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## Three Strikes and You're Out

*Why Meciar will not regain power in Slovakia***by Chandler Rosenberger**

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**BRATISLAVA, SLOVAKIA** -- Everyone in Slovakia knows how dangerous it is to count Vladimir Meciar out.

The Slovak Communist Party thought they had seen the last of him in 1969, when he was kicked out as chairman of their youth organization and relegated to bricklaying. But Meciar scratched his way back, earning a law degree, a respected job as counsel to a glass factory and then, in 1990, rising to the top of the anti-Communist front that won the country's first free elections since World War II. Far from being down for the count, he became prime minister.



Slovakia's intellectuals

**Ex-Slovak Prime Minister Vladimir Meciar**

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and Christian Democrats thought they had finished him off in 1991, when they joined forces in the Slovak parliament to kick him out of the premier's chair. Even as opinion polls tracked the spectacular rise of Meciar's popularity, Bratislava's dissidents-turned-politicians smugly dismissed him, murmuring confidently of bombshells they would drop just before the 1992 elections. To their surprise, revelations that Meciar had collaborated with the Communist secret police had no impact on the electorate, who gave his party a thundering 38 percent of the vote and a near-majority in parliament. Meciar was back in prime minister's office, this time as the man who would give birth to an independent Slovak state.

Since both former Communists and former dissidents have been burned trying to dump Meciar before, they are understandably wondering if their latest attempt will work. The broad coalition that removed Meciar in mid-March is firm. But its leaders are wondering whether they have planted their blades deeply enough in Meciar's back. Reform-minded journalists and businessmen mutter darkly about the tentacles his party has extended into the economy, media and local government, and speak with awe of his populist appeal. Can they really be certain that Slovakia's Ceasar will not rise again from the grave?

I have come to bury Meciar, not praise him. Really. Meciar only won his stunning 1992 victory with the support of a massive post-Communist machine. Its constituent parts -- political and economic -- have dumped him.

In the political sphere, the other leading personalities of his movement have left him in droves and earned the population's respect for it. His attempt to bend his closest coalition partner, the Slovak National Party, to his will has backfired, leaving him with an empty shell of embarrassingly little influence. And even his closest friends in HZDS are preparing in secret to dump him after the election. In journalism, all the papers that once supported him -- dailies like *Narodna Obroda*, *Pravda*, *Novy Cas* -- have become eager muckrakers, printing rumors as tenuous as his supposed impregnation of his secretary. And the businessmen who paid for HZDS and at first benefited from his rule have acquired enough property now to seek respectability and trade with the West. Meciar cannot provide it.

Why has it come to this? How could the mighty Meciar fall? Simply put, Slovakia is still a democracy. The reforms enacted under the Czechoslovak federation sank roots deep enough to survive even in an independent Slovakia under Meciar's authoritarian rule. Cooperation and contract -- however corrupt -- now hold sway.

In politics, even Meciar's broad mandate was not enough to secure him absolute power. His party quickly fell apart into the kind of squabbling that plagues all attempts to hold a movement together by fear when the threats are not credible. Why be afraid of the big bad wolf if you can join a vigorous opposition built on consent and compromise? The fact that the former Communists and the rightist Christian Democrats respect each other's wishes was itself an enticement to men fleeing from Meciar's *Führerprinzip*.

In business, Meciar's last-minute attempts to dominate Slovakia's managerial class seemed intimidating until one saw how small his influence was compared to that of the forces arrayed against him. When, for example, Meciar illegally activated state-owned shares to begin a purge of Slovakia's biggest businesses, the apocalypse seemed near. But other stockholders, empowered by the former federation's wide distribution of ownership, joined forces against him and rescued his would-be victims. Those stockholders -- from legitimate law-abiding investment companies to mafia-style conglomerates -- want an environment safe for western investment. Meciar can no more prevent his former allies from dumping him in favor of a turn to the west than a mafiosi boss from downtown can keep one of his deputies from moving to the leafy suburbs. Even "businessmen" who once backed Meciar now want respectability enough to rub out the Godfather in order to get it.

So despite myths of his invincibility, legends of his wily ways and a folklore status as Slovakia's "Robin Hood," Meciar has had it. No third resurrection, no triumphal return of the father of the nation. Yes, he will get his "babicka" vote, that 20 percent of the elderly population that opposes reform and cannot understand his financial shenanigans. But that's enough for a strong opposition party, not a government.

#### **Losing political allies: the meltdown of Meciar's coalition**

Meciar became prime minister of Slovakia for the second time in June 1992

after his "Movement for a Democratic Slovakia" won 74 for the Slovak parliament's 150 seats. Although two seats short of an absolute majority, his party was Slovakia's largest political force. Its left-leaning nationalism endeared it to both the former Communists (The Party of the Democratic Left, or SDL), who won 29 seats, and the Slovak National Party (SNS), who held 15 seats. He had crushed the dissidents who in 1991 had removed him from office. He was back, and he seemed unassailable.

But a mere nine months later he was considerably weaker. Eight of his own deputies in parliament abandoned the party in March 1993, leaving him with only 66 votes. That put him at the mercy of his two silent backers, the nationalists and the communists. Dismissing the SDL, Meciar tried to form a coalition with the nationalists, eventually succeeding in October. But it was far from a stable alliance. Both Meciar and the leader of the nationalists, Ludovit Cernak, sat atop fatally divided parties. Rather than cooperate, the two party leaders circled each other like scorpions, each trying to incite rebellion in the other's party. Both succeeded. But today Cernak's party is in government and Meciar's in opposition because Cernak could compromise and form alliances with other parties. Meciar could not even cooperate within his movement, let alone reach beyond it.

Cernak and Meciar both had to play offense and defense at the same time. Each had to steal support from the other while holding onto his own teammates. Perhaps because he had more followers, Meciar had the harder job. His was the broader movement, comprised of three streams -- left-leaning economists who liked the old Czechoslovakia, center-right nationalists who were happy to see it fall and "Meciarites," deputies who believed only that Meciar should lead, regardless of where.

