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European Review



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Rapidly worsening damage to West German forests from acid rain has pushed Bonn into the unusual position of taking the lead in Western Europe on an international issue. Chancellor Kohl intends to make environmental protection a main theme at the economic summit in May. Domestically, the emotional attachment of West Germans to their forests and other natural resources has united the nation on the need for urgent action, although controversy has flared over the exact content of legislation. The dying trees also have been a key factor catapulting the Green Party into position possibly to replace the Free Democrats as the nation's third-largest party. [Redacted]		25X1
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Hungary: Kadar Ponders His Future

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Speculation is growing in Budapest about major leadership changes that will occur at the Hungarian Communist Party Congress in March. Some claim that the 72-year-old Kadar will retire completely and some claim that he will still maintain a senior statesman's role. Barring a sudden decline in his health, we believe Kadar will continue as party chief but will realign the leadership in a way to set the stage for the grooming of his successor. None of his potential successors would be likely to deviate much from his economic reforms and political style, but none would have Kadar's experience, prestige, or shrewdness. A new leader would probably have more difficulty withstanding Soviet pressure to adopt more orthodox policies.

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The Call for a Worldwide Communist Party Conference

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A leading Czechoslovak Communist paper, at Moscow's behest, has recently echoed East German, Austrian, and Latin American Communists' calls for a worldwide meeting of Communist parties. The proposal is likely to draw support from the Spanish—who until recently were against such a meeting—and French parties, but the Japanese, Italians, and Yugoslavs are opposed. A worldwide conference is unlikely for the next few years, but some regional meetings are possible. The Soviets are probably pushing for a worldwide conference because they see significant propaganda advantage in convening a conclave that would project the image of international Communist unity and provide a platform for attacking US nuclear policies.

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Economic News in Brief

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Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as uncoordinated views.

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Briefs



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Austria

Building an Environmental Policy 

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Controversy over the Hainburg Dam and the election of four Green deputies to Voralberg's provincial parliament have brought home to the Austrian Government the need for an environmental policy that will respond to growing ecological concerns among the country's voters, especially the young. The first step was taken recently when the Sinowatz government announced Western Europe's most ambitious program to reduce automobile pollution. By 1988, auto emission standards are to match those in the United States; the program also entails tax breaks for users of catalytic converters and the introduction of lead-free gasoline.



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By taking this step, the Sinowatz government clearly hopes to recoup from the Hainburg controversy. Two months ago, opponents of a proposed dam on the Danube occupied the proposed site, blocked clearing operations, and clashed with police; they claimed that it threatened one of Europe's few remaining wetlands. Sinowatz came under fire from the Austrian press for insensitivity to the country's ecological future and from members of his own party for indecisiveness when confronted with an illegal demonstration. A court injunction shortly after the new year rescued the government by halting further construction, but Sinowatz now must contend with Austrian labor. The unions form the backbone of Sinowatz's

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Socialist Party—the senior member of the governing coalition—and they supported the dam's construction in the interests of job creation and economic growth. [redacted]

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East Germany

Good Year for the Economy [redacted]

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East Berlin has reported economic results for 1984, calling them the best in the country's history. Reported growth of national income reached 5.5 percent, up from 4.4 percent in 1983 and 2.5 percent in 1982. Industrial production and productivity rose 4.2 and 7.7 percent, respectively, while unit production costs fell 2.3 percent. Retail sales growth accelerated, suggesting at least stabilization of real personal consumption after a probable decline in 1982-83. [redacted]

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While the regime's self-congratulatory announcement is exaggerated—growth rates were higher in the early 1970s—the East Germans have reason to be pleased. They managed more rapid growth, ran a current account surplus that we estimate at \$1 billion, and further reduced hard currency debt. They may even have run a trade surplus with the USSR for the first time since 1974. We attribute the improvement largely to domestic adjustment measures begun in 1981-82, including more efficient use of labor and investment resources. The country still has significant problems—including an industrial base in considerable need of modernization—but economic growth prospects for 1985 are good by East European standards. [redacted]

