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BULGARIA

Legislative Committee Chairman Interviewed

91BA0172A Sofia DUMA in Bulgarian 28 Nov 90 p 4

[Interview with Aleksandur Dzherov, chairman of the Grand National Assembly Legislative Commission, by Nikolay Golemanov; place and date not given: "Laws Are Not Drafted in a Hurry"]

[Text] A basic function of the commission is to discuss each draft law submitted to the Grand National Assembly [VNS] and to determine its constitutionality, after which it may be submitted for discussion at the plenary parliamentary session. Each draft must also be suitably edited, formulated, and so forth. In practical terms, this requires a great deal of work, regardless of whether it is submitted by the Council of Ministers or an individual people's representative.

Another reason for the labor-intensive nature of such a draft is the following: It is insufficient to say, "Law X is hereby revoked," which would be excessively simple. This same law is related to many other laws, and we must trace all the connections that have appeared in the course of its application and its ties to other Bulgarian laws. A draft law must be linked to our entire legislation, for which reason it may become necessary to change the current laws and the Constitution. In any case, there must be synchronization.

Any draft resolution issued by the VNS that is related to a legal principle must be considered by the Legislative Commission. A number of other matters require legal consultation. A frequently heard stipulation in the course of the debates is that "this should be considered by the Legislative Commission." It is the commission's responsibility that nothing violating the legal principles, the Constitution, and the laws of our country come out of the parliament.

For example, the special commission on files had legal problems and difficulties in obtaining the files. This was followed by a report to the Legislative Commission: Please issue a ruling: What is state secret and what is not, may we have access to the files, and so forth?

[Golemanov] How many deputies are members of the Legislative Commission?

[Dzherov] Thirty-nine.

[Golemanov] Is this too many or too few?

[Dzherov] I would not qualify the number as few. The commission must be a functioning authority and be able to do that for which it was appointed by the VNS. For that reason it should not be excessively large. What is useful is that, unlike the previous national assemblies, the Legislative Commission consists of jurists, with the exception of two members. There also are specialists in various legal areas, complementing each other.

[Golemanov] What is the total number of jurists in the VNS?

[Dzherov] I believe there are no more than 50 or 60. We could check this figure. There are fewer than we need. When the candidates for people's representatives were being nominated, unfortunately no party or political force thought of including its best jurists or more jurists. Political considerations prevailed. Yet the VNS not only must draft a new constitution but must also update legislation. For that reason, the number of jurists in it seems too small. Furthermore, there are jurists and jurists. Most useful in legislative work are those jurists whose previous work has combined theory with practice in different legal areas.

[Golemanov] Has the work of the commission been as influenced by political passions as are the plenary sessions?

[Dzherov] Perhaps in the years to come things in the Bulgarian Parliament will be much calmer. Now, considering the times and the 45 years that are behind us, as well as the polarization, political passions are inevitable. This is not astounding.

Within the commission, when we are working on a specific law, such passions are largely forgotten. They do not prevail. Occasionally, unfortunately, they are groundlessly given priority, and the lawyers forget that they are lawyers (such was the reason, for instance, for the delay in drafting the law on amending the "Law on Political Parties"). I find this inadmissible when we are dealing with specific projects. On the whole, however, the work done by the commission is much more practical and creative than the work done at plenary sessions.

[Golemanov] Is this difficult to achieve?

[Dzherov] The commission is overloaded. This is an opinion shared also by the 400 members of the VNS and by the journalists. We are certainly not ideal, but the fact is that the commission takes its work very seriously. Taking the necessary preparations, queries, and consultations into consideration, I can confidently say that we are at work every single day. Obviously, we are violating our rights in terms of the Labor Code.

A draft bill may be extremely short but nonetheless requires work and time. The bottlenecks are caused by a tremendous number of legal materials. Projects and suggestions are literally drowning us.

I am astounded by the views expressed by many citizens, who even stop me on the street or write or call the commission demanding the faster completion of the draft bills. This is not a thing that can be accomplished in a couple of minutes. A draft law cannot be written hastily. The U.S. Senate may take two or three years before adopting a draft bill.... In some cases, we do it in one week.

[Golemanov] How do you assess the level of preparliamentary preparation of the texts?

[Dzherov] In a number of cases it is unsatisfactory. So far we have not had easy passage of a draft bill. Some bills take a great deal of time precisely because of the quality of the submitted drafts. Our views may be different from those who submit a bill. This is normal and good. However, it becomes necessary to redraft and resystematize, even if the draft has been submitted by specialists or by lawyers working for the Council of Ministers. This does not indicate good preparliamentary preparation.

[Golemanov] Is it possible, before a new constitution has been adopted, for the laws to be combined as the elements of an integral new system?

[Dzherov] When the parliament opened, there were two views: to work exclusively on the constitution or, along with it, to amend and supplement the legislation. The first, which I reject, would mean that we should sit down and write a constitution, which would take a year or two, while the current laws would sink our country even lower. The second view was adopted.

Many people objected: "Well," they said, "if you pass a law, you are also predetermining a given principle." Why could we not, within the framework of the present constitution, which, in a number of cases does not present a hindrance, draft a new bill that would include an absolutely new concept? If necessary, we would then amend the constitution. Voting on one law or another in the VNS also means a prerequisite leading to the future constitution and facilitates matters. That is the procedure we are following, let us say, in matters of land and ownership.

[Golemanov] In your work, do you make use of the experience of other countries?

[Dzherov] How can we? The legislation in the former socialist countries is in horrible condition. The only example we could use is that of how to get off the precipice. If we turn to the democratic countries, what could we borrow from them? They are not in a standoff situation, or they are not putting out fires. They have normal legislation that has been inherited and developed and is simply consistent with the dynamics of society. What would happen if we were to take two or three years to debate a bill as the Americans do?

[Golemanov] What about experience in the area of economic laws?

[Dzherov] Naturally, we are looking for such experience. Bulgaria is not an island. Bulgaria is a European country. Before 9 September we had normal legislation consistent with European standards because Bulgaria had adopted rules from other countries. We believe it would be natural to repeat that situation today as well. The legislative commission has done what is necessary, and I personally have made a great effort to obtain the texts of foreign laws, at least as far as the United States, Germany, and the main countries of Western Europe are concerned. Let me point out that we are receiving a great many laws, drafts, and concepts from them and from the European Community, free of charge and on their own initiative.

[Golemanov] What makes you decide to use a given experience?

[Dzherov] We have Bulgarian principles and we must remain Bulgarians. We believe that Bulgaria has its own values and very good jurists. We even have good legal institutions that were created before 1945, and we shall not avoid using them. Naturally, the past half-century has triggered changes. The law does not stand still, and we would be wrong to duplicate the laws that existed prior to 9 September.

Until then, Bulgaria borrowed from the French and Italian legislations, and it is logical today, as well, to be oriented toward them but without ignoring the German legislation, particularly its very valuable commercial code, and the legislation of the other countries, including the American. We seek that which, in our view, would be best in any specific area in a given country. We shall take into consideration specific legal concepts if we determine that it is precisely they that are consistent with our legal system and its Bulgarian nature and essence but not because they are British, American, or Spanish. We are looking for content and not a nationality.

[Golemanov] In legal publications, in frequent cases the "legislator" is synonymous with something abstract and wise, to an infallible reason....

[Dzherov] We do not consider ourselves infallible in the least. Mistakes can be made by anyone. Events placed us in the roles of legislators, and we are trying to accomplish something the way it should be accomplished. Our current work could be assessed by the drafts, by the legal standards, by the content, and by the motivations. It is only after a law has been applied for a while that both those who apply it and those to whom it applies are able to determine the extent to which today's Bulgarian legislators are good or bad.

From the abstract point of view, it would be best to lock up the Legislative Commission together with other lawyers and experts for a full year, for instance, so that it could prepare for submission a system of laws that had been properly considered and that were interrelated. Today, however, we quite frequently find ourselves in the position of firemen: "Quick, we need thus and such a law!" An example of this was the "Law on Profiteering." The law on the Foreign Aid Agency was also hasty: Aid is coming, and it must be accepted and channeled. My colleagues and I in the commission have no right to determine the type of draft bill with which we should start. We are following the current of a river in which all of us are swimming. This work method is not the most ideal, but life cannot stop. We must obey its rules. I do not wish my colleagues in the next parliament to follow this method. Let us hope that they will have the possibility of borrowing from the work principles of the American parliament.

Interviews With Heads of Extraparliamentary Parties

Party of Free Democrats

91BA0168A Sofia DUMA in Bulgarian 20 Nov 90 p 4

[Interview with Kiril Dukov, chairman of the Party of Free Democrats, by Romyana Simeonova; place and date not given: "Freedom but Not Anarchy"]

[Text] The Party of Free Democrats was founded in February 1990 in Stara Zagora. It is influential and active essentially in the Stara Zagora, Sliven, Khaskovo, and Ruse areas. It has about 1,800 active members. Its chairman is Mr. Kiril Dukov, Minproekt engineer, who is married and has one child.

[Simeonova] Your party is based on the model of the German Free Democratic Party. What have you borrowed from its program?

[Dukov] We used their bylaws and program, but consistent with conditions in our country. Our program is based on the freedom of the individual, initiative, and the right of everyone to make his own decisions and to rely on himself and his own possibilities. I am referring to private initiative and intellectual work. We rely on the new capable and active stratum that will pull our society forward.

[Simeonova] Are you relying on the principles of liberalism, although they may not be all that popular in Bulgaria?

[Dukov] It is true that they are not popular. However, liberal ideas are more progressive than those of the social democrats. The social democrats insist on social equality. We consider this to be utopian and oppose equalization. We would like for the individual to develop to the limit of his possibilities.

[Simeonova] As long as it is not at the expense of others or of the state.

[Dukov] We are in favor of freedom but not anarchy. A person must not be limited and must not hinder others.

[Simeonova] What are your projections concerning the country's political development?

[Dukov] In our view, the only solution for Bulgaria is active neutrality. Our idea is to create a strip of neutral countries in Europe, from the Scandinavian countries, through Poland, Czechoslovakia, Hungary, Yugoslavia, and Bulgaria, to Greece. The former socialist countries are still a buffer between the two poles on the continent. As neutrals, we would create prerequisites for smoothing over conflicts and improving the climate. Furthermore, history proves that, whenever Bulgaria has followed one great power or another, it has always lost. Active neutrality would give our country authority abroad and internal tranquillity....

[Simeonova] Could you give us some details about the Union of Free Enterprise, which was founded in Nova Zagora?

[Dukov] The most important feature of that association is that it is organized from the bottom up and not vice versa. Private producers themselves gathered and determined the need to defend their interests and rights. They also chose their leaders. Similar unions will be established in Stara Zagora and Sliven. In our view, the passing of an antimonopoly law should precede that of the law on privatization. That would ensure a smooth transition and economic reform results. The present structures are monopolistic. Once again, inasmuch as it exists, privatization has been imposed from above. There is a danger that once again a model will be issued, which the people will not understand, for which reason they will wait for instructions. This will not cure their hopelessness and stress.

The people must become convinced that the shock will stimulate normal economic activities and change their lives for the better. Everyone must become actively involved and not remain a passive observer of the process.

[Simeonova] Where does your party stand?

[Dukov] We are a centrist party and even slightly right of center. We favor a dialogue with any party that respects the views of others. We tend to cooperate with the SDS [Union of Democratic Forces] but not with the BSP [Bulgarian Socialist Party]. Despite the desire for change and its new name, the old elements exert quite a strong influence within the Socialist Party. Actually, the party cannot reject the Marxist dogmas. More time and more active efforts will be necessary for the BSP to become a truly leftist party. We are not members of the SDS group, and we will not become part of it. In our view, the SDS is a left-wing social democratic bloc. As I have already pointed out, social democracy is not an alternative in the development of our country.

[Simeonova] I was able to "catch" you for a talk in the short time between your return from the congress of the Liberal International, in Helsinki, and your departure for a seminar in Bonn. Are you not being greatly sought after by the European liberal and reformist parties?

[Dukov] Being sought after is not fashionable. We simply need information and knowledge of liberal ideas and the help of the Friedrich Naumann Foundation and others, for the purpose of training cadres. The book by Otto von Lansdorf, the head of the German Free Democratic Party, which discusses liberalism, is about to be published in our country.

[Simeonova] Are you optimistic?

[Dukov] I am convinced that there is an inner charge within every one of us, which should be awakened, and that the feeling of creativity should be restored because, if a person is given the necessary social minimum

without working too hard, he has no urge to develop and is indifferent to his fate. This is terrible. Freedom and democracy are the two main motive forces of society, for which reason our thought expresses the party's slogan: We have neither eternal enemies nor eternal friends. We are eternally defending the freedom of the individual.

National Patriotic Union

91BA0168B Sofia DUMA in Bulgarian 27 Nov 90 p 4

[Interview with Iliya Sipsev, chairman of the National Patriotic Union, by Zoya Nestorova; place and date not given: "I Want Bulgaria To Look Like America"]

[Text] [Nestorova] You call your party the National Patriotic Union, but you look to America?

[Sipsev] Anyone who does not aspire to reach the American standard proves that his objectives are not high enough. If we do not learn from the leaders, what is the point of learning from those behind them? The members of our party believe that, with the help of their efforts and minds, the Bulgarians must become rich in their own homeland, and only thus can they become even more patriotic. There is no American, Swede, or Belgian who does not love the country in which he was born because those countries have created a system of laws in which only the lazy and the stupid do not become prosperous and successful.

[Nestorova] For the time being, you are the only registered business party, yet little is known about you.

[Sipsev] Such is the fate of parties that are allied with neither the BSP [Bulgarian Socialist Party] nor the SDS [Union of Democratic Forces]. We are a centrist party, not tied to a coalition, a party that is struggling to make the Bulgarians rich. This will be helped by our program, which was developed with the next 20 years in mind and not only for the sake of winning elections. When the party was registered, the late news mentioned it in a report that lasted one and one-half minutes, and later another two minutes, during the electoral campaign. It takes more than a couple of minutes for friends just to say "hello" and "good-bye." However, within that time I had to describe to the Bulgarian viewers who we are and what we are fighting for.

[Nestorova] Nonetheless, you managed to say, "I want Bulgaria to look like America."

[Sipsev] Many people reacted to this with irony because they cannot imagine that the misery that surrounds us today can be replaced with the American living standard. I, however, believe in it.

[Nestorova] On what is your confidence based?

[Sipsev] On privatization. It is only the feeling of private ownership and the fatal feeling of failure that can stop the dislocation we are witnessing. I am confident that in the next one to two years the Bulgarian people will sober up because they are by nature adaptable, intelligent,

stubborn, and persistent. They will look around and see how varied political life is. For the time being, they are looking at the blue or red colors.

[Nestorova] The bylaws of your party specifically stipulate that its members may not engage in street demonstrations and meetings. Is this not strange?!

[Sipsev] It is a question of mentality. The National Patriotic Union is the party of the intellectual elite, of owners or associates in companies, and their minds are their weapons. These people must not be reduced to having the mentality of marines, taken to various squares, brandishing posters and shouting in favor of various ideas, parties, and so forth.

[Nestorova] Today everybody is rushing to make money. What do you think of today's Bulgarian businessman?

[Sipsev] He is not serious. He is not accurate, and he is dishonest. He believes that if he can trick his opponent he will win. Should this happen, these would be merely petty earnings because, at the same time, such a person loses his partner once and for all.

[Nestorova] A couple of words about your personality.

[Sipsev] I was born in Aytos. I am an Aquarian. This means that I am tremendously stubborn. This saved me during the period I worked as an aerospace engineer and teacher in a higher educational institution, at the design institute, and in the aviation plant. It is this stubbornness that will rescue me today, as well, as the chairman of a political party and the owner of a company.

BZNS-NP Official Discusses Party Role, Tasks

91BA0167B Sofia NARODNO ZEMEDEL'SKO ZNAME in Bulgarian 20 Nov 90 p 1

[Interview with Nikodim Popov, organization secretary of BZNS-NP [Nikola Petkov Bulgarian National Agrarian Union]; place and date not given: "Nikodim Popov, Organization Secretary, for NARODNO ZEMEDEL'SKO ZNAME"]

[Text] [NARODNO ZEMEDEL'SKO ZNAME] Some observers of our political arena are of the opinion that there is a general decrease of interest in political organizations. Considering the progress made by the BZNS-NP [Nikola Petkov Bulgarian National Agrarian Union], however, one would think that the above does not affect it. What is your opinion?

[Popov] I think that Bulgarian citizens show a great deal of interest in all political parties. This has always been so, especially over the last year, when they [Bulgarian citizens] became politically free, so to speak. I see this in the meetings taking place all over Bulgaria.

[NARODNO ZEMEDEL'SKO ZNAME] You are the organization secretary, and the newspaper is interested in knowing the number of members in the BZNS-NP and the outlook for future development.

[Popov] There are over 200,000 members in BZNS-NP. It is now in a period of great boom. It is very probable that its membership will increase, especially considering that the debate on the land bill will start soon.

[NARODNO ZEMEDEL'SKO ZNAME] Some new agrarian organization was announced in the press. Will this affect the Union and, if so, how will it affect it?

[Popov] As far as the "new agrarian union" is concerned, it is a vicious phenomenon in our political life. The people belonging to it are politically compromised, having served the Communist Party for decades.

[NARODNO ZEMEDEL'SKO ZNAME] We will probably have obshtina elections soon. What will you say to the voters?

[Popov] The obshtina elections will probably take place after the New Year, when we have new administrative and territorial structures. It is my impression that the people are free from the fear that oppressed them before and will vote freely for the opposition.

[NARODNO ZEMEDEL'SKO ZNAME] Everyone knows what the number-one task for the Grand National Assembly is. Do you think that the Grand National Assembly will say "Happy New Year!" to our people with a new constitution?

[Popov] It is known that the Grand National Assembly was elected especially to draft a new constitution, but other much more urgent laws had to be passed, such as the laws on pensions, depoliticization, obshtina elections, the election of new judges and prosecutors, and others.

The law on the new constitution is a more complicated task for the Grand National Assembly and will take more time. It will be discussed and debated until the new year. We hope that very soon we will have a new democratic constitution.

Leader of Trade Union Confederation Interviewed

91BA0149A Sofia TRUD in Bulgarian
29 Oct, 1, 2 Nov 90

[Interview with Professor Krust'o Petkov, chairman of the KNSB [Confederation of Independent Trade Unions in Bulgaria], by Nikolay Stefanov; place and date not given: "There Are No Ready-Made Prescriptions for Peripheral Societies"—first paragraph is TRUD introduction]

[29 Oct pp 1-3]

[Text] Professor Krust'o Petkov, chairman of the KNSB [Confederation of Independent Trade Unions in Bulgaria], speaks of his visit to the United States and his impression of the Americans and of the way Bulgaria looks, as seen from the other side of the Atlantic.

[Stefanov] Professor Petkov, you returned from a private scientific visit to the United States last week. As I look at the posters announcing your lectures and the reaction to them in the press, however, I am left with the impression that the Americans received you, above all, as a trade union leader. Actually, what was the purpose of your visit?

[Petkov] The reason for the visit was the several invitations I received in recent years from American universities. In that sense, my main objective was scientific, to discuss the most important problems of the development of our country and our area with specialized audiences, such as university professors, researchers, students, graduate students, and so forth. As agreed with my hosts, I had prepared two lectures: The first was "Social Change in East Europe: Bulgaria's Prospects"; the second was "The System of Labor (Industrial) Relations in a Period of Transition."

What happened, however, was that, in the course of my trip and discussions, what dominated was the political aspect. Interest in the political and economic situation in our country predominated in the discussions and, particularly, in the questions I was asked. There were a great many lively comments on the role of the unions on the national and international levels, a fact that is of great significance to the KNSB and, personally, to me.

[Stefanov] Does this mean that a great deal of interest exists in the United States concerning Bulgaria and Eastern Europe?

[Petkov] No simple answer is possible to this question. In the case of a certain group of politicians and specialists in problems of Eastern Europe, the answer is yes. I was particularly impressed by the growing number of plans for study and training focused on our area. It can be said that Eastern Europe itself is becoming fashionable in the area of the social sciences in most universities. As for the information media, reports on events in Eastern Europe are published very rarely and, unfortunately, only when there are problems. The ordinary people in America are curious, and there is a potential interest that, unfortunately, is not being satisfied. This was confirmed, for example, by the fact that the so-called public lectures that I delivered (attended by the general public) lasted two and sometimes even three hours, essentially because of the questions I was asked.

[Stefanov] What motivated your decision to visit the United States precisely now, and what was the nature of that visit?

[Petkov] As a sociologist, I could answer you as follows: In comparing the United States with other developed countries I have visited, including those whose civilization is older, I realized that that country is the intellectual center of the contemporary world. I can confidently claim this now, at least as far as the social sciences, economic and political analyses, and forecasts are concerned. Anyone who would like to understand the variety and complexity of processes in the contemporary

world, to determine which are the main trends within it and why some nations succeed while others stumble, should visit that country and meet with the exceptionally competent specialists who work there, and look for the answer to questions of interest to him. This is no easy matter. Knowledge does not come free.

As a person with a responsible position in the independent unions, I was interested also in the benefit that the union movement in our country could derive from the American experience and from the knowledge and theories that are being developed in the United States. These days, when parliament is debating the purposes and content of the "Lukanov Program," it is clear to every Bulgarian that it is largely based on the philosophy developed by noted U.S. specialists. The following question arises: Shall we accept exclusively the economic and financial concepts developed by Western specialists, or could we find in the developed world some recommendations on how to defend the interests of hired labor and how to implement social policy under the conditions of a severe economic crisis? This question was the most important when, several days before my departure, the KNSB Executive Committee discussed the expediency, precisely now, of my trip to the United States.

