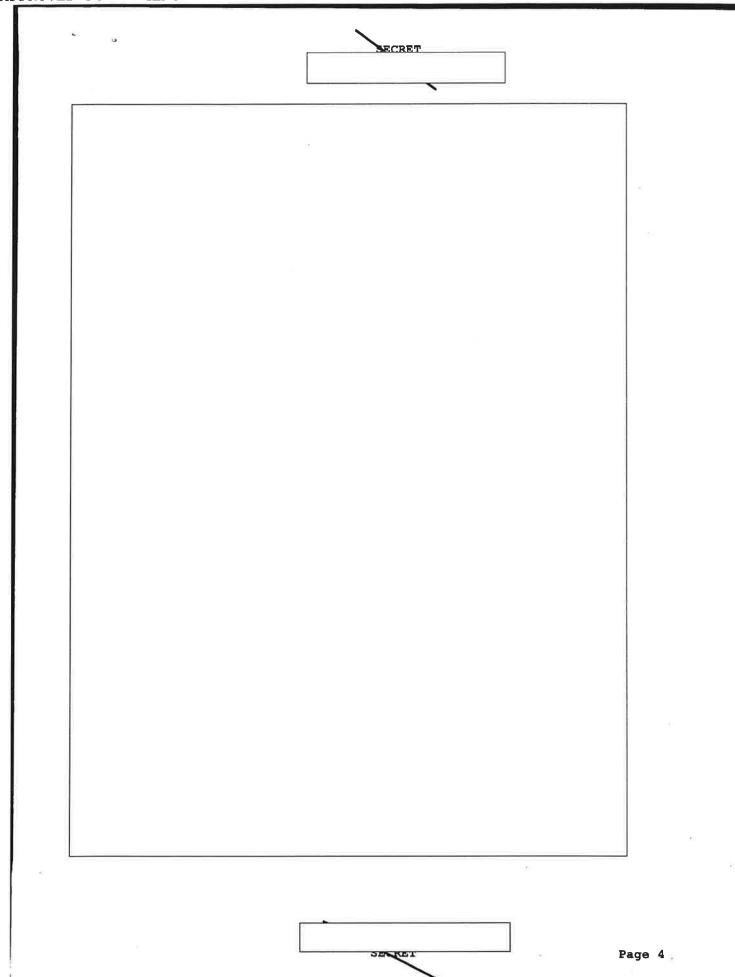
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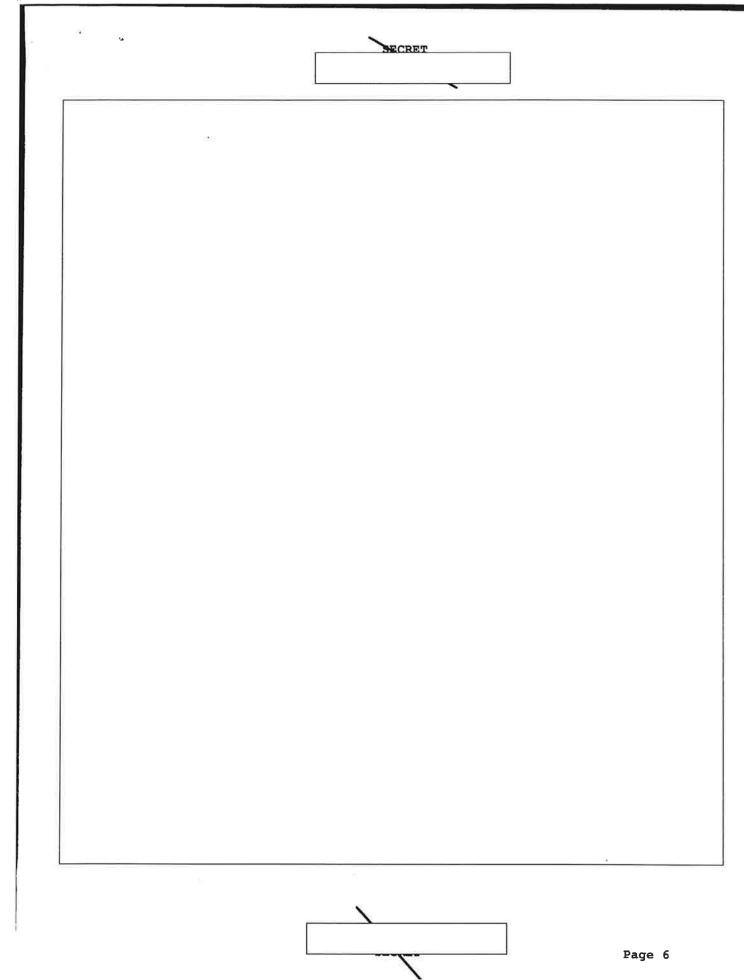
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ARTICLE 5: ALBANIA: PROSPECTS FOR REFORM AND THE NEW GOVERNMENT  ALBANIA'S CARETAKER GOVERNMENT—AN UNEASY COALITION OF FORMER COMMUNISTS AND THE DEMOCRATIC OPPOSITION—FACES AN ECONOMIC CRISIS THAT COULD TRIGGER RENEWED SOCIAL UNREST. A SEVERE SHORTAGE OF FOOD AND RAW MATERIALS IS CRIPPLING THE ECONOMY AND CREATING A CLIMATE OF WORKER APATHY AND GENERAL DISSATISFACTION. TIRANE IS  STEPPING UP EFFORTS TO ESTABLISH INTERNATIONAL TIES IN THE HOPE OF GAINING FIRMALIAL AND TECHNICAL HELP NEEDED TO OVERHAUL THE ECONOMY.  THE OUTCOME OF THE NEXT ELECTIONS—SCHEDULED FOR THE SPRING, BUT POSSIBLE AS EARLY AS THIS FALL—PROBABLY WILL DETERMINE WHETHER ALBANIA WILL FOLLOW THE PROGRESSIVE PATH OF BULGARIA OR THE STAGNATION OF ROMANIA. A STRONG SHOWING BY THE DEMOCRATS, WHICH IS BY NO MEANS ASSURED AT THIS STAGE, WOULD FACILITATE IMPLREMENTATION OF REFORMS. IN TURN, THE GOVERNMENT'S ABILITY TO ALLEVIATE CURRENT FOOD SHORTAGES MAY BE CRITICAL TO HOW WELL THE DEMOCRATS DO, AND HOW PATIENT ALBANIANS WILL BE WITH THE REFORM PROCESS. IN CONTRAST, A STRONG SHOWING BY THE FORMER COMMUNISTS IN THE ELECTION, OR SERTOUS LABOR UNREST, WOULD DEAL A SEVERE SETBACK TO REFORM.  COMPOSITION OF THE NEW COALITION GOVERNMENT REFLECTS	700	SECRET
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OFFICIAL CONCERN ABOUT THE NEED TO REFORM THE ECONOMY AND OVERCOME