The first group, the left-leaning federalists, formed the core of Meciar's party from its foundation in 1991. They were former Communist bureaucrats who had supported political reform in 1968 and had been demoted or expelled from the Party after the Soviet invasion. Public Against Violence (VPN), the broad movement that brought down the regime in 1989, had welcomed their support. These "68ers" had expected that 1989 would bring about the "socialism with a human face" that they had sought more than 20 years before. Their influence seemed assured in June 1990 when VPN appointed Meciar, one of their friends, to be prime

minister.

They were quickly disappointed. Their "gradualist" approach to reform was rejected out of hand by VPN leader Fedor Gal. Instead, young Thatcherites like Ivan Miklos were handed real power. Radical reform programs, such as the voucher system (which divided state industries into shares to be distributed among citizens) were introduced specifically to reduce the powers of ministries, planners and old-style bureaucrats. And VPN right-wingers removed Meciar himself in April 1991. When Meciar decided to fight back, the "go-slow" group found a charismatic and equally-embittered leader, a man willing to put political muscle behind their own hatred of the "radicalism" coming down from then-federal Finance Minister Vaclav Klaus. They signed up for his new "Movement for a Democratic Slovakia," or HZDS, in droves.

What they *hadn't* reckoned on was Meciar's willingness to go to such great extremes to protect his power. Although they had campaigned for more Slovak autonomy to address its "special circumstances," none had advocated independence. Had Meciar been able, after the June 1992 elections, to cooperate with other left-leaning parties in the Czech lands and Slovakia, he could have played a part in a leftist federal coalition that would have fulfilled their dream. But Meciar instead insisted on being master of his own house. So agreed with Klaus, the new Czech premier, to divide the state.

The breakup of Czechoslovakia, negotiated over the summer of 1992 and fulfilled on Jan. 1, 1993, shocked the federalists in HZDS. Recognizing that he could no longer count on them, Meciar appointed most to sinecures, such as the caretaker federal assembly, and loaded the Slovak parliament, his future power base, with nationalists and loyal "Meciarites." Ever the clever political chameleon, Meciar stopped pleading that the Czechs were as responsible for the federation's collapse as he was. Instead, he wrapped himself in the Slovak flag and spoke of achieving the dream of "one thousand years of longing" -- an independent Slovak state.

With the federalists licking their wounds, Meciar was now dependent on HZDS' other two groups -- the nationalists and his own loyalists. Both backed him completely. Milan Knazko, a former actor and dissident for whom Slovak independence was a welcome surprise, set about establishing

Slovakia's first full-fledged Ministry of Foreign Affairs. The nationalist writer and former dissident Dusan Slobodnik, a typical "Meciarite," packed his Ministry of Culture with men and women eager to persecute Meciar's critics in state-supported television, magazines and theaters.<sup>1</sup>

And yet a mere nine months later Meciar was also assailing his erstwhile nationalist colleagues. Even before he had had the chance to represent a fully-independent state, Knazko was feeling the rug being pulled from beneath him. He began muttering at press conferences about how difficult it was to work with his old friend. That Meciar should have demoted anyone suspicious of an independent country was understandable; like it or not, he had had the task of state-building thrust upon him. But why should he also have begun undermining men eager to build such a state?

Two years after that crucial 1992 election, enough of Meciar's former allies have abandoned him that it is possible to get frank accounts of what happened to the broad HZDS movement and to the man who led it. Conversations with his old friends, some comrades-in-arms for thirty years, reveal that Meciar went nuts. Burdened with an international reputation as a savage nationalist that he only partially deserved; battered by personal attacks during the 1992 campaign; and then laden with an independent state he never wanted, Meciar grew more paranoid, authoritarian and irrational than ever. In that first year of Slovak independence, just when he needed all the political allies he could find, Meciar instead abandoned lifelong friends, even family, for the company and advice of just two people -- his personal secretary and his chief of staff. Rather than compromise and build broad political strength to weather the inevitable traumas of independence, Meciar and his two confidants instead tried to take into their own hands enough power to bully opponents and buy new friends.

### **First-person accounts**

No two men know Meciar better, or did as much for him, as his main political and economic backers, Knazko and a businessman whom I will call Jan Tatar. (The latter, whose firms would be extremely vulnerable should Meciar come back to power, spoke to me on the condition of anonymity.) Their stories of Meciar's premiership correspond.

*Milan Knazko*

I do not find Knazko an especially impressive man but, for an empty suit, he holds his shape well. Once one of Slovakia's most famous actors (he always played the good young Communist battling bureaucrats), Knazko still reads his lines well and improvises to themes, such as democracy, rule of law and free enterprise, with convincing sincerity. Indeed, it was Knazko's endorsement of Meciar in the summer of 1991 that gave the recently-removed premier much of his political credit. Here was a famous dissident artist speaking from the heart on behalf of a man who, for all is charm, did have merely the credentials of a struggling small-time apparatchik.

"I helped Mr. Meciar in 1991," Knazko recently admitted. "I even helped him in 1990. It was me who said, 'Meciar must be premier.' The second time (in 1991, after Meciar's removal), it was me who went on television to support him. For this reason, he is not my friend. I know too many things about him and I have no respect for him. He likes his collaborators to be deferential. That's why he has no partners in politics. Everyone who ever tried to speak to him as an equal, as a partner, found that it was not possible."

Instead, Knazko said, Meciar had since October 1991 relied exclusively on the advice of Ana Nagyova, his secretary, and Ivan Lexa, his chief of staff. Their influence over Meciar infuriated other HZDS heavyweights, such as Knazko and the man who was later to become, against Meciar's will, Slovakia's first president -- Michal Kovac. Nagyova and Lexa "twisted our relations with him," Knazko said. "We said it was necessary to remove these people, but Meciar wouldn't agree."

