors and investment groups, will announce their interest in a given unit of an existing state enterprise. An externally initiated privatization process would then begin pursuant to the process specified by law.

### Indemnification

Acceptance of the fundamental principle which holds that the public burden must be carried by the nation also means that a rule of general applicability must be proclaimed. According to this rule, there is no opportunity to return in kind property owned previously, except for land. The latter was provided for by the parliament, by law.

[The in kind] return of property [to former owners] would carry particularly grave consequences from the standpoint of attracting foreign capital. It has become clear that the international community would sharply condemn any Hungarian economic or social development which retroactively renders uncertain investments and business relationships established already, and as for the future, would limit for several years the potential scope of most foreign investments.

Instead of in kind return (reprivatization), the government offers indemnification to citizens and families who lost, and were deprived of, property. Under existing circumstances, only partial indemnification may be made, partly because of the [volume of] the accumulated national public liability (foreign indebtedness, domestic indebtedness of the state, distorted economic structure), in part because of the damage property suffered in the course of four decades, and because related profits were not realized.

The program recommends indemnification in the form of securities which may be used for the purchase of new property, thus providing an opportunity for citizens to establish a new existence and living conditions [appropriate for] a proprietor and an entrepreneur. The cabinet requests that the parliament create a separate law and authorizes indemnification in the form of securities (investment coupons)—the cabinet program related to reprivatization.

**New Owners**

The future owners of present state property will be as follows:

- Hungarian natural persons and their companies.
- Foreigners.
- Autonomous local governing bodies.
- The Treasury.
- Social Security.
- Public purpose foundations and associations (churches, parties, etc.).

To restore church functions and to ensure such functions in advance, the state will not privatize presently state-owned real estate that constituted church property as of 1 January 1948 and that performed basic church functions (churches, cloisters, monasteries, schools, church offices, social and health care institutions, etc). The cabinet is establishing separate committees for each church to negotiate real estate issues.

Property defined by the Law on Local Autonomous Governing Bodies constitutes the property of local autonomous governing bodies. According to these provisions, only such property belongs to this category which cannot be sold, or basic property and other pieces of property which may be sold only to a limited extent. Such property will come about as follows: first, by transferring a certain part of state property, second, by the legal succession of council property, and third, by way of transferring certain state property based on state administrative decisions.

The state's entrepreneurial property which belongs to enterprises in the competitive sector, and in the establishment of which the councils' role amounted only to a matter of formality, will not be transferred under the ownership of local autonomous governing bodies (e.g., domestic commerce, hospitality industry, and consumer service enterprises).

Local autonomous governing bodies may acquire municipal or county autonomous property based on the Law on Local Autonomous Governing Bodies, on decisions reached by property transfer committees established for this purpose, and on the basis of property derived as a result of legal succession. Public works and communal enterprises which serve the needs of several local autonomous governing bodies, (such as public roads between settlements,) will become the property of county autonomous governing bodies, or the joint property of the autonomous governing bodies of the settlements involved, if the local autonomous governing bodies involved did not provide otherwise.

**County Property**

It is justified to place the following [types] of property under county ownership:

- Contiguous areas protecting the natural environment involving several settlements.
- Facilities serving regional purposes (gymnasiums, specialized intermediate schools, skilled worker training institutions, cultural institutions, specialized clinics).
- The real and movable property of child care providers, of specialized social welfare residential providers, of county hospitals and archives, and of Public Health and Contagious Disease Stations [KOJAL].
- County foreign tourism offices.
- Municipal management institutions performing countywide tasks (burials, sanitation, etc.).
- The movable property of county councils, their cash on hand, securities and rights constituting property of monetary value.
- Real estate managed by county councils.
- Public works enterprises established by county councils.
- The property of plants servicing the entire county, water sewage works, public works satisfying consumer needs, and the property of plants supported by the [state] budget.

Property not enumerated above will become the property of autonomous municipal governing bodies. In defining the property of local autonomous governing bodies, the fact that such property is burdened by part of the state's indebtedness must be considered. State property in general is burdened by indebtedness. Computations to allocate [shares of] state indebtedness must take into consideration existing differences, because a significant part of the property transferred to autonomous governing bodies is operated on a not-for-profit basis.

The state's capacity as an owner is embodied in the institution of the state treasury. The state treasury is a separate unit in the independent state organization.

The state treasury holds a status equal to the status of other persons under civil law, it does not enjoy prerogatives and immunity, it carries out its responsibilities under rules of civil law and may be sued. The State Property Agency is the advance institutional manifestation of the state treasury, except for the fact that the State Property Agency concentrates [only] on the streamlining and direction of privatization. Consequently, it would not be appropriate to make this institution appear as one that [is part of] the state treasury. The government will establish a new organization for this purpose, to be called the State Property Fund.

**The Property of the State**

State property consists in part of nonprofit property, and in part of entrepreneurial property. The state operates nonentrepreneurial (nonprofit) property for the performance of its functions as a public authority, and for

communal, educational and social [welfare] purposes. These include essentially real property, buildings, and facilities which perform transportation functions. The scope of such property is specified by law.

The state's entrepreneurial property consists of state enterprises operated for the purpose of production, doing business [and] providing services, irrespective of whether these enterprises are managed under state supervision, or in the form of general meetings, meetings of delegates or enterprise councils. Theoretically, the state's entrepreneurial property may be divided into two parts: property owned by state enterprises established for the exclusive purpose of pursuing state business (national enterprises), and the property of state enterprises operating temporarily in the form of state property. The latter category will be transferred to new owners gradually, in the course of privatization.

When the institutional system of the autonomous social security system, and of the specialized branches of social security (pension, health care), come into being, the state will make a onetime transfer of approximately 100 billion forints worth of property to social security, without receiving compensation. Such property may be transferred in the form of state enterprises, real estate, parts of businesses, and securities. After this onetime replenishment [of the social security fund,] social security will receive further property in the course of privatization to the extent and in a manner specified by law.

A significant part of entrepreneurial property, and in particular, of nonprofit property, is owned by public interest foundations in developed market economies. Foundation ownership expresses the independence of a given property, and the fact that such property is operated for societal purposes.

It should be possible to transfer state property without compensation to foundations only if budgetary support of the public interest function [performed by a given foundation] is proportionately reduced. Such transfer will be initiated in the future by the respective public interest foundations, and the State Property Agency will proceed on behalf of the state.

Ownership by public purpose associations involves primarily political parties, social organizations and churches. One must distinguish between the property of the local and national organs of public purpose associations. It appears as appropriate that this issue be settled based on recommendations received from the parties seated in the parliament, following the establishment of local autonomous governmental property and the nonprofit property of the state treasury.