SERIOUS SHORTAGES IN BASIC COMMODITIES, INCLUDING FOOD. PRESIDENT ALIA PROBABLY APPOINTED YLLI BUFI, WHO HAD SERVED AS MINISTER OF FOOD IN THE COMMUNIST REGIME, AS THE NEW PRIME MINISTER, BECAUSE OF HIS PRAGMATIC APPROACH TO ECONOMIC REFORM. BUFI SHARES POWER WITH DEMOCRATIC PARTY LEADER GRAMOZ PASHKO, WHO IS SERVING BOTH AS DEPUTY PRIME MINISTER AND ECONOMICS MINISTER.
THE OTHER 24 CABINET POSITIONS WERE DIVIDED AMONG THE FIVE PARTIES REPRESENTED IN THE ASSEMBLY-THE SOCIALISTS, (FOOTNOTE 1 AT END OF PARAGRAPH) DEMOCRATS, REPUBLICANS, SOCIAL DEMOCRATS, AND AGRARIANS. AT THIS EARLY STAGE, NO ONE PARTY-INCLUDING THE SOCIALISTS-CAN CLAIM A DOMINANT ROLE. WITH TWO OUT OF THE THREE MAJOR ECONOMIC MINISTRIES, THE DEMOCRATS, IN OUR VIEW, WILL LARGELY CONTROL THE FORMULATION OF ECONOMIC POLICY-AND BEAR THE RESPONSIBILITY FOR ITS SUCCESS OR FAILURE. THE COMMUNISTS, HOWEVER, WILL CONTINUE TO CONTROL THE ALL-IMPORTANT INTERIOR MINISTRY, WHICH OVERSEES THE STILL-POWERFUL SECRET POLICE, THE BORDER GUARDS, AND THE RIOT POLICE.
BEGIN FOOTNOTE 1: AT THE COMMUNIST PARTY CONGRESS HELD IN EARLY JUNE, MEMBERS OF THE ALBANIAN WORKERS' PARTY VOTED TO CHANGE THE PARTY'S NAME TO THE ALBANIAN SOCIALIST PARTY. END FOOTNOTE 1
ECONOMIC REFORM. THE ECONOMY IS IN DIRE STRAITS. THE GENERAL STRIKE THAT BROUGHT DOWN THE COMMUNIST REGIME COST THE ECONOMYALREADY AILING DUE TO WORKER APATHY AND A LACK OF RAW MATERIALSHEAVILY IN LOST PRODUCTION.