Lexa and Nagyova make an pair. Under the Communist regime, Nagyova had worked as a waitress in the Hotel Borik, the party's Bratislava hideaway, and, it is said, took pride in bedding the highest-ranking apparatchiks. She and Meciar are lovers (false rumors of her pregnancy notwithstanding). Like a Slavic Eva Peron, Nagyova has pushed her way further and further into Slovakia's affairs. After Meciar's electoral victory, she even took up study for one of Comenius University's less-than-rigorous night-school law degrees. Lexa, a low-ranking party aspirant at the time of the revolution and son of the last Communist Minister of Planning, has served as Meciar's personal bulldog. In return for his loyalty, Meciar has

tossed a few state-owned factories his way, which, like an equally-dutiful son, he has passed on to his father, now a partner at the investment firm Harvard Capital and Consulting, Slovakia.<sup>2</sup>

Although they grumbled to themselves, HZDS' second rank stuck with Meciar long enough to claim their share of the June 1992 victory. Relations then swiftly deteriorated. With Meciar, Lexa and Nagyova back in the premier's office, Knazko campaigned for the election of Kovac to the presidency. He won, thanks to support from all the opposition parties and Knazko's own informal club within HZDS. Kovac then earned the grudging respect even of diehard anti-HZDS politicians when he exercised his constitutional authority to prevent Lexa's appointment to two key posts from which he might have been a genuine terror -- head of the Slovak Information Service, or secret police, and Minister of Privatization. Even Knazko won some kudos for criticizing Meciar's decision to shut down an opposition newspaper, *Smena*, a mere three days after Slovakia became independent.

Meciar was furious. He kicked Knazko out of the Foreign Ministry and, at a special HZDS session in March 1993, engineered his removal from the party. Knazko did not go quietly. In a speech to the conference floor, he denounced Meciar's use of lies "as a regular working practice" and longing for "quantity rather than quality of power." Meciar, Knazko warned, was on the verge of taking Slovakia back to the dark political purges of the 1950s.

At a press conference following Knazko's speech, Meciar was a crude and charming as ever. "What does Milan know about the 1950s?" he said. "In the 1950s, Milan was pissing on fences." Meciar thought he could afford to be confident. Knazko's departure did not deal HZDS the body blow that the opposition had eagerly hoped for. But he did take seven parliamentarians with him, reducing Meciar to 66 out of 150 deputies and forcing him into an uneasy coalition with the Slovak National Party.

### *"Jan Tatar"*

Jan Tatar's wealth can hardly be measured in diminutive Slovak crowns. Take a look, instead, at the oil paintings, framed in heavy oak, that drip from the walls of his villa above Bratislava, or sit on the leather sofa in the



office from which he runs his empire. Stacked on the coffee table in front of you are company reports from the dozens, even hundreds, of firms he either owns outright or controls in cooperation with investment funds. Why he has toy Rolls-Royces on his desk and not the real thing parked outside can only be attributed to personal rather than financial modesty.

Again, Tatar is hardly a hero. I have heard some things about how he acquired his wealth that I dare not report for fear of meeting his "affiliates" in a dark alley somewhere in Central Europe. But he is an intelligent, engaging and frank man, especially when discussing the politician whose campaigns he has always funded.

"I organized and paid for the whole of HZDS, because when he came to me the first time (in 1991) he didn't have enough money for a hot dog," Tatar said. "He came here every day, sat in that chair. Then he became sick, like Stalin."

Like Knazko, Tatar complained bitterly about how Meciar had surrounded himself with yes-men. "He preferred unqualified specialists who were servile to very qualified experts and partners," Tatar said. Worst among these, Tatar said, were Nagyova and Lexa, who had "built a wall" around the premier and made his circle so small that he felt he could not delegate. "This led him to think that he had to address everything personally," Tatar said. The two also poured so much poison in Meciar ear that he became suspicious even of his oldest associates. "To change from a friend to an enemy, it was enough just to have a different facial expression," Tatar said. "After obtaining any rumor, he didn't confront people, even if the rumor wasn't based on fact. He just removed them."

Indeed, Meciar was unwilling to trust even family members, let alone political rivals, and even became suspicious of his closest friends. "I've known him for thirty years," Tatar said. "I've known his wife for thirty years. He kicked out his wife, he will not even meet his children. Even with Nagyova; he'd have his little piece in the evening" -- Tatar slapped his fist against an open palm -- "then tap her telephone."<sup>3</sup>

Although Kovac had kept Lexa from becoming head of the secret police, Tatar said, Meciar soon established his own intelligence service run out of

his office by a former communist secret police (StB) agent, Jan Svehota. The service, comprised half of official SIS officers and half of rehabilitated StB agents, forced Bratislava's city court to meet in closed session and grant warrants for tapping telephones, Tatar said. The service also tailed opponents, Tatar said, adding that, back when he had had free run of the prime minister's office, he had seen Meciar's obsession with undercover work. "He spent half the day on conspiracies of one sort or another," Tatar said. "His greatest joy in the morning was to read the reports from the ministry of the interior."<sup>4</sup>

Ever more distrustful, Meciar became ever more authoritarian, Tatar said. "His philosophy is to have absolute power therefore he cannot make any compromises. That's why he couldn't find a coalition partner. His direct and brutal use of power is so dangerous that there are tens of examples of people who were removed from their jobs. He needs absolutely loyal people." It was this change in his old friend, Tatar said, that made him decide never to support Meciar's party again.

"Power made him mentally ill," Tatar said. "He began to introduce a Stalinistic system. He's schizophrenic, sick for power. Such a person is very dangerous to a democratic state."

### **The fatal split in HZDS**

I have already described in some detail elsewhere how tortuous Meciar's failed waltz with the Slovak National Party (SNS) was.<sup>5</sup> Always on uneasy terms, Meciar and Cernak, the SNS chairman, tossed veiled accusations of corruption and incompetence back and forth across Slovak television screens from March 15 through the summer until October, when the two finally formed an uneasy alliance. Although restoring Meciar's majority in parliament (66 HZDS deputies plus 15 from SNS, giving him 81 votes), the deal left Meciar standing on two unsteady pedestals. For months observers had wondered how much longer his own HZDS could hold together. Cernak's SNS was equally split on whether to support the man who had fulfilled their dream of an independent state only to grind its economy to dust.