All Hungarian and foreign private persons, groups and investors who purchase property in the course of privatization, will be the new owners. International precedents in the evolution of property indicate that between two-thirds and four-fifths of property operated within the entrepreneurial sector of a given national economy are managed by pension funds, insurance companies and

investment companies, i.e., by large institutional investors. Quite naturally, behind these large institutional investors one finds further investment groups, and the citizens themselves.

In the course of privatization and changing of ownership the government will not define in advance proportions and measures regarding the replenishment and provision of property to new owners [as published].

A proportionate share of the state's indebtedness will be transferred in a varied manner to the new owners, together with the state property.

The present low interest rate paid after the state's indebtedness is unrealistic. (The interest paid from the state budget to the central bank on existing state indebtedness amounts to one third of the market interest rate.) This means that the real value of the 1,300 billion forint state indebtedness is significantly decreasing each year [as published].

#### In Response to State Initiative

Privatization strategy is based on the idea that privatization processes relative to state property will be initiated in mass proportions from several sides by several factors simultaneously.

One of these factors is the state—the owner—which initiates an active privatization process coordinated by the State Property Agency, and with the participation of the rest of the governmental institutions. The interest of the state is clear in this process: strengthening interest in the entrepreneurial sector increases the efficiency of the economy as a whole. New operating and organizational forms are needed to accomplish this. Viewed from a different standpoint: reducing state indebtedness favors the budgetary [process], because the burden presented by interest payments contributes to the budgetary deficit.

State enterprises constitute the other factor. They may develop their own privatization programs. The State Property Agency may make a competitive comparison between these programs and other programs, and the program selected will be implemented either by the given enterprise, or by a commissioned external investment [or] consulting organization. The interest of the state enterprise is also given: as a result of privatization, enterprises receive new capital, workers may participate in privatization and may become owners, today's leaders may prove their managerial skills and may transfer to the entrepreneurial group. The fact that existing debts may be exchanged for property by banks in the course of privatization also represents an interest on part of enterprises.

The third factor is the external entrepreneur, the investor. He envisions the future in a (partial or full) state enterprise. The entrepreneur or investor submits a bid to purchase, to reorganize, or to take over the entire, or part of, the enterprise to form an entrepreneurial venture.

Transforming entrepreneurial ventures not owned by the state into companies, and within that, into stock corporations, is a peculiar type of privatization. In such instances the stock of a privately owned enterprise is sold on the stock market and the enterprise acquires new owners and capital. This constitutes privatization within the private sector.

With the exception of a few special sectors and enterprises, the state's entrepreneurial property will be privatized during the 1990s, and in particular during the first half of the decade.

State induced privatization may be initiated by the State Property Agency and by local autonomous governing bodies. The state maintains the divided character of state property in the course of privatization: In the given period, in cases involving enterprises not drawn under state administrative direction (in the interest of privatization), such enterprises will continue to be managed by autonomous managing bodies. This rule is changed in regard to enterprises managed by enterprise councils to the extent that a representative of the founder takes part in the enterprise council in a voting capacity, and it becomes mandatory to elect new enterprise managers prior to 15 September 1990. Accordingly, an enterprise council, a general meeting, or a meeting of delegates in a given enterprise, ceases to exist if the enterprise is drawn under state administrative direction for purposes of privatization, if the enterprise itself takes steps to transform the enterprise into a company, and if a foreign or Hungarian entrepreneur expresses an intent to purchase the enterprise or to establish an entrepreneurial venture involving an enterprise. Thus, in the course of the 1990s, the autonomous form of enterprise management will gradually decline.

#### Phase One

The first phase of state initiated privatization will be implemented under separate law in regard to state retail trade, the catering industry, and consumer services. Within this branch [of the economy], the enterprise organization is unified only from a legal standpoint, and not from an economic standpoint. The actual units of enterprise are shops and other internal units. During the past years a significant proportion of these businesses have become independent. This took place as a result of the growing practice of managing such outlets on the basis of contractual agreements or under lease agreements. Accordingly, the managers of these shops have become entrepreneurs. The fundamental goal in this field of privatization is to sell these businesses to private entrepreneurs. The law governing privatization will also apply to organizations involved in spontaneous privatization. But the law will not apply retroactively; certain outstanding cases will be examined by a separate parliamentary committee or by the founder, and if necessary the legality of certain transactions will be challenged [in court].

The second tier of privatization processes initiated by the state will constitute the so-called first privatization program. In this framework between 20 and 30 enterprises will be privatized. The finances of these enterprises will be relatively stable, and investors will have expressed interest in these enterprises. The primary enterprises to be included in this program will permit the application of different privatization techniques, in order to provide experience [in regard to the various techniques]. The enterprises involved in this program will change into a corporate form, and outside owners will appear in addition to, and replacing, state ownership.

Accordingly, the privatization techniques which may be applied are as follows:

- Open competition, in instances when parts of property designated for sale are openly announced. The invitation to bid will describe in detail conditions for bidding, the starting price, liabilities, and conditions for using the given part of property.
- Closed invitation to bid, in instances when only the investors selected and invited to bid by the seller may make offers to buy parts of property designated for sale. This method is recommended in instances when the future owners are known in advance, and there is an intent not to transfer state property to the hands of unknown investors. This [formula] may apply to a smaller part of the enterprises.
- Increase of capital, in instances when the new owner acquires his share not by buying existing parts of plants, stock, etc., but by increasing the capital, while the size of state ownership remains unchanged, and only its ratio decreases. This method may be used primarily in cases involving industrial enterprises in need of fresh capital for purposes of development.
- The public sale of stock on the exchange. The preliminary condition for implementing this method is to transform an enterprise into a stock corporation, to list the enterprise on the stock exchange. Certain conditions must be met to accomplish this: auditing previous years' financial statements, preparation of a prospectus, appraisal of property, etc.

These privatization techniques may be used in parallel, but also in combination, with each other. The privatization of enterprises included in the program may be performed by organizations engaged in the coordination of the State Property Agency [as published], investment firms, consulting institutions, [all] based on an invitation to bid. This also represents the privatization of the privatization process itself.

The third group of privatization initiated by the state consists of the transfer of state[owned] small and medium-sized enterprises for operational purposes, [under] rental or leasing [arrangements], and in other entrepreneurial forms. Provided that the entrepreneurial

venture is successful, the entrepreneur may purchase the given property as a second step, thus concluding the privatization process.

#### September Start

The privatization process developed by the state starts out with a package-by-package implementation. The first "enterprise package" will be on its way beginning in September 1990. It includes introduction to the stock exchange, reorganization, decentralization, privatization in the framework of liquidation, and letting an enterprise to an entrepreneurial venture.