[Stefanov] Do you believe that light has now been shed on all aspects of the forthcoming economic and social reform in our country?

[Petkov] Not for all of them, the more so since the transition that is taking place in our country and in Eastern Europe has no historical analogue and there are no ready-made prescriptions for it. All serious researchers and politicians realize this. However, my visit was of great help in testing the platform of independent unions in terms of resolving the crisis and finding additional arguments in defense of the concepts we are promoting. This is no small thing, and I believe that its influence will be felt in the next few days and weeks.

[Stefanov] You said that in the United States there is not only curiosity but also a serious potential interest in events in Eastern Europe and in our country....

[Petkov] Let me be more specific. It is a question precisely of a potential interest—that is, a readiness to discuss—interaction. Actually, the information that reaches American society concerning our country is quite scant and, I would say, superficial. Let me note regretfully that Bulgaria gained a bad reputation in the past and that this is a legacy that will be difficult to surmount. Quite frequently, Bulgaria and the Bulgarian people are identified with the behavior of their former rulers, who tried to prove that they were among the firmest followers of the bolshevik model of social development. The image of the country is burdened by notorious cases, such as the attempt on the life of the pope and Georgi Markov, and other unsavory stories. There is a belief in some Western circles that our people are unwilling to change, bearing in mind essentially the results of last June's elections. As a result of all this,

Bulgaria is not put in the same rank as Hungary, Poland, and Czechoslovakia but is grouped with Romania and the USSR as countries that are following a different model of restructuring.

Politics requires courage and sincerity. The fact that there is a negative image of Bulgaria not only in the United States but also in most Western countries should be discussed in a responsible and serious manner by our leading politicians and political organizations, the government, and the parliament. Without improving the image of Bulgaria and without developing a lasting relation based on trust and the expectation that Bulgarian society has categorically broken with the totalitarian system, it would be hard to hope for any kind of effective interaction and outside aid.

[Stefanov] What should be done, more specifically?

[Petkov] Clearly, the efforts of the president, however encouraging the initial results may be, are insufficient to disperse the negative concept of Bulgaria. Unfortunately, nor do we have any sufficiently influential emigre groups in the West that could play the role of a lobby, as do the Polish, the Hungarian, and other emigre communities. Actually, it is not the emigres but the former rulers who are to be blamed for this because, until very recently, anyone who left Bulgaria was considered a traitor to its national interests.

What is left for us to do? In my view, two things. First, however much attention we are paying to events in our country, we should pay equal attention to presenting the Bulgarian cause abroad. If information is scant and inaccurate, we must invest in information, in explaining the Bulgarian situation. This should not be a sporadic act but a steady strategy.

Second, which is even more important, any attempt at nurturing illusions and nostalgia for the past, in the sense that we had a good ideology and a well-structured system but poor rulers and performers, is extremely dangerous from the viewpoint of taking the Bulgarian society out of the crisis, which cannot be accomplished without outside help. Bulgaria's future is in the hands of the political forces opposing the old system. This has become clear even to politically uneducated people. It would be hardly proper, in the present decade, to claim that the left alternative (in the sense of what is referred to in the West as the "left wing") has any chances of surviving and becoming established. Conversely, we must categorically tell ourselves and the world that we have already broken, once and for all, with bolshevik fundamentalism.

[Stefanov] What do you mean? What are you referring to with the term "bolshevik fundamentalism?"

[Petkov] I am referring to the theoretical, political, and ideological interpretation of socialism and Marxism, as proposed by the Bolshevik Party at the turn of the century and as applied in the Soviet Union since the start of the 1920's and imposed upon Eastern Europe since the mid-1940's. Like any fundamentalism, this one is

characterized by a militant ideology—that is, an intolerance of any belief that may be different from dogma, even in the details. Subsequently, the dissidents are subjected to pressure, persecution, and even elimination. A penalizing apparatus is created to this effect, headed by a semimilitarized party maintaining an iron discipline. This is a repressive party both on the inside, in terms of its members who hold various positions, as well as on the outside, toward the population as a whole. Like any fundamentalism, bolshevik fundamentalism needs leader-idols, and, in this sense, the existence of the previous dictators is the result of the logical development of the system and not so much their personal negative qualities of usurpers, tyrants, and so forth.

Today, when the question of historical responsibility and political guilt is justifiably raised, I understand it not as being strictly the persecution of individuals but, above all, as the public and categorical rejection of the previous model and path of development. The sooner we acknowledge that it was outside the main trend of contemporary civilization and that essentially it was a spasm of history and not its natural product, the better.

I say this regretfully. This is painful, particularly in terms of the fate of some groups and generations. However, clearly we shall not be able to advance with the help of illusions or, above all, by providing a scope to organizations and individuals who would push Bulgaria into extremism and a reactionary policy.

Naturally, anyone who is personally responsible for the corruption and repressions and for the ignorant and irresponsible policy that led Bulgaria to a third national catastrophe should get what he deserves. This would be less a punishment than a warning and a guarantee against such recurrences in the future.

[Stefanov] What is the American view of the choice of a model for our development? Are there opinions that may be different from those that may be found of late, let us say, in our own information media?

[Petkov] Yes, such views were promoted by two groups of people. The first is by the representatives of the left-wing forces. Although emphatically critical of Stalinism and so-called real socialism, some of them continue to support various utopian variants of the socialist idea. I admit that my discussions with that group were the most difficult. The second position is very interesting and deserves serious attention. Let me explain it somewhat differently, bearing in mind my own experience.

From the very first meetings, I asked myself how were people looking at me and how I felt in this new environment. Curiosity, interest, and a desire to discuss are all good. Nonetheless, I felt that the area and the country in which I live were viewed through the lens of the theory of peripheral societies. All of us know that, until recently, the world was seen as divided into three blocs: The first was the developed capitalist world, the second was that of the developing socialist world, and the third was the developing (previously colonial) countries. However, in

the views of the ordinary Americans and the theoretical awareness of a high percentage of trained specialists and theoreticians, the configuration of the contemporary world is somewhat different. It is focused on the First World countries, the United States above all. The rest is the periphery—that is, a backward province or a world that is deviating from the normal, the natural laws of social development.

As we find ourselves in a terrible economic, social, and moral crisis, we find it difficult to reject such a concept. That is why, I was occasionally told, "Be careful with the choice of a new model because not everything here is ideal." In particular, I was asked, "Could you not find a third possibility, a third way?" I tried, in that case, to be extremely clear. In arguments with the supporters of the third way, after exhausting the other arguments related to the present and Bulgaria's recent future, I usually said the following: "If there is a third way that could be modeled in advance and imposed upon society, let it be tested somewhere else—not in Eastern Europe and not by Bulgaria. We have had enough." Usually, this argument worked.

[Stefanov] Does this mean that Bulgaria's path is only one—"back to" capitalism?

[Petkov] History does not move in a straight line, either forward or backward. Furthermore, it is high time for us to realize that ideological speculations concerning a choice between capitalism and socialism are today out of place. Our people, squeezed by the difficult circumstances of the crisis, are already thinking pragmatically. They are interested in vital things: Will there be jobs, bread, housing, and so forth? I think it is high time for us to adopt the type of political philosophy that would serve us best: political pragmatism. In most general terms, this means to take the kind of steps that would be of immediate use to Bulgaria and the Bulgarian people, without having to pay any dues whatsoever to ideological prejudices. Political pragmatism also means not to nurture the illusion that, starting with today or tomorrow, we will be a totally democratic, law-governed, and so forth state. We are following the path described as normalizing. Actually, a number of clever politicians and theoreticians abroad have of late steadily repeated this concept in order to protect the people from new illusions.

Normalizing and pragmatism mean an orientation toward anything that has been tested and has proven results. For example, there is no sensible and efficient alternative to a market economy. The same applies to political pluralism. However, this specifically applies to pluralism and not to the dualism that we have today—that is, the absolute domination of political life by two huge organizations.

[Stefanov] Nonetheless, how would you define politically this trend in the development of our society?

[Petkov] Since you insist, personally, I find most suitable the social democratic platform that accepts reality as it is, such as, for example, a market economy. However, at the same time, it seeks opportunities for exercising an active and strong social policy. This is not an attempt at formulating a new utopian model but a pragmatic economic policy that encompasses the social interests of the people. Such a model truly exists. It is practiced, with some modifications, by a number of countries and is not described in the textbooks and short courses of official party publications. Among others, this approach to replacing the present socioeconomic and political system with a different one suits me also because it leaves scope for the activeness and self-attainment of the unions, considering them a constructive force representing the interests of the most significant part of society: hired labor, professionalism, and initiative-minded owners and entrepreneurs.

[Stefanov] It seems to me that, at this point, we have reached a topic that is current in our country: the discussion and implementation of the "Lukanov Program." The independent unions did not express their unreserved approval of the program. While you were away, a clash occurred in connection with the attempt on the part of the government to abandon the indexing accord. After your visit to the United States, what can you add that is new in connection with this topical problem?

[Petkov] My colleagues in both the Coordination Council and the Executive Committee acted correctly and on a principled basis, in accordance with the platforms of the confederation and the agreements concluded with the government.

To be understood absolutely clearly, let me say that we do not oppose the radical economic reform and the anticrisis program, which would be of a harsh or, as Mr. Lukanov says, a cruel nature. Remember that it was precisely we who, as early as February, steadily and persistently appealed for such a policy. There were critics who accused us of supporting shock therapy, and so forth. Nearly eight months had to pass before the political elite and the government matured enough and actually were prepared to fight the crisis and make radical reform. We lost a great deal of time. Our starting point today is lower than it was in February, not to mention November 1989 or even earlier. I am recalling these facts because there are indications of speculations concerning the position of the KNSB, including some found in publications that claim to be serious and profound. We hear an occasional hint that the unions are pulling back, that they are a conservative force and that they engage in cheap populist actions.

Let me also note that we do not oppose privatization, the restructuring of the economy, and the elimination of subsidies of almost all inefficient industries. We also realize the inevitability of mass layoffs, after matters have reached a point at which there are no markets for certain goods, there is no hard currency for investments, the economy is feeling the tremendous burden of the

foreign debt, and so forth. Our differences are related to the proclaimed intentions concerning the social protection of the people in seeking a solution to the crisis and the mechanism and practical measures that are being suggested. Furthermore, we have certain reservations concerning some elements of the philosophy of the program. We also have suggestions, constructive ones, as to how better to implement some of the principles included in that program. If we are truly a country in which life is going back to normal—that is, is becoming democratic—could we refuse the unions the right not only to categorically proclaim but also to defend their views? Obviously, we cannot!

[Stefanov] Could you be more specific? For example, what are the differences that exist in connection with social protection?

[Petkov] First, the question of indexing. I hope that, with the signing of the agreement, the essential differences have been surmounted. However, I must mention the practical aspect of this matter because a great many statements have been made, mistaken ones, concerning the unions.

Last summer, when we met with government experts, we were told that Western specialists oppose indexing. According to them, indexing will trigger hyperinflation and will eliminate the effect of the anticrisis program. Instead, targeted compensations were suggested exclusively for the socially weakest strata. We are very familiar, from our own experience of the past 10 months, with how to fight for compensations, given the lack of any skills whatsoever in conducting talks and providing guarantees that the agreements will be observed. It is one thing to fight for compensations in a country such as France and something else in a country such as Bulgaria, where the stereotypes of the decrees of the previous rulers are still fresh. When we explain those things at meetings with Western experts, they understand us.

Before leaving for the United States, I met with Mr. Richard Ran, with whom I discussed the program his team developed for Bulgaria's conversion to a market economy. I was amazed when he told me that he had the impression that the unions wanted 100-percent compensation for inflation for all groups. After I told him that we had signed an agreement for an average of 70-percent compensation, that this agreement should be reviewed, and that its purpose was to soften the first blow and not to hold the economy and the finances in a vise for three or four years, his answer was: "The percentage is acceptable."

Who is creating the view both in this country and among Western experts that the unions are asking for 100-percent compensation for everyone? Is the information supplied by government and other experts simply technically incorrect, or was there, actually, a double game being played? This is a question that is facing us, and we are not all that naive as to look for an answer in fictitious places.

[Stefanov] What are your reservations concerning the philosophy of the program?

[Petkov] Let me name two. First, the program was developed as though we had to surmount a more or less normal crisis, such as is periodically experienced by other countries. Actually, the crisis in our country could be compared only to the depression of the 1930's. Hence, the first reservation and the first lesson: Roosevelt and his group of "New Deal" advisers were able to surmount the crisis not with conventional but with nonstandard decisions. Let me mention merely the question of the alternate programs for ensuring jobs to the army of unemployed. Their purpose was to create a new economic and social infrastructure, although during a period of crisis. However, it was precisely this type of policy pursued by Roosevelt that lowered the social tension among the unemployed and created a bridgehead for the further development of production and a demand for services. As I say this, let me note that the "Lukanov Program" does not contain a single word on the nature of the social programs offered by the government for redirecting some of the laid-off manpower. To rely exclusively on the redistribution mechanisms of the market is not only naive but also dangerous.

The second aspect is that both the program and its substantiation fail to analyze and take into consideration the experience of countries such as Poland and Hungary, which undertook to make such reforms and launched a struggle against the crisis several years before us. Actually, one piece of advice that I was given in the United States was the following: Do not look exclusively at the developed Western societies. Analyze persistently the experience of other East European countries.

I would rather not expatiate any longer on such problems because, in the next few days, new discussions will be held within the confederation as well as new meetings with the government and the economic experts, about which we shall inform our members and the public.

[Stefanov] Nonetheless, could you give a conclusion based on such views that, in addition to being interesting, is also particularly relevant, bearing in mind the current situation in Bulgaria?

[Petkov] The general conclusion could be formulated as follows: Our objective is the developed democracies, and our hope is to follow in their historical path. I believe that the first part of the conclusion is clear and that the second leads us to the fact that we must not compare ourselves with the present and the future of the developed societies but must look very closely at the complex historical path they had to cover. All of these societies, including the United States, experienced many major crises, internal conflicts, and contradictions, yet found a way to surmount them. Let us learn precisely from this.

Perhaps this is precisely the way we should also look at the advice that is being given to us everywhere in the West: Help yourselves first so that we, too, can help you.

[1 Nov p 3]

Society Views Differences Not as Drama but as Wealth

[Text] [Stefanov] Professor Petkov, let us go back to the topic of American daily life. I believe that this would interest our readers. Could you briefly answer a few questions as though this were an instant survey? Which was the most beautiful place you visited?

[Petkov] The little resort town of Monterey in California. It is indescribable. One should see it in person or at least on film.

[Stefanov] What was your most unexpected encounter?

[Petkov] My encounter with Vera Bagryanova, Tsanko Bagryanov's daughter. We met in one of the little satellite towns of San Francisco, after the lecture I gave at the Commonwealth Club.

[Stefanov] What is the reaction of Bulgarians living in the United States to our present circumstances? Do they feel an empathy with Bulgaria's problems?

[Petkov] They are concerned by reports on the economic crisis in our country. Many of those people expressed the desire to help as best they could and were interested in what would be the best way to do so. It seems to me that the suggestion of creating an agency for the distribution of aid from abroad would help our well-wishers in foreign countries.

[Stefanov] What was your most optimistic experience during your stay in the United States?

[Petkov] My meetings with Bulgarian students or people pursuing specialized studies in the United States. The references I heard about them were brilliant: They were the best, the most talented, and so on. The question was, since we have talented people, why are they failing here? Once again we touch upon the system and the need to change it decisively and without any illusions.

[Stefanov] Did you have moments of uncertainty, of a mind split?

[Petkov] Naturally. When discussions are under way, the stupidest thing is to claim that one knows everything and is confident of being right. As to an internal split, here is an interesting example. In North Carolina and in the other places I visited, there would always be a colleague who said: "We envy you to be witnessing and to participate in such profound changes. This happens only once in several centuries." The split comes from the fact that this is said by people who are materially and professionally secure and is based on a comparison with our own poor situation, which is not envious in the least. However, such views remind us of a very important quality that we need particularly now: Without the feeling, even a small one, that we are engaged in a truly historical change, this change will not succeed.

[Stefanov] What made you most envious of the Americans?

[Petkov] It would be trite to mention the full shelves in the stores. The thing I most envied was their universities, and I most envied the students their libraries, their information facilities, the sports equipment at their disposal, and so forth. A university city is, essentially, a self-supporting system. Compared to the American universities, ours are primitive. We must take precise cognizance of this now because any step detrimental to education and culture as a whole, although justified on the basis of our difficult economic situation, would violate the interests of the country and be felt in the immediate future.

[Stefanov] Who was the wisest man you met?

[Petkov] Professor Alex Inkels of the Hoover Institute. This was our second meeting; he had visited the Sociology Institute two years ago. This time we discussed extensively the situation in Eastern Europe. I was amazed at his sober and pragmatic approach to changes in our country, lacking any ideological slant whatsoever. As a sociologist and social psychologist, he is well aware of the fact that such a dramatic change is neither fast nor easy, nor occurring without great upheaval. He said: "We must not impose our model of development but help the institutional development of your new democratic system." He also pointed out that neither ordinary people nor professionals should be deprived of the opportunity to work under the new conditions. He also gave me an example that illustrates his view. Professor Inkels recently visited an East European country. In speaking with a colleague, he realized that the institute his colleague had headed had been closed down because, in the past, it had also trained cadres for the *nomenklatura*. Professor Inkels asked to see, together with his colleague, the minister who had decided to close down the institute and to explain to him that it was extremely unreasonable to close down an institution that employed trained people, and that had an infrastructure and the desire to work. He asked him who would train cadres under the new conditions. The minister's answer was: "I have already settled this matter. I have invited a group of French experts who will train the new high-level managers who, in turn, will train others." Professor Inkels's comment was: "The minister was very stupid. If bureaucrats become involved in self-training, there will be no one to work in his ministry. Second, why precisely French experts, when it is a known fact, based on studies made by French scientists, that the problems of the French bureaucratic system are numerous? Finally, why force specialists of a major institute to turn into opponents of the new democratic system?" This story, as you may see, is quite instructive for us because there are those who view the question of guilt as one of total persecution of anyone who had committed the "sin" of living and working under the conditions of the totalitarian system.

[Stefanov] What was your strongest emotional experience? What has remained imprinted in your mind?

[Petkov] The hands of a farmer near the city of Turlock, in California. While he was telling us about his life, I was looking at the palms of his hands, which were huge and cracked from hard work. This man had raised and educated five children. He was now the head of a prosperous company and had enough funds to purchase real estate along the coast, but, despite this, to this day, as in the past, he worked from dawn to dusk. No wealth, either private or public, can be acquired without work.

[Stefanov] Actually, who were your hosts?

[Petkov] I had the fortunate advantage of being the guest of American families and to live in their homes, with the exception of no more than a few days during which I stayed in hotels. My hosts were university professors in the States of North Carolina, New York, and Michigan; a politician who was running for the Senate, from the Republican Party, in Michigan; a psychotherapist and a farmer in California; and graduate students in Washington. These are people who consider themselves the middle class or are believed to be slightly below that social group.

The long hours I spent in conversation with my colleagues, their families, and their friends and relatives enabled me to look at American society from a very interesting angle—from the position of the family, the small group within which Americans live and with which they identify themselves.

[Stefanov] What affects these people?

[Petkov] Like anywhere else in the world, in the United States the family is concerned with entirely pragmatic matters: jobs and the education of children, prices of heating oil and gasoline, the next increase in taxes, and the crisis in the Middle East. As is the case with all normal—that is, democratic—societies, the views of the people do not always coincide with those of officialdom. However, that which makes a democratic society normal and humane is the fact that differences are not dramatized and, as I was able to see, do not turn into reasons for harassing and penalizing others. Public opinion surveys, for example, are not only published regularly but are also subject to a lively and responsible interpretation as a serious indicator of what the people think and what they expect of their politicians. A politician or a party that scorns the moods of its electorate cannot expect anything good in a developed democratic society. For example, the fact that a number of congressmen from the Republican Party had somewhat different positions compared to those of the President on the matter of the budget and taxes was indicative. They well knew that there would soon be elections and that they would be judged harshly with the ballots of their electorate.

[Stefanov] What was your greatest impression from the country and its people?

[Petkov] It would be inaccurate to say that this is an ordinary country. The United States is rather a country-continent. Hence, my strongest impression was the tremendous variety in styles, tastes, convictions, and preferences of the people who live there. California, for example, is an incredible concentration of a variety of national and ethnic groups. I had the feeling that national groups from all countries that are members of the United Nations were represented there. Democracy alone is the mechanism that can turn such a variety into a community of citizens of a single country.

The ordinary Americans are open, direct, easy to make friends with, and exceptionally kind. The version of arrogance and even brutality of Americans, carefully nurtured in the past by our ideological institutions, cannot withstand even a simple practical test. Naturally, there are exceptions, but such exceptions exist throughout the world.

[Stefanov] The concept and the available information about American society is that it is prosperous. What is the secret of this prosperity?

[Petkov] It is difficult within a single month to learn everything in detail. I have summed up, for my own sake, a few things that, it seems to me, characterize American society as a social organism:

First, the variety of forms of economic, social, and cultural life. This becomes particularly clear in the social area, in the services offered to the citizen and his family. Variety presumes competition and, at the same time, puts the citizens in a favorable and an active situation.

Second, the possibility of choice of education, services, and, in frequent cases, jobs, and so forth. This possibility is based on the existing variety and, at the same time, is proof that the Americans are truly free citizens.

Third, the dynamics, the constant dynamism of social life. There is constant experimentation with new ideas about business, services, management, and so forth. Such dynamism is related to change, but change, as was aptly expressed by Mrs. Weinstein (my guide in Detroit), does not frighten the American. He knows that it bears a risk but that it also provides an opportunity for success.