HZDS broke first. This time, a Meciar loyalist forced to represent him abroad had found the strain too great. Perhaps it was due to Meciar's

announcement, two weeks before he was to meet U.S. President Bill Clinton in Prague, that he would cut off Radio Free Europe's access to FM frequencies. Whatever the reason, a month later Jozef Moravcik, accompanied by Roman Kovac and nine other parliamentarians, formed a "Club for Political Realism" within HZDS. Too much dissent for Meciar, who expelled them from his party a week later. Now Meciar was down to just 55 votes of his own. Even with SNS' unstinting support he would have been unable to face down a determined opposition. On February 16, facing a potentially fatal vote of confidence, Meciar began to exert his power as never before.

### **A political-economic Jurassic Park**

It was awe-inspiring. Legally, Meciar had the entire state-owned section of the economy in his hands. Since mid-January, he had himself been Minister of Privatization and also the head of the National Property Fund, the body that administers state-owned shares in recently privatized companies. On that rainy February evening, the Slovak business world heard the first thundering footsteps of Meciaurus Rex, most dangerous when wounded and determined to crush all foes. The next month was to be the test of Slovak democracy and economic reform. If Meciar could stay in power by running roughshod over parliament and privatization, Slovakia was heading straight into the abyss.

Meciar had three aims. First, split the SNS by buying off enough of Cernak's enemies in the party to encourage a revolt against him. Second, bribe the edgy members of his own party into staying. Third, scoop up enough kickbacks from dubious privatizations to management to stuff the HZDS war-chest in case the party did have to face new elections.

He had two tools. As minister of privatization, he had the power to approve direct sales which, as prime minister, he could speed through the required government sessions. More worryingly, he could activate the state shares of companies so large that even the previous government had thought it prudent to keep its hand in its management -- companies such as Slovnaft, Slovakia's oil refinery and Eastern Slovakia Steel (VSZ), a conglomerate of more than forty companies that alone provides 25 percent of Slovakia's exports.

But he didn't have much time. The parliament nearly voted him out on 16

February; only the absention of the Hungarian party saved him. That evening his government met all night, dedicating the entire time to selling 20 companies. Then, when he finally lost a vote of no-confidence on March 11, Meciar spent his remaining three days in office selling another 25 firms. It was not until Morvacik replaced him on March 14 that Slovakia's fire sale stopped.

First, Meciar turned on the Slovak National Party. The moderate wing of the party stood by Cernak loyally. But the radical wing had been angered by Cernak's soothing statements about the Hungarian minority and, more importantly, his apparent use of an established political machine for his own ends. Vitozslav Moric, the party's first chairman, was especially bitter. Dumped from the party's leadership after its disappointing showing in the 1990 elections, Moric had been low-ranking parliamentarian with high ambitions.

Meciar did his best to fulfil them. On the evening he survived the no-confidence vote, he sold a majority control of two companies that repair locomotives to a firm owned by Moric's wife.<sup>6</sup> Three days later, Moric voted to expel Cernak and his colleagues from the SNS. Later that month, Moric was appointed director of Armex, once Slovakia's largest arms exporter but now, denied a license and a market, largely an empty shell of highly-paid sinecures.

Meciar also used the ministry of privatization to keep his own party members loyal. Novo Frucht, a food processing plant in Novy Zamky, for example, went to the wife of Milos Vajda, a wavering HZDS deputy.<sup>7</sup> HZDS deputies Kuzbeth, Vicnea and Zeman were all appointed to the plainly superfluous but potentially lucrative posts of "advisor to the privatization minister" -- Meciar himself. Worse, he tolerated graft among the ministers of his own government -- not usual<sup>8</sup> but this time on a scale without precedent. Jaroslav Dutsky, Meciar's Minister of the Economy, "did not approve a single privatization project in which he was not a silent partner," Tatar said.<sup>9</sup>

Two sitting ministers, Olga Keltesova and Irena Belohorska, and one ex-minister, Villiam Sobona, were, according to Palacka, silent partners in the purchase of one of Slovakia's jewels -- the spa at Piestany, popular

among wealthy Arab businessmen. (Palacka said he had seen a letter confirming the ex-ministers' involvement in the deal.) The deal was especially suspicious, Palacka said, because the business had been sought by many bidders; the winning deal, put forward by Tibor Sagat, its director, offered the lowest price. (The new government has rewarded Sagat by giving him a much deserved unpaid six-month holiday.)<sup>10</sup> "This was clearly an unfair choice," Palacka said.

Finally, Meciar badly abused the privatization ministry in his last days to raise money for HZDS. That he planned to is no secret. Addressing parliament a week before Meciar was finally removed, President Kovac said Meciar had pleaded with him to allow Lexa to be appointed minister of privatization. "He said that HZDS was already out of money," Kovac recalled, "didn't have money to pay its bills, and that with new elections likely the movement would need cash. Furthermore, he said only Lexa could do this work and that, once it was done, he would leave (the ministry)."<sup>11</sup> When Kovac refused, Meciar took on the task himself.

Although the new Slovak government has been able only to overturn 13 of Meciar's 45 "midnight privatizations," they all smell funny. Almost all (except a few of the above) go the management of the firms, often for absurdly low prices. Tatar said he knew that Meciar had offered the management ownership of their firms if they would put two percent of the property's worth in HZDS coffers. "You won't find that written on paper anywhere," Tatar said, "but I know it. 100 percent."

Perhaps the most shocking, and potentially most damaging, was the sale of 9.6 of the state's shares in VSZ Kosice. The chronology tells a good part of the story. Meciar lost his vote of confidence at 4 p.m. on 11 March. That morning, a company called "Manager" was founded and registered. Later that day, the company bid for the stock of VSZ. The sale was approved within minutes. The contract with the National Property Fund was signed a few hours later. That evening, the government approved the sale.