Responding to a cabinet initiative, the liquidation of seven enterprises began in August. State institutions will initiate an additional liquidation wave during the fall. As part of liquidation proceedings, the state, as an owner, makes an initiative to resolve the "standing in line" phenomenon, to establish new enterprises, and to attract new private owners.

A full renewal program will be developed prior to the end of 1990 for the reorganization of between 15 and 20 large enterprises. [Full] and majority state ownership will continue while the program is implemented. Privatization will take place only if stable financial conditions exist and the property value has increased after restructuring.

Between 30 and 40 large, horizontally integrated state enterprises will be drawn under state administrative supervision in 1990, then broken up [into individual units]. This will take place in the framework of breaking up organizations and letting [parts of these organizations] for purposes of entrepreneurial ventures.

New "enterprise packages" for privatization will be prepared three or four times each year during the years 1991-93 (the period in which the three-year government program is to be implemented). Thus, in the course of the three-year period, state initiated privatization will involve 500-600, mostly large enterprises.

At the state's initiative, by the end of the three-year government program, the magnitude of state property in state industry will have declined by about two thirds [of its present size]. In the other branches [of the economy] this ratio will be in part smaller (agriculture, food industry), or larger (transportation and communications, cultural affairs).

In the course of privatization, the government will deal with various state-owned groups of enterprises in different ways. The government will establish limitations applicable to narrow groups of enterprises which cannot receive foreign capital investment. [These limitations] will apply to certain groups of products, specialized branches [of industry] and to [certain] enterprises.

As a second line of pursuit, present state enterprises may initiate their own custom-tailored transformation—the implementation of their own privatization programs. As

a result of amendments to the Law on Transformation, the state will exercise increased control over the full transformation of state enterprises into corporations. Nevertheless, it will leave open the possibility for such transformation.

#### At the Initiative of Enterprises

Enterprise privatization programs must be developed on the basis of the government's detailed privatization strategy to be made public in September 1990. Enterprise privatization programs will be reviewed by the State Property Agency.

If approved, the Agency will authorize the management of the enterprise to implement the program. In the event that the State Property Agency accepts a different program, it will authorize implementation of that program either by the organization which developed the approved program, or by an institution chosen on the basis of open competition, and will enter into contract with such organization or institution.

Based on preliminary calculations, between 300 and 400 state enterprises may use this initiative during the period of the three-year government program.

The internal units of state enterprises may continue to initiate action to sever relations with their given enterprises. Such proposals may be initiated by way of submissions to the founder, the managing body of the enterprise, and to the State Property Agency. [In general, the term "founder" refers to a ministry or state agency under the communist regime which established a given state enterprise.]

In the event that the managing body of an enterprise rejects the proposal seeking severance, the founder shall render a decision concerning the proposal. Insofar as severance is tied in with a privatization effort, a privatization technique that is appropriate in the given instance (for example, transformation into stock corporation, limited liability corporation [Kft], leasing to an outside entrepreneur, subsequent privatization linked to reorganization), will be chosen with the involvement of the State Property Agency. Severance cannot be denied if the initiative by an internal unit of an enterprise is tied in with a successful offer to privatize.

#### In Response to Outside Initiatives

The third line for pursuing privatization consists of privatization initiatives made by outsiders—Hungarian and foreign private entrepreneurs, companies, and investors. In such instances the outside entrepreneur submits an offer for the purchase of the entire, or part, of an enterprise, or for the letting of the entire or part of a given enterprise for purposes of an entrepreneurial venture, based on the outside entrepreneur's assessment made in advance. Such offers must be submitted to the managing body of the enterprise, to the founder and to the State Property Agency.

Mandatory provisions to be included in such offers, obligations related to offers, and the steps to be taken in judging such offers, as well as the proceedings of privatization will be specified in a separate "Procedural Law Concerning Privatization," to be submitted by the cabinet to the parliament in September.

In the upcoming years, outside initiative to privatize is expected to be the most popular technique and procedure to be applied in mass proportions.

In addition to severance, small or large groups of workers [assigned to various] internal units of state enterprises, may elect this order of proceeding to acquire a given state property in the form of ownership or as an entrepreneurial venture.

Based on all of the above—assuming that a milieu friendly to entrepreneurs prevails in the framework of privatization and of a supply-side economic policy—this third line of pursuing privatization may initiate and bring to successful fruition several tens of thousands of initiatives, privatization cases annually.

A significant part of today's state enterprises continues to remain state property, permanently (in the long term) or temporarily, as the property of the state treasury. Among these enterprises, today's forms of enterprise management, [i.e.] enterprise councils, general meetings and meetings of delegates, may be maintained in part and in a modified form. Gradually, however, new forms for the exercise of state ownership must be introduced to an increasing number of enterprises. These forms of ownership must be akin to similar practices used in market economies.

Open competition will be announced for the renewal of enterprise management mainly in the fields of transportation, communications, health care, cultural affairs and education.

Establishing supervisory committees will be another method [of privatization]. These committees will take over the right of initiative from the founder, as those relate to the control and property protection functions of enterprise management. The cabinet plans to introduce this form mainly in regard to industrial enterprises under state administrative supervision.

State holding corporations may be formed from the vacated property management headquarters of certain enterprises. Holding corporations at the level of specialized branches or subbranches may also evolve for the management of all the assets of entire groups of enterprises. These holding corporations would manage the property of a given group of enterprises in the form of securities in the interest of separating ownership and management functions, and would perform the state's proprietary representation.

Based on relevant Italian, Austrian and other West European experience, the founder would enter into an agreement to manage state holding corporations. Within

such contracts, in addition to the requirement for the protection and appreciation of assets, certain requirements based on special considerations of a given branch, technological development, and marketing strategy may also be included.

#### DM100 Million Loan Establishes 'E' Fund

25000783A Budapest FIGYELO in Hungarian  
16 Aug 90 p 4

[Article by Andrea Gallai: "The E Fund"]

[Text] At first we thought it would be a bank, then it turned out to be a fund. At first only the capital letter "E" was next to its name, then this letter changed to "Existence". State Secretary Gyorgy Matolcsy informed this newspaper of the details, following his early August negotiations in the Federal Republic of Germany.

The Economic Policy Secretariat of the cabinet feels that privatization is conceivable only along with the development of a special financial structure, which provides loans to entrepreneurs to purchase smaller units of the more economical parts of property. The planned Existence Fund took its first step when the West German Government offered 100 million marks to accelerate privatization in Hungary. This amount would be supplemented by Hungarian resources of a similar magnitude, and the eight billion forint [fund] thus established would serve as the basis to provide financial backing to privatization.