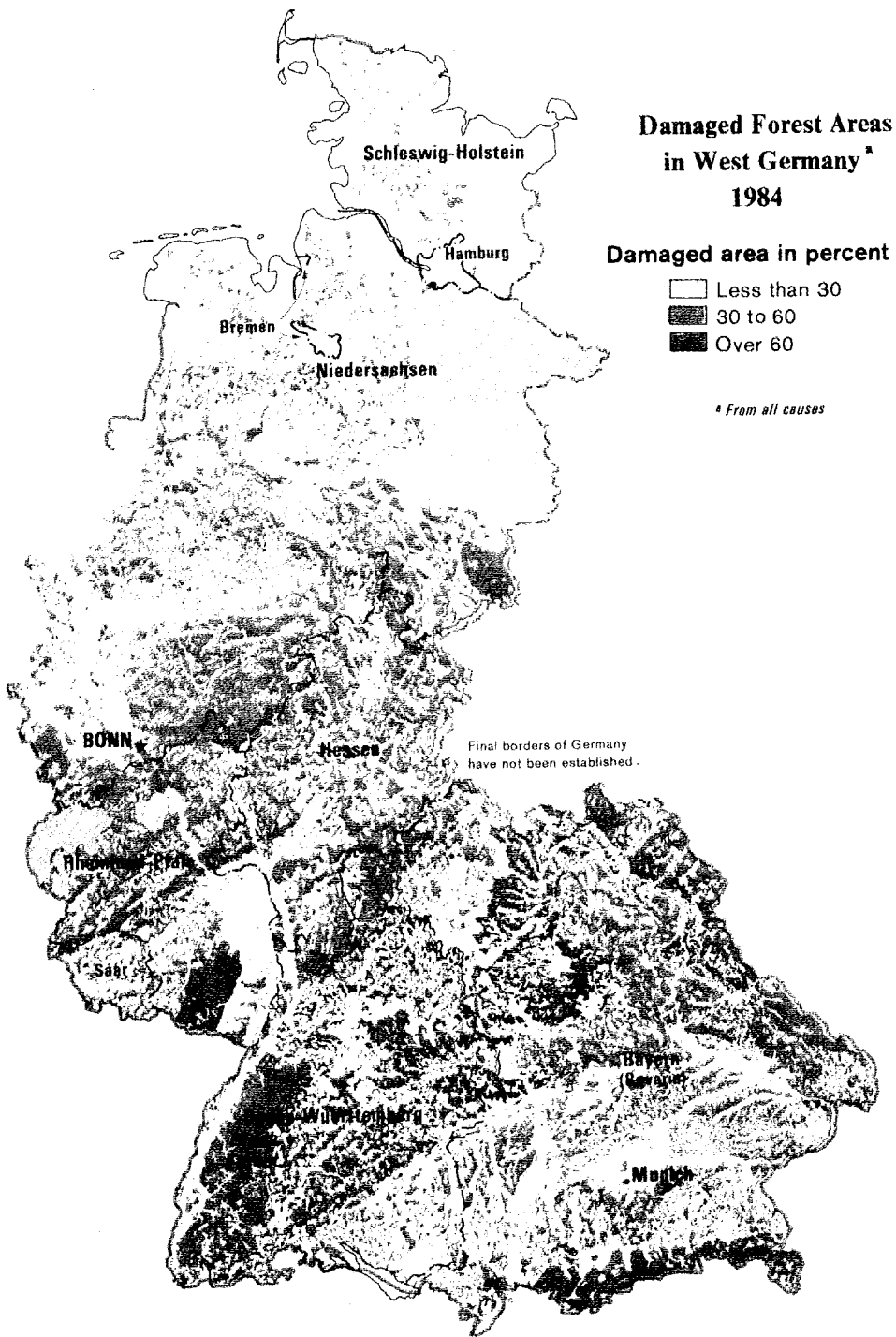
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**West Germany:
Acid Rain Problems Worsen** [redacted]

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Rapidly worsening damage to West German forests from acid rain has pushed Bonn into the unusual position of taking the lead in Western Europe on an international issue. Chancellor Kohl, host this May for the annual Big Seven economic summit, intends to make environmental protection one of his main themes. Domestically, the emotional attachment of West Germans to their forests and other natural resources has united the nation on the need for urgent action, although controversy has flared over the exact content of legislation. The dying trees also have been a key factor catapulting the Green Party into position possibly to replace the Free Democrats as the nation's third-largest party. [redacted]

almost no domestic disagreement in laying the lion's share of the blame on acid rain.¹ [redacted]

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Getting the Lead Out

Bonn is attacking acid rain with strict antipollution regulations, stepped-up research and development, and, on the international level, efforts to promote environmental cooperation. In 1983, the government mandated emission standards for large power plants and factories that will require installation of "scrubbers" at an industrywide cost of well over \$3 billion; plants and factories unable to meet the standards will have to shut down. Legislation regulating smaller plants is also being drafted. The goal is to reduce sulfur dioxide emissions one-third by 1988 and one-half by 1990. Meanwhile, strict limits for more than 40 other pollutants are already in force. [redacted]