The price tells more. Shares in Slovak companies are nominally set at 1,000 crowns (33 USD), then traded on the exchange. On the day of the sale, VSZ's stocks were selling for 600 crowns (20 USD) a share. Manager bought its stocks at 200 crowns (\$6.67) a share. The importance of deal

nearly tells the whole story. At the time of the sale, the National Property Fund owned 35 percent of VSZ, the minimum it needed to block important decisions. Even the previous government had thought it important for Slovakia's largest firm to stay partially under government control, since it gets huge subsidies and special treatment by virtue of its size. The sale set VSZ free.

A look at the characters involved completes the picture. After the Meciar government fell, Julius Toth, Meciar's deputy minister for the economy, left to become chairman of VSZ's board of supervisors.

The VSZ example takes us on to Meciar's second weapon, the National Property Fund. In VSZ's case, Meciar sold its shares to the management. In the case of 21 other partially-state owned firms, he used his control of shares to change the management. In some cases, such as the Slovak Insurance Company, he merely wanted to dismiss directors whom he thought were sympathetic to other parties. But in others, especially those firms that buy raw materials from the east, his plan was likely even more sinister.

It is almost impossible to envision the scale of opportunities for corruption that firms like Slovnaft, Slovakia's refinery, or VSZ offer. These two firms, virtual monopolies in their businesses, literally make the entire nation tick. Slovnaft provides 90 percent of Slovakia's oil supply. VSZ accounts for 25 percent of Slovakia's hard-currency earnings.

The scams, however, happen at the buying end of these industries. Both buy their raw materials exclusively from the former Soviet Union at "market prices," which fluctuate. Let's say, for example, that Slovnaft buys a barrel of crude oil for a price that generally swings between 500 and 550 Slovak crowns. Who knows, and who checks each day, whether the price Slovnaft pays is exactly the market price? No one -- even though purchases of energy are still state-funded. So say I cut a deal with my Soviet supplier. We will always set the price of each barrel two crowns higher than the actual rate. Off each barrel, he gets one crown, I get one crown. That may not seem like a lot, but remember -- the flow being skimmed from is the oil supply of the entire country. One could not only bribe any official likely to look into the scam; one could buy an entire political party and have money left over for a house in Florida.

"Through these channels," a new director of the National Property Fund told me, "some financial support went to some political parties."

No wonder Meciar, so eager for cash for HZDS, made a point of changing the director of Slovnaft. Meciar's appointment, a Mr. Hakina, was candid enough to admit that he did not why his predecessor had been removed; Hakina said he had appeared to be doing a fine job. Meciar also sought to shore up his control of Slovakia's industrial giants by rewriting company law. He installed a "board of supervisors" above every major company's board of directors. A typical "board of supervisors" member is Jan Cuper, a law professor at Comenius University and a candidate for parliament in 1992 on the HZDS list. He was appointed to oversee Slovnaft.

Although not as sexy a story as Meciar's "midnight privatizations," the abuse of the National Property Fund was the real onset of a politico-economic Reign of Terror. Every one of the large firms, especially the banks, have dozens of daughter companies whose management they would have been able to change. The one-party economy drew near.

### **Meciar repelled**

"His fatal mistake was when he let himself be nominated to the chair of the minister of privatization," Tatar recounted two months on. "Gradually, he stopped distinguishing between political and managerial interests and he just searched for what he thought would be profitable for him and HZDS. He started to bribe with state property."

By then this was old news. Meciar had been removed on March 14. Although he had held on to his remaining 55 votes and grabbed nine from the Slovak National Party, he had also united his enemies in a way no one could have predicted. Today Moravcik governs with the support of a broad coalition of former communists (The Party of the Democratic Left, or SDL), center-right parties (Cernak's new party, the National Democrats and Moravcik and Knazko's Democratic Union of Slovakia) and conservatives (Carnogursky's Christian Democrats, the KDH). The party representing the Hungarian minority gives the coalition its grudging support, abstaining from votes against it.

Fear of Meciar's rule has convinced the parties to postpone debates that might split them. The four governing parties meet weekly to hammer out

differences before parliamentary sessions. It has worked so far. The Christian Democrats, for example, no longer call for a law commending anti-Communist resistance and have not pushed for religious education in public schools. The former Communists have, in turn, dropped candidates for high office who had close ties to the old regime. And all parties favor "coupon" privatization (although the ex-Communists are still reluctant to break up agricultural collectives and would like to see more state property sold through tenders -- the only way, they argue, to bring real capital into industries.)



**Jozef Moravcik, Slovakia's interim premier**

But no difference has yet been so large as to put the broad coalition at risk. Every party recognizes that it will have to campaign largely against Meciar. They will have to be able to convince voters based on their five-month record that a broad coalition could govern in the future. "Some problems in the current coalition can be overcome just because the election will be early," Carnogursky said. "These problems would be different if the elections would be four years ahead."

The new broad coalition has also settled down to cleaning up after Meciar. On March 10, the Slovak parliament released its report on Meciar's "midnight privatizations," condemning them all and only cancelling 13 of them on technical legal grounds. More importantly, the new directors of the National Property Fund have begun swinging their machetees at the political undergrowth Meciar had planted under the country's largest businesses. The revenge, however incomplete, has been sweet; although Mrs. Vajda got to keep her fruit-processing plant, the Piestany spa and locomotive repair works were returned to state hands to be sold again.



The revenge might be sweeter still, come September. Meciar's brief experiment with economic totalitarianism frightened his former backers from the business world as much as it did his old political allies. They had begun to sour on him anyway. The instability and arbitrariness of his government made deals with the west impossible. "He has such bad personal qualities with respect to opening the whole business sphere," Tatar said, "that it is not possible, under his executive power, to be accepted anywhere in the world."

And Meciar's Ottoman dispensations to favored managers made business more difficult within the country. "I think it would have been better," Tatar said, "if he rewarded his deputies in some other way than to give them enterprises that they don't understand. He introduced a method like socialism, where the state is the owner and the state gives someone power to run the enterprises. The market mechanism is founded on the fact that I am the owner and that I understand (my business.)"