The main principle of lending is primarily to stimulate small and medium-sized enterprises, and to encourage the new start of private enterprises. The state will help those who participate in privatization by charging a lower interest rate than the prevailing money market interest rate at any given point in time, and by assuming risks involved in lending. Whether this fund will operate as a bank, as a fund, or perhaps as a foundation, is still uncertain, nevertheless it is certain by now that the Existence Fund must be a separate institution. The Fund's monies will be managed by an office subordinate to the cabinet. Within this structure, commercial banks will perform only the administrative functions in lieu of a commission amounting to between two and three percent of the money loaned. Accordingly, the banks will deal with the entrepreneur and check his documents. Upon deciding in the positive, the banks will hand a promissory note to the entrepreneur. With appropriate sales agreements and insurance contracts in hand, they consummate a loan agreement, open and manage the debtors credit account, then transfer the amount of the purchase price to the seller, and forward the documentation to the office.

Only Hungarian citizens holding entrepreneurs' certificates and with appropriate professional qualifications are eligible to receive loans from the Existence Fund. In contrast to the old view, the fact that the five million forint maximum amount to be loaned may vary by [industry/business] branch, and may go as high as 15



million forints, is a novelty. Correspondingly, the term of maturity of such loans falls within several brackets per branch, [requiring repayment] in five, seven or nine years respectively. As compared to the one-year grace period established thus far, two years may be authorized for large loan amounts. According to present plans, only nonlegal entities are eligible to receive the preferred loans. Present concepts are supplemented by a provision that private persons may purchase and manage certain larger pieces of state property jointly. Nothing prevents these private persons thereafter from organizing themselves into a Kft.

While the previous ordinance [as published] made the entrepreneur's membership in an interest group a condition [for receiving assistance], this condition no longer applies under the present concept.

Entrepreneurs will not see a penny from the Existence Fund. Money moves only on paper from the Office to the government coffers. At the end of the transaction the entrepreneur will own a mortgaged piece of property. The office which administers the fund has disposition over the recorded amount.

Installment payments on the loan begin after a grace period of one or two years. Interest rates are expected to amount to 75 percent or 66 percent of the [prevailing] discount rate. The anticipated 15 percent interest rate may be realized if in the end the cabinet decides to charge 66 percent of the [prevailing] discount rate.

The lending structure of the Existence Fund will be administered fundamentally by banks operating large networks of offices, primarily by the National Savings Bank, savings associations and the Post Bank. In addition, there is an opportunity for any commercial bank which has an appropriate network of offices—for example, the National Commercial Credit Bank, Mezobank and Agrobank—to take part in this lending structure. Banks which intend to provide loans from the Existence Fund may only in certain cases issue the promissory note while charging its amount against their own resources. After the transaction is complete, they may combine several items and claim the funds in that way. And since entrepreneurs experience increasing difficulty in opening accounts, henceforth banks which participate in administering these funds must also commit themselves to manage the accounts of entrepreneurs. Participating commercial banks must commit themselves to reimburse up to 10 percent of the loss in the event that the Fund incurs a loss.

The Economic Policy Secretariat finds that the accumulation of a risk reserve is necessary. The 1.5 percent risk surcharge will be paid by the debtor, while the between two and three percent administrative fee will be paid by the Office to the commercial banks on a quarterly basis. The insurance premium will be handled in the same way. In the framework of this structure an insurance contract will be automatically required to cover the property sold.

Just which insurance company will be awarded a contract by the Existence Fund, and which insurance company is willing to finance part of the losses that may be incurred, is yet to be resolved.

#### **'Shady' New Private Ventures Linked to Military**

*90CH0331A Budapest TALLOZO in Hungarian  
29 Jun 90 pp 1223-1224*

[Article by Istvan Harsasi, reprinted from MAGYAR HONVED of 22 June 1990: "Limited Liability—Unlimited Possibilities: Phantom Syndicate?"]

[Text] "The rumor is that it's about preserving assets for the future, but that type of thing is absolutely out of the question," stated the general staff chief engineer of the Ministry of Defense on a radio program. However, newly concocted limited liability companies and undertakings with mysterious goals already exist—and this is their business, in the name of improving the economy. It is not the officer corps that is doing business; they do not have the energy or the money and perhaps neither the talent for such things. A few field-grade officers in exceptional positions, blessed with more gutsiness and fewer restrictions than the average, are seizing the opportunities that arise. Retired colonels, active-duty lieutenant colonels, and majors who are taking cover on the inactive list are throwing themselves into undertakings which promise a respectable profit. And it can scarcely be an accident that they are doing all this for the most part in connection with their service assignments, with budget monies, and by maneuvering through gaps in the law. And openly with Registry Court approval, legally. ...

#### **A National Defense Force for the Milking**

This year on March 30 the (Budapest) Municipal Court registered a new limited liability company under the name "Defense". In addition to the former Military Technology Institute (HTI) with its high professional and scientific rating, the Diosgyor Machine Factory, also recognized for its weapons production, and the Hungarian Academy of Sciences's Central Physics Research Institute, which can also be described as an old business partner in military affairs, the mysteriously named 3D "NC" economic work association is a member of the new firm.

The HTI tossed the larger portion—1,730,000 forints—of the four-million (forint) capital fund into the communal pot, which guarantees 1,730 votes at the membership meeting and a corresponding piece of the expected profits in the future to the Institute and to its commander. The other goods and services which, however, do not feature in the "open" contract could guarantee the unconditional goodwill of the other parties toward colonel and engineer Istvan Gerlei.

The syndicate is a well-known concept and also recognized in the business world. A syndication contract of this type, handled very confidentially, itemizes everything the other three parties may expect from HTI at no



cost and in addition to the capital contributed. Only one million of the Institute's share of the capital is ready cash; ninety-two square meters of real estate comprise the remaining 730 thousand. Broken down, the right to rent over five years amounts to 1,490 forint per square meter annually, at a time when a one-square-meter office in the capital is worth 50 to 60 thousand per year!

What, then, are the special services? According to the syndication contract, the HTI will supply the furnishings, maintain the building and the furniture, see to cleaning, heating, and lighting, and provide for main, extension, and Ministry of Defense telephone lines, the use of telefax, and copying of documents. Further, it will provide the typewriters, the office equipment, and services for the specialized library. All of this, naturally, at no charge—or more precisely—at the expense of the Military Technology Institute.

What, then, does "Defense" do, that it is worth this much to the HTI? The contract of incorporation, which can be inspected by absolutely anyone, lays out at length all the things which each of the parties separately was heretofore capable of and carried out. Research, development and manufacturing, planning and repair, foreign, domestic, retail, and wholesale commerce. The Institute has also been doing these things up to now with its old partners, the other parties in the limited liability company; the mysteriously named little economic work association hardly signifies a novel color not previously found on the palette. The syndication agreement specifies what its tasks are.