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Extent of the Problem

One-half of West Germany's trees are damaged, primarily because of air pollution, according to the Ministry of Agriculture's 1984 report. By contrast, the 1983 report found only 34 percent damaged and the 1982 report only 8 percent—although part of the increase probably is due to improved survey techniques. The devastation is most acute in the picturesque Black Forest area in the southwestern state of Baden-Wuerttemberg, where 66 percent of the forested land is affected. Bavaria—the southernmost state—is almost as badly hit. These two states contain 51 percent of West Germany's forests. [redacted]

After months of squabbling, the Cabinet last September ruled that larger cars must, by 1988, meet emission standards virtually identical to those in effect in the United States; all new cars must be in compliance a year later. To achieve the reduction in emissions, catalytic converters and lead-free gasoline will be needed. Beginning this July, drivers who shift voluntarily to low-emission vehicles will be eligible for tax breaks ranging from \$350 to \$1,000. A further financial inducement as of July is a 2-pfennig-per-liter (less than 1 US cent) reduction of the tax on lead-free gas and a 2-pfennig-per-liter increase on leaded gas. The tax change will represent 1 to 2 percent of the pump price. [redacted]

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While the official figures may exaggerate the growth of the problem somewhat, the increase is staggering to West Germans, who revere a walk in the woods almost as a sacred ritual. The latest Ministry report has produced outrage and a sense of urgency that cuts across all political lines. Chancellor Kohl, who calls the problem one of "inestimable importance," faces

Forests Versus Fast Cars

Despite the far-reaching domestic impact and international implications of the acid rain legislation—West Germany is well out in front of other West European countries on the issue—little

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¹ Acid rain forms when sulfur dioxide and nitrogen oxides from smokestacks and vehicle exhaust combine with atmospheric moisture. [redacted]

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"Our love of the forests is an essential part of the German identity."

*Helmut Kohl,
Chancellor*



"A speed limit would make no significant contribution to traffic safety, energy saving, or helping the environment."

*Werner Breitschwerdt
Chairman of the Board,
Daimler Benz*



"The Greens have contributed to the destruction of our trees by delaying our nuclear energy program."

*Franz Josef Strauss,
Bavarian Minister
President*



"A speed limit of 100 kilometers per hour would reduce nitrogen oxide emissions by 200,000 to 300,000 tons this year. Catalytic converters won't achieve this before 1990."

*Christa Nickels,
Green Party*



"It's not the Greens that are creating problems for us, but our problems that are creating the Greens."

*Klaus von Dohnanyi,
Mayor of Hamburg*

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serious dissent has emerged. In sharp contrast, the idea of imposing speed limits on West Germany's autobahns has set off a powder keg of controversy. The famous autobahns are a last frontier of unlimited high-speed driving, and tales are legendary of Porsches, Mercedes, and BMWs with flashing headlights bearing down on unwary foreigners in the passing lanes. Many West Germans regard driving fast as a right, and they defend it with an emotional fervor somewhat akin to that of opponents of gun control in the United States. A government-recommended limit of 120 kilometers (75 miles) per hour has had little impact. Secondary roads do have speed limits, but past attempts to introduce them on the autobahns, chiefly on safety grounds, have fallen flat. [redacted]

The fuse of the stormy political debate was lit when the Federal Environment Office found that a speed limit of 100 kilometers (62 miles) per hour would substantially reduce nitrogen oxide auto emissions, a key factor in acid rain. Chancellor Kohl and Economics Minister Bangemann both quickly came out against speed limits, the latter warning that cutting speeds could mean cutting jobs, since West Germany's automobile industry is geared to turn out high-performance cars. Just as quickly, however, Agriculture Minister Kiechle, who is from Bavaria, broke ranks and spoke out in favor of speed limits. Most West German politicians shunned the sensitive topic, and the government's vacillation reflected popular uncertainty. A poll by the EMNID Institute disclosed that 55 percent of West Germans would accept speed limits if it would help save the trees, but a followup poll by West Germany's most popular newspaper reached just the opposite conclusion. [redacted]

The most thunderous voice has been that of West Germany's powerful automobile industry. Not only does it account for some 17 percent of exports but also Volkswagen and Daimler Benz are, respectively, the nation's second- and third-largest employers. The industry accepted catalytic converters with relative equanimity after the government agreed to postpone their introduction from the originally proposed 1986 date. It has mounted a major lobbying effort against speed limits, however. Automobile manufacturers argue that the best way to control pollution is for people to buy new cars that pollute less than older

models. Moreover, industry officials claim, West German car exports benefit from a reputation for speed and power honed by the fact that Germans drive as fast as they want. Environmentalists counter that the best foreign customers, like those in the United States, have not lost their taste for German cars, despite rigorous speed limits. [redacted]