THE GOVERNMENT'S MOST IMMEDIATE PROBLEM IS COPING WITH FOOD SHORTAGES. ALBANIA'S FINANCIAL PROBLEMS PRECLUDE LARGE-SCALE IMPORTS, AND ALREADY-MEAGER FOOD RATIONS RECENTLY WERE CUT IN HALF. FOOD PRICES HAVE INCREASED BY ONE-THIRD TO ONE-HALF IN THE LAST YEAR, WHILE WAGES LARGELY HAVE STAGNATED. FOOD ON THE GROWING BLACK MARKET COSTS AT LEAST TWICE AS MUCH AS IN STATE STORES. PASHKO WAS FORCED TO PLACE GOVERNMENT FOOD WAREHOUSES UNDER MILITARY GUARD AFTER CROWDS PILLAGED SEVERAL CONTAINING FOREIGN FOOD AND MEDICINAL AID. MANY DISGRUNTLED PEASANTS DID NOT PLANT

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PRESIDENT, THE ASSEMBLY, AND THE COUNCIL OF MINISTERS. THE PREVIOUS COMMUNIST CONSTITUTION OF 1976 HAS BEEN FORMALLY ABROGATED.  BEGIN FOOTNOTE 2: ONE OF THE MAJOR OBJECTIONS RAISED BY THE OPPOSITION PARTIES TO THE PROPOSED CONSTITUTION HAS BEEN THEIR VIEW THAT IT WOULD GIVE TOO MUCH POWER TO THE PRESIDENT. THE PROVISIONAL LAWS THAT HAVE BEEN PASSED STRENGTHEN THE ROLE OF THE ASSEMBLY SOMEWHAT, ALTHOUGH THE PRESIDENCY REMAINS STRONG. END FOOTNOTE 2
FOREIGN POLICY. THE NEW GOVERNMENT IS CONTINUING TO PULL ALBANIA OUT OF ITS FORMER ISOLATION AND HOPES TO PLAY A GREATER ROLE ON THE EUROPEAN SCENE, EVEN THOUGH RESOURCE CONSTRAINTS ARE FORCING CUTBACKS IN THE DIPLOMATIC CORPS. TIRANE REESTABLISHED RELATIONS WITH BOTH THE UNITED STATES AND THE UNITED KINGDOM THIS SPRING, WAS ADMITTED AS A FULL CSCE MEMBER IN MID-JUNE, AND HAS
ESTABLISHED DIPLOMATIC RELATIONS WITH THE EC. DELEGATIONS FROM ALBANIA RECENTLY HAVE CONDUCTED OFFICIAL VISITS TO EXPAND DIPLOMATIC AND ECONOMIC RELATIONS WITH ITALY, THE VATICAN, THE USSR, AND ROMANIA. BUFI HAD AN AUDIENCE WITH THE POPE IN EARLY JULY, AND ASSEMBLY CHAIRMAN ISLAMI MET WITH GORBACHEV WHILE HEADING A PARLIAMENTARY CONTINGENT TO THE USSR.
TIRANE IS HOPING TO GAIN BOTH FOREIGN FINANCIAL ASSISTANCE AND IDEAS FOR RESTRUCTURING THE COUNTRY'S POLITICAL AND ECONOMIC SYSTEMS. LAW AS A FIELD OF STUDY WAS ABOLISHED IN THE 1960S, AND THERE ARE VERY FEW LAWYERS IN ALBANIA AT A TIME WHEN THE COUNTRY NEEDS LEGAL EXPERTISE TO DRAFT A NEW CONSTITUTION AND ECONOMIC REFORM LEGISLATION. A G-24 COMMISSION THAT VISITED ALBANIA IN EARLY JULY IS PREPARING TO SEND A TEAM OF LEGAL EXPERTS. TIRANE IS ALSO USING ITS NEW-FOUND POLITICAL TIES TO GAIN INTERNATIONAL SUPPORT FOR THE CAUSE OF ALBANIANS IN KOSOVO. IN EARLY JULY, PRESIDENT ALIA SENT A LETTER TO THE CSCE AND THE HEADS OF SEVERAL
WESTERN COUNTRIES URGING THAT THEY SUPPORT THE RIGHT OF SELF- DETERMINATION IN YUGOSLAVIA, INCLUDING KOSOVO.
OBSTACLES TO REFORM