Certainly Meciar's record on privatization even before his fire sale was weak. From 1991 to 1992 the government of Jan Carnogurky, Meciar's predecessor, privatized 680 firms (or 30 percent of state property). In 1993, the Meciar government sold less than 100 firms; they only made up 2 percent of state holdings. Dismissing the previous "coupon" system of privatization, Meciar had instead endorsed public tenders. But of the 70 tenders he planned, only 14 were approved; only 10 were completed. (Four found no bidders.) Frustrating conditions, certainly, for anyone like Tatar who wanted to invest his wealth (however it was he actually earned it.)<sup>12</sup>

Meciar also angered anyone who had bought firms under the 1991-2 government, since he gave his few purchasers a better deal. Businesses privatized by direct sale before 1992 labor under five-year loans at steep interest rates. Meciar gave his investors ten-year loans at artificially low rates. That means, for example, that there are two types of breweries battling for Slovakia's beer market -- one hobbled by high interest rates, one coasting towards repayment twice as far ahead in the future. Too bad for Meciar that he did not make more such deals -- he has enraged far more entrepreneurs than he has charmed.

Too bad also (from his point of view) that he did not flex his muscles in the National Property Fund until a solid opposition had formed within his own party. In the end what had sounded like the ominous thud of a beast turned out to be the annoying buzz of a gnat. Investment funds such as Harvard Capital and Consulting quickly allied with others, such as one run by Tatar, to reverse many of Meciar's hirings and firings. The reforms introduced by the former Czechoslovak government, especially, the first wave of privatization by coupon, were simply too deeply entrenched to be ignored. Economic power was already spread too widely; no one government favor was sweet enough for any firm to help close down an opening economy.

Nor, Tatar said, would Meciar's "midnight" sales provide him with a large enough army of loyal businessmen to defeat the forces arrayed against him. "These last minute-privatizations," Tatar scoffed, "that's not enough compared to the people gathered around me. The group formed around me -- PetrimeX, Slovnaft, Ziar Nad Hronom, the investment funds -- six or seven investment funds have influence over 35 to 40 percent of the factories of Slovakia." And they would all, Tatar said, work against Meciar.<sup>13</sup>

All, for example, would be funding the opposition parties to the hilt -- especially the party Knazko and Moravcik have established. Their "Democratic Union of Slovakia" -- essentially the reform-minded wing of HZDS -- has earned the nickname "Victims of Meciar" for the number of his former ministers it has attracted. Its program is solidly pro-Western; no more talk of being a "bridge between east and west." And although its members once complained that reform coming down from Prague was killing Slovak business, they now endorse exactly the same prescription for Slovakia.

"Meciar always says, 'We will try the third way,' " Knazko complained. "What is the third way? No. We (the DU) reject new experiments. We had very many experiments during the forty years. No experiments -- I want to be very classic now."

"Now" being the operative word. Such talk from Knazko makes my reform-minded Slovak friends grind their teeth. One came up to me at a

party and complained of Knazko's new-found faith in the market. "Milan keeps saying to me now, 'Why do you still write against me?' And I say, 'Milan, have you ever said you were wrong to support Meciar?' "

A cynic might also note that most of businessmen complaining of Meciar's political meddling in the markets did quite well out of such games before. But clearly reform, once it sets down even the most shallow roots, proves very resistant. The days when a Slovak politician could make serious money for his party by doling out specific favors are over. Now the big money is behind those who promise to keep the government out of the market. As Tatar himself said, "The move to the right in the political spectrum is a move good for business."

And to Tatar's credit, he is more interested in Slovakia's development than in merely enjoying his money. "I have enough property to live for a thousand years in Florida," he said. "But I employ 7,000 people. Times four, that means almost 28,000 depend on me for food. I have a responsibility to them. Meciar is a danger to businesses, but also to the poor, to ministers, to the whole nation."

In short, Meciar's last spastic efforts to bend Slovakia's economy and politics to his will lost him the support of a) virtually all businessmen and b) most of the other politicians in his movement. And it united the opposition. In exchange he got a) the undying gratitude of the managers of maybe 20 factories, b) the support of an SNS no longer led by his arch-rival Cernak and c) the maintenance of his own power over HZDS. Was it worth it? I've already shown how little his new friends in the firms can offer him. What about his political allies? Were they worth it?

First look at the SNS, the Slovak National Party. Yes, Meciar forced the removal of Cernak. But that had two consequences he may not have foreseen. First, it did not destroy Cernak, who, it turns out, had far more support down through the SNS than anyone might have thought. Cernak's wing split off to form the National Democrats and took one third of the SNS' structure, from top to bottom, with them. The party is in a strong alliance with Knazko's group. Call them foxhole buddies, but having been a "victim of Meciar" is proving very strong political glue.

Second, the SNS he ended up with is a real booby prize. How depressing it

must be for Meciar, a figure on Central Europe's stage, to find that his only political ally is a party run by the mayor of Zilina, a city of 60,000. Stripped of its moderates and heavy-hitters, the SNS elected Jan Slota chairman. He is famous for only two things. In 1991, he vowed to "steamroller" any Slovak federalist who dared set foot in his town. Earlier this year he said the Russian nationalist Vladimir Zhirinovskiy was a man with many interesting things to say who had been misunderstood. Slota's nickname in Slovakia is "Zilinovsky." He is a figure of contemptuous ridicule. Meciar himself is said not to be able to stand him.

Then there is Meciar's own HZDS. It is bereft of talent and seething with mutiny.

"In 1990," Christian Democrat chairman Jan Carnogursky recalled, "Meciar used to say at election rallies, 'Don't vote for the KDH (the Christian Democrats) because they have no experts. Even if they were elected, they could not form a government.' Now the situation has completely changed. Our economics expert, Miklos Dzurinda, just got back from studying at the London School of Economics. Meciar's economics advisor is the former accountant of his government office."