3D "NC" undertakes "to guarantee development and manufacturing opportunities, to enter into contracts for the completion of tasks and for cooperation." The contracting parties further undertake to exchange among themselves their development plans, their business concepts, and their foreign market data in order that the limited liability company might enjoy a business advantage over others. A deal like this that precludes any type of competition or rivalry from orders for military goods, turns the army placing the order into a sacred milk cow in the hands of the supplier. When all is said and done, this is the one and only novel element to be found in this arrangement set up by the business partners of yesterday and the limited liability company co-owners of today.

#### Hidden From the Ministry, Too?

The syndicate therefore means a federation of interests which excludes those of other parties. The interests clearly are to be sought in material things, and commanders of responsible rank at the HTI are guaranteeing that this undertaking will operate with fat profits for the HTI.

As we stated, the proportions of capital that were contributed guaranteed Colonel Istvan Gerlei almost half the votes at the membership meeting. Artur Leipniker, retired colonel and former commander of the Institute,

occupied the managing director's seat—the top position, in exchange for 45 thousand a month and the use of a vehicle.

As befits a serious undertaking, two engineer managers are also working for business success. Both are active-duty soldiers, officers of the HTI. Lieutenant Colonel Laszlo Schlemmer, deputy commander, and Dr. Tibor Elek, lieutenant colonel and director of the development department, will undoubtedly be able to fruitfully manage the limited liability company that is waiting for business orders from the HTI. That is to say the development department, under the direct supervision of the two lieutenant colonels, is handling the projects that can be mentioned. Lo and behold, a knock-'em-dead recipe for business so simple it will blow you away!

The financial interests of the aforementioned soldiers are obvious—the two managers get 30 thousand a month and a vehicle allowance for their collaboration—but the chiefs who gave the green light to the undertaking are neither members nor employees of the company. Authorization was issued to HTI on March 23 by Brigadier General Karoly Janza, engineer and main department director at the Ministry of Defense. Following this it was announced on the radio that there would be no preservation of assets in the armed forces. Colonel Imre Mentes, engineer and chief of maintenance for the defense forces, authorized the application of assets in the form of real estate, assessed at a shockingly cheap rate, and Brigadier General Lajos Lontai, chief of finance, authorized the one million in ready cash. However, no one gave his blessing to the special services included in the syndication contract.

"Innumerable requests were made to have the documents sent to the Ministry of Defense to have them looked over," an engineering officer stated in regard to this. "And they were promptly sent, too, except for the syndication agreement. I suspect that the Ministry of Defense directors still haven't been able to have a look at that one. ..."

The business was launched, and, by the end of May, the "Defense" limited liability company and the Military Technology Institute had signed eight to ten contracts with each other. That is the reason a total of nearly 30 million forints will go to this crafty firm. Depending on the balance sheet of the business, of course, bonuses will be due to the employees as well—that was approved at the membership meeting.

Is there anything left to add to this? Maybe just this much: If you do not believe it, go and see. The documents mentioned can be inspected in Ministry of Defense Number II, on the first floor of the third building, in a green safe.

### Declining Industrial Sales Reported

25000776A Budapest NEPSZABADSAG in Hungarian  
23 Jul 90 p 5

[Article by K.J.: "Data From 300 Enterprises: Declining Industrial Production"]

[Text] The Ministry of Industry and Commerce regularly monitors the production and sales data of 300 enterprises under the Ministry's jurisdiction. Statistical data for the first six months show that production and sales are stagnating.

At current prices, the production of the 300 enterprises increased by 0.8 percent. This represents a reduced volume at constant prices. Accordingly, their sales declined by 2.3 percent. The situation varies by [industry] branch. Growth can be seen only among a few. The sales volume increased in the electrical energy industry by 10.5 percent, the building materials industry by 4.6 percent, the chemical industry by 5.6 percent, and the wood processing industry by four percent. Within these categories the spread is rather large: Within the chemical industry for example, the sales volume of crude oil refineries, [natural] gas producers and distributors, of manufacturers of organic and inorganic chemicals, and of pharmaceuticals has increased, while that of the manufacturers of fertilizers and pesticides, and that of the rubber industry has significantly declined.

The total sales volume in the mining industry has declined. While the bauxite mining industry showed a 40 percent increase in sales and the sale of carbohydrates increased by 10 percent, the sale of coal declined by almost 20 percent. The latter represents an adjustment to demand. The foundry industry sales volume fell short of last year's level at this time of the year by 6.9 percent, within that, iron foundry products sales dropped by 4.1 percent, and aluminum foundry products sales by 10.6 percent.

The 13.4 percent decline in the sales volume of the machinery industry confirms statements according to which the decline in exports payable in rubles has the greatest impact on this branch of the industry. The largest drop in sales volume, 37.5 percent, may be seen in regard to transportation vehicles. The sales volume of machines and machinery equipment stands at 95.1 percent of the previous year's level. The same ratio, with respect to the vacuum technology industry, is 97.2 percent, and in regard to the instrumentation industry, 83.1 percent. Within this branch only the sale of electrical machinery and equipment increased by 5.9 percent.

Sales in the light industry increased by 0.7 percent. From a practical standpoint, within the light industry only the sales volume of the printing industry increased—the applicable growth ratio is 25.1 percent. As compared to last year's sales levels the textile industry stands at 97.3 percent, the leather tannery and fur industry at 94.9 percent, the shoe industry at 95.6 percent, and the textile clothing industry at 100 percent.

### POLAND

#### Planning Representative on Necessary Adjustments to 1991 CEMA Changes

90EP0784A Warsaw RYMKI ZAGRANICZNE in Polish  
No 68, 26 Jul 90 p 8

[Interview with the deputy chairman of the Central Planning Administration, Stanislaw Dlugosz, by Maciej Tekielski; place and date not given: "Facing a Difficult Challenge"]

[Text] Effective January 1991, we will switch to settlements in convertible currencies in economic relations with the CEMA countries. This will create certain problems for producers and exporters of goods to these countries which it appears some people are not fully aware of at present. We discussed these issues with the deputy chairman of the Central Planning Administration, Stanislaw Dlugosz.

[Tekielski] In your opinion, has the awareness of our exporters to the CEMA countries changed so as to make it possible for them to face the challenge associated with switching to the new principles of trade and settlements?

[Dlugosz] I do not think that it is possible to answer in the affirmative the question so put with regard to participants in the CEMA trade. Until now, we had a division into specialists for trade with the first payments zone [ruble-denominated trade] and the second payments zone [hard currency-denominated trade]. A rapid reorientation must now occur. Those will win who will be the first to master the modes of action adapted to a market economy and transplant them to relations with the partners from the former first payments zone.