Fourth, the self-esteem of the people and of the nation as a whole. This is backed by the prosperity of the society but is also the result of a constant struggle by everyone to prove himself in the area in which he works, to keep his job, to earn more, and to have a successful professional career.

[Stefanov] Could you give us a few examples in support of these assertions?

[Petkov] For example, there is a striking variety of universities and, in general, of educational institutions. In addition to the traditional and leading universities,

there is a huge network of their branches or autonomous small universities and colleges covering virtually the entire country. Business schools are becoming very popular. Great prestige is enjoyed by private universities and schools. There is something for everyone, naturally depending on income as well. Tuition in the best private colleges has already reached \$20,000-\$25,000 annually. However, a student with more modest possibilities could be given a scholarship by the government or a foundation in order to enroll in such a college, provided that he has the talent and the courage to take this path. Many young people take the risk of obtaining higher training with bank loans. Naturally, the funds must be repaid. Those who are not all that ambitious prefer enrolling in a state university or college.

Attending one educational institution or another is, actually, a major part of the strategy of the American family and the young person. Usually, before entering a university, the family makes a serious study of the possibilities of the individual universities, the obligations that will be assumed, and the prospects that will become available to the young person. Finally, a choice is made, taking into consideration all circumstances, including financial.

Let me also describe a seemingly insignificant incident that gave me practical proof of what the dynamics and high social organization of daily life mean. I was traveling with a colleague in his car to Cornell University for my lecture. An unpleasant incident happened on the way. Our car was hit, luckily not very seriously, by a heavy truck. The two drivers remained cool. There were no insults or reciprocal charges. Five minutes after the accident, representatives of the company that owned the truck arrived on the spot. Meanwhile, my colleague, who was driving, telephoned the police, the owner of the garage in the little town where he lived, and his wife, asking her to come with their other car so that we could go on. After 10 minutes, commercial road help appeared. I asked who had summoned it. My colleague answered that the driver probably had been listening to the highway police on his own radio telephone and was trying to get there before his competition to offer his services. My colleague declined, saying that he preferred the assistance of his own road service company, with which he had dealt for quite some time. After 20 minutes, the police arrived, and 10 minutes after that, the owner of the road service company. After 50 minutes, the report was written up and signed and we were on our way.

Let us ask ourselves how much time, nerves, and money such an incident would have cost a Bulgarian citizen. By maximally facilitating the actions of its citizens in such situations, Western society encourages their high professional activeness and total dedication to business and to their profession. As this example illustrates, the state does not take care of everything. The individual is not absolutely dependent on bureaucratic institutions. There are variety, options, and dynamics. That is how the

feeling develops that one lives in a country where maximal efforts to serve the individual are made. With such practices, the ideological slogan "Everything for the Sake of Man" becomes unnecessary.

[Stefanov] How do Americans react when problems arise? How do they approach them?

[Petkov] One problem that is currently worrying Americans is the oil crisis. The price of gasoline has gone up and, while I was there, reached \$1.40 per gallon. I was impressed by the fact that both on television and in the press there were constant comments on the link between price increases and the Middle East crisis. Forecasts and other information were provided daily. In other words, there is first publicity and a constant flow of information and special telecasts with discussions on the way the oil crisis is affecting business, and then the possible options to solve the problem.

Finally, it is again television that takes up the topic of how much the Americans spend on gasoline and whether other, economical means of transportation could be used. It was interesting to watch an interview with a bicycle salesman. He was advertising his business, but, at the same time, the program was describing the way in which other countries make use of this efficient and healthy mode of transportation. The solution is not to avoid the problem, which is taken up immediately. Solutions are sought and unfailingly linked to daily life, to the life of the individual.

Another quite characteristic example is that of the mass unemployment in Michigan that appeared at the beginning of the 1980's. We know that the major automobile-manufacturing plants of Ford, General Motors, and Chrysler are concentrated in that area. The energy crisis in the 1970's and the competition provided by Japanese businesses led to a massive loss of jobs. According to official data, at the start of the 1980's the unemployment rate was 17 percent; according to unofficial data, it was about 30 percent. Urgent measures were immediately taken by the state government. Special programs were drawn up to provide jobs in small and medium-sized private businesses and to retrain and redirect manpower. A number of communities joined efforts to influence through economic means the destabilization of employment. I visited a center set up by these communities near Detroit. It included an agency for economic development (keeping in touch with businesses and encouraging investments in new jobs), an agency to help the unemployed, an agency to assist the career and professional development of the unemployed, and so on.

Added to these are the efforts of the unions and, finally, federal aid. In 10 years, the unemployment level was reduced to 6 percent—that is, only half of 1 percent over the official figure for the country.

As one may see, the problem is solved through the initiative and the combined efforts of various interested institutions rather than by pitting some against others and engaging in reciprocal accusations.

[2 Nov pp 1, 3]

The New Syndicalism Is Not Based on Lies

[Text] [Stefanov] Professor Petkov, you mentioned that, in the course of your visit to the United States, you also discussed the unions. Where did you obtain the most valuable information and advice?

[Petkov] I obtained them from specialized research teams on labor (industrial) relations at Cornell University, the university and Quality of Working Life Center at Berkeley, and elsewhere. Particularly interesting and useful were the comments made by specialists on the history of the labor and union movements. For example, when we addressed the question of the process of disbanding the unions in our country, on the basis of branch and professional features, they said: We have already gone through this during such and such a period. In discussing the politization of the unions and their ties to the parties, once again the historians were the most useful. In considering the advantages and shortcomings of locking unions within corporations and the struggle for higher wages and the nature of the contemporary trade union movement in America, these specialists were categorical in their recommendations: Look at our own history, and learn from contemporary European union models.

[Stefanov] Did you hold meetings with trade union leaders?

[Petkov] A few. Above all, with representatives of unions in the so-called social sector. Because my visit was of a private and scientific nature, no advance requests were submitted by our center to hold official meetings.

Your question, however, leads me to mention one case of intolerance, to say the least, on the part of the Podkrepa Labor Confederation concerning my trip. That leadership provided disinformation to the AFL-CIO (the American trade union center) concerning the KNSB, its leadership, and me personally. With this step, Mr. Trenchev and some of his assistants hoped to discredit me not only in the eyes of the American trade unions but also among the broader public and the official institutions. Podkrepa's propaganda shots, however, did not hit their target. As I already said, to begin with, we did not request any official meetings with the AFL-CIO. Nonetheless, discussions were held with union leaders in the States of New York, California, and Washington. This was yet another demonstration of the dishonest double game played by some Podkrepa leaders on the international level concerning our confederation.

[Stefanov] You mentioned disinformation. Could you be more specific?

[Petkov] Here is a letter that was addressed by the AFL-CIO leadership to the trade unions in some states, forbidding them to meet with me. The letter includes some details about the KNSB and me; its author is well known. Podkrepa's president, himself, has repeatedly

said of late that he has submitted information wherever and to whomever this was necessary.

What are the "accusations"?

First, the letter indicates that the KNSB leadership still includes people from the previous trade unions who had played a repressive role under the Todor Zhivkov regime. It is a well-known fact that the Executive Committee consists of new people who did not hold any paid leading positions in the previous trade unions. Our Executive Committee is a combination of scientist-intellectuals, experts, and people who came directly from plants and municipalities. Furthermore, it is a well-known fact that the political coloring of the members of the leadership is quite variegated. Most of them have no party affiliation. We also have members belonging to four parties, including the opposition (this interview was recorded prior to the decision made by the KNSB Executive Committee on the depolitization of its membership).

Having become fed up with such insinuations, I would like to ask the following: Does Podkrepa know what was precisely the role, let us say, of scientific workers within the trade union system and, in more general terms, in the system of labor relations?

Let me recall some facts. As early as 1976, the leadership of the trade union institute, headed by Professor Zakhari Staykov, was replaced. The charges against it, formulated by General Misho Mishev, former chairman of the official trade unions, were as follows: "class errors and the preaching of bourgeois theories." The charge against the institute was that it had become sociologized! Between 1976 and 1982, sociology in the trade unions was considered a bourgeois science (actually, no conservative or totalitarian regime likes sociology). Subsequently, between 1982 and 1986, the trade union institute became completely involved in the establishment of, and experimentation with, new labor legislation. The idea of direct industrial democracy and providing even minimal opportunity for the workers to have a say in the choice of managers and setting wages became the center of the institute's research. Such experiments were described at that time as self-governing romanticism. The effect of the Labor Code was blocked by a political decision. I still recall what I was told by Grisha Filipov in the 1986-87 winter: "Listen, the party will not allow anyone to share in its power in enterprises, even the trade unions."

The experiment failed. It had no chance of surviving in a politically hostile environment. However, the roots of industrial democracy, although fragile, remain alive. I remember how frequently it was precisely the self-government structures that were used in the strikes since last January. One of the questions I am most frequently asked in meeting with labor collectives now is: "Will the new legislation retain a form of participation of workers in management?"

However uncomfortable one may feel in mentioning such things today, another fact must be mentioned. In the summer of 1987, while at work on a book written jointly with Professor John Turkel of Canterbury University in England, I wrote a historical-sociological study on the Leninist (bolshevik) model of trade unions. The conclusion contained in that study was: "The classical model of the trade unions was replaced by the Bolshevik Party as early as the start of the 1920's. The Leninist-Stalinist type of trade unions cannot be renovated without changing the model as a whole. The real function of the trade unions is to defend the social and labor interests of the people. The rest is decorative."

When I returned from England, I submitted this work to the then leadership of the trade unions, and a broad discussion was held at the institute over a three-day period. The minutes of this discussion have been preserved to this day. They exceed 500 pages. Part of the report was published (to this day it has not been published in full in the Bulgarian language). This triggered an extremely negative reaction on the part of the then trade union leadership, a criticism of the institute for one-sidedness and for anticipation and misleading trade union cadres. It became clear that I could not break this wall with my head, for which reason a few months later I submitted my resignation and left the institute.

It is my assumption that many people are currently impressed by the consistency and competence of the leadership of the new KNSB. This is due, among other things, to the fact that we had been preparing ourselves for the present for some time. These are some of the facts of "taking part in the repressions." I regret that I have been forced to resort to the history of the recent past.

The second accusation is that the KNSB strictly follows the line of the government and the Bulgarian Socialist Party. It is absurd even to mention this, particularly for the last couple of months. I would assume that the Podkrepa leadership is familiar with the criticism addressed at the KNSB for having broken with the Socialist Party, which was recently published in the press. Other facts exist, as well, proving that our independence from the Socialist Party is not a facade, is not a play on words.

As to relations with the government, the question arises whether, during all those months of dialogue as well as rather sharp clashes with the previous and present government headed by Mr. Lukanov, we were engaged in a theatrical performance. We should have been brilliant and quite enduring actors to be able to mislead the Bulgarian public.

Finally, there is a simply ridiculous charge that the trial of Mr. Trenchev was due to the fact that the Podkrepa Labor Confederation had been unwilling to join our confederation. When I heard this I was truly amused.

Let me point out that our confederation pressured the government to accelerate Dr. Trenchev's departure for Vienna. As to whether he was forbidden to do so, the

matter was entirely clarified in the statement made by the spokesman for the president of the Republic, Dr. Zhelyu Zhelev, on the Trenchev case. It clearly stated that Dr. Trenchev is trying "to earn political dividends at the expense of Bulgaria's national interests." In his statement, the spokesman for the president clearly described the behavior of the leader of the Podkrepa Labor Confederation on this matter, and I deem it unnecessary to repeat it.

[Stefanov] Actually, what do you think is Podkrepa's objective with such actions?

[Petkov] It has become clear for a number of months that the KNSB, which was created in February, has become the basic and the most influential organization, rallying more than 3 million members. We have some problems, mostly that of surmounting the passive and, in some cases, even active opposition on the part of trade union personalities who have still not realized that the previous system, which had made them toothless and obedient, is disappearing forever. Such people are pursuing a short-sighted policy, not realizing that the workers themselves will not tolerate them in their present positions for long. These are exceptions. As a whole and particularly on the national level, we have charted an entirely new course toward free and democratic unions that are able to defend the interests of their members and have the strength to do so. Our competitors, our colleagues from Podkrepa, can see this, and, because their chances of supremacy within the country have melted away, they are trying to discredit us abroad.

However, it is one thing to criticize the shortcomings of an organization and something else to resort to obvious lies. As the facts I pointed out make clear, these lies are not only obvious but also deliberate. On that subject I would like to say the following: The new democrats, with whom the Podkrepa leadership aligns itself, should well remember that a policy based on a lie (although repeated thousands of times but still a lie) has no future. This has been confirmed by the more recent and more distant historical past.

As for efforts to discredit us internationally, Podkrepa was only partially successful with organizations that were inclined to believe it for lack of information about the KNSB. Let me point out that the KNSB was accepted by the newly established East European Forum of the European Trade Union Confederation (along with Podkrepa), which proves that our new radical reformist policy is being positively assessed. The fact that we were accepted by this forum was confirmed also in the course of our meeting in London with Norman Willis, the president of the British Trade Unions Congress, on my return from the United States.

[Stefanov] Those are strong words. Do you not fear that this may lead to a break with the Podkrepa Labor Confederation?

[Petkov] We favor tolerant competition. This is in the interest of our working people. As I point out such facts,

I have no ulterior motives. However, as was confirmed by the open letter we addressed to Podkrepa's leadership, we do not intend to remain silent, and we shall expose all of its attempts to develop relations with us on the basis of a double standard and to resort to lies.

Furthermore, here it is a question of conflicts between leaderships, and I am convinced that the Podkrepa organizations, with which we are cooperating well, will not be influenced by our public dispute.

We need interaction precisely now. This is more important and stands above personal relations. The press conference that was held last Saturday clearly indicated how the cause of the unions can be defended by both organizations. I hope that such will be the case in the future as well.

[Stefanov] A few months ago, on the occasion of the KNSB memorandum, it was said that you were pursuing personal political objectives. Do you personally have political ambitions?

[Petkov] Naturally, I do. My ambition is that, together with my colleagues in the Executive Committee and the Coordination Council, we lay the foundations of a new unionism in Bulgaria.

[Stefanov] What do you mean by a new unionism?

[Petkov] First, reviving the original, the strongest aspects and traditions of the Bulgarian trade union movement and not the mechanical duplication of foreign models.

This is to be followed by a categorical orientation toward social-reformist trade unions that, until recently, were considered hostile to the "class-revolutionary" trade union movement. This means acting within the system of social partnership with the government and the employers. The most important mechanism in this system is that of collective talks. Strikes, yes, but as an exception, only as an extreme measure.

Then, not divided corporate unions but a national center, with its branches in the various sectors and professions and areas, as well as a strong presence in the leading democratic institutions in the country.

Once the foundations and the structure of such a new union organization have been laid and are quite strong, my political ambition will have been achieved.

[Stefanov] A final question. In our country, interest in the unions is growing but, at the same time, so is criticism of them. I have the feeling that such criticism is quite widespread. What do you think of it?

[Petkov] Last summer, when we encountered the initial manifestations of criticism and even the hostility of political forces represented in parliament, we asked ourselves why this was. I recall that at that time I told my colleagues in the Executive Committee: Do not be shy, there is nothing original in such a position. Throughout

the world, whenever the unions raise their heads and openly formulate the demands of their members, they become targets of criticism.

However, this question has another, a more profound side. It pertains to the process of democratization in Bulgaria and the model of political life that will be applied in the future. There is no such thing as a "pure and holy parliamentary republic" in the world; an elected political democracy in itself is not enough. We must have, outside of parliament and outside of political elections and biases, other democratic institutions and movements. This includes independent unions. We do not represent private interests of a small separate group within society but the interests of hired labor. In Bulgaria, hired labor accounts for 98 percent of people employed. Adding their families, you can see what a broad social base we have. Intelligent politicians should ask themselves the following: What do we gain from a confrontation with the unions?

Actually, there also are many politicians, experts, and businessmen in the developed world who are interested in Bulgaria's situation and frequently visit our confederation, seeking our views and trying to anticipate our actions.

In the present dramatic and difficult period experienced by Bulgaria, the independent unions are present on the political scene, as well. We remain a responsible and constructive force. This is no longer an intention but a fact.

Character, Role of Trade Union Confederation

91BA0154A Sofia DUMA in Bulgarian 30 Nov 90 p 4

[Article by Maria Sotirova: "Crisis in the Labor Unions Today, Labor Unions in Crisis Tomorrow"]

[Text] After everyone who has dared to think in a different way from the KNSB [Confederation of Independent Labor Unions in Bulgaria] has been accused unconditionally of conservatism both in writing and orally, one is tempted with the pleasure of putting on oneself the latest labor union label.

In this case, however, unfounded descriptions are useless. A realistic but also lateral look at labor unions through the prism of our political situation, and especially of the coming economic reform, is needed.

The Political Situation and the Labor Union Crisis

The rapidly spreading confidence crisis in the independent labor unions regarding the leadership's position on the coalition government dominated by the SDS [Union of Democratic Forces] is not a chance phenomenon. This explosion took months to come to a head. The only thing needed was a reason. And it was not delayed. Maybe not everyone can see the reasons, but, in a short period of time, the activities of the confederation and, especially, the syndical behavior of its leadership, were marked by a

lot of contradictions, paradoxes, and even absurdities, which sooner or later could not avoid getting a spontaneous negative reaction from labor union members. This is not the place for detailed analysis, and, so, only the most striking contradictions will be pointed out here.

—The labor unions took the role of a politically neutral organization under conditions of sharp polarization in society. At a time when the system is being changed, it is impossible for labor unions to remain aristocratically aloof in this process. By acting this way, they are simply depriving themselves of their right to exist tomorrow. Besides, nothing can be done in the economic and social areas until the political system is made to work. With their political neutrality so far, the labor unions have missed the historical opportunity to incorporate the identity of their organization into the development of changes. Of course, the members of the confederation of labor unions made their political choices without the labor unions, but it was the labor unions that lost from this; they placed themselves in the position of outsiders to preserve their fragile syndical unity. They placed their organizational interests above all.

—To take advantage of the times labor unions later became politicized in a way contrary to the political leanings of a principal part of the membership. For the first time, the confederation's leadership took a clear political position regarding the political crisis that had developed. Whether this decision was advisable is another matter. In the case of the labor unions, the conflict, which spontaneously inflamed the confederation, is important. The acuteness of the conflict remains, while suspicion, mistrust, and maybe even the tendency of many people and even organizations to reconsider their memberships, are increasing. Of course, the negative effect could have been corrected if everything had gone according to the rules of the game. Perhaps there is another reason for the labor unions' position, but its announcement should hardly have been made in this way.

The confederation's leadership should not ignore another circumstance. Within its political structure, members are not subordinate to the labor unions. This is why the attitude of the leadership toward the government, and later toward parliament, is more personal rather than representative. The leaders identify themselves with it and not with the whole organization.

—The vows to revive the democratic nature of labor unions and the democratic structure of the organization are in conflict with the authoritarian—with hints of totalitarian—style of leadership. It is written in the bylaws of the newly formed confederation that the activities of labor unions are independent from political parties, state institutions, and so on. They depend only on the will of their union members. In practice, however, especially in critical situations, they act in exactly the opposite way. Before, the Bulgarian Communist Party dictated the behavior of trade unions by

giving them various production initiatives. Now the SDS urges the confederation's leaders to participate in political initiatives. They [the political initiatives] are undertaken by one person, then announced publicly, and afterwards the labor union formula is sought. What is more, the Coordination Council, which is the highest body, gets the "honor" of having the last word. Or, as it turns out, leaving the iron embrace of the Communist Party means a reception with open arms by the SDS.

Because of the crisis situation that has developed, making the labor unions' attitude and activities public is inevitable. In this case, however, there is another aspect to the issue. The position [of the labor unions] should be their own and not an imposed one; it should reflect the will of the labor union members and not that of the leadership.

What happened was that, in spite of people's unrest, no mechanism was found to get union members to seek a solution. In the end, the decision, even though supported by the KNSB Coordination Council, still remains a drawing room pastime, and hardly anyone can say convincingly what and whose interests it represents.

—In spite of politicization of public relations, depoliticization or deparitization is being undertaken by labor activists and staff. In the context of historical tradition and logic of the labor movement's nature and significance, the depoliticization initiative of labor union staff can be assessed as a paradox bordering on the absurd. For hundreds of years now all over the world, labor unions have opposed political discrimination in their bylaws and in practice. This condition is included in the KNSB bylaws. But, in the name of "great deeds," now as before, all kinds of political speculations have been carried out. Now, when everyone has the right to free political choice, it is paradoxical to vest depoliticization with labor union decisions. It is intolerable for labor unions themselves to violate the International Charter on Human Rights. This complicated juggling is hardly necessary because the purpose of the action that has been undertaken is transparent: the elimination of socialist labor unions from the leadership. From here on, they [the socialist labor unions] get the role of members, whose only rights and duties are to pay membership dues.

—Contrary to all political and public organizations that have totalitarian pasts but have survived on the present political scene, it seems that only the labor unions have remained intact, all the way down to the base, at that. In a number of places, union membership is a question of habit. The production principle continues to be number one with primary organizations, regardless of the declared support for the labor movement. Quite often, to demonstrate that they are ready to fight, they imitate the KT [Labor Confederation] Podkrepa rather than take into consideration the psychology and work habits of the confederation's members and in this way find specific forms of

exerting pressure. Under the veil of pseudoradicalism, a significant part of the middle *nomenklatura* guard has settled comfortably and is now implementing any decisions made and so forth, with diligent obedience. For a number of labor activists, "radicalism" begins and ends with anticommunist statements.