THERE ARE A NUMBER OF OBSTACLES TO SUCCESSFUL REFORM:

X--GIVEN THE VARYING POLITICAL APPROACHES OF ITS MEMBERS ON ECONOMIC REFORM, DIVISIONS ARE LIKELY TO EMERGE WITHIN THE CABINET OVER THE PROPER PACE OF THE REFORM EFFORT. THE SOCIALISTS MAY BE INCLINED FOR THE MOMENT TO PERMIT THE DEMOCRATS CONSIDERABLE LEEWAY IN PRESSING A REFORM AGENDA GIVEN THE DESPERATE STRAITS OF THE ALBANIAN ECONOMY, BUT WE BELIEVE COOPERATION BETWEEN THE PARTIES IS LIKELY TO BECOME MORE DIFFICULT ONCE ELECTIONS APPROACH.VX--PASHKO'S ABILITY TO IMPLEMENT HIS PROGRAM COULD BE HINDERED BY THE SOCIALISTS' CONTINUED MAJORITY IN THE ASSEMBLY. LEGISLATION CONCERNING THE PRIVATIZATION OF AGRICULTURAL LAND, FOR EXAMPLE, HAS

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BEEN BLOCKED BY SOCIALIST RESISTANCE. (FOOTNOTE 3)

BEGIN FOOTNOTE 3: RECENT PROBLEMS WITH PEASANTS TRYING TO RECLAIM THEIR FAMILY LANDS IN ANTICIPATION OF LAND PRIVATIZATION MAY

INCREASE SUPPORT AMONG LAWMAKERS FOR THE SOCIALIST POSITION AGAINST LAND OWNERSHIP. DEMOCRATIC LEADER SALI BERISHA TOLD A VISITING US BUSINESSMAN RECENTLY THAT, AS A RESULT OF PEASANTS' MISUNDERSTANDING OF THE CONCEPT OF PRIVATIZATION OF AGRICULTURAL COOPERATIVES, ONLY 7,000 OF THE ORIGINAL 150,000 HEAD OF CATTLE REMAIN IN COOPERATIVE POSSESSION.