First, a new approach to the issue of imports will come about. For 40 years, we believed imports to be the necessary evil with which we must contend, and, for this reason, we used in the past an extensive system of quotas, import allocations, anti-import commissions, and so on. In turn, at present we treat imports as one of the most effective instruments for promoting efficient actions by producers.

The conviction that the barriers which protect our industry and agriculture need to be eliminated is associated with this. The situation of agriculture is delicate because all economically developed countries protect their agriculture with a view of ensuring a certain level of agricultural self-sufficiency. In the case of industry, protection makes sense only with regard to developing industries, the so-called infant industries. All industries should not be protected, especially those which are patently ineffective compared with foreign competitors. A common denominator for comparing competitors from the East and the West will appear after the introduction of convertible currencies to our settlements.

Second, at the end of this year the transferable ruble will die, and only residual settlements associated with clearing payable and receivable accounts will remain.

Third and final, until recently, two-track reasoning prevailed in foreign trade, which was not necessarily cohesive. On the one hand, calculations were made in the currency of the contract, and on the other hand, in zlotys, though this was considered less important. At present, enterprises primarily apply zloty calculations. This is very proper, provided that conclusions will be drawn with regard to the policy of prices denominated in foreign currencies.

[Tekielski] Are we prepared for switching to settlements in convertible currencies with the CEMA countries?

[Dlugosz] Actually, we do not have a choice. Decisions on the switching of the CEMA countries to settlements in convertible currencies based on current market prices have already been made at the 45th CEMA session. There is little ambiguity with regard to convertible currencies whereas discussions regarding world-market prices are still under way. Two approaches dominate. We believe that such a price is a price negotiated between parties to a contract without any outside control by state administration. For their part, some of our partners want to see prices controlled by the administration and to allow the negotiation of prices at the state level.

The administration should mind the pricing policy of its enterprises, especially if we take into account the issue of antidumping actions, which so far have not existed in relations between CEMA countries. This issue may come up as a healthy way to protect one's own economy.

Perhaps, some people in the administration, the banks, and the enterprises alike are not aware that the current uniform system of settlements in transferable rubles will be changed provisionally into a partial system based on settlements in hard currencies, clearing, and mixed arrangements with a partial settlement of obligations in hard currency and a partial settlement through clearing. In view of this, it is necessary to reckon with a considerably more complex system of settlement operations with partners from East and Central Europe.

This period of transition cannot be avoided because the degree of advancement of thinking in the categories of the market varies in individual countries. It is at one level in Poland, Czechoslovakia, and Hungary (despite the fact that differences between these countries also exist, for example, in approaches to internal convertibility), at another in Romania and Bulgaria, and at yet another in the Soviet Union.

[Tekielski] It is the Soviet Union that is our most important partner. Will the new guidelines make the access of our exporters to this market more difficult?

[Dlugosz] Certainly, and in the process we will be dealing with several factors which make such access more difficult. These difficulties are the result of changes in the Soviet strategy of economic cooperation with foreign countries. In the last three years, the Soviet Union has changed its strategy three times. The first concept outlined at the 43d and 44th CEMA Sessions boiled down to

maintaining the mechanisms existing to date and, in essence, the structure of cooperation of the CEMA with market elements being introduced gradually, especially in the sphere of prices in which the Soviet Union perceived extemporaneous benefits in the short term.

The second concept appeared in early 1989 and was associated with the beginning of inflationary processes and the weakening supply of the market. At the time, the conviction began to prevail in the USSR that it is necessary to switch to current prices and settlements in convertible currencies because, given a peculiar pricing arrangement in the CEMA, an exporter of raw materials and fuels could count on securing a greater quantity of manufactured goods in return, especially consumer goods.

Now we are dealing with a third concept of trade with the CEMA countries. As is known, the Soviet Union is facing considerable difficulties with payments. This resembles our situation in the early 1980's. Soviet importers have allowed considerable delays to occur in settling their obligations. The excellent credit position of the Soviet Union has been undermined. However, the Soviet Union will have to make a very significant effort to regain the position of a reliable partner in payments with a view to continuing the use of Western loans, because the Soviet Union will have to engage in financial cooperation with the Western states.

Uncertainty with regard to the division of powers between the central administration and the republic authorities is another factor which hampers the access of our exporters to the Soviet market. Until now, almost all decisions have been made in central offices in Moscow, with the exception of cross-border trade. In my opinion, we need to expand professional contacts with the republic authorities, though there still is no unambiguous Soviet position on this issue. This applies to both the administration and enterprises.

The availability of hard currency to Soviet importers is the third difficulty. Intensive work is under way in the Soviet Union on a new system of hard currency allotment. Our partners continue to think in terms of hard currency allocations. Only exporters will be given some freedom in managing hard currency. Therefore, it will be something akin to our RODs [accounts of retained hard-currency allowances]. On the other hand, importers who do not engage in exports will have to apply for currency allocations.

Attempts are also being made to sell hard currency at auctions. It is planned to allocate considerable hard-currency funds for this purpose next year. These auctions may create problems of a psychological nature because the auction rate has been hitting 37 rubles per dollar recently.

[Tekielski] To what degree can the administration make going through this difficult transition to new settlements easier for enterprises?

[Dlugosz] First of all, the administration must create a new treaty and legal framework for bilateral relations between Poland and individual countries of Central and Eastern Europe. At issue are primarily solutions for a period of transition which will allow time for preparing new commercial treaties with these countries.

Another task of our administration is to fight for making access to the markets of CEMA countries easier for our enterprises. This is an absolutely new task because until now everything has been regulated by plan coordination, long-term treaties, and annual protocols. They amount to one large bilateral contract. All that needed to be done later was to control its implementation. From now on, most contingents will not amount to government obligations, but will merely be for reference, indicating possible or desirable fields of cooperation, but not binding.

My apprehension is that we will have highly differentiated conditions of access to the markets in the initial period. In the course of it, we need to keep in mind the principle of actual reciprocity whereby we should negotiate the same or similar conditions of access to the market of our partner if we open access to our market, and cancel all quotas and other impediments to foreign trade.

We should not allow a situation whereby we introduce free trade while our partner continues to regulate the structure and growth rates of bilateral trade unilaterally. Guidelines for cooperation with the countries of Eastern Europe belonging to the GATT are, in principle, settled. With regard to other countries, arrangements should be developed based as much as possible on the GATT and on the principle of actual reciprocity.

The issue of quotas used by individual countries will be an essential element. We advocate extensive liberalization. There is no reason to think that this principle will be fully endorsed by some of our partners. It may not be fully implemented in practice.

[Tekielski] The issue of setting prices in foreign trade will be the most difficult problem facing our enterprises. In our country, great liberalization applies in this field, whereas the situation in the neighboring countries is quite different.