Other contradictions, both substantive and organizational, can be pointed out, but the above mentioned are sufficient to explain the contradictory line followed by the KNSB leadership. So far there is no logic whatsoever. They were for a coalition government but called it a working government to distance themselves from the BSP [Bulgarian Socialist Party], which insisted on a coalition. Afterwards, they declared their support for a government dominated by the SDS. Now they want to dissolve parliament and set up an official cabinet regardless of the fact that the Constitution offers no such possibility. In the end, they rejected that, too, and supported a general strike. With such rapid change of events, even the mass communications media could not understand the meaning of the position being defended. It turns out that laws are not important to the labor unions, but rather the principle of "revolutionary expedience" is what matters. The independence of the organization is not important; what is more important to the leadership is for the labor unions not to lose their support from the government—they are always hand in hand with any political force as long as it is in power.

The logical question arises: Why did we get to this? The reasons are genetic and, on this basis, behavioral as well. On the one hand, the incompleteness of the political plan in the bylaws permits anyone at the steering wheel of the KNSB to "operate" the organization according to his own views and interests. On the other, there are no deterrents to or guarantees against behavior contrary to the bylaws. Now, when the totalitarian system is being torn down, when political pluralism is a reality, labor unions have remained outside political relations. In some cases, this is an advantage, but in others (considering the absence of political orientation defined in the bylaws) it has become possible to carry out some political "acrobatics" that the members are unable to control. With the present bylaws, anyone can manipulate the labor unions anyway he likes. This situation should be discussed very seriously by the union members, and the necessary corrections should be implemented as soon as possible with and after a general consensus, of course.

The crises in the labor unions, considering the acute political tension, are inevitable but surmountable. However, the crisis in the labor unions originating from the economic reform will turn out to be insurmountable.

Economic Reform and the Labor Union Crisis

The political situation has created a threat to the unity of the independent labor unions, but the economic reform that is being implemented in our country threatens the future of labor unions, as well. Swept along by the general tide, labor unions have involved themselves in

the political competition of passing judgment on government reform, and chanting the common refrain that there is no other alternative. This is clear, but if there is no other alternative economic reform, why don't the labor unions look at it from the position of their own survival? If it is necessary to judge political reform, then it is much more necessary for labor unions to evaluate themselves in light of the [possible] fate of labor unions after this reform.

In this case, it is impossible to say anything regarding the reform because there is no access to it. The mass communications media have not made it popular yet. This is why the accent is on the self-evaluation of labor unions—because it is possible, including on the basis of generally known trends in the reform.

- The antilabor nature of reform's very substance cannot be ignored. Privatization, which has started in trade, tourism, and services, will make small businesses the dominating form of ownership in these areas, and the dominating form of management and work organization will be the family or [small] group. This process in itself is a deadly blow to the labor union movement. Whole federations and unions can be expected to disappear from the labor union mosaic, from "the confederation's list." Their resurrection is inevitable, but this will be a question of the distant future and will depend on the capitalization processes.
- Agriculture is another area that will be deunionized. To various levels and depending on land law, the labor movement was artificially imposed on the peasants in the past, but, from now on, with the development of the farm and the cooperative movement in their true form, the social status of the thousands of agricultural workers will be different.
- The introduction of foreign investments in our country is another process that will be encouraged in every way. It is possible to have various legal prohibitions or economic demotivating mechanisms on union membership. Oh well, maybe there will be unions in the joint firms and enterprises, but their activities will be far from what the people want.
- The organizational restructuring of the economy and, more specifically, the demonopolization of gigantic economic units and the trend toward small and flexible enterprises is another situation that, even though it has organizational dimensions, will greatly influence—and in a negative way, at that—the organized labor movement. This also is one of the reasons, as pointed out by specialists, for the crisis of the labor movement in France in the eighties, the time of reforms there.
- Last but not least, the labor union crisis will occur because of people's disappointment with their [the labor unions'] inability to defend their interests. There is no other solution; the working people will survive the economic crisis, and this will greatly demotivate them to join labor unions.

Considering all these conditions, the dilemma regarding the labor unions' future has emerged strongly. Our society will pay a high social price for implementing economic reform under the conditions of economic crisis. To soften the blow, labor unions can contribute not only with social protection of workers' interests, but also if they organize economic activities with strict social purpose and motive: job training for the unemployed and other activities.

The issue is not to develop economic activities to support the apparatus, as stated at the special congress of the BPS [Bulgarian Trade Unions], but the opposite. The apparatus must depend financially on membership. Not even a single lev should be deviated to support the apparatus. If this activity succeeds, it should acquire great social funds.

These thoughts could provoke some negative reactions, but now it is more important to pay attention to threats rather than applaud small, short-term victories.

In conclusion, I will allow myself to soothe the stirred consciences of thousands of union members who either participated or did not participate in the demonstration in front of the KNSB building. They are calling you "red extremists," even though you chanted something else: "We are builders, not destroyers," and "This home is ours."

Your home is now intensely guarded from you. The camera with which they photographed you was bought with membership dues you paid with great sacrifice. You should not be offended by reproaches. Your chants were also offensive. Calm down and think. These labor unions are yours. Your organizations are autonomous. You can carry out any union activities you need. But don't divide the labor movement anymore! You have the tools to change the confederation. The labor bodies of the organizations under the confederation depend on you, not you on them.

To the initiators of the Edinstvo [Unity] Trade Union, I would say not to carry out hasty provocations and form primitive labor structures. The Socialist Youth Union will hardly be able to succeed with this mission, and it isn't its job to do this. A modern and new trade union can be formed, but it is very difficult. It has been a year now that KT Podkrepa has been unable to form working organizations in the enterprises. There is another alternative now, and it is unity in the labor movement. The political passions of union members and leaders will subside. Your interests, however, will remain eternal and difficult to defend.

Government, Unions Sign Social Peace Agreement
91BA0206A Sofia TRUD in Bulgarian 9 Jan 91 pp 1-2

[Report: "Agreement on the Preservation of Social Peace"]

[Text] For the sake of preserving social peace in the country and taking the first steps to lead the country out of its state of crisis, and considering the danger of the collapse of the Bulgarian economy, the government, the Confederation of Independent Trade Unions in Bulgaria, the Podkrepa Labor Confederation, the National Union of Economic Managers in Bulgaria, the Vuzrazhdane Bulgarian Union of Private Producers, the Union for Civic Economic Initiative, the Union of Labor-Production Cooperatives, the Central Cooperative Union, and the Bulgarian Economic Chamber reached the following basic agreement valid until the end of July 1991:

1. In January 1991, the basic interest rate in the country will be increased in two stages. In the first stage, two weeks before the liberalization of prices, the basic interest rate, including that paid on deposits, will be raised to 15 percent annually. During the second stage, there will be a conversion to a "floating" interest rate (including the one paid on deposits), based on market conditions.

Following discussions with the trade unions and employers, by the end of January 1991 the government will initiate legislation to protect loans and deposits under the new interest policy. The debts of companies and enterprises incurred from bank loans will be converted, and each debt will be discussed separately by the contracting parties, concerning payment deadlines and other conditions. After a decision has been made by the Grand National Assembly, the repayment terms will be recomputed, including the interest, based on the balance owed by the population, and an adequate period of time will be provided for any eventual prepayment of the debt (the time will be determined by the State Savings Bank, based on the possibility of its offices serving all citizens who would like to repay their loans).

2. Following discussions with employers and trade unions, the government will set a new level of minimum wages in a ratio of 0.7 of the social minimum, based on the "consumer basket," which includes some 600 items, in accordance with current prices. The new minimum wage will be applied simultaneously with the price increases. By the end of January 1991, a specific system will be adopted for adapting wages to changes in the cost of living, compensating, on the average, for about 70 percent of price increases. By the end of January 1991 we must create and, by 1 June 1991, apply a system for controlling wage funds and converting to wage contracts based on the new collective labor contracts.

On the basis of talks with employers and trade unions, by the end of January 1991 the government must adopt a system for pension and other compensations, monthly supplements for children, aid for temporary disability and unemployment, and social assistance related to increases in the cost of living. Until then the current mechanism will apply.

3. By the end of January 1991, the government will draft a package of documents concerning the minimum social protection of the population (minimum wage, minimum pensions, absorption of some of the increased interest rate on

housing loans for the socially weak, compensation increase in pensions, and so forth), introducing the corresponding changes in the Labor Code and other legal acts. Work will be accelerated to organize efficient institutions on the labor market and drastically energize activities for the retraining of some of the released manpower. The signing of regional and sectorial agreements for a less painful reaction to reductions in production and management will be encouraged.

The government, the employers, and the unions agree to discuss and apply, on the basis of a specific working-time minimum, a system for its flexible control. The parties will discuss and suggest measures for the introduction of flexible and alternate employment, which would include the opening of new jobs and changes in working-time schedules.

The parties agree to review before the end of January 1991 labor and social legislation and to submit proposals on improving the efficiency of the procedures for reducing the number of employed people, under the conditions of a collective labor contracting. The parties commit themselves to the formulation and submission of a new legal base for the registration of the unemployed and their social insurance.

4. By 31 January 1991, the government will make a decision on price liberalization, with the exception of seven items listed in Section 1 of the Tax Law, the turnover tax (electric power, thermal energy, motor vehicle fuel, diesel fuel, boiler fuel, propane-butane gas, and coal). The prices of 14 other items (flour of the "500" type, white, Dobrudzha bread, Stara Zagora bread, meat with bones, sour and fresh cow milk, cheese, Vitosha kasseri cheese, crystallized sugar, sunflower seed oil, macaroni and spaghetti, and rates per passenger-km in rail, interurban, and urban transportation) will remain under observation and preventive government control.

5. Following the liberalization of prices and changes in the interest rate, the foreign exchange rate of the leva will be liberalized; in the first stage, an interbank foreign exchange rate will be applied.

6. Along the line of agreements on the state level, the government will ensure the functioning of vitally important economic activities through the more stable procurements to the country in 1991 of the minimally necessary imported fuels and raw materials (petroleum, cotton, timber, iron ore, and paper); the amounts will be not below the critical levels. Under such circumstances, it would be admissible to terminate the activities of individual enterprises for lack of profitability and markets. The reasons for closing down unprofitable enterprises must be made public.

7. The government will accelerate the implementation of the initial stage of privatization. The passing of the laws in this area (Law on the Sale of State Property, Law on a State Property Agency, and so forth) will definitively regulate the privatization of projects in all economic areas. The laws will make it possible for people employed on the basis of basic labor contracts to purchase stock at nominal value, up to 20 percent of the value of the projects in which they are employed, and to be granted

easy credit to this effect (long-term loans at below-market interest rates and with no payments for the first five years). In coordination with the trade unions, the government will draft a law governing the principles for concluding, on a competitive basis, managerial and leasing contracts with future managers of economic enterprises with more than 50-percent state ownership. The funds obtained from the privatization will be essentially used to repay domestic state loans. Part of the funds may be used to add to the social funds or to measures for opening new jobs in accordance with the 1991 State Budget Law. Steps will be taken to promote the autonomy and improve the management and financial conditions of state and municipal companies and enterprises.

8. A limited state budget deficit not to exceed 4.5-5.0 percent of the national income will be allowed in order to ensure a smooth transition to a balanced budget, limit high unemployment, and liberalize the foreign exchange system and foreign trade relations. At the same time, a flexible system of financing expenditures, based on price changes, will be applied.

9. The 1991 budget will give priority to vitally important areas of social activities. In determining specific budget expenditures, we shall proceed on the basis of "zero" budget financing. Funds for health care and education will be such as to preserve the possibility of these systems to perform their social functions. Expenditures for the remaining sectors in the nonproduction area shall be defined on the basis of their minimum level in accordance with existing laws. Proposals will be drafted for restricting and limiting budgetary expenditures that yield insignificant social, economic, and cultural results. By the end of January 1991, the government will submit a program for reducing the expenditures of the state apparatus, missions abroad, Armed Forces, and security organs, down to the real needs of the country.

10. The 1991 budget investment and financing expenditures will be limited to the need to complete ecological projects, hospitals, balneological sanatoriums, schools, kindergartens, nurseries, and social care institutions. In the material sphere, budget financing will be retained only in the case of roads, geology, hydraulic reclamation, and other infrastructural projects.

11. The budgets of the people's councils will be regulated through the reassignment of income and, should this prove insufficient, through subsidies. Control over the budgetary deficits of people's councils and the structure of their expenditures (on wages, subsidies, urbanization expenditures, and so forth) shall be guaranteed. The drafting of independent budgets by ministries, departments, and other budget-supported organizations shall be terminated, and their financing from the republican budget will be restored.

12. The government will help the Grand National Assembly in the execution of the adopted schedule for the passing of the basic laws on economic reform.

13. The Confederation of Independent Trade Unions in Bulgaria and the Podkrepa Labor Confederation assume the obligation to refrain from effective nationwide strikes. They recommend to their sectorial and primary organizations to resolve disputes through talks and abstain from effective strikes.

In coordination with the trade unions, by 31 January 1991, the government will submit to the Grand National Assembly a draft law on amendments to the Law on Settling Collective Labor Disputes.

14. The parties agree to appoint before the end of January 1991 a permanent tripartite commission, which would coordinate interests, and to set up mechanisms for the coordination of interests on all levels, including problems involving privatization. The government will ensure the presence of the two basic trade union associations (the Confederation of Independent Trade Unions in Bulgaria and the Podkrepa Labor Confederation) and the organization of employers at Council of Ministers meetings to discuss arising social conflicts or major economic problems of national significance.

15. The government will ensure advance publicity in decisionmaking and implementing the measures included in its economic and social policy. Such publicity will be ensured also in clarifying the views of trade unions and employers.

16. The government will provide conditions for a drastic intensification of the struggle against the growing crime rate in society. The Ministry of Internal Affairs will provide real guarantees in protecting the safety of the life and property of the citizens.

17. All arising disputes shall be resolved through talks among the interested parties.

Sofia, 8 January 1991

For the government:

Chairman of the Council of Ministers of the
Bulgarian Republic

For the syndicates:

Chairman of the Confederation of Independent
Trade Unions in Bulgaria
Vice president of the Podkrepa Labor Confederation

For the employers:

Chairman of the National Union of Economic
Managers in Bulgaria
Chairman of the Central Cooperative Union

Chairman of the Union of Labor-Production Cooperatives
Chairman of the Vuzrazhdane Bulgarian Union of Private Producers
Chairman of the Union for Civic Economic Initiative
Chairman of the Bulgarian Economic Chamber

Mayor Nikolay Somlev of Plovdiv Interviewed

91BA0167A Sofia DEMOKRATSIYA in Bulgarian
19 Nov 90 p 2

[Interview with Nikolay Somlev, mayor of Plovdiv, by Mariana Kostova; place and date not given: "Plovdiv's Hardships and Hopes"—first two paragraphs are DEMOKRATSIYA introduction]

[Text] He is one of those big men with hearts of gold, who, as the saying goes, will stop to let an ant pass, but, when necessary, will inspire respect not only with their size but also with their decisiveness.

Nikolay Somlev, the new mayor of Plovdiv, is now fighting the city's problems 16 hours a day. He is not afraid of the obstacles from above—that is, the Council of Ministers. Even though he took office officially on 23 October in the presence of important officials, the order appointing him to the position has a much later date—6 November. The second trap placed unsuccessfully for Mr. Somlev by the MS [Council of Ministers] and signed by A. Lukanov is the order appointing a temporary city government. In it, the sly prime minister, all by himself, had changed the participation quotas in Plovdiv's government set by an agreement among the city's political forces: from five for the SDS [Union of Democratic Forces], three for the BSP [Bulgarian Socialist Party], and five for the BZNS [Bulgarian National Agrarian Union] to five for the SDS, four for the BSP, and two for the BZNS.

[Kostova] What did you inherit from the former city government?

[Somlev] The first thing I noticed, as soon as I became mayor, was that Plovdiv had been left to its fate as far back as seven or eight months ago. In reality, there was no government here at all. The workers kept busy trying to save a sinking ship, commission chairmen left in panic, so now the obshtina is in fact drained of its blood; there are no specialists left. The fact that there are places where no mayors have been appointed and that anarchy reigns all over the city is another matter. The people of the BSP temporary government have not shown up, so everything fell on my shoulders and those of my "teammates" from the SDS because the people know only us.

[Kostova] You come here from the post of deputy director of the purification station. How do you plan to solve the city's ecological problems?

[Somlev] There are many ecological problems in Plovdiv, but the biggest sin committed by the former city government is the problem with the city garbage dump.

It allowed garbage to be buried in the area of Plovdiv's water supply source. This is an ecological crime for which we will seek legal responsibility. The garbage dump is a time bomb, but I believe it has a solution. The competency of the present government will make up for the administration of the former.

[Kostova] Transportation in Plovdiv is very irregular. What do you plan to do to improve it?

[Somlev] Transportation here is just about ready to fall apart because it is in the feudal possession of two firms that have a monopoly on transportation inside and outside the city. First, their monopoly must be destroyed by establishing many firms or companies that will service the bus station. The obshtina's job will be to create conditions for competition and to subsidize this difficult area, and not act as technical director and look for tires and spare parts, as in the past.

[Kostova] How will you deal with the housing shortage in Plovdiv?

[Somlev] First, I have set up a working team to describe the way things are. We will be faced with enormous crimes here because there are quite a few houses that have been locked up, while many people have no place to live. I also expect a certain effect from the political development in our country. If land is returned to the people, especially this fertile land around Plovdiv, a migration back to the villages will start.... In any case, I will put an end to the misuse of state funds. I will also put an end to building the type of panel housing that lasts only about 25 years.

[Kostova] Like every blue city, Plovdiv is discriminated against with respect to food supplies. How will you deal with this problem?

[Somlev] I think that the present shortage is due mainly to the trade monopoly. Goods in short supply pass along black-market channels from the central supply network. So here, too, we must first destroy monopolism and then have private firms do the trading. Very soon four or five meat stores belonging to firms from the Economic Initiative Union will open in Plovdiv, and another private firm called "Peterskom" will set up a bakery with equipment from Italy obtained through a barter deal. But all this is only the beginning....

HUNGARY

Party Finances Discussed; MSZP Leads Pack

91CH0189A Budapest HETI VILAGGAZDASAG
in Hungarian 27 Oct 90 pp 73-74

[Article by Gabor Juhasz: "Party Finances: Rolling Forints"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] For the time being, Hungarian parties are still unwilling to form new firms en masse, although this does

not mean that they are not trying—even in roundabout ways—to obtain some revenues to supplement state subsidies, grants, and membership fees. This is indicated by the appearance of more and more party and “party-affiliated” foundations and firms with “close ties” to parties, and it seems that these may be suitable for covert party support.

According to the closing balances, the revenues of the Hungarian parliamentary parties amounted to as little as 56,957,000 forints last year. This sum increased the treasury of only the Hungarian Socialist Party [MSZP] because, according to official data, the [party of the] carnations made 43,625,000 forints on the Newspaper Publishing Enterprise, 67,045,000 forints on county newspaper publishing houses, and 1,287,000 forints on the Transportation and Technical Enterprise (in plain language, the party garage in Karpat Street), while having a 55-million-forint deficit in the Kossuth Publishing House.

Even at present, the Socialists have the greatest enterprising spirit, running a dozen one-man limited liability companies (see table). None of this means that the MSZP is the only enterprising party. The Association of Free Democrats' Liberty and the Association of Democratic Youth's Fico Ltd. are already in operation, and the Hunniapack Ltd., owned by the Christian Democratic Party [KDNP], was registered in September at the Court of Registry. “The main reason for forming our agency and limited liability trade company was to help the survival and development of small and midsized regional plants, especially where the mayor is a Christian Democrat,” we were told at the KDNP headquarters. According to our information, the other two parliamentary parties do not own any businesses.

At the same time, it is striking how closely the management of certain private associations is tied to one party or another, and the circumstances under which they were formed also suggest that it is not an exaggeration to call them “party-affiliated” ventures. (It must be stressed, though, that these are legally independent private associations.) The Hangya Rt. appears to be one such venture (HETI VILAGGAZDASAG, 4, 11 November 1989).

Hangya and the Smallholders used to be promoted together in the villages by agitators in those days. The Hangya movement, revived last September with Smallholder sponsorship, delegated the task of business management to a small cooperative which rapidly changed into a stock company and assumed the name Hangya. What is striking, though not surprising, is not only that the founders appointed Istvan Prepeliczay, at that time Chairman of the Independent Smallholders Party [FKgP], as chairman of the stock company's supervisory council, but also that the company's director general himself was an FKgP expert. The founding owners first approved 12,000 forints, then 36,000 forints as the FKgP secretary general's gross monthly pay. The party affiliation of the supervisory council chairmanship was corroborated by Istvan Prepeliczay's statement this past

April when he noted in connection with differences of opinion within the party: “Earlier I received my paycheck from the Hangya Cooperative because the party still had no separate account and could not pay Social Security contributions. All of a sudden they told me that I was not on the list anymore....” The fact that Laszlo Hanko, one of Hangya's top managers (and stockholders), was elected as the FKgP's deputy chairman, cannot be incidental either.

The personal connections in founding Forum Corp. are perhaps more “palpable” than this (HETI VILAGGAZDASAG, 23 September 1989). The forming of this stock company was decided in July 1989 by private individuals (such as Zoltan Biro, Istvan Csurka, Gyorgy Csoti, Sandor Lezsak, Tamas Szabo, and Gabor Szeles) whose affiliation with the Hungarian Democratic Forum [MDF] is well known. The firm was registered this past September, its 31.5-million capital stock having been divided among Hungarian and German firms as well as private individuals. Most of its small stockholders are also prominent MDF affiliates—from Lajos Fur to Gabor Roszik, from Csaba Ilkei to Denes Csegey—but perhaps it is even more important that acting MDF Deputy Chairman Sandor Lezsak and Parliamentary Representative Gyorgy Schamschula are included among the members of the council of directors, and that business operations are overseen by K. Attila Kollar who, incidentally, is the MDF's financial executive. Is it surprising that, for a time, this association financed the MAGYAR FORUM, the MDF's deficit-ridden weekly?