And Meciar's current condition, mental and political, is the best possible proof that just because you're paranoid doesn't mean they are not all out to get you.

Tatar reeled off a list of top HZDS people with whom he is now scheming. I promised not to publish it but trust me -- it is shocking. Men and women to whom Meciar gave entire political careers, in some cases very large fortunes, are now planning to unseat him as HZDS chairman the minute the September polls close. Only Lexa, Nagyova and a few small-timers still keep their daggers sheathed.

"He kicked out everyone out from his closest circle," Tatar said, "and now they all dislike him. They would like to use his popularity, because he moved politics into the streets, out of parliament. But the minute they win the election with him, they will attempt to get rid of him."

Meciar's closest associates, Tatar said, would prefer to get positions of power in a coalition than stick by him in opposition. "They know that

nobody will enter into a coalition with him," he said, "and even the most optimistic don't think that he will get 51 percent of the vote." With friends like these, who needs Czechs?

"HZDS is falling apart," Tatar said, "and will continue to fall apart, because it has not found a political profile. It's not left, or right or center. It has no international contacts. I would say it is a group of adventurers. I am personally persuaded that it has no future. It is all organized on fear; it is all Meciar. If Meciar falls, it will collapse."

All Meciar has left is his mouth. It is in fine form. When I was last in Bratislava he told a crowd gathered in a city stadium that former premier Carnogursky was plotting with Bill Clinton to rebuild Czechoslovakia. A friend I ran into on the street, an art foundation director, was fuming that none of the opposition characters could take him on in a debate.

"Did you see Kroky (a public affairs talk show) yesterday?" she said. "They can't touch him. He just rants and rants, interrupts people, and says what he wants to say. And they just sit there and listen."

"Meciar is like Castro," Tatar said. "He knows how to influence the masses. He persuades them that they are not hungry, but thirsty, and gives them water instead of food."

Armed with all the political and financial support they need, opposition politicians still fear Meciar's gift of gab. "He is a perfect communicator," said Milan Ftacnik, vice president of the ex-Communist Party of the Democratic Left (SDL). "Every word he says appears to be honest. When you think it over later, you might think, hey, wait a minute, maybe this is not all true, but when he is speaking, he says what you want to hear. He speaks from the heart. Ordinary Slovaks are able to excuse his faults, excuse things that they would never forgive in another person. It's a kind of emotional relationship to him." Knazko estimates that 25 to 30 percent of the population will find that alone appealing enough to vote for him again.

Opposition figures predict that Meciar will try to persuade those under his spell of three facts. First, he will say that parties like the SDL and Christian Democrats of hesitancy to declare Slovakia independent. The Christian

Democrats, for example, voted against the adoption of Slovakia's constitution, which prematurely declared the country's sovereignty. (Meciar had forced the constitution through immediately after the June 1992 elections in order to overturn several federal laws, such as one banning former high-ranking communists from holding office.) "He's trying to portray himself as the father of an independent Slovakia," Ftacnik said.

This may not be so effective. "I don't think that is such a strong argument," Ftacnik continued. "We are independent and we want to be better off in the future. "Most voters will say, 'What good is a debate about the constitution; what I want to know is who will help me in the future?'"

Second, Meciar will again run against the Hungarians. The only newspaper that still supports him, *Republika*, portrays the current ruling coalition as a tool of the minority party and, by extension, Budapest. But Meciar's bogeyman, Hungarian premier Jozef Antall, died last December. Antall's moderately nationalist party, the Hungarian Democratic Forum, was crushed in May's elections. Budapest has never seemed more benign.

Meciar's strongest card will be the argument that Slovakia is in trouble because the opposition did not allow him to finish his program. This is powerful stuff. When Meciar was removed in 1991, lukewarm supporters gravitated to him because they felt he had been unfairly denied power by traitors within his party. Anton Hrnko of the National Democrats thought this argument would only grow stronger the more pain the interim government unleashed by trying finally to pursue reforms Meciar had postponed. Meciar, he said, will again appeal to Slovak conservatism and insist that reform can be pursued gradually.

Ftacnik of SDL agreed. "He will say, 'I would have never allowed this if, for example, we cut the state subsidy of energy and raise prices. He will say, 'They didn't allow me to finish my work.'"

Indeed, the only issue seriously dividing the current broad coalition is how much reform to push before September's elections.

The SDL, the former Communists, want to push as much reform as possible. The only way the parties in Slovakia's broad coalition combat Meciar's demagoguery, Ftacnik said, was to produce concrete results during their

five months in office. Moravcik's government, he said, must insure a loan from the International Monetary Fund, even if that meant slashing social spending to tighten the budget.

"We are not forced to do anything," Ftacnik said. "We could do nothing. Of course, we are in a difficult position. We want to keep the transformation going on, and we want to win elections, and that's a contradiction, in some points. The question is, if we are able to present the success of this government in debate, with the IMF, and attracting foreign investors, these are results which could convince the voters to go to us in the election, instead of (believing) the promises of Mr. Meciar."

In a rare switch, it is the right-oriented parties that favor doing little in the next few months. "We think that for the credibility of Slovakia, it is more important that Meciar does not win the elections in September than to make, you know, cuts in the budget, introduce unpopular measures, let prices rise, or maybe get the first part of this stand-by loan," Carnogursky said. "These things would not bring fruits before the elections."

Hrnko of the National Democrats agreed. "This new government is in a very difficult position," he said, "because we must have some success and we must tell people about it too. And we don't have enough time to do both." In a rare show of partisanship, Hrnko blamed the ex-Communists for pushing for elections as early as September.

Carnogursky and Hrnko are right to think that reform measures adopted now would show no fruits before the September poll, according to a board member of the National Property Fund who wished to remain anonymous. Reforms undertaken now would only put that much more of the economy out of the state's reach -- good in itself as a future bulwark against reversals, but hard to translate into votes, since solid economic data from the new government will not be available until mid-autumn. The government can arrange some fast direct sales to companies that have already put in bids, but official state tenders usually take at least seven to eight months to organize. It can also sell state-owned shares fast, but this will not lead to any job-saving investment. Even the second wave of coupon privatization will not start until early September. Given the precarious fate of shares under Meciar, the program is hardly the vote-winner that it is in the Czech Republic.