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Bonn's official line now is that the evidence on the benefits of speed limits is not conclusive and that it will take no action until results from a large-scale experiment are evaluated at the end of the year. The state of Hessen, however, where the environmentalist Green Party has played an influential role, is proceeding with the introduction of speed limits on three autobahn stretches on a test basis. [redacted]

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Economic Costs

The damage to trees, soil, fish, and buildings attributed to acid rain is estimated by West German scientists to approach \$1.5 billion per year. The forestry industry, in particular, estimates its annual costs, including both smaller harvests and higher management expenses, in the \$350 million range. The cost is likely to rise considerably in the coming years as much higher percentages of damaged trees, whose wood is unusable or of a lower grade, are felled commercially. The tourism industry expects to be hurt as well. The auto industry complains about a fall in new orders due to uncertainty about the effect of the various new measures, and company officials point out that the cleaner cars will cost more, use 5 to 10 percent more gasoline, and lose as much as 15 percent in power and performance. [redacted]

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The Greening of West Germany

The decline of West Germany's forests has been matched by the equally dramatic rise of the Green Party—an uncompromising defender of the environment. Founded just over four years ago, Green support has grown to as much as 10 percent of the electorate. The party won over 5 percent of the seats in the Bundestag in the last federal election, and it is also represented in six of 11 state parliaments. In some local governments, the Greens are the second-largest party. With three state elections this spring,

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the Greens stand an excellent chance of expanding their influence even further. If present trends continue, they could overtake the Free Democrats and emerge from the 1987 national election as West Germany's third-largest party. [redacted]

Along with the opposition Social Democrats, the Greens brand Bonn's environmental actions as "too little, too late." The Greens demand speed limits now, and both parties fought the three-year delay in the introduction of catalytic converters. The Social Democrats also are pushing a 1- or 2-pfennig tax on each kilowatt-hour of electricity, the proceeds to be used for pollution control. [redacted]

Clearing the Air Internationally

Fifty percent of the 7 million metric tons of acidic materials falling in West Germany annually comes from foreign sources, particularly France, Britain, and East Germany, according to government statistics. International cooperation on acid rain, therefore, is a priority for Bonn, and the Kohl government has found itself in the unusual position of leading Western Europe on an international issue. Kohl, host this May for the annual Big Seven economic summit, intends to make environmental protection one of his main themes. He has also repeatedly stressed he wishes to discuss environmental issues with East German leader Honecker when the two eventually meet. [redacted]

Bonn views the United States as the leader on domestic environmental policy, but Kohl may urge the United States to be more forthcoming at future international environmental conferences. On the other hand, the Soviets and East Europeans [redacted]

[redacted] are among the world's major polluters and are doing virtually nothing about it. They make empty promises and attempt to score easy propaganda points at international conferences. The Munich air pollution conference last June, for example, could well have failed because of East Bloc insistence on linking arms reduction with environmental issues, according to the US delegation. Foreign Minister Genscher last month in Prague did win some cooperation on cross-border air pollution with agreement that West German aid would be used to clean up a Czechoslovak power station. [redacted]

Bonn's action on auto emission standards, well ahead of its West European neighbors, has been a source of consternation within the EC. Last month, however, the EC finally agreed to compulsory introduction of lead-free gasoline not later than 1989, although the Community's target date for auto emission controls remains 1995. West German Interior Minister Zimmermann, whose responsibilities include the environment, believes that Bonn has now achieved momentum in Brussels and that the EC soon will adopt Bonn's 1989 date for emission controls as well. If the EC fails to do so, Bonn will go it alone, invoking the article in the Treaty of Rome that allows for individual regulations in case of danger to health or environment. The EC also is considering stricter German-style emission standards for large factories, but agreement any time soon is highly improbable.

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**East Germany:
New Assertiveness** [redacted]

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East German attitudes and behavior during the past year, especially with regard to East-West relations, suggest a new assertiveness that is uncharacteristic for one of the most cautious and conformist allies of the Soviet Union. This assertiveness seems founded on an increase in the self-confidence of the East German leadership as the result of longstanding trends. We expect East Berlin to continue its course this year, particularly in the area of intra-German relations, although it may move in a more subdued manner than in early 1984. [redacted]

further intra-German progress will eventually be possible, while suggesting that further major developments may have to await a general warming of East-West relations. [redacted]

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Differences With Moscow

For most of its 35 years, East Germany has had a reputation as one of Moscow's most conformist allies, anxious to avoid any signs of public differences with the Soviets and usually cautious in its dealings with the West. During the past 12 to 15 months, however, East German actions, particularly those in its relations with West Germany, have been more like those of maverick Romania. Several observers have raised the possibility that this behavior indicates the emergence of a "new" East Germany more willing to pursue its particular interests. We believe the