On the surface, AB-Speaker Ltd. also seems to be party affiliated. Evidently, the Alliance of Free Democrats [SZDSZ] has a significant, if indirect, influence on this company formed to publish the earlier BESZELO again. For instance, the company's first acting director was Gabor Demszky although the fact that the BESZELO existed before the SZDSZ is not negligible and, thus, it is impossible to suppose that the publishing company was created because of an SZDSZ party decision.

Similar to the two firms mentioned, the Forum Foundation is also legally independent. It was formed by private individuals, but its goals openly include the support of the MDF campaign. The foundation announcement even calls to the attention of sympathizers that they may name one or another local MDF organization as a “beneficiary.” The other two government parties speculated more or less in a similar fashion. The Smallholders did not even worry about conspiracy and openly named their organization an election foundation which, incidentally, was registered by private individuals. Smallholder Representative Gyorgy Balogh is chairman of its board of trustees, and the founders include party faction representatives Istvan Prepeliczay, Jozsef Torgyan, Pal Dragon, and Istvan Borocz. It is easy to guess by now that the first contributors included the two top managers of the Hangya Corp.

The legal situation with the Federation of Young Democrats [FIDESZ], the KDNP and the MSZP, the other

three parliamentary parties, was exactly the opposite. These parties have their own foundations (set up with party funds) but direct support of the "mother party" is not included among their objectives. It was in March when the MSZP formed the Free Press Foundation [FPF], whose 1 million initial assets have greatly swollen since then as it acquired a stock package worth 108.5 million forints in the course of making the NEPSZA-BADSAG independent after the MSZP handed it over. Its objectives include the support of newspapers in a difficult financial situation, and jobless journalists, but it is not particularly risky to state that the FPF is not likely to revive newspapers such as Csurka's MAGYAR FORUM, at least this is not what the members of the board of trustees (Rezso Nyers, Ivan Vitanyi, Maria Ormos, Ferenc Kosa, and Imre Pozsgay) would suggest. We were told at the MDF that Istvan Csurka is working on setting up a newspaper publishing company but, as a top MDF official noted, this is not going to be a party establishment but "this action is part of Csurka's work as a writer."

Similarly, the KDNP's Barankovics Foundation can help its founder only in an indirect way. As we were told at the party headquarters, one of its main goals is to help revive public Christianity. It is evident, of course, that such support may pay—even if only later—dividends in the number of votes, just like the FIDESZ' foundation which, as its name reveals, is committed to create a "democratic political culture." According to our information, there are foundations in the SZDSZ-FIDESZ environment, too, which are not founded by a party but are possibly run with the "help" of parties. For instance, the Foundation for a European Hungary may be considered an SZDSZ affiliate.

Among the nonparliamentary parties, the Social Democrats and communists also are toying with the idea of setting up a foundation, indeed, as we learned, even of forming a company. "We do not have enough money although we have already received a private contribution of 100,000 forints," replied a top Hungarian Socialist Workers' Party [MSZMP] official to one of our questions and, actualizing the old joke, described their financial

situation as follows: "The MSZP took away "The Capital" and left us with Marx." At any rate, we learned that the X Press Foundation, which publishes the MSZMP's central weekly paper, has also been founded privately, and allegedly is in the process of separating from the party. (At the end of 1989 the first issues of SZABADSAG were still published by New Star Ltd.)

The experts offer several explanations for the present general lack of interest in forming companies or foundations. Because of the MSZMP'S scandals of the past years, it is not very attractive to go public with a party company and, in addition, payments and contributions cannot officially be erased from party documents. Experience shows that citizens are more likely to reach into their pockets in support of a so-called public rather than a party foundation. Another important consideration, of course, is that contributions to a foundation are tax deductible. In addition, the law regulating parties specifies that a party can only form a one-man business, i.e., not a joint company. The loophole for circumventing this limitation is to form a foundation, for the latter is allowed to do business, form a company, even a joint one with foreign participation, and the profits can be channeled back to the party through the foundation.

All this offers the opportunity to channel more and more public money ("laundered" taxes) into party treasuries without any trace. First, the contributor saves on personal income taxes (or venture profit taxes). Second, the foundation, investing this tax exempt money, can make the resulting profits tax exempt as well by rechanneling them for "public purposes." A really "nice" way for this "ensemble" to work efficiently would be, for instance, to have the management of a private company—in which a party just happens to have an interest—to decide to support a foundation which would just happen to be able to finance a party campaign. This would come full circle if the given party would invite its foreign supporters not to send their monies directly to the party but to "associate" foundations.

Undebatably, of course, it is in the public interest not to allow the basic institutions, including the parties, of the Hungarian political system to become unable to function because of financial reasons. But a political "trend" of covert (tax-exempt) party support is hardly desirable.

Parties, Entrepreneurs, Foundations

	Year of			Founders
	Founding	Registry	Capital Stock (million forints)	
AB-Speaker	1989	1989	1.0	Soros Foundation (USA), Dumbarton Company (USA), AB-Speaker Association
Archiv Ltd.	1990	1990	1.1	MSZP
Bacs-Touring Ltd.	1989	1989	16.3	MSZP
Barankovics Foundation	1990	1990	.1	KDNP
Inner City Garage Ltd.	1989	1989	2	MSZP

Parties, Entrepreneurs, Foundations (Continued)

	Year of		Capital Stock (million forints)	Founders
	Founding	Registry		
Democratic Political Cultural Foundation	1990	1990	.05	FIDESZ
Diantus Ltd.	1990	1990	1.1	MSZP
Foundation for a European Hungary	1990	1990	NA	Private individuals
Fico Ltd.	1990	1990	1.0	FIDESZ
Forum Foundation	NA	NA	NA	Private individuals
Forum Corp.	1989	1990	31.5	Transfix Small Coop, General Venture Bank, Instrument Technology, Post Bank, National Commercial and Credit Bank, Verlager Dipl. Kfm. Gunther Oschmann (FRG), Verlag M. DuMont Schauberg (FRG), Private Individuals
KFGP Election Foundation	1989	1990	.01	Private individuals
Garage Ltd.	1989	1989	2.0	MSZP
Hangya Corp.	1989	1989	11.1	Private individuals
Holiday Ltd.	1990	1990	1.0	MSZP
Hunniapack Ltd.	1990	1990	1.0	KDNP
Exit Ltd.	1990	1990	1.0	MSZP
Kopir Ltd.	1990	1990	9.2	MSZP
Liberty Ltd.	1990	1990	1.0	SZDSZ
Organ Ltd.	1990	1990	1.0	MSZP
Paritas Ltd.	1989	1989	2.5	MSZP
Free Press Foundation	1990	1990	1.0	MSZP
New Star Ltd.	1989	NA	1.2	Studio-1 Ltd., Service Plant of Ministry of Industry
Varad Ltd.	1989	1989	2.9	MSZP

Note: County newspaper publishing enterprises, which were vacated after the newspapers were sold, are still in the MSZP's possession; these will probably be liquidated. The MSZP has already liquidated or sold a few other limited liability companies.

YUGOSLAVIA

'Sovereignty' of Croatian Radio, Television

91BA0176A Zagreb DANAS in Serbo-Croatian
27 Nov 90 pp 70-71

[Interview with Hrvoje Hitrec, director of Radio-Television Croatia, by Gojko Marinkovic; place and date not given: "There Was No Rebellion"]

[Text] It is not just Radio-Television Croatia that is changing, it seems, but so is its director, Hrvoje Hitrec. He has "tidied up," he has cut his hair, his beard is neater, he has a real silk tie around his neck instead of some kind of pendant.... But the change in the image of HRTV's [Radio-Television Croatia] general director was not the occasion for this interview. We above all wanted to know the truth about the alleged rebellion in Croatian Television because federal Prime Minister Ante Markovic's speech was not carried.

[Marinkovic] It is said that grave words were spoken and there were even resignations because of that decision.

[Hitrec] The whole affair did not have such dramatic dimensions. I received neither requests for resignations nor were any offered; aside from one, that of Mr. Miroslav Lilic, which was done more on an emotional basis. It is not true, therefore, that Tomislav Jakic and Branko Lentic submitted their resignations.

[Marinkovic] But rumors are going around that Lilic changed jobs, that he is going to the Second Program.

[Hitrec] There has been no official statement to the effect that Mr. Lilic is taking over the Second Program; perhaps this was said only in moments of raised voices and heightened emotions. In any case, I think that Mr. Lilic is a wonderful manager.

[Marinkovic] Does that mean, nevertheless, that there was dissatisfaction because of this move by HTV

[Croatian Television]? One gets the impression that this decision was actually imposed.

[Hitrec] Well, it was not. The whole thing became complicated when the announcement was made, without consultation with me, that it [the speech] would be broadcast live. That was a little embarrassing. That is, from the outset I took the position that we should respect the recommendation of the Croatian Assembly that the Croatian delegation attempt to persuade Mr. Markovic to postpone the speech. We have nothing against the content of this speech, it was just a question of timing because it was close to the elections in Bosnia-Herzegovina. He is, after all, the head of a party. Accordingly, everything was out in the open on my part, and the proof of this is that nothing that Markovic said was omitted from the news broadcasts, and we even broadcast those passages in which he attacks the Republic of Croatia. We have been behaving and will continue to behave as a sovereign, independent radio-television station which makes its own decisions, including those about the format and manner of covering a particular event.

[Marinkovic] Nevertheless, that same day Croatian Television broadcast several reports from Bosnia-Herzegovina that pertain directly to the elections.

[Hitrec] But they were not carried live, nor was Markovic. They were all given the same treatment. We did not break the election silence.

[Marinkovic] True, but those reports, mainly on behalf of the HDZ [Croatian Democratic Community], were broadcast the same day that Markovic delivered his speech.

[Hitrec] Well, I am not saying.... We broadcast....

[Marinkovic] You said that Croatian Television is independent and sovereign. Nevertheless, because its founder is the Croatian Assembly, and all the personnel decisions are made by the Government of Croatia, are you not to some extent in the position of a vassal?

[Hitrec] A vassal? Do not forget about the Law on Radio-Television Croatia. It prescribed that it be this way. The law has been passed, that law is in force.

[Marinkovic] There have been quite a few objections to television recently, not only from viewers, but also from the government, from the leading party. The reproaches even go so far as to say that someone or his spouse was not clearly visible in some of the reports, and they are even calling for the cameraman to be held accountable. How is it possible to speak about even minimal journalistic independence when there is that kind of pressure?

[Hitrec] I would not say that there are any great pressures, but there is general dissatisfaction with Croatian television. There are disagreements, and one of the issues is over the distinction between a real event and what is pure protocol. I think most of the disagreements are over the manner in which formalities should be covered. As for the independence of reports, I think that they are all so absolutely independent that they could not

be more independent, as is evident, say, from the new format of the nightly news, and so on. There is no censorship whatsoever, up to certain limits when intervention is required, but usually in the sense of technology, technological discipline. Even in your own home when a colleague makes some graphic error, there is surely a debate about this, and the graphic editor is called to account.

[Marinkovic] How many people have left their jobs?

[Hitrec] No one has been discharged. There have been reassignments, and there will be more, but I am deeply convinced and I am trying to convince you that all of this is being done on behalf of our vision of an exciting, attractive, and world-class television and radio. There is nothing behind that that does not contribute to professionalism.

[Marinkovic] But there have been problems with certain key editors. Stjepo Martinovic, for example, stayed in television only two weeks.

[Hitrec] That was a big mistake on my part. I personally promised Mr. Martinovic that we would provide him all the conditions which he wished. However, I came up against certain problems which I did not anticipate.

[Marinkovic] What will happen to the 800 people who, according to your announcements, will have to leave HRTV?

[Hitrec] In 90 percent of the cases, these are people about to retire. From the human standpoint, this is a problem that cannot be dealt with drastically and overnight. We have taken a different road. We sent those people a polite letter asking them to think over whether it would be in the interest of the entire effort we are making to retire a year or two earlier, in which case they would be given financial advantage and attention. We are also anticipating help here from the Ministry of Labor. If this elegant approach does not succeed, then we will have to ask those people to retire in other ways. In the second phase, after the pattern of reorganization is clearer to us, we will see how large our technological redundancy is, but I am not certain that there will be any large layoffs even here. In some places there will be a shortage of people, and we will have to do some retraining.

[Marinkovic] Could you comment on the new credits format? The message seems to be that Croatian Television is more and more becoming the television of the HDZ. And in addition, it is so fixed and monolithic that even Speer would not be ashamed of it.

[Hitrec] Now that you have mentioned von Speer, Mr. Sutej and I had more or less the same feeling, and we had a nice talk and both decided that the credits format should be moderated a bit. There is something in that monolithic quality, in that marble, in that dark background, something I do not agree with. But that credits format is still not the end product. We promised that by 5 November we would start a new program, that we would show something new, and I insisted that we use that unfinished credits format then. The same is true of the radio signal. I think that the instruments used are not the right ones, and we will also be putting the finishing touches on that.

[Marinkovic] There have been quite a few reproaches about closing down the news program, reproaches that too much use is made of HIN [Croatian Information Agency] and too little of Tanjug; there is objection to your decision to take certain programs from other studios with a time lag, and then there is the question of Yutel, which is prohibited in Croatia. Is it not best that there be 100 television stations, and let everyone choose what he likes?

[Hitrec] All of that together makes up one question. We are behaving in a new way, that is something that has still not been realized. We are really behaving as a sovereign television station, but one collaborating with all the other television stations—with Belgrade, Sarajevo, Ljubljana, Paris, Rome, but on authentic market principles. Accordingly, someone offers news, a program, we look to see whether we need it or not, and we take it or we do not. There is no kind of exclusiveness here. People still have not realized that Yugoslav television no longer exists and actually never did exist. There was only the television of the region in which Croato-Serbian is spoken. Never, say, has there been as much Bosnia or even Serbia on our screens. But still, we have simply concentrated more on Croatia.

[Marinkovic] Is the problem of Yutel in your domain or in that of the government?

[Hitrec] You see, it is clear to everyone what is actually happening, and I am constantly explaining it. It is certain that political decisions have to be made about such things, but there was also a mistake on Yutel's part from the outset. They declared themselves in a hundred different ways. First as the television station of a party, and now finally as a private commercial station. And if that is the case, then some contract must be concluded with them, there must be some contract, some conditions have to be defined on both sides. This does not mean that we will not buy several pilot programs from Yutel, because now there really are many reproaches. We shall see. And then with your help or through STUDIO, we will conduct a poll and see what the public wants.

[Marinkovic] You have been talking all this time about reorganization of television, and you have been referring to Western models. However, there are also different models in the West, say, in Italy, where the three government television channels are divided among the most important parties. Have you also thought about that? Now HTV has two channels, but the same politics.

[Hitrec] We also have three networks.

[Marinkovic] But is that network not private and only formally under the sponsorship of the HTV?

[Hitrec] No, it is not private, but it was leased to private individuals for a small amount of money. That is another problem. We are now taking it over, and we will not give anyone a third network, but we will make up the schedule and then farm it out. First of all, we expect this to be a good commercial program. There is another

problem here, and in this case we expect help from the Croatian Assembly: All of Croatia is not receiving the Third Program, and it is clear that the subscribers have reproaches, they feel they have been shortchanged.

[Marinkovic] How much did it cost for HTV to become independent?

[Hitrec] Well, it was expensive, no doubt about it. The figure we calculated was not so terrible, it came to about 50 percent. I actually do not know how much it was in dinars. As much, say, as the increase in subscriptions.

[Marinkovic] Have salaries risen in HRTV?

[Hitrec] Since the new team has come in, unfortunately, they have not to any extent. But it seems to me that the entire system of salaries in radio and television is altogether erroneous—all those points, overtime hours and the like, all of this causes confusion, above all in human relations. My position is that we should adopt salaries which are in two parts: public and private.

[Marinkovic] Your idea is that about 50-60 percent would be public and the rest secret?

[Hitrec] Approximately, but it is terribly important that honorable people be put in the important posts and they will then deal with that variable portion.

[Marinkovic] Is this possible at all with our Balkan mentality?

[Hitrec] I hope that it is. Probably at the beginning there will be consternation over it, but we will survive.

[Marinkovic] If it is not a secret, what is your salary?

[Hitrec] It ranges somewhere between 17,000 and 19,000 dinars. I have never understood the why and wherefore of that difference.

[Marinkovic] It is said that you are going to take the position of consul in San Francisco.

[Hitrec] I heard something similar, that I was going to Pittsburgh. If I am to choose between those two cities, I would choose San Francisco, because in Pittsburgh they have an environmental disaster like in our own Zenica. But it is certain that I will finish the job that I have begun. And it seems to me, for all the possible and impossible troubles which are known about and not known about, it is taking on certain contours and it should be completed somewhere at the beginning of the next year.

[Marinkovic] Which means that you expect to leave then?

[Hitrec] I am not certain, because I still have unfinished business in Zagreb, and that is the building of the Tresnjevka Theater. It must be completed by the beginning of 1992.

[Marinkovic] Here we interrupted our chat with Mr. Hitrec in his office in Dezmanova 10; in that same office where his predecessor, Veljko Knezevic, sat until

recently and in which almost nothing has changed. There is still the sizable bust of Josip Broz Tito, as well as his picture. We did not ask about that.

BULGARIA

Goals of Parliamentary Economic Commission

91BA0125A Sofia IKONOMICHESKI ZHIVOT
in Bulgarian 24 Oct 90 pp 1, 13

[Interview with Deputy Ivan Kostov, candidate of economic sciences and chairman of the Grand National Assembly's Parliamentary Commission on Economic Policy, by Tamara Burlakova and Neno Nenov; place and date not given: "Accelerated Change With Concrete Goals; What Confronts the Economic Policy Commission in the Grand National Assembly?"]

[Text] In a series of articles, the newspaper IKONOMICHESKI ZHIVOT will afford its readers an opportunity to familiarize themselves with the official work taking place in the parliamentary commissions of the Grand National Assembly and, more particularly, those closely involved in the country's economic problems, those problems that not only the economist, the engineer, and the businessman, but even the poet cannot shrug off.

In this first article we introduce to you one of the parliament's principal commissions, that on economic policy. In this connection, we talked with its chairman, Deputy Ivan Kostov, candidate of economic sciences.

[IKONOMICHESKI ZHIVOT] Would you briefly introduce yourself and the leaders of the subcommissions that were recently created?

[Kostov] I shall soon be 41 years old. I am a university graduate in economics and, after that, in mathematics. I have a master's degree in mathematics and, more particularly, in modeling economic processes. I am a former university instructor, but I didn't make a great career of it—I only got to be a chief assistant. I have specialized mostly in the area of macroeconomics. I have a certain experience in forecasting, in the formulation of national plans, and so forth. I am a nonparty member, but I am an active adherent of the Union of Democratic Forces, and I aspire to implement its program. However, in my capacity as chairman of the Economic Policy Commission, I set as my goals those the parliament expects of me.

As for the chairmen of the individual subcommissions, let me begin with Aleksandur Tomov, who heads up the Subcommission on Technological and Structural Policy. He is young (36 years old), ambitious, and a graduate of the Economics Institute. He is general director of the Strategic Research Center. A straightforward, honest, and intelligent person, with vision in the area where he is working. He is a clear-cut political thinker. I think his election as deputy chairman of the BSP [Bulgarian Socialist Party] VS [Supreme Council] will not hinder his working actively as chairman of the aforementioned subcommission.

Ivan Pushkarov is chairman of the Subcommission on Privatization, Competition, and Demonopolization. He is 52 years old. He has a higher economics education and

is a senior science associate in the Bulgarian Academy of Sciences. He is a member of the BSDP [Bulgarian Social Democratic Party]. He is an excellent specialist, very dedicated to his work. Most of the legislative initiatives of the commission will pass through his subcommission. I personally am counting on him.

Ventsislav Dimitrov is chairman of the Finance and Banking Subcommission. He is a university graduate and is a senior science associate at the Economics Institute of the Bulgarian Academy of Sciences. He is a member of the SDS [Union of Democratic Forces]; speaks French, English, Russian, and German; has an excellent knowledge of the banking, financial, and credit sphere. He is an intransigent fighter, sometimes even unrestrained, but I prize this quality of his. Petur Bashikarov is chairman of the Subcommission on Foreign Economic Relations. He is 51 years old, very self-controlled, and unflappable. As far as I can judge his positions, he is of the BSP's reform wing. He is an excellent authority on foreign economic relations and is very easy to get along with. He is highly knowledgeable in languages and economics.

[IKONOMICHESKI ZHIVOT] Would it be exaggerating if we said that some of the flower of economic thought has been assembled in the commission?

[Kostov] That is exactly so. Here one encounters the names of many popular and publicly known people such as Stefan Stoilov, Stoyu Dulev, Vasil Milkov, and many others. Hence, the membership of the commission is very strong, and the hopes that the public places in them of giving a decisive impetus to the transition to a market economy stand a realistic chance of being justified.

[IKONOMICHESKI ZHIVOT] But are there also economic leaders?

[Kostov] Of course there are. They are from the BSP's parliamentary group. I must acknowledge, however, that some of them cannot look at things in depth. They simply lack the point of view. When the commission is doing its job, it will disregard any particular economic leader and not elevate him to a well-defined level. It seems to me that some of these leaders have an interest in wrecking the progress of reform to a market economy. These are the economic bureaucrats.