If fast reform now will produce no benefits, why does the SDL support it? Excuse my cynicism, but I think I discern some method to their madness. The SDL is, after all, the party of the ex-Communists. Whatever policies they actually pursue, they will always reap the vote of those who think life before 1989 was better. Faster, painful reform does not hurt them; it hurts the right-leaning parties, such as Cernak's National Democrats and Carnogursky's Christian Democrats, whose entire identity is wrapped up in economic reform. Since all of the anti-Meciar parties have agreed to keep him out after the election, the September vote is only a battle to see who will be the broad coalition's strongest partner. If Slovakia goes the way of Poland and Hungary, the SDL will call the shots. The right-wing will just have to go along. They've already seen the alternative and it is Meciar.

Now completely isolated, Meciar could only come back as prime minister if he could translate his legendary status as defender of downtrodden Slovaks and oppressed Slovakia into a majority of the votes. He's never been able to do that before, even in June 1992, at the height of his popularity. Still, he will get the so-called "babicka vote," maybe as large as 20 percent, from those to who believe he is the reincarnation of Janosik, an eighteenth-century Slovak "Robbin Hood." Even reformers resigned to working with ex-Communists recognize that Meciar will haunt them from the sidelines for years to come.

"We have a joke here in Slovakia," Carnogursky said. "When will Meciar fail in a Slovak election? When people realize that Janosik was a robber, not a hero."

Yours,



Chandler



## Footnotes

1. See **CRR-(4)** and **CRR-(12)**.
2. See especially Swikova Switnik s.r.o., a textiles factory scheduled to provide the new Slovak army with uniforms. Although the government previous to Meciar had closed a tender for the factory, Lexa Jr., then deputy minister of privatization, reopened the bidding. Lexa Sr. won.
3. Call me a muckraker, but I just had to follow up on an old rumor. "Did he sleep with her in the office?" I asked Tatar. "He slept with her everywhere," he replied.
4. Tatar claimed to have photocopies of the list of warrants obtained, but I didn't see them. "Could I have a copy?" I asked. Tatar shook his head. "It's too bad you're too rich to bribe," I said. He laughed. "That kind of money means nothing to me," he answered.
5. See **CRR-(9)** or "Independent Slovakia: A New Country's Old Habits," in *World Policy Journal*, Vol. X, no. 3, pp. 73-80.
6. Report of the Slovak parliament's Committee on Privatization, March 10 and interviews with Gabriel Palacka, deputy minister of privatization and Anton Hrnko, former member of the Slovak National Party (now deputy for the National Democrats.)
7. Interview with Palacka, "Tatar."
8. Pardon the long diversion but the story of "Indiagate" must be read into the record.

It's hard to separate fact from mere allegation in the "Indiagate" scandal. This much is known. HZDS member Julius Toth, former Slovak Minister of Finance then a deputy premie under Meciar, sat on the board of a Czech company, VSZ Selecta, when it received an unusually large percentage of the proceeds of a sale of Slovak state property that it arranged. Toth shares his seat on the board with Imre Farnbauer, a former colleague of Toth's at VSZ's Kosice office and, according to the Czech Ministry of Interior, an agent of the economic division of the Czech secret police.

In the summer of 1993, Toth agreed to accept 100,000 tons of sugar from India as partial repayment of India's debt to Slovakia. According to the agreement, Slovakia would not resell the sugar on the world market.

This agreement is odd to begin with. Slovakia produces all the sugar it needs. Furthermore, its facilities can only accommodate about 100,000 tons of sugar and are usually full. If Slovakia accepted the deal, where is the sugar?

Despite the agreement not to resell the sugar, the Slovak government offered VSZ Selecta an unusually large share (19 percent) of any price it could get on the world market. At the very least, then, a Slovak official used his own company to sell commodities that the government had received as repayment of a public debt. Did Toth merely have Slovakia's best interests at heart? The evidence implies that he was thinking of his company first. A fax sent from VSZ Selecta Prague to Toth in late 1993 asks Toth please to instruct the Slovak charge d'affaires in India to complete the deal, lest it fall through.

Why did Farnbauer go to such great lengths on behalf of a Slovak official? An anonymous fax sent to Slovak newspapers in September alleges that Farnbauer, purportedly an agent of the Czech economic secret police, convinced his former colleague from VSZ Kosice to provide the Czech government with information about the Slovak economy in exchange for the funds. (The fax also alleges that Jaroslav Kubecka, Slovak Minister of the Economy and Miroslav Masar, governor of the Slovak National Bank, were paid a share of the proceeds in exchange for information as well.)

Although none of this has yet been proven, Farnbauer would have been the perfect architect of such a scam. He worked for two years as a VSZ representative in India under the old regime and apparently had some intelligence experience as well. Farnbauer was named as a secret police agent in the list that Rude Kravo published in 1991. His name also appeared on the Slovak Foreign Ministry's own internal list of currently active Czech agents, a fact the Czech Ministry of Interior has confirmed.

Although most of the characters implicated are members of HZDS, its occasional coalition partners, the SNS, do not escape unsullied. Another

member of a VSZ board, this one in Kosice, is Zoltan Berghauer, SNS's prime candidate for the Minister of Privatization during the last coalition talks. Berghauer and Toth appeared together on the boards of a variety of other companies.

9. See especially the following factories: Hodvab Senica, Matador Puchov, Makyta Puchov and Jaz Bardejov.

10. *Narodna Obroda*, 10 May 1994, p. 7. The full name of the firm is "Slovenske Liecebne Kupele, Piestany."

11. *Trend*, 16 March 1994, p. 5.

12. I have some idea about how he earned it but am again restrained by thoughts of those dark alleys.

13. Almost makes you feel sorry for the guy.