[Dlugosz] Different schools of thinking prevail in Poland with regard to prices used in foreign markets. One school allows for price competition among our enterprises in foreign markets. The other school believes that some actions should still be undertaken by the state with a view to limiting the excessive benefits of those of our partners who take advantage of competition between Polish suppliers, while being rigid at the same in negotiating their sale prices due to strict price controls in their country.

Competition in prices may be allowed with regard to finished goods; however, as I see it, it is harmful for the national economy if it involves commodities such as

rapeseed, coal, or cut timber. In this sphere, some policy of price supervision should exist.

Another danger became clearly apparent in relations with the GDR in the process of switching from transferable rubles to DM in settlements. [Polish] enterprises frequently accept prices which, to be sure, are higher when converted to zlotys than those obtained to date, but fail to take into account the fact that the price in convertible currency which could be secured could be considerably higher. This is the case, for example, with some of our exporters of services. Such actions do not only restrict our pricing potential in the GDR but also undercut our prices in the FRG. Similar problems may be replicated when we switch to dollar-denominated settlements with other CEMA countries. The enterprises must do conscientious and professional marketing research in order to determine the prices which it is possible to secure upon switching to convertible currencies.

[Tekielski] What actions should enterprises undertake in order to prepare for the difficult trial which a transition to the new trade guidelines in the CEMA will represent for them?

[Dlugosz] Their primary task is to exactly analyze the potential level of prices for their own products in the environment of settlements in convertible currencies and clearing. The issue is to determine on the basis of marketing research the goods which will be efficient to export and products which it will be profitable to import.

The second task is to undertake very vigorous contacts with all partners in the CEMA countries with whom we can have effective trade relations after switching to the new guidelines. A certain slowdown in initiatives is registered in these countries. For this reason, it is important for us to display greater vigor in all cases in which we are interested in continuing cooperation. In some cases, it will not be possible to discuss prices which are likely to be differentiated anyway due to different forms of settlements. However, it is possible to set technical conditions, for example. It is also worthwhile to examine the interest of our partners in long-term agreements. In short, this should be a very dynamic form of contract acquisition.

My apprehension is that in the initial months of the application of the new guidelines for trade, disruptions may occur in the flow of goods and services in relations with CEMA partners unless the prior signing of contracts or other temporary agreements takes place.

Third and final, I would suggest, despite the fact that this may not be very popular with enterprises, that they inform the Ministry of Foreign Economic Cooperation of all sensitive situations so that the latter could influence our partners in the course of its treaty and legal activities.

[Tekielski] Thank you for the interview.

### Rural Lobbies' Positions, Propositions Summarized

90EP0805A Warsaw GAZETA WYBORCZA in Polish  
5 Jul 90 p 4

[Article by Krystyna Naszkowska: "Agriculture : What Do They Want, What Are They Proposing?"]

[Text] The rural areas are becoming more and more restless. Various forms of farmer protest are becoming more intense. The trade unions and political associations are trying to assume the helm of peasant dissatisfaction.

#### Circles

For many months the agricultural circles have been decidedly losing significance in rural areas. Since January, when Deputy Premier Balcerowicz opposed guaranteeing farmers minimal wholesale prices, saying they were contrary to a market economy, they have been asking for just such prices.

The circle members talk about "the deep decline in profitability" at all the meetings with ministry representatives. Besides minimum prices they are asking for 50 percent tariff on pork, a 300-zloty subsidy per liter of milk, and low-interest credit in agriculture.

The circles are officially supporting the farmers' protest committee, which started as a local committee and then spread nationwide. The committee occupied the building of the Ministry of Agriculture on 27-29 June. The members of the main council's presidium are part of the committee's inside leadership.

#### Rural "Solidarity"

At each session, the National Council expresses its consternation over the government's failure to appreciate the problems agriculture faces. Like the circles, they are calling for minimum prices on agricultural products, but with less emphasis.

Rural "Solidarity" promises to offer its own economic program as an alternative to that presented by the government, but the date for submitting it keeps being postponed.

It did not respond to the farmers' roadblocks near Miedzyszec Podlaski and Mlawa either. One of the forms of protest the union organized involved refusing to pay premiums to the Social Security Agency. It officially supported the occupation of the Ministry of Agriculture building several minutes before the police intervened. If the government does not agree to talks, the next form of pressure is to be roadblocks.

#### PSL [Polish Peasant Party]

Chairman Roman Bartoszcze says: "The worst thing would be for agriculture to wrest something for other groups. We have no intention of creating an agricultural lobby" (DZIENNIK LODZKI, 21 May).

Bartoszcze puts politics first, not economics, because, "Poland needs political stability."

The party supported the demands of the farmers occupying the Ministry of Agriculture building. Bartoszcze has undertaken to resolve conflict through diplomatic means—he has met with the premier, the president, and the minister of agriculture—and when that did not work, he left the ministry full of regret over the farmers.

#### PSL "Solidarity" [Polish Peasant Party "Solidarity"]

In rural areas it is taken to be a government party, which does not help gain followers, given the decline in the profitability of farm production.

It is the only party to present its own agricultural program. It has come out against minimum prices, because they are contrary to the principles of a free market.

It does not support active forms of protest for farmers.

#### Government

It has allocated 700 billion zlotys for restructuring the dairy industry, but it has not increased the subsidy on milk, which the farmers had expected, because the budget does not have the funding for it, and also because subsidies are contrary to the logic of the Balcerowicz plan.

It has created a group made up of representatives of the various ministries and trade unions to distribute funds allocated for changes in the dairy industry.

It has proposed talks with the trade unions for 7 July.

#### Treasury Establishes State Anthracite Coal Agency Joint-Stock Company

90EP0805B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 13 Jul 90 p 2

[Article by Edmund Szot and Zbigniew Wyczasany: "State Anthracite Coal Company"]

[Text] The stopgap in anthracite coal mining has come to an end. A reporter of RZECZPOSPOLITA notes on 12 July: "The minister of industry of the government of the Polish Republic, Tadeusz Syryjczyk, appeared before the notary of the State Notary Office in Warsaw, Teresa Janeczko. On behalf of the State Treasury, Syryjczyk declared that a joint-stock company called the 'State Anthracite Coal Agency' was being formed."

After the agreement was signed, Minister Syryjczyk said that he considered the development of an economic analysis of the functioning of all anthracite coal mines to be one of the agency's most urgent tasks. Coal mining must adapt to the conditions of a market economy.

The joint-stock company called the State Anthracite Coal Agency is a company of the State Treasury.

The notarized document lists, as follows, the company's board of directors: Tadeusz Demel as general director of the board; Bronislaw Lisiecki and Eugeniusz Pawelczyk as deputy general directors; and Eugeniusz Ciszak, Marek Kossowski, and Boguslaw Helski as members of the board.