X--THE NEW GOVERNMENT ADMITS THAT IT DOES NOT COMPLETELY UNDERSTAND WHAT LEGISLATION IT NEEDS TO PASS OR HOW A REFORM PROGRAM SHOULD PROCEED. AS A CASE IN POINT, THERE IS A PLAN IN PLACE TO "PRIVATIZE" THE MINING INDUSTRY, BUT ONLY BY REPLACING THE PRESENT ALL-ENCOMPASSING MONOPOLY WITH SMALLER MONOPOLIES. THE DEMOCRATS RECENTLY ASKED A VISITING US OFFICIAL TO DEVELOP MODELS FOR PRIVATIZING INDUSTRY AND LAND WHICH COULD BE ADAPTED FOR USE IN ALBANIA.

X--ALBANIA WILL HAVE TO COMPETE FOR FOREIGN INVESTMENT WITH OTHER AND MORE ADVANCED REFORMING GOVERNMENTS IN EASTERN EUROPE. EVEN FOR THESE COUNTRIES, THE LEVEL OF FOREIGN INVESTMENT HAS BEEN

WELL BELOW THEIR EARLIER HOPES. ALBANIA WILL BE AT A MAJOR DISADVANTAGE UNTIL LEGISLATION SAFEGUARDING INVESTMENTS AND STABLE BANKING AND MONETARY SYSTEMS IS PLACE.

X--POLITICAL INSTABILITY, IN YUGOSLAVIA BUT IN ALBANIA AS WELL, WILL BE A DETERRENT TO POTENTIAL INVESTORS. SHOOTING ALREADY HAS TAKEN PLACE ALONG THE ALBANIAN-KOSOVO BORDER AND PRESIDENT ALIA HAS PLACED THE ARMY ON ALERT AND REINFORCED TROOPS ALONG THE BORDER.

XEVEN WITH THE I	MPLEMENTATION OF	REFORMIST LEGISLATION,
WORKER APATHY, A LACK O	F RAW MATERIALS,	AS WELL AS ALBANIA'S
UNDERDEVELOPED AND CRUM	BLING INFRASTRUCT	TURE ALL WILL CONTINUE TO
HAMPER ECONOMIC RECOVER	Υ.	

OUTLOOK AND IMPLICATIONS

ALTHOUGH SECRETARY BAKER'S RECENT VISIT TO TIRANE, ALBANIA'S ADMISSION TO CSCE, AND SIGNS THAT THE COUNTRY WILL SOON GAIN ACCESS TO WESTERN ASSISTANCE WILL BOLSTER THE NEW COALITION AND THE CAUSE OF REFORM, WE BELIEVE THE NEW GOVERNMENT WILL PROBABLY NOT BE ABLE

BE SOLVE ALBANIA'S ECONOMIC PROBLEMS AND FOOD SHORTAGES QUICKLY ENOUGH TO AVOID FURTHER UNREST. THE CONTINUED DEPARTURE OF ADDITIONAL WOULD-BE REFUGEES FOR ITALY AND GREECE DEMONSTRATES HOW PRECARIOUS ITS SITUATION IS. AS MANY AS 10,000 WOULD-BE REFUGEES SAILED TO ITALY IN EARLY AUGUST. LIVING CONDITIONS ARE LIKELY TO