[IKONOMICHESKI ZHIVOT] We would make a big mistake if we generalize about everybody because among them there are professional people, people with great managerial experience, and many good businessmen.

[Kostov] True, but if they think that they should dictate or define the conditions, they are profoundly deluding themselves. When we adopt the commercial code or law, we will not take our economic leaders into account. We will establish rules suitable not for some particular person but rules that are in effect in the developed European countries and that will be standardized and unified. Whether anybody

likes it or not, it will be for his advantage. Those who cannot or do not want to think and act like marketeers simply will not be economic leaders.

[IKONOMICESKI ZHIVOT] You already have an approved plan of the commission's work to the end of the year, but how do you envision the commission's place in a general longer term plan?

[Kostov] Right after the commission was set up, we approved its plan of operation. In broad outlines, it provides for the following: formulating a document on the main directions of the transition, from which the commission's legislative program will follow, as well. We will have to determine the priority laws and classify them. We are working on several economic drafts, and it is difficult for me to refer to them by the exact names. In general, in the group of priority laws that we must adopt by New Year's, there is a great deal of mutual competition between the individual draft laws.

I must admit, however, that the debate over the priority laws will be great because the commission members have different views on their significance, place, and role in the implementation of the economic reform.

Over the more protracted period, we conceive of the commission's tasks as a long-term legislative program. We are faced with adopting many laws, and, considering that our country does not have a good legislative foundation, it will not be very easy for us. The commission will participate in editing the economic texts of the new constitution. It will also exercise constant control over whatever government there is.

[IKONOMICESKI ZHIVOT] Will the commission give prescriptions from the top down, and will it exercise guardianship over the government?

[Kostov] The commission will be inclined to give prescriptions and to exercise guardianship over the government, to be sure, to the extent that the latter is not strong enough. If the government is strong, it will have no need for the commission's guardianship—neither to share responsibility with it nor to pass the buck, nor yet to use it as a shield for some of the government's actions.

At present the commission is inclined to exercise guardianship over the government because, in my opinion, it is not strong. The BSP did not want such a government. It wanted representatives of other political forces to participate in it so that there would be greater social stability and greater decisiveness in making the reform. But that is a different matter. Hence, the duty of the commission is to influence as many of the Lukanov government's decisions and actions as it can. It will have its own view of that government's economic policy.

I want to state that the past government accumulated on the table a pile of draft legislation, in bulk that is, that was inspired by the BSP's preelection platform. We, however, have the time and vision to produce our own position, and we can by no means approach sporadically

the determination of the priority of individual laws. We are not harried by current problems in control of the economy, and we look at things in depth. Of course, wherever the economic commission's views overlap those of the government, we shall support it.

[IKONOMICESKI ZHIVOT] Present at the sessions of the commission, with good reason, is the principal question of economic reform and transition to a market economy. What is your view on the sequence in which, and the pace at which, the reform should be made?

[Kostov] This is a very big question. I am familiar with many reform models and economic reforms that vary in their pace. I should welcome individual independent groups, institutions or like-minded people who have elaborated their views. My personal position is that change must be accelerated as much as possible and, what is more, with specific goals that are reachable in the shortest possible time set every time. This does not mean that change must be made at once and at one go. One thing, two at most, can be achieved at one go, and we must be ready immediately for the next stage. That is to say, we must always set ourselves concrete goals that, despite their complexity, are achievable as rapidly as possible, and move on.

[IKONOMICESKI ZHIVOT] Still, everything the commission does would have to be crystallized into a law, no matter what we call it. When can this happen so we can move on?

[Kostov] We regard the trade law as priority legislation and hope to include it in the first group of laws we adopt before New Year's. Our country must greet the year ahead with a commercial law or group of laws—on property, demonopolization, and competition—that will establish the rules of the game like those in the developed countries.

[IKONOMICESKI ZHIVOT] The assertion that our people want economic reform but are not ready for it immediately is well-founded. What is needed in order to popularize the ways of making the transition to a market economy? What are you dissatisfied with, as regards the mass information media, including our newspaper as well?

[Kostov] It is true that our people are not ready for economic reform. I think they still have not made their categorical choice. But our newspapers and magazines, as well as our journalists, are doing very little to popularize among the people the effect of the transition to a market economy. Let them point out, say, how a Hungarian lives, how much time a Hungarian woman loses in going shopping, what there is to be had in their stalls, let them show how they live, how free they are economically, what has been achieved both in Hungary and in Poland. Let the people find out about it and they will prefer it. They are misled now about the nature of these changes, which are presented to them in a negative light.

It is the cost of the transition that is being played up now rather than what has been achieved.

Some time back the newspaper gave far too much space to articles that were absolutely unfounded. There were even things written irresponsibly about the market. In this sense, you as an economics newspaper have something to do. Form your own sober attitude toward the problems that we are going to have to solve.

PChB Official on Shares, Interest Rates

*91BA0137A Sofia IKONOMICHESKI ZHIVOT
in Bulgarian 7 Nov 90 p 3*

[Interview with Doncho Stanev, director of Credit and Investments at PChB [First Private Bank], by Velichka Naumova; place and date not given: "Private Enterprise: We Are Making History Now"—first two paragraphs are IKONOMICHESKI ZHIVOT introduction]

[Text] PChB [First Private Bank] in Bulgaria was established on 28 April of this year, and its main goal is to help strengthen the private-sector's positions in our country by establishing regular banking services to those who work in private businesses.

We are speaking about the bank's first steps, about its problems and plans for the future with Doncho Stanev, director of Credit and Investments at PChB.

[Naumova] What were the main reasons for establishing the bank, and what are the results of its first steps?

[Stanev] The Union of Citizens' Economic Initiative was the bank's founder, and its fundamental goal is to provide credit for private business in our country. By business I mean the production of goods and services.

To register a bank, according to our laws, a minimum of 10 million leva in capital are necessary, of which 5 million must be in cash—that is, deposited. We put together that amount of money amazingly quickly, even though we worked in one room. There were five of us altogether, working at two desks. The enthusiasm, however, was great, and our shareholders felt the same.

At the present time, the bank has 12 million leva in capital, deposited by over 4,000 private individuals and private companies. Even though every shareholder has the right to hold shares of value up to 3 percent of the total bank capital (that is, 300,000 leva), the average shareholder participation is with about five shares, and each share is worth 1,000 leva. For now, we do not involve state companies and organizations as shareholders.

[Naumova] Are you still selling stock?

[Stanev] A decision was made to increase our initial capital. Our goal is very ambitious, but I think it is achievable, and that is to become the largest bank in Bulgaria. At the moment, there are already 16 branches open in the country, and it looks like there will be 28 by

the end of the year and 50 by next year. People have withdrawn their savings for cars, and even their children's savings, and have deposited their money with us. We give them a little receipt in exchange because delivery of the share certificates themselves has been delayed by the mint; they have not been printed yet. Obviously, the people believe in the future of private enterprise. They also believe in us.

[Naumova] But what incentive is there?

[Stanev] Perhaps our shareholders expect to receive a higher dividend from us than the interest rates paid by the DSK [State Savings Bank], for example. But not until the end of the fiscal year and after the bank's total profit (if any) is calculated will a decision be made at a general meeting on what to do with such profit—whether and how much to give as dividend, whether and how much to capitalize, and so on.

[Naumova] What are the conditions for giving credit?

[Stanev] Our bank's conditions for giving credit are in general stricter than those of the state banks. Anyone who wants credit has to fill out a questionnaire prepared by us regarding the reason for wanting credit and containing data on what kind of firm it is, what its financial condition and financial security are, what kind of market studies have been done, what are its supply and demand. To those whose papers have not been properly filled out or who cannot defend their projects, we offer the consulting services of firms with whom we maintain relations.

I will tell you something heretical. We are very careful when we extend credit because we are dealing with the money of real people, our shareholders. After all, we are not a state bank that can permit itself the luxury of simply printing up a little extra money from time to time!

[Naumova] What is the total amount of credit the bank has given so far, and are there priority areas in the economy for which you give credit preferentially?

[Stanev] We have lent about 1 million leva to help private businesses, but don't forget that we started only recently. There are no priority areas for our bank, but so far private businesses have focused primarily on agriculture, the food industry, services, and tourism.

[Naumova] For what period of time do you give credit, and are there limitations in this respect?

[Stanev] In principle, the bank could give short-term credit and long-term credit. But because we are in, I would call it an "inflationary" stage of development, we have limited ourselves and give credit for a period of about 18 months on average. This way we also have a greater turnover of money.

[Naumova] How are your relations with the National Bank?

[Stanev] At the moment, state and private enterprises in our country are equal, but this is only on paper. How are we to develop small and medium-size businesses if we do not give them any concessions in obtaining credit or in paying taxes? All other banks have received an average of about 100 million leva each from the National Bank. We were promised an equal amount to make us equal with other banks, but so far they haven't kept their promise. But, anyway, as I look at the rate at which money is coming in from the shareholders, I find that soon we will not need that money. Regardless of this, I believe we are maintaining normal mutual relations with the BNB [Bulgarian National Bank].

I want to emphasize something I think hampers our work the most; it is the lack of a building. We have the money to buy one, but the moratorium on sales prevents us from doing so.

[Naumova] In addition to selling stock, can deposits be made in your bank?

[Stanev] Yes, several weeks ago we started deposit services. People can make deposits with us at the following interest rates: for three months at 2.5 percent, for six months at 3 percent, for one year at 4 percent, for two years at 4.5 percent, for three years at 5 percent. In addition, we have issued a statement that we will increase interest rates on deposits any time there is an increase of the base interest rate at the BNB.

Even though we have been doing this work for only a few weeks, the influx of depositors is very large, especially for foreign [hard] currency deposits.

[Naumova] Do you have an adequately trained team for the work?

[Stanev] We have selected people who have done the same or similar work in the past. As a private bank, however, that is to function according to the Western model, we do not have sufficiently well trained specialists. Fortunately, we have offers for specialization training abroad, and we hope that in this way we will form a team that not only is made up of people who agree with each other but who are also excellent professionals.

Our activities will develop along with the development of private enterprise. We will start offering new services. There is even an idea to set up a financial police force because private enterprise is private enterprise and it already has its "gamblers." And I do not want to hear bad words about our activities and our clients. What are we going to do? We are making history now. Maybe to you it sounds like an exaggeration, but that's the way it is.

[Naumova] I wish you success.

Costs, Benefits of Kremikovtsi Metallurgy

91BA0148A Sofia DUMA in Bulgarian 15 Nov 90 p 4

[Article by Yuriy Popov: "Kremikovtsi Really Costs a Lot of Money"]

[Text] There is hardly another industrial enterprise in Bulgaria about which so many diametrically opposite opinions have been given. They could be summed up as follows: "Bulgaria cannot do without Kremikovtsi," and "Kremikovtsi is killing Sofia and is harmful for all of Bulgaria."

What in reality is this combine that until recently was singled out as one of industrialization's greatest achievements?

Even when the idea was first conceived, some scientists talked about such an enterprise as being unnecessary, but they were soon made to shut up. It was said that the data on the metal content of the deposit were altered several times until they were rendered convincing. It was even "proved" that the wind blows in the opposite direction, away from Sofia, and that there is no danger of pollution. Just which way the wind blows and what it carries is well known to all Sofia residents.

Economic analysis shows that, only during the 1962-86 period, one-time expenditures, subsidies, and losses amounted to 2,249,000,000 leva. In addition, depreciation allowances for 1,195,000,000 leva have not been made. So far, the situation has not changed.

Those who defend the combine insist that the losses are due to unrealistic prices and that after they are changed production will become profitable. But would a change in prices automatically increase labor efficiency, which in our country is many times lower than that of similar enterprises in the world? Besides this, the projected capacity of many plants has not been reached, there are some serious weaknesses in the organization of labor and management, the relative portion of imported raw and other materials is large and a significant part of them is from secondary sources, reconstruction program on assortment and especially on quality has been delayed.... It is difficult to explain all this, and it is even more difficult to correct it by changing prices.

In reality, losses are inherent in the very idea of using ore that is poor in iron and that contains a multitude of other metals, the separation of which is either expensive or technically impossible. So, then, to retain the prestige, ore was imported from the Soviet Union and even from India. Now there are intentions of closing the mine. The deposits for which the combine was built in such proximity to the capital city will be frozen. But the production remains....

Every 24 hours there are 117 tons of dust and 735 tons of gases expelled in the atmosphere, while 822 tons of scoria and ashes and 250 tons of sludge are deposited in the scoria fills. There are 12 million tons of metallurgical slag piled on dumping grounds covering 1,000 decares,

and 850 tons of slag from steel production are being dumped every day. Even if we were to subtract from these quantities the pollution coming from TET's [thermal electrical plants] that now operate on gas, and of the ore-dressing facilities and the iron-smelting furnaces that are being closed down, pollution still remains above acceptable levels. Measurement data show that the soil and the vegetation contain significant amounts of heavy metals such as manganese, lead, copper, zinc, and arsenic. The amount of manganese in the soil and the foliaceous covering is over 12 times higher than the acceptable level, that of lead is 10 times higher, that of arsenic is three times higher, and that of copper is two times higher. Leaf pigmentation and tree growth are decreasing, and the trees are becoming defoliated. Morphological changes that are especially alarming are observed in mammals and birds. And what about the people?

In addition to this, the combine uses 80 million cubic meters of fresh water per year, of which 34 million cubic meters are irreparably lost. The Lesnovska and Iskur Rivers, as well as underground waters, are highly polluted.

People were needed for construction and operation, and they came from all over the country. Because of this influx, Sofia started to grow uncontrollably. It is felt that, over the period from 1960 to 1987, about 200,000 people came because of Kremikovtsi. People came with their families, got their Sofia residencies and housing, and afterwards left the dusty and dangerous shops only to be replaced by new unskilled workers. Even now, over 20,000 people work in the combine, while the public expenditures for one resident of the capital city are three times greater than in other towns of the country.

Those who defend the combine insist and prove that, without the metal produced there, a number of other industries such as machine building and construction will be paralyzed. According to a new technological renewal and ecologization program, there is a plan to reconstruct and modernize a third blast furnace, close down two coke blenders, introduce continuous steel pouring, close down two electric furnaces and two iron smelting furnaces, and so on, and to obtain only barite and raw materials for pigments from the mine. This is a very rudimentary picture of the program, which will need 50 million leva from the budget annually over six or seven years to be completed. A significant part of the new machines and equipment will have to come from secondary sources. The entire project will cost 1,240,000,000 leva!

Several years ago, a team from BAN [Bulgarian Academy of Sciences] analyzed a "Metalurgproekt" project in which almost the same amount of capital investments—1,423,698,000 leva—were foreseen and, according to which, the combine would continue to operate at a loss until 1995. The year 2002 is when the actual recuperation of the new capital investments will start, and it will not be completed until 2008—that is, in 22 years. With respect to the unrecuperated capital

investments made until 1987, those will be recuperated in 2018—that is, in 32 years.

Some of these conclusions were questioned even at the time the study was being conducted, but the data on the expenditures are indisputable. It would be very difficult to carry out the new program in view of the many years spent in the red, while the 350 million leva planned for environmental protection are insufficient, unbacked, and without guarantees for the expected effect. Actually, the Austrian corporation Voest Alpine has drafted an ecological project study according to which it is possible for Kremikovtsi to be ecologically compatible with a populated area. According to the opinion of experts from the Ministry of Industry and Technology, there is no such project in any East European country.

The opinion of the Ministry of Environment regarding the technological renovation is emphatic: "Without ecological expertise this program cannot be approved. The metallurgical industry must be totally reorganized, not just modernized partially."

There is an opinion coming from the Ministry of Finance that it is first necessary to determine the production volume, its value, the nature of the raw materials, where this production will take place, and whether it will be competitive on the international as well as on the domestic market. It is also pointed out that ecological basis and comparison with leading firms regarding expenditures of metal and energy are lacking. The Ministry of Finance considers that technological modernization of the firm should be carried out only on the condition that there will be improvement in efficiency and that the profits made will be sufficient to cover the credit used.

The metallurgical combine was established in this area because of the metal deposits. Because the mine is being closed down, is it justified to transport ore from the seaports and to continue a polluting extractive process so close to the capital city? On the other hand, ecological reasons cannot be the only ones considered when making such an important decision as the closing down of a production facility that is established and has trained personnel.

It is not at all easy to give up on the production assets established so far and valued at 2.4 billion leva. And where will the 20,000 workers go?

If the combine has some future, then it is probably in retaining the processing operation and eliminating the extracting operation. Its machines and equipment are on a comparatively good level, and a number of Western firms have shown interest in the combine. There is an agreement with the Soviet Union to supply 1 million tons of steel to be processed into cold-pressed sheets. About half of the finished product will be left to us as payment for the service. The specific conditions for signing the contract are being worked out now. Perhaps

this is the way to save our ferrous metallurgy if it is to remain within the framework of our future industry.

When all is said and done, however, the market will have the last word.

CZECHOSLOVAKIA

Implementation of Property Transfer Law Discussed

91CH0197A Prague HOSPODARSKE NOVINY
in Czech 12 Dec 90 p 5

[Interview with Eng. Tomas Jezek, candidate for doctor of science and Czech Republic minister of National Property Administration and Privatization, and Eng. Milevoj Slacalek, private enterprise adviser of the CSFR Government, by Jan Urban and Libuse Bautzova; place and date not given: "The Most Important Law Since 1948"]

[Text] The Law Concerning the Transfer of Government Ownership of Certain Items to Other Legal or Physical Persons recently took effect. This so-called small privatization, along with the law on private citizen enterprise and the law on moderating the impact of certain property crimes, is another step in the transition of our economy to a new functional mechanism. All these legal documents are intended to change significantly the structure of ownership relations in favor of the private sector. To discuss the problems that have accompanied the drafting of the small privatization law and the current situation, when at least theoretically auctions can begin in earnest, Jan Urban and Libuse Bautzova, editors of HOSPODARSKE NOVINY, invited Eng. Tomas Jezek, candidate for doctor of science, Czech Republic Minister of National Property Administration and Privatization, and Eng. Milevoj Slacalek, private enterprise advisor of the CSFR Government offices for an interview.

[HOSPODARSKE NOVINY] I don't know how you will react to this kind of opening, but here goes. The law on small privatization is finally ready, so auctions can begin. Doesn't it seem to you that the process has been dragged out, that all this could have been ready earlier? Until recently, after all, everyone expected the auctions to begin this year, in the Fall.

[Jezek] It seems to you that things have been dragged out? The most important law since 1948! After all, this past summer no one knew that there would even be a small privatization. Our ministry began operations on 1 August, and on 8 September we informed reporters of the first draft of the law. But then the government and parliament had their turn. The projection of the end of August that the auctions could take place in the Fall was a little optimistic. When we don't even know what will happen next week, it is difficult to plan several months in advance.

[HOSPODARSKE NOVINY] We are speaking here about the past four months, when your ministry has existed. The question could be phrased another way, though, in terms of whether we shouldn't have started to "hurry up" much earlier....

[Jezek] I had no control over that, because I was not yet a minister. Now I can tell you precisely that on 10 December I invited three people from each region who will serve on the privatization commissions. They will receive a folder of important materials that will tell them everything they need to know about their job: negotiation rules, auction rules, rules for compensation, and other documentation. Early in January we plan to train the auctioneers using a foreign firm. We are also working on ways to monitor the implementation of the law and many other things.

[HOSPODARSKE NOVINY] The proper makeup of the commissions and their activities is probably one of the most important parts of the entire process. Will there be safeguards against the members of these commissions acting on their own interests at the auctions? How long will the commissions exist and how will they be paid?

[Jezek] I must name the commissions before 15 December. Each commission should have a representative from the monetary system, the savings bank, the Association of Entrepreneurs, and people well versed in the local situation. Regarding interests, the commissions must be staffed so that they are self-monitoring, so that the members watch each other. Commission chairmen and members will be well paid. We estimate that the entire process may take six months.

[HOSPODARSKE NOVINY] So roughly in mid-December the commissions will be named, and they can then begin to make up lists....

[Jezek] Some lists are being compiled at this moment.

[HOSPODARSKE NOVINY] Your ministry has to approve the lists, though. This means that at the end of January at the earliest the auctions could actually start, if we take into account the 30 day period that the lists have to be available to the public.

[Jezek] I think it is best if the auctions begin in the new year. The books will be closed, prices will have been deregulated...

[HOSPODARSKE NOVINY] But it looks as though people may be losing interest as time passes.

[Jezek] That is their mistake. The decline in morale and widening skepticism is simply immoral! We all have to be patient and persistent, and if we are we will have to be successful.

[HOSPODARSKE NOVINY] Can you intervene in list compilation?

[Jezek] In the first phase I don't anticipate any major problems. The first businesses to be considered are those

for which the decision is clear. After this, however, there will certainly be attempts to "put something over".

[HOSPODARSKE NOVINY] There will also be problems with property appraisals.

[Slacalek] Where does one find experts in this area? I think there are very few in this country.

[Jezek] The appraisal would not be nearly as important if our original proposal had been accepted, namely that those who had already contracted for a business by 31 may would have first rights of purchase, with all subsequent rentals considered speculative. The asking price would be only a reference point, which could be increased or decreased during the auction. However, the law set the deadline as 31 October. This means that a lot of businesses will be sold for estimated prices, and furthermore that appraisals have to be made very carefully. The commissions will have to find the professionals to do this work. There are already a number of firms offering these services.

[HOSPODARSKE NOVINY] How do you make sure that a business that may be claimed by a former owner does not make it on the list?

[Jezek] This is, of course, problem number one. The law states that all such instances should be verified, so theoretically this should not happen. We have to trust people to monitor this themselves. If it does happen, the owner is eligible for monetary compensation, under the restitution law.