Prof. Andrzej Lisowski was named chairman of the supervising council of the State Anthracite Coal Agency.

After signing the notarized document, General Director Demel told RZECZPOLITA: "The creation of the agency actually ends the stopgap measures in the anthracite coal industry. The main subject of our immediate work will be to make a thorough economic and technical analysis of all the anthracite mines and to analyze in detail those mines which have gotten into trouble.

"From the financial viewpoint, in several mines, this is what is referred to as reorganization. This process—I want to be very clear about this—is not the same as making announcements here and there in the press and on radio and television about a decision to close any anthracite coal plants."

General Director Demel said one other thing at the end of the conversation: "The State Anthracite Coal Agency is assuming in its operations that it cannot retreat from the Western European and world standards of mining. Polish coal is well known in the world, and we will try to arrive at conclusions from this."

### Harvest Season Problems Foreseen

#### Lower Crop Output

90EP0808A Warsaw RZECZPOLITA in Polish  
10 Jul p 1

[Article by Edmund Szot: "Lower Crops, More Worries: The Harvest Has Started"]

[Text] On the lighter soils and in regions affected by drought, farmers have already started the rye harvest. The rapeseed harvest is also in full swing. Franciszek Blok, director of the Division of Field Cultures in the Department of Vegetable Production in the Ministry of Agriculture, estimates that this year, there will be 450,000 hectares of rape, 2,250,000 hectares of rye, 2,200,000 hectares of wheat, 1,200,000 hectares of barley, 800,000 hectares of oats, and approximately 750,000 hectares of a wheat-rye hybrid. A total of 8.4 million hectares of grains [is expected], including 4.7 million hectares of winter varieties.

Farmers tell us that the crops of both rapeseed and grain are lower this year. Less was planted with select seeds, less fertilizer and plant protection was used so that plantings are more weed infested than last year. In the grain harvest, there will be approximately two quintals less this year than the record of last year (32.2 quintals). All together, the grain harvest will be 25.2-25.4 million tons (last year, it was 27 million tons). And there may be

problems with grain storage; the stores and elevators contain approximately 2 million tons of grains.

The prices offered by the State Grain Elevators do not encourage the sale of grains. Neither are they advantageous for the farmers in the case of rapeseed.

Zdzislaw Cudnik, director for trade of the 15 December Oil Industry Plants in Warsaw, informs us that the price of rapeseed exceeds 1,200 zlotys per ton, but other enterprises (specifically in Gdansk, Godaczowo, and Szamotuly) pay even less. For this reason, individual farmers limit rapeseed cultivation and are contracting for significantly smaller areas for next year.

"We cannot pay more," said Cudnik, "what would a liter of oil cost then? With a purchase price of 1,700 zlotys a ton, our oil would be significantly more expensive than imported oil."

This year, State Farms, Agricultural Producer Cooperatives and in general anyone who has facilities for drying grain are engaged in the purchase of rapeseed, with the exception of enterprises in the grain milling industry, the State Grain Elevators, who consider the oil industry to be a valuable but unreliable partner. The first lots of rapeseed were supplied to the Warsaw plants on 9 July and, by 20 August, the stores will be completely full. The rapeseed harvest is 30 percent complete at present.

#### Limited Crop-Storage Space

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[Article by Edmund Szot: "Harvest Has Not Yet Begun but the Elevators Are Full"]

[Text] The farmers have been cutting rape for several days and will move to harvesting grain. In enterprises of the grain milling industry, the new season for collecting grain has started. At the moment, still theoretically. The peasants always want to count on guaranteed minimal prices and expect that these will be higher than the present market prices which are at 50,000 zlotys per quintal of rye and 60,000 zlotys per quintal of wheat. We will learn any day now whether such guaranteed prices will be announced.

The state milling industry needs approximately 3.2 billion zlotys for grain purchases. This was the estimate made by the Ministry of Agriculture and Food Industries which assumes a purchase of 4,800,000 tons of grain at an average price of 800,000 zlotys per ton.

Two figures are disturbing in this computation: the amount purchased and the price. These reservations were expressed at a meeting organized on the initiative of the Presidium of the State Coordinating Commission of the NSZZ [Independent Self-Governing Trade Union] Solidarity in the State Grain Elevator District Enterprise in Warsaw. As was estimated, the stores and elevators are at present 39.4 percent full. The State Grain Elevators can therefore buy only 60 percent of what they

bought in previous years, which means 2.7 million tons of grain (including 500,000 tons of rapeseed). There is no room for 2 million tons.

The genial Nikodem Dyzma at one time had the idea of storing grain with the farmers. Bureaucrats with the State Grain Elevators do not think very much of this solution. Grain stored in farm enclosures loses substantially in quality. Substitute storage (barges, greenhouses, chicken coops, etc.) is better. The grain milling industry is ready to undertake locating additional potential storage; the fact is that it would do so out of sheer altruism. Credits for purchase of grains are allotted at a rate of 24 percent (annually) and not at 10 percent as Ministry of Agriculture wanted. Payment of interest will have to be included in computing the cost of production and this would mean raising prices of grain products. One of the directors said that they may simply not buy grain since they have sufficient stored reserves for this period. He was advised: "Buy yourself an armored shelter because the peasants will tear you apart."

Also, we do not know what the Agricultural Market Agency will do; it does not have a president or an Agency Council yet. When will it begin to buy? How much does it intend to buy? What price will it propose? No one can answer these questions at this time. And the farmers expect much from the Agency, perhaps even too much. Things may be unpleasant in the fast approaching season for buying grain. It is anticipated that, for example, in

Zamosc, grain buying will end in 10 days. There will be no place to store the rest of the grain. And the program for building new elevators has been suspended.

Neither could participants in a meeting of representatives of finance and agriculture provide answers that the State Grain Elevator enterprises are expecting. Speaking without reservations, what is in question here, as usual, is money.

Some of the State Grain Elevator directors proposed that interest on credits be paid with money received by the Agricultural Market Agency from the budget for this year. It was even decided precisely how much this would be: two-thirds of the entire Agricultural Market Agency fund (870 billion zlotys). The State Grain Elevator enterprises do not favor the creation of the Agricultural Market Agency very much. One of the directors said: "It complicates the matter." (Read: "weakens the monopoly.")

Harvests, therefore, promise to be "hot." And they may be even hotter, the wetter they are, or, as the farmers say, nasty. There is no place on a farm to dry grain, therefore it is easiest to get rid of it by sending it to the market. And, at the market, conditions may be various this year: will they buy it, or not? Just as this has already happened sometimes with cattle for slaughter. But the farmer does not like a lottery. It seems that he hasn't yet started to enjoy the market game, either.

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