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WORSEN AS PRICES AND UNEMPLOYMENT RISE, ADDING TO PUBLIC DISSATISFACTION.
LABOR WILL PLAY A KEY ROLE IN DETERMINING THE LONGEVITY OF THE CURRENT GOVERNMENT. TIRANE'S INABILITY TO ACCOMMODATE PROMISED WAGE INCREASES COULD TRIGGER A REPEAT OF THE WIDESPREAD LABOR UNREST THAT BROUGHT DOWN THE PREVIOUS GOVERNMENT, ESPECIALLY NOW THAT UNION LEADERS HAVE TASTED POWER. THE NEW INDEPENDENT TRADE UNIONS ARE ONLY LOOSELY UNITED, AND INDIVIDUAL UNIONS WILL NOT NECESSARILY ADHERE TO AN AGREEMENT TO AVOID STRIKES BEFORE THE NEW ELECTION. MINERS OF CHROME, ALBANIA'S BIGGEST EXPORT, ALREADY ARE STRIKING FOR MORE PAY AND BETTER WORKING CONDITIONS.
THE OUTCOME OF THE NEXT ELECTION, TENTATIVELY SCHEDULED FOR NEXT SPRING, BUT WHICH COULD BE HELD AS EARLY AS THIS FALL, WILL BE CRUCIAL IN DETERMINING THE PACE OF REFORM AND DEMOCRATIZATION.  THERE IS NO CLEAR FRONT-RUNNER AT THE MOMENT AND THE DEGREE OF VOTER SUPPORT FOR INDIVIDUAL PARTIES IS DIFFICULT TO GAUGE. THE KEY FACTORS IN THE ELECTION ARE LIKELY TO BE PUBLIC PATIENCE IN THE FACE OF PAIN ASSOCIATED WITH ECONOMIC REFORM AND THE DEMOCRATS' ABILITY TO GAIN THE TRUST OF RURAL VOTERS:
XTHE DEMOCRATS HOLD KEY ECONOMIC PORTFOLIOS, AND MUST SHARE THE BLAME IFAS IS ALMOST CERTAINTHEY CANNOT EASE ALBANIA'S BLEAK ECONOMIC PROSPECTS IN THE SHORT PERIOD BEFORE THE ELECTION. PASHKO IS ESPECIALLY WORRIED THAT THE CURRENT FOOD SHORTAGE WILL DESTROY THE DEMOCRATS' CHANCES,
XTHE DEMOCRATS COULD RUN INTO THE SAME TIME CONSTRAINT AND RESOURCE PROBLEMS THAT PREVENTED THEM FROM GETTING THEIR MESSAGE ACROSS IN THE COUNTRYSIDE PRIOR TO THE MARCH ELECTION. PASHKO HAS CHARGED, FOR EXAMPLE, THAT THE COMMUNISTS WERE ABLE TO SCARE
PEASANTS INTO BELIEVING THE DEMOCRATS WOULD TAKE THEIR LAND AWAY BECAUSE THE DEMOCRATS THEMSELVES COULD NOT GET INTO THE COUNTRYSIDE TO EXPLAIN THEIR LAND PRIVATIZATION PROGRAM.
XTHE SOCIALISTS, FOR THEIR PART, HAVE ADOPTED A NEW PLATFORM AND ELECTED A YOUNGER LEADERSHIP AIMED AT CREATING A MORE PROGRESSIVE IMAGE. ALIA RECENTLY ASKED THE ASSEMBLY TO CUT HIS AND THE DEPUTIES' WAGES AND BENEFITS. THEY ALSO HAVE DISTANCED THEMSELVES SOMEWHAT FROM THEIR PAST LEADERSHIP IN AN ATTEMPT TO GAIN POPULAR SUPPORT.
OVER THE NEXT YEAR, ALBANIAN VOTERS, OFFICIALS, AND LABOR LEADERS WILL DETERMINE WHICH OF THE TWO "BALKAN MODELS" FOR POLITICAL AND ECONOMIC DEVELOPMENT THEIR COUNTRY WILL FOLLOW. A DEMOCRATIC VICTORY IN THE ELECTIONOR A SHOWING SUFFICIENTLY STRONG TO ALLOW THE DEMOCRATS TO PLAY THE LEADING ROLE IN A NEW COALITIONWOULD PROBABLY PUT THE COUNTRY ON A REFORM-ORIENTED COURSE SIMILAR TO THE ONE FOLLOWED BY BULGARIA SINCE JANUARY. LIKE BULGARIA, IT ALSO WOULD NOT BE IMMUNE TO FUTURE SETBACKS IF

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ECONOMIC PAIN DEVELOPS TO THE POINT WHERE LABOR AND THE PUBLIC NO LONGER ARE PREPARED TO SUPPORT REFORMS. ON THE OTHER HAND, A WIN OR STRONG SHOWING BY THE SOCIALISTS IN THE ELECTION COULD DEAL THE REFORM PROCESS A SETBACK AT THE OUTSET AND PUT ALBANIA ON THE ROMANIAN PATH. THIS WOULD MEAN A CLIMATE CHARACTERIZED BY PIECEMEAL EFFORTS AT ECONOMIC REFORM, GENERAL STAGNATION, AND ONLY GRUDGING CONCESSIONS ON HUMAN RIGHTS.