[HOSPODARSKE NOVINY] Can you hazard a guess at the level of public interest? How much do you think will be sold in the first round?

[Jezek] In any event I expect the prices to decline substantially. We first proposed that there be no lower limit set on auction asking prices. We then deferred to the opinion of the Federal Ministry of Finance that this could lead to various forms of speculation, and that in the first round the auction price should not be allowed to be less than 50 percent of the asking price, and in the second round 20 percent. In any event the legislators have mandated this.

[HOSPODARSKE NOVINY] A lot of people think that it would have been better to establish a clear definition of what falls under small privatization and what does not. Just for clarity.

[Jezek] I have always been against this. I think the best criterion is to include in the auctions every property that has a good chance of being purchased. Imagine, for instance that you set a limit of 50 employees, then on 31 December there are only 49, with two women on maternity leave. This would cause more problems than it would solve.

[HOSPODARSKE NOVINY] You probably have a better idea than we of what exactly is happening now.

Some firms are restructuring their operations as corporations in an attempt to retain their privileged positions. Or auctions take place where rental is the issue. Is it not possible that by the time the regular auctions are scheduled there will be nothing to auction?

[Jezek] People are doing outrageous things. We know, for instance, about plans for an auction in Kolin. The auction plans include property that clearly falls under the restitution law. There is a general danger that less property will be put under small privatization than would have been the case six months ago. People are breaking rental contracts. We have attempted to threaten the organizers of these projects somewhat, but unsuccessfully. We have therefore proposed an amendment to Law No. 427/90, Laws of the CSFR, that would extend the required notice period to 31 December 1990.

[HOSPODARSKE NOVINY] So there is no way to prevent this? What does the law say?

[Jezek] The law offers some help. Our ministry insisted that all property transfers be stopped in August. There will be of course some transfers that are useful, and the government should make a decision on these. However, delegates "delegated" this decision to business owners and extended the cutoff point to 1 November. This was a mistake. We have no way of affecting anything that happened prior to 1 November. Actions taken after 1 November can be declared invalid under Section 1 of the small privatization law.

[HOSPODARSKE NOVINY] This phase does nothing about apartment privatization. When does this get on the agenda?

[Jezek] The law does not relate to apartments as yet. The Czech Government decided that a strategy must be developed for a housing policy. The overall strategy must come first. After all there are government, cooperative, and private apartments. Rent has to be unified and put on an economic footing. Part of the housing stock has been and will be privatized by small restitution, i.e. returning them to previous owners. But everyone else must wait.

[HOSPODARSKE NOVINY] How long?

[Jezek] If it depended on this ministry alone, it would be a done deal already.

[Slacalek] Mayor Koran has suggested that even before the auctions certain things be privatized, such as taxi services. This would make private entrepreneurs of 1,200 taxi drivers who would have to buy their cars from the enterprise, which in effect rents it to them currently. The license would cost 10,000 korunas [Kcs] per year and drivers would have to take psychological tests. Amongst those 1,200 drivers, I did not find one who was interested in the proposition. So now normal auctions will take place in which anyone can participate.

[Jezek] If the question is whether a taxi driver should have right of first purchase on "his" car, that I think is a

question of legal interpretation. A car is not a business, and therefore cannot be a part of small privatization. The legal conditions for privatizing taxi services will be provided by the law on large privatization which will make it possible to submit a privatization plan for an enterprise as a whole. This plan might include property participation by taxi drivers in a joint venture. The fears of the drivers at the loss of social certainties seems exaggerated to me. Everyone knows how difficult it is these days to get a taxi in Prague.

[Slacalek] But hairdressers and salespeople have the same fears....

[Jezek] These are speculative considerations. You are well aware how catastrophically small a number of people are in services. Let other people be afraid. I think it is rather a case of those who are afraid they may have to start working spreading fear. There is constant talk of social certainties, and how they are threatened. As if there were any certainties previously! We pretended they existed, and ended up convincing ourselves that they actually did exist.

[HOSPODARSKE NOVINY] When the small privatization law was being discussed there was a proposal that a portion of the proceeds be returned to villages. You were strongly opposed, which is the correct position in my opinion. How did you persuade parliament?

[Jezek] It was no problem. Most delegates think in terms of the Czech Republic, not their home village. I told them that this would give the villages a kind of straw man, that it is the wrong way to look at the matter. Why should the village be divided from everything else? After all, we all are citizens of some community, so no one will lose anything. You have to look at it from another angle, from the viewpoint of the whole. The whole is better served by borrowed money than by budgeted money. It is mainly a question of inflation. The money from the auctions simply cannot be allowed to make its way into budgetary expenditures. This would be criminally shortsighted.

[HOSPODARSKE NOVINY] Maybe this comes from a lack of trust and a view that the fund will again be administered "by some ministry".

[Jezek] That's it exactly, and it is a misunderstanding. We have in place a program with the managing director of the Czech Government Savings Bank, under which this money will be used for loans. This is much more sensible than using the money for village budgetary expenditures. Moreover the money has to be used to pay the expenses of privatization, as well as restitution costs under the law for moderating property crimes.

[Slacalek] What about property that is not privatized? It will be uninteresting in one way or another a fall into the lap of the village. What is your opinion of community property? Do you think villages should start businesses? The law allows this, and I think moreover that this has always been the case.

[Jezek] I say that villages should start businesses to a limited extent as they have in the past. They should, however, create conditions for citizens to start businesses. This is the main role of the village. Most needs can be provided by the private sector. It is all a question of the market. I don't know, for instance, why anyone would prefer to go to a pub run by the village rather than to one run by Mr. Novak. There are, though, services the market cannot provide: defense, safety, public parks, lights, communications, and the like. These are typical public works, where it is unclear who should pay for a particular service. At a higher level these services are provided by the government, and at lower levels by regions and villages. This is why taxes are collected.

[HOSPODARSKE NOVINY] What is your opinion, Minister, concerning the dependence of business offices on the Ministry of the Interior?

[Jezek] Discussions continue about this. I think that we should start looking at this ministry a little differently. After all, the police defend us. The policeman is a kind uncle who makes sure children don't run under cars, he is someone who knows every cobblestone in the town. We have to forget about what Interior has been. I think it is unfair for every government administrative office to want to be independent only so it will not be under the Ministry of the Interior. This is a short term attitude based only on emotion. This opinion of Interior has to change. It is true, however, that business offices were not under the Ministry of the Interior in the first republic.

[HOSPODARSKE NOVINY] How to finish up? What do you see in the future for small privatization?

[Jezek] We are doing something unprecedented. No one in the world has set these kind of procedures in motion. It is completely clear that we are making a number of mistakes and unfair decisions. Even if things are 80 percent smooth and proper, people only see the minority of improper incidents. That is our burden. We are trying to conduct the process well, however, and I think we are making progress and will continue to do so in the future. Of course only with divine assistance.

Pricing Law Explained by Deputy Finance Minister

91CH0197D Prague HOSPODARSKE NOVINY (supplement) in Czech 12 Dec 90 pp 1, 7

[Article by Vladimir Rudlovca, CSFR deputy minister of finance: "The Rationale for the Regulations"]

[Text] One of the crucial points in the strategy for economic reform is price deregulation, which is planned for 1 January 1991 on the schedule for the specific reform programs. Price deregulation can be linked to a number of changes in the functioning of the economic mechanism, but the fundamental purpose of this act is to make a clean transition from a system where price formation was in the hands of the planning center, to a system where price fluctuations arise mainly as a reaction to changes in supply and demand.

A market economy rises and falls on the free formation of prices on the market. Free price fluctuations are reactions to changing supply and demand. Because of this, prices reflect true market relationships and provide market participants with up to date information needed to direct their behavior, to find the most effective approach to problems, and in the final analysis the achievement of equilibrium. Price deregulation opens the way to this behavior for our economy, in which current economic policy contributed to the long term preservation of totally unrealistic relative prices, which in turn allowed a number of negative phenomena to continue to survive. We want to rid ourselves of these phenomena, and are therefore placing great hope, and considerable fear as well, in price deregulation.

A number of steps paving the way to price deregulation have already been taken during 1990. There have been several organizational changes including the elimination of the former Federal Price Office, and above all several of its functions, at the Federal Ministry of Finance. In retail trade so-called price adjustments were made, the objective of which was to eliminate state budget subsidies for these prices as well as to create the conditions for uniform approaches to price formation. The uniform sales tax rate proposal, which has been finalized, also pursues this objective. Nevertheless, the most fundamental step has been the drafting of new regulations which are scheduled to take effect on 1 January 1991. The common foundation for these standards is the law on prices.

The basic postulate of the price law is that a price results from an agreement between a seller and a buyer. This corresponds to the theory of free price formation. But if we maintain that this theory underlies price deregulation and is the basic thought behind the price law, this does not mean that this law legalizes a situation of unlimited possibilities to manipulate prices. The drafters of the law were guided by extensive experiences of developed market economies where the government or responsible offices have at their disposal a number of instruments allowing them to intervene in the price formation process using regulations. Formally, this is done by allowing a third party (the government) to get involved in the negotiation process between the buyer and the seller. Understandably, in a smoothly functioning market economy the level of this intervention can be minimal, with regulations remaining in those sectors that have traditionally been regulated, or protected by the government, or when necessitated by the impact of unexpected events that require the government to get involved in the price system (e.g. the oil crisis).

The Czechoslovak economy faces a different situation. Many markets are imbalanced, production and business is monopolized to a significant extent, many credit and financial policy tools typical of market economies are poorly developed, the government sector predominates. Moreover, the need to fend off a number of external pressures on the domestic economy multiplies the need to put in the hands of the government or price offices

tools allowing them to regulate prices effectively. The basic conception of the role of price regulation after the transition to deregulated prices is to form an environment in which relative prices can change based on demand and supply fluctuations on some markets, while on others regulations could slow down these fluctuations and moderate their intensity. Price regulation, then, can be used immediately after deregulation to absorb the price shocks that will arise as world prices are integrated into our economy, while simultaneously moderating domestic inflationary tendencies that will be unleashed as a result of price increases mainly for imported fuels and raw materials. The fundamental change that differentiates the current approach to economic management from price regulation under the price law is that price law regulation will not set prices, but limits within which prices can fluctuate, thereby directing relative prices in the desired direction.

The proposed system of price regulation includes the following forms of regulation.

1. The simplest, implicit form of price regulation in the price law is the general prohibition on charging prices that include unjustified costs or excessive profits. This provision is further specified in the draft implementation decree, which states that such a price is one that is more than 30 percent higher than the usual price of the same or comparable goods. This provision applies if the seller has an especially preferential economic position because of limitations on competition or an unusual market situation and cannot demonstrate any pertinent points related to the quality of goods, special risks incurred in their production or sales, special demand or normal costs that might justify the excessive price. Similar provisions apply to dominant buyers to prevent them from forcing weaker partners to accept prices that do not cover justified costs.

2. Officially established prices directly set a maximum or a minimum value. A maximum price represents the most effective and strongest administrative technique for price regulation. Therefore it should be applied only to certain easily regulated items, such as grain, fuels, energy, rents, etc. The underlying premise of the law is that the maximum price should create a space for price fluctuations, and should therefore not include excessive and unrealistic restrictions on price increases for inputs.

3. Price guidelines based on specific situations (material guidelines) is the loosest form of price regulation, in which no price is established, only the required or acceptable ways of arriving at it (such as necessary costs plus appropriate profit). Guidelines are based either on officially established prices or on prices of imports. It can be applied to a broad range of products, even those in different product lines. This form of regulation helps to assure the effectiveness of, for instance, officially established prices and can be used for goods whose basic characteristics or conditions of production differ only a little from the definitions of a regulation.

4. Guidelines for price fluctuations over time (timing guidelines) link the implementation of price increases to the fulfillment of certain time conditions or compliance with established deadlines. This is the mildest form of price regulation, and is applied exclusively to sellers with a monopoly or dominant position in a nationwide or republicwide market for specific types of goods. The regulating office in these instances can only put off the implementation of the intended price increase, but cannot influence its scope. An important part of the timed regulation of prices is a binding preliminary understanding by buyers of the intended increase. This is intended to help them adapt to the increase, and allow them to find substitute products if they chose. It is a step intended to make price increases more difficult.

5. A price moratorium is considered a completely exceptional measure used in cases of extreme necessity over an entire complex of markets, such as those for foodstuffs, raw materials, fuels and energy, industrial goods or services. Price moratoriums are imposed in addition to normal price regulations under the preceding paragraphs. It does not mean freezing prices at a fixed level, but an across the board imposition of maximum prices.

The specific technique and conditions of price regulations and their changes is established by the Ministry of Finance (in certain cases by regional or municipal offices) taking account of the goods involved, the initial price level, the expected development of costs, supply and demand, and usually taking into consideration the positions of buyers and sellers. Compliance with the established rules of price regulation will be monitored by a newly conceived system of price controls and legally implemented by sanctions for violating price regulations, in the form of a fine equal to the full amount of the improperly acquired material advantage, which must also be returned to the plaintiff.

In conjunction with the planned changes in the area of prices, and partly under the influence of the many discussions in the press and other media in which price deregulation is often depicted in its abstract, modelled form of a quite free fluctuation of prices, a number of distorted conceptions have arisen of what will happen to prices after 1 January 1991. It is often forgotten that in a developed market economy there are natural regulators that prevent the occurrence of uncontrolled chain reaction price fluctuations. These fluctuations can occur in our economy after prices are deregulated. This fact forces us to replace the still nonexistent natural price regulators with price regulation by central offices. This means that the part of the price law that relates to limitations on price fluctuations will probably be invoked frequently.

Currently work is being completed on a so-called list of goods that will include products for which prices will be regulated, as well as the technique that will be applied in each instance. It is expected that the greatest emphasis will

be on slowing down price development using timing guidelines, with a significant role also played by slowing down price reactions to fluctuations in world raw materials prices using material guidelines.

The basic strategy of price regulation implementation will be put in place widespread regulatory instruments immediately after 1 January 1991, then gradually remove the regulations based on future price evolution, perhaps focusing the controls on areas where there are anomalous price fluctuations. The effectiveness of financial and credit policy, as well as the discipline showed by producers and retail organizations in complying with the price regulations, and their ability to adapt to the deregulated price environment will all play important roles in decisions on the intensity of price regulation.

Various Privatization Methods Discussed

*91CH0197E Prague HOSPODARSKE NOVINY
in Czech 12 Dec 90 p 8*

[Unattributed article: "Privatization Methods"]

[Text] The problem of privatizing government enterprises is not being dealt with only by the former socialist countries. Particularly in the past decade this problem has come to the forefront, with substantially less scope to be sure, in a number of developed countries. The privatization techniques used in these countries can be divided into roughly five groups. These include the so-called enterprise management agreement (management contract), a method utilizing joint venture contracts, the direct sale of the government enterprise to a private firm, the gradual sale of stock to private investors on a stock exchange and, finally, a method that combines any of the foregoing techniques. Individual privatization techniques are chosen that best correspond to the situation at the government firm to be privatized, its market position, and the quality of its management.

The management agreement is a contract signed by a government office (the office having supervisory authority over the enterprise) with a private firm, and sometimes with an individual. This contract does not represent the privatization of the enterprise in the true sense of the word, but often represents the first step on the way to the full privatization of the firm. The essence of the agreement is the transfer of management of the government enterprise (or certain parts of it) to the private firm; all, or almost all assets of the government enterprise remain the property of the government. A management agreement, which completely replaces the original management of the firm, is used mainly in situations when new administrative and organizational procedures need to be introduced at the firm, or when its technological and financial know-how needs to be upgraded, in other words when enterprise operations must be completely overhauled but it is not possible to privatize the firm directly. This method is frequently used with unprofitable firms needing restructuring, at

firms that are not competitive in the market and which therefore do not attract the interest of investors. The advantage of a management agreement from the viewpoint of the government is that the "accountability" for the necessary and often painful rationalization changes in the operations of the government enterprise are transferred from the government to the private management firm. The disadvantage on the other hand is that the rationalization of an enterprise often requires financial resources that in these cases must be provided by the government. The extent of these resources can become a point of conflict between the government and the private firm.

Under the joint venture method, one or more private firms purchase from the government a certain portion of the stock of a government enterprise or pay in a certain amount of capital to the firm (which may be a payment in kind). The remainder of the property, whether a majority or minority holding, remains under government ownership. This privatization technique is used mainly for corporations requiring modernization, and of which the government wants to retain part ownership. Partners for joint ventures are chosen so that they can contribute to the modernization of the firm, bring certain operational skills and supplemental capital. After the transition to a joint venture enterprise management usually changes somewhat. As with the previous privatization technique, a joint venture is often used for firms with a weak market position, often with an objective to increase the value of the firm for subsequent full sale. The financial development of the firm usually becomes completely dependent on private sources of capital. The important issue determining the success or failure of this type of privatization is who becomes the dominant force on the board of directors of the firm, and the extent to which government interference in enterprise operations is prevented. Government influence on enterprise management can be limited, for example, by the type of stock left in its control (for example, preferred stock without voting rights).

Under direct sale of the government enterprise to private buyers one or more private corporations obtain 100 percent of the stock of the government enterprise. This is the method that provides the government with the greatest short term proceeds, but brings with it the problem of adequately evaluating the worth of the firm. The new owners usually restructure the firm and integrate it into their companies. The firm, therefore, usually ceases to exist as an independent entity. The direct sale method is considered appropriate mainly when the enterprise to be sold finds itself with relatively strong internal organization and equipment, but is in need of economic, financial, or marketing help from outside. This may come in the form of a distribution network, improved advertising of its products worldwide, etc. Management changes after a direct sale to a private buyer.

When a firm is privatized by selling its shares to private investors the stock capital of the enterprise is gradually put up for sale on a stock exchange (usually in several stages),

where it is purchased by private, domestic and foreign investors, both individuals and institutions. The reasoning behind the sale of this stock in several stages is mainly that it improves the income to the government from the sale over what it would be if the stock were released at the same time. A certain percentage of the stock can be placed in an employee stock ownership fund (ESOP), and part may remain under government control. The capital contributed by investors can be partially used by the government, but most of it is usually left to the privatized enterprise. This method is considered the most appropriate for strong and profitable government firms or holding companies that require no injections of external know-how, technology, marketing, etc. from private corporations, in other words corporations that need only a capital infusion. The current management of the firm remains, and the future financial development of the corporation depends solely on private capital sources.

Privatization can also be based on a combination of the first, second, and fourth techniques. Techniques are combined most frequently for government enterprises engaged in various activities, with the different operations differing greatly in their sophistication and economic strength. For example, consider a situation where a government enterprise might sign one or more majority or minority joint ventures, while at the same time selling stock of the parent company, which itself could be made up of several enterprises, on the exchange.

Privatization Techniques and Their Main Characteristics

	Ownership	Management	Production Situation of Firm	Competitive Position	Financing Sources
Management contract	Government	New	Very weak	Weak	Government
Joint venture	Government and private	New and current	Weak	Weak to good	Private
Direct sale	Private	New	Weak to good	Weak to good	Private
Sale of assets by selling stock	Private and government	Current	Good	Good	Private

Capital Market Institution Viewed by Bank Chairman

91CH0197B Prague HOSPODARSKE NOVINY in Czech 12 Dec 90 p 6

[Article by Prof. Eng. Miroslav Tucek, candidate for doctor of science and managing director of Investment Bank: "The Complex Path to a Capital Market"]

[Text] Coping rapidly with the economic shock resulting from price deregulation and the introduction of partial koruna convertibility will require the institution of several measures that will assist in forming a new economic equilibrium and increase the adaptability and efficiency of a significant part of the national economy. The measures include privatization, rules and institutions needed to implement industrial and agricultural policy, a new tax system (which should not be postponed until 1993), and the formation of financial and capital markets.

The capital market in developed market economies is separate from the money market. Here its creation will serve as one of the conditions for the establishment of a money market.

What This Is Really About

The market for capital is basically a market for savings, both domestic and foreign. We sometimes call it, improperly, the market for investment resources. This is true provided savings are a source for investment. They can also, however, be a source for financing public (deficit financing) or personal expenditures (consumer credit).

If we speak of a market, we are assuming that it is formed by supply and demand. The entire world suffers now from a lack of resources to supply capital; in the United States, in Japan, but in other countries as well the savings rate has declined. At the same time widespread deficit spending by governments, mainly in the United States, but also Germany recently, increases the demand for free capital.

The foundation for a supply of capital is the formation of savings, which is the difference between income and consumption. Savings are formed mainly in households and in the financial sector. It is usually not desirable for entrepreneurs to form savings, because the revenues sunk into their companies must have a greater rate of return than that provided by savings. The administrative sector, i.e. public budgets, in most countries of the world run deficits, and savings in other sectors are used mainly to offset shortfalls in normal revenues.

The financial sector has three roles in relation to savings and therefore the supply of capital:

- Savings are concentrated in this sector and are allocated (invested) by the sector as free monetary capital.
- In monetary institutions (deposit banks) this sector changes part of the disposable short term cash of its clients into long term capital.
- Institutions operating in the financial sector (banks, various investment funds, insurance companies) invest portions of their profits.

In countries with open economies capital shortages can be made up for by direct investment or long term loans from abroad, but only assuming that the conditions for the investment are the same or better than in other countries.

All the above mentioned economic sectors create a demand for capital. They compete with each other, in terms of the expected yields of investments and their safety. In this regard the government can usually offer the most favorable terms. The greater the demand from the government budget for free capital the fewer the resources that remain for the other sectors. This increases the interest rates on loans, lowers the price of stocks on exchanges, and in some cases to a decline in the exchange rate of the national currency.