BOX 1

COMMUNIST PARTY CONGRESS

COMMUNIST LEADERS USED THEIR CONGRESS IN JUNE TO TRY TO GIVE THE PARTY A REFORMIST IMAGE BY CRITICIZING PAST LEADERS, CHANGING THE PARTY'S NAME, AND ELECTING A NEW LEADERSHIP. WHILE THE NEW PLATFORM DOES CONTAIN SOME MAJOR CONCESSIONS TO REFORMERS, THE HARDLINERS, IN OUR VIEW, MAINTAIN STRONG INFLUENCE WITHIN THE PARTY.

X--MEMBERS VOTED TO CHANGE THE NAME TO SOCIALIST PARTY OF ALBANIA, FOLLOWING THE EXAMPLE OF COMMUNIST PARTIES ELSEWHERE IN EASTERN EUROPE.

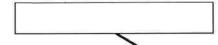
X--POLITICALLY-MODERATE FORMER PRIME MINISTER FATOS NANO WAS CHOSEN PARTY CHAIRMAN, AND OTHER YOUNG REFORMIST MEMBERS WERE SELECTED FOR THE CENTRAL COMMITTEE. SEVERAL HARDLINERS WERE EXPELLED FROM THE PARTY AND CENTRAL COMMITTEE IN RESPONSE TO CHARGES OF CORRUPTION, BUT THOSE PURGED WERE ALL AGED MINISTERS OR POLITBURO MEMBERS ALREADY OUSTED FROM OFFICE.

X--PARTY SECRETARY XHELIL GJONI READ A REPORT PUBLICLY CRITICIZING PARTY FOUNDER ENVER HOXHA FOR THE FIRST TIME; THE ADMONISHMENT WAS FAIRLY MILD, HOWEVER, AND HOXHA'S MERITS ALSO WERE STRESSED. A REFORMIST PARTY MEMBER WHO ATTEMPTED TO CRITICIZE HOXHA MORE HARSHLY WAS DROWNED OUT BY HECKLERS.

X--THE NEW PLATFORM GUARANTEES HUMAN RIGHTS IN ACCORDANCE WITH UN, CSCE, AND HELSINKI STANDARDS, FREE AND SECRET PLURALIST ELECTIONS, AND A STATE SYSTEM BASED ON THE SUPREMACY OF LAW. THE

SOCIALISTS WANT TO MAINTAIN STATE CONTROL OF THE ECONOMY, AND DO NOT SUPPORT PRIVATE OWNERSHIP OF LAND UNDER ANY CIRCUMSTANCES. THE SOCIALISTS ALSO ADVOCATE INVESTMENTS TO IMPROVE CONDITIONS IN THE COUNTRYSIDE, PROBABLY IN AN EFFORT TO MAINTAIN RURAL SUPPORT IN THE NEXT ELECTION. THE PARTY CLAIMS IT WILL SOLVE THE GROWING UNEMPLOYMENT PROBLEM BY EXPANDING SERVICE ENTERPRISES AND DEVELOPING THE TOURIST INDUSTRY.

BOX 2



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	ALBANIAN TRADE UNIONS
0	ALBANIA HAS TWO MAIN TRADE UNION ORGANIZATIONSTHE INDEPENDENT TRADE UNION, WHICH GREW OUT OF LAST WINTER'S DEMOCRACY MOVEMENT, AND THE ALBANIAN CONFEDERATION OF TRADE UNIONS, ESSENTIALLY THE REMAINING MEMBERS OF THE PREVIOUS OFFICIAL COMMUNIST TRADE UNION. THE INDEPENDENT TRADE UNION WAS RESPONSIBLE FOR THE GENERAL STRIKE IN MAY AND JUNE THAT BROUGHT DOWN THE REGIME. THE ALBANIAN CONFEDERATION OF TRADE UNIONS SINCE HAS COMPLAINED THAT THE NEW COALITION GOVERNMENT IS LEAVING IT OUT OF
	LABOR NEGOTIATIONS SINCE IT DID NOT PARTICIPATE IN THE STRIKE.
	THE INDEPENDENT TRADE UNION COULD BE INSTRUMENTAL IN EITHER MAINTAINING STABILITY OR CREATING UNREST WHILE THE COALITION GOVERNMENT IS IN THE PROCESS OF INSTRUMENTING ITS ECONOMIC REFORM PROGRAM. THE UNION PROBABLY WOULD NOT HESITATE TO CALL A STRIKE IF THE COALITION GOVERNMENT DOES NOT INITIATE THE PROMISED WAGE INCREASES ON SCHEDULE.
	THE INDEPENDENT TRADE UNION IS A LOOSE FEDERATION OF VARIOUS SMALLER UNIONS ORGANIZED BY TRADE. IT CLAIMS TO REPRESENT THE INTERESTS OF ALL WORKERS, BUT DOES NOT IN REALITY REPRESENT ALL TYPES OF OCCUPATIONS. IT HAS A CONSTITUTION AND ITS OWN NEWSPAPER.  THE UNION IS IN CONTACT WITH VARIOUS COUNTERPART ORGANIZATIONS
	OUTSIDE ALBANIA, INCLUDING THE ITALIANS, THE INTERNATIONAL MINERS' UNION OUT OF BELGIUM, AND THE TRADE UNION OF KOSOVO. THEY HAVE ALSO SENT A DELEGATION TO HUNGARY AND ARE VERY INTERESTED IN MAKING
	.CONTACT WITH US UNION REPRESENTATIVES,

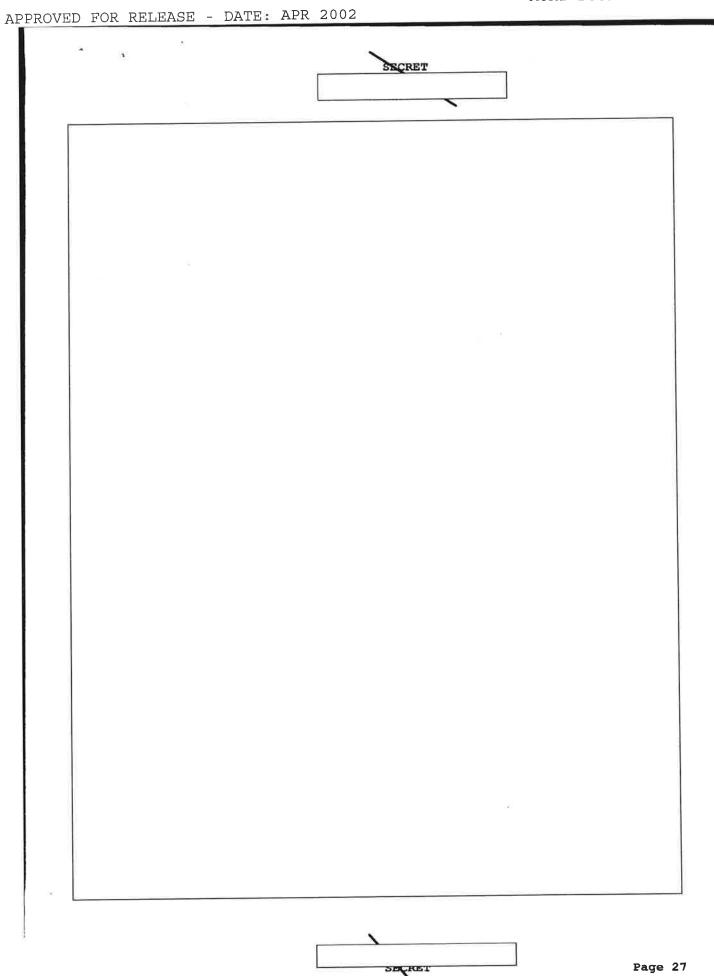
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