Climate for Savings

If we think that the basic precondition for the reconstruction of the national economy is widespread investment, then we encounter two immediate difficulties:

- Right now investment as a percentage of gross national product is already significant in relation to West European countries, and for both economic and political reasons it will be difficult to increase.
- Savings could be the source of these investments in a stable economy, but available savings are clearly inadequate, so in the past two decades investments have been funded as well by printing additional money (creating excessive liquidity), which has caused today's inflation.

We understand investments here to be the financing of all long term needs, i.e. not only construction but also increases in inventories and foreign receivables.

A healthy investment policy must, therefore, be based only on annual savings and the occasional transfer of savings from abroad, i.e. mainly direct foreign investment. Both these sources, however, require a healthy investment climate, but mainly an increase in savings as a percentage of gross national product, or national income. To this end the government should institute policies favoring savings over consumption.

For anti-inflation policies to be credible they must be implemented comprehensively. In my opinion their foundation must be restrictions on the government budget, even though this is the least popular thing politicians can do.

Fiscal measures must be tied to credit and currency measures, namely:

- Further increases in the interest rate in both asset and liability credit operations, in order to achieve an equilibrium interest rate.
- A systematic reduction in the amount of credit in the national economy, mainly by securing credit relationships; speeding up payments and writing off uncollectible loans to the detriment of the property or profits of the debtor.

The behavior of households as the chief potential creator of savings, can be influenced by:

- Reducing taxes, mainly on lower incomes, and increasing taxes on both normal and luxury consumption.
- Deducting paid premiums for life (retirement) insurance from taxable income, as well as savings in the context of long term contractual arrangements.
- Expanding so-called forced savings, which are understood abroad to mean savings resulting from required old age, disability, and health insurance deductions, as well as those for unemployment insurance, held by insurance companies and in money funds.
- Government support for supplementary retirement savings (with the government or employer paying a portion of the insurance).

Measures in the nonfinancial area include mainly the possibility to purchase small businesses (partly on credit as well), and to sell off parts of inventories, cars and other transportation equipment, houses, etc. from debtor enterprises, as well as government intervention to stabilize the market (demonopolization, customs protection, etc.).

All anti-inflationary measures increase the faith in savings. On the other hand, the objective is not to prevent prices from rising, but to favor savings over consumption. To do this we do not need zero percent inflation. Currently a majority of families operate without savings, and at times without long term savings. It should be more advantageous to have monetary savings than a cottage or nonessential things. Families with savings do not require as much government attention and should therefore be given advantages.

Possible Approaches

In recent decades the savings of households and companies have been concentrated in accounts in the government bank, which used them to cover its loans. This process resulted in total confusion between long term and short term sources with the source created by issuing the loan, as permitted by the former central planning system.

Savings did not have a rational price. It was symbolic: The average interest rate on deposits in government savings institutions (3 percent annually) in the 1980's was lower than the estimated actual increase in retail prices. The interest rate at the state bank was 1-6 percent annually. Asset and liability interest rates did not move at a level near the demand for capital, and had practically no influence on this demand. This led to the issuing of credits and loans.

Companies cannot behave rationally in relation to their customers without a market for factors of production, one of which is capital generated from accumulated

savings. Market principles for capital allocation require at least market incentives to save.

At present the demand for free capital exceeds its supply. There are several reasons for this:

- The entire economy needs radical macrostructural and microstructural changes which are frequently investment intensive.
- Entities (both government and private enterprises) with an interest in supplementary capital currently do not bear enough responsibility for its effective utilization. As a rule they are not afraid to overinvest, with a resulting loss of liquidity.
- The current level of household savings is declining and may decline to negative rates when inflation is considered.

Mechanically bringing demand for capital into line with the supply of savings by simply increasing interest rates, as the previously predominant price of savings and capital, would require an interest rate so high that it would clearly exceed what the Swedish school calls the natural interest rate, i.e. the technical potential for improving the yield on investment capital. The result would be an inflationary price increase.

For this reason it is desirable to use other techniques to retard demand for capital and provide incentives to increase the supply. The use of a capital market offers these possibilities. Obtaining free capital on a capital market is, after all, much more difficult than obtaining it through a long term loan.

There are several ways to acquire savings on a capital market:

- Issuing stock, which are securities, the placement of which means that the public has been persuaded that the company issuing the stock has a future, that it is reasonable to expect not only a return on the invested capital in the form of dividends, but also increases in the stock price.
- Issuing corporate bonds, which offer a fixed yield, in contrast to common stocks, but on the condition that the issuing corporation does not get into financial difficulty.
- A combination of both of these approaches is to issue bonds with an option right to purchase the stock (or the right to convert the bonds to stocks and the issuance of preferred stock (with a guaranteed dividend level).
- Subscription to shares in investment or property funds which provides the subscriber with a safer deposit of savings in the entire "cocktail" of property values (real estate and various securities), thus reducing the risk of failure of the financial investment.
- Issuing mortgages.

In all of these cases the investor must be convinced that the risk of the investment is commensurate with the potential reward, or other (such as tax) advantages the investor obtains. The greater these additional advantages the more advantageous financial investments appear to households in comparison with investments in real estate, gold, or consumer goods.

By the same token financial investments will be the more interesting, the more liquidity there is on the capital market. Higher market liquidity means a given security can be sold at any time and without loss. This kind of market will become established in the CSFR only gradually.

Institutional Investors

In all developed countries, so-called institutional investors occupy a critical position as suppliers of capital. These are mainly pension funds, health and life insurers. Obligatory pension, health, and accident insurance results in the formation of necessary insurance reserves, a form of forced savings. Funds (insurance companies) invest this capital mainly in securities, and primarily in government and municipal bonds, mortgages, and smaller percentages in stocks traded on an exchange.

In the CSFR, forced savings in this sense as well as institutional investors are lacking. Until they appear there can be no capital market because there will not be sufficient liquid demand to sustain a market. Delays in the splitting off of pension (retirement) insurance from the state budget are from this perspective very dangerous.

Government and Municipal Debtors

Monetary theory often requires that public finance be in balance or in surplus, especially when implementing restrictive (antiinflationary) policies. This is a reaction to the Keynesian theory of deficit finance. The practical application of theoretical postulates must always be based on a comprehensive analysis of a specific situation, which usually shows that the situation has some limits, usually related to the need to respect other than purely monetary considerations, even though we grant them the greatest importance.

Public budgets with a surplus are historical exceptions. In democratic parliamentary societies it is very difficult to make the government a center of saving. In the specific Czechoslovak situation, though, we must insist that public expenditures be restricted. One of the reasons for this policy is the unacceptability of high taxes on the enterprise sector in terms of the new capital inflows. High consumption taxes lead to a decline in the currency exchange rate, which must also be internationally comparable.

In terms of enterprise calculations, public expenditures are "social overhead". The greater the social overhead the lower the international competitiveness and standard of living.

Supporting savings and obtaining direct investment from abroad demands that the capital deposited in the national economy produce the highest possible yields. High corporate taxes is in conflict with this requirement.

Under these conditions it is possible, however, that reductions in corporate tax revenues can be more rapid than reductions in government expenditures, and that certain developmental investments (I have in mind mainly infrastructure investments) might have to be paid for from the proceeds of government loans, in other words bond issues. Costs must be distributed over the bond amortization period.

The issuance of government, or municipal bonds has a dual impact on the developing capital market:

- It increases demand for savings, of which there is currently a shortage, which increases the price of free capital and savings (the interest rate). The government will compete with the investment needs of enterprises which is nothing new, just in a new form, because the competition will occur based on market principles.
- It offers households as well as institutional investors a new, government guaranteed form for savings, which could substantially speed up the institution of a capital market.

Investment Funds

In terms of reducing investment risk on the capital market and to assure the proper administration of securities, investors, especially in Anglo-Saxon countries, often come together in investment funds. There are hundreds of funds of various types, often regulated by law. The basic idea is that the shareholders provide resources for the joint purchase of securities (or real estate), then divide up the proceeds based on their relative shares of the deposited capital. For the capital market this means a substantial increase in demand and turnover, as these funds offer not only standard securities of primary debtors, but also shares in these funds.

Investment funds distribute risk by creating a "cocktail" of different securities, and manage the holdings professionally to maximize yields. For this reason, the Investment Bank has made preparations to set up a number of these funds, the management of which would be strictly separate from bank management.

Legal and Tax Preconditions

We talk about a capital market and stock exchange, but we still lack basic securities laws, which would codify mainly:

- The right to issue securities and deal in them.
- A central securities register, along with laws governing security storage and installment sales.
- Rights and responsibilities of insiders, i.e. people with more information because of their position, to prevent

them from using their situation to the disadvantage of outsiders, i.e. normal market participants.

—Safeguards for the interests of investors (depositors) and necessary government supervision.

Likewise, not everything is clear in the tax area. Why are interest payments on savings treated more advantageously than dividend payments on securities?

Yields on real estate holdings are not taxed, for practical purposes, which puts financial investments at a disadvantage. Dividends from shares in investment funds are taxed multiple times under current law. One can justifiably conclude that the Czechoslovak tax system is unfriendly to the creation and development of a financial market and clearly grants preferences to savings deposits and real estate investments.

Last but not least, we need to resolve the issue of whether to implement the privatization and capitalization of claims by printing securities. In France government enterprises were privatized in the early 1980s without issuing any stock. They have only a central registration. This made it possible to create a completely new type of securities exchange, one on which trades can be executed immediately, rather than five days or several weeks later, as is the case on most European exchanges. It is surprising that the authors of the Czechoslovak stock exchange law did not take this experience into account.

POLAND

Industrialists Criticize Privatization Formula

91EP0150B Lodz GLOS PORANNY in Polish
10 Dec 90 p 6

[Open letter from Polish Industrialists Association, signed by Administration President Jerzy Grohman and Secretary Jan Zamoycki]

[Text] As we observe the privatization process being conducted by the government, we wish to express our deep concern over the way it is being carried out. Political considerations dictated the nationalization of industry in the 1940's and 1950's. The 1946 law was issued by a body which did not properly represent the Polish nation.

After all, the nationalization was even implemented in contradiction to these regulations, because Polish citizens have still not received the damages provided for, although foreign citizens did receive such compensation.

At the present time, inasmuch as private ownership of the means of production is recognized, to pass over the former owners of these means of production in silence is bound to become a cause for concern, but such action is contrary to the principle of private ownership being adopted.

To implement privatization without previous reprivatization is bound to lead not only to having this act being done merely for appearances but also to the complete distortion of the principle adopted, because certain priorities were envisioned and created for various social groups, mainly the employees of industrial plants. The rights of the previous owners have been overlooked altogether. It will not be possible or legal for companies privatized by the government to make economic arrangements with foreign firms before the rights of the former owners of these companies are regulated.

Such actions are not only immoral, when the former owner is overlooked, but can also be undermined by that person both in our country and in the international forum.

Inasmuch as it is correct to recognize that only a company with an owner can properly engage in economic operations and can provide for both production and employment, it is not possible to put in order the matter of regulating the rights of dispossessed owners. This situation often occurs in a manner that is, after all, contrary even to the laws on these companies.

This matter aside, we must emphasize that in order to permit foreign capital to come in in the first place, it is necessary to create industry which has an original owner in possession. The only step that can be considered proper on the road to rebuilding the Polish industrial structure, which has been distorted by improper experiments, is for the group of owners from the prewar community of industrialists, reared in its traditions, to return and engage in the country's economic life (ruling out the possibility of their entering into competition and allowing them now to play a constructive role). It should also be noted that recognition of previous owners' rights coincides with the interests of the labor world, which is interested in the proper operation of companies.

Only the properly conducted reprivatization of Polish industry will make it possible to show future foreign investors in Poland that the reforms being conducted are permanent and to create a feeling that legal parties will have the necessary security, especially in terms of their rights to ownership.

In this situation we see it essential for changes to be made quickly in the ongoing privatization process, by way of the issuance of regulations permitting reprivatization of government industrial installations.

Board of the Association
Jerzy Grohman, Chairman
Jan Zamoycki, Secretary

Economic, Environmental Concerns in Silesia

91EP0150A Katowice TRYBUNA SLASKA in Polish
6 Dec 90 p 3

[Interview with Dr. Jan Chmielowski, adviser to Solidarity's Slask-Dabrowski Regional Administration, by Jolanta Matiakowska; place and date not given: "The Game of Prolonging Life"]

[Text] [Matiakowska] At the beginning of the 1980's, the loudest demand in the Silesian workplace was to improve the condition of the environment. Today this charge has been put on hold. People in closed "poison" plants are protesting! They are afraid of unemployment. Does this mean that ecology no longer has allies among the workforce?

[Chmielowski] We can't put it that way. In this instance I would not blame the people. Instead I would blame ecological policy, or rather the absence of such a policy. It is true that the environmental protection minister has actually begun to get a good grasp of the ecology problem in Silesia, but...that is the end of the matter. Let us be frank. It is a paradox that Deputy Balcerowicz presently deserves the most credit for arresting the flood of pollution. His reforms have unintentionally brought about a severe decline in production and therefore a drop in pollution as well. Meanwhile, the environmental protection, public health, industry, and finance ministries do not appear to have developed together any comprehensive ecological policy.

[Matiakowska] But the demands on those poisoning the environment are increasing year by year. Plants and departments afflicting the environment are gradually falling by the wayside. Despite everything, there is progress in ecology....

[Chmielowski] Those are incidental occurrences. When we look at, say, the metallurgical industry as a whole, we see a great ecological muddle there. Outmoded technology continues to be used, for example, at the Kosciuszko mill. Meanwhile, the modern furnace at the Katowice mill is not being put into operation. After all, imported Western equipment for obtaining and utilizing recovered gas has been sitting for years at the Katowice mill and has not been installed to this very day. Power is being wasted. There is no concept for restructuring nonferrous metallurgy. Various plants in this branch of industry are trying to modernize on their own. But is this going according to any overall plan?

[Matiakowska] We have been asking for our own regional policy. Wouldn't excessive "concern" from the central bureaus interfere with this policy?

[Chmielowski] The Silesian region has its own specific characteristics. Some of its problems, especially those concerning mining and metallurgy, must be considered at the government level, but the stewards of Upper Silesia and experts who work in these branches of industry must have a say in the matter, too. Neither the

mines nor mills can be dealt with one at a time. The Western European countries realized this nearly 40 years ago, when they created the European Coal and Steel Community. It was the beginning of the EEC, which we are trying to join, so far without success.

Another problem which the Katowice Voivodship will not resolve on its own—the voivodship has also been deprived of the funds saved here, most of which have been transferred to Warsaw—is the overpopulation and overconcentration of industry. What is needed here is an overall strategy as seen also from the country's view. This applies both to eliminating the various individual objectionable plants and to reducing Upper Silesia's overpopulation. These two issues must be taken together. Also, open to discussion is the notion that our region's inhabitants will lack jobs once we start closing or modernizing outmoded objectionable plants. After all, thousands of people outside the GOP [Upper Silesian Industrial District] are still working in them. It is not a question of brutally throwing people out onto the street. We must finally think about creating other jobs outside Upper Silesia to relieve this region at least a little.

[Matiakowska] It almost goes without saying that the changes in our economy will always create the fear of unemployment. This factor in turn makes it difficult to close objectionable plants and meet environmental requirements. It does not help in the dissemination of environmental awareness, which is still rather poor in our country. This has to be an issue for Solidarity.

[Chmielowski] People's difficult economic situation and the fear of unemployment are not creating a good climate for ecology. Despite this, Solidarity's regional administration wants to engage in improving the economic awareness of the residents of Silesia, especially those employed in problem industries, starting with our own activists and then the whole workforce. The most dramatic effects of environmental destruction are not visible on the streets. The real dramas are played out in the hospitals and in family homes. For example, there are scientifically proven, irreversible genetic changes caused by living in a polluted environment. Because of such changes, fewer and fewer children here are born without defects. There is an increasing number of untreatable sick and handicapped children. Physicians at the Silesian Medical Academy wrote a report on Katowice Voivodship's public health situation, in which they said that the game being played has to do with prolonging life! This argument is sufficiently strong for the central government officials to stop treating Upper Silesia's problems as though they were merely of secondary or local importance. We cannot defer the resolution of these problems to the indefinite future.

[Matiakowska] Thank you for the interview.

Strug: Firm Under Liquidation Receives Reprieve

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[Article by Krzysztof Krubski: "Credit for a Bankrupt [Firm]: Instead of Liquidation, Strug Is Resuming Production"]

[Text] A half year ago we wrote about the first real bankruptcy in light industry (POLITYKA 22), about the Andrzej Strug firm in Lodz. Today, the factory that should no longer exist is being prepared to return to looms and weaving mills and to accepting applicants for work. Moreover, administrators from the capital granted several billion [zlotys] in credits to this firm. Has someone rescinded the decision on liquidation? No. Has someone bought the Strug firm and put it into production? Also, no. This is how liquidation looks in Polish.

Let us recall that Strug was eaten up by interest on investment credit. Work on the construction of a new production shop, three-fourths completed, was going well; during the past year, the firm made three billion [zloty] in clear profit and had not overextended itself in having to repay almost as many billion for debt over the next seven years, all the more so since the repayment was not to begin until the middle of 1991. Then came January, 1990, with its 25 percent monthly interest, February added 23 percent, and March in turn, 70 percent. And that seemed to be the end. All of the profits of the preceding year were scarcely enough to pay the January interest; February and March finished the rest. It was clear to everyone that Strug had fallen.

The first liquidator was awaited with longing at the firm. But it developed that there was a shortage of professionals who knew how to liquidate a bankrupt firm quickly and efficiently. The Ministry of Industry, the founding organ of Strug, finally found a candidate, someone who had actually worked in this firm at one time. He was greeted here with relief because uncertainty is the worst thing, especially when the question is will I be fired immediately or a little later.

The concept of the liquidator is simple: to dismiss the workers, to sell what is not needed, and make that which has value, particularly the new production shop, a contribution to a partnership. Stockholders of one of the joint-stock companies were to be: the State Treasury, Strug, the Lodz Textilpol plants, which have a similar production profile, and the General Commerce Bank, the main creditor of the bankrupt firm; another joint-stock company was projected for the craftsmen. Seeking partners with hard currency proceeded through this whole period. The liquidator used his contacts, the Ministry was also doing something. But the results were meager. Experience proved that we could not find a foreign contracting party with complete technical equipment for the large, new production shop suitable for various kinds of production, located in a large city with industrial traditions and, therefore, also a supply of professional workers. It is difficult to determine if willing

applicants are lacking in general or if we did not know how to reach them, but the result was that we found exclusively Polish contracting parties.

And these soon retreated. The bank reached the conclusion that it would prefer ready cash now as repayment of the debt over "the pigeon on the roof" in the form of eventual profits of an eventual partnership. Textilpol backed out and no agreement was reached with the craftsmen. Thus, despite the supervision of the Ministry, the trusteeship of the bank, the interest of the city authorities and of the local Solidarity, everything disintegrated.

After the vacation season, another interregnum ensued at Strug. The concepts of the liquidator lay in the dust; there were no contracting parties on the horizon, three months were lost. The only thing that was concrete were the dismissal notices for the personnel.

The second liquidator was also local. He worked in Strug for many years and attained the status of a deputy director. His nomination aroused controversy. The Solidarity shop proposed a different candidate on the principle that the person who broke the watch should not be asked to fix it. But the Ministry of Industry decided on Zbigniew Mecych.

His idea also is simple, although it is entirely different from that of his predecessor. The factory, boarded over with machinery, covered with dust, and unoccupied, is worth 40 percent of what we could get for it with normal production. Empty walls repel and, coupled with enormous debt, cut off discussion. We must, therefore, reactivate the mill, be concerned about interesting products, advertise the desire to sell in foreign trade journals, and quietly fix the price of the firm. Only then should we advertise for bids and, as the liquidator believes, only then will we get a respectable price.

All of this requires time and money. For this reason agreements are now being signed with people to work to the end of next June. There seem to be guarantees that they will not be producing "for the warehouse." According to estimates of the liquidator, four-fifths of what they will be able to produce by the middle of next year will be sold as it is produced and one-fifth will be taken by the small retailers. The production sold will, of course, bring in money, probably even some profit.

But the summer of 1991 will not be the end of Strug. Mecych estimates that a proper pricing of the property determined by foreign specialists, the procedure of advertising for bids in Poland and abroad, looking personally for eventual buyers, or forming a partnership will make it possible to auction the property in the fall of the coming year at the earliest. Then, in the opinion of the liquidator, the firm will be ready to conclude sensibly its activity as a state firm.

Are there any guarantees that contracting parties will be found? There are no guarantees, but the liquidator has a deep conviction that such a calm course will make it

possible to find sensible buyers. For even today, Mecych reports, there are those willing to buy, but they are offering ridiculous amounts. Representatives of Levi-Strauss offered less than half a dollar for leasing a square meter of the new shop, while the bid of the liquidator agreed to with the Ministry of Property Conversion was almost eight times that amount. Apparently Levi-Strauss went to Plock, but there, instead of beautiful shops, they found ordinary shops not suitable for sewing clothing from jeans material. Mecych has not lost hope that the famous company will return to Lodz with a more reasonable monetary offer.

Everything that he has proposed will cost money. And no bank will lend money to a bankrupt firm. Why then a founding organ? The liquidator persuaded the Ministry

of Industry to his concepts, but the signature of the deputy minister on a document accepting Mecych's plan is not enough. Money was needed for putting the firm in motion again, for buying raw material, and guaranteeing wages for employees. The liquidator got the money from the Fund for Structural Changes. The amount was so large that approval of the chief of the fund was not sufficient; consent of the Supervisory Council was required. And it was given.

Therefore it looks as if bidding will start in the fall of 1991, a year and a half after liquidation announcement; the bidding will decide the fate of the Strug state firm. Maybe by next Christmas, Strug will no longer exist? Or maybe it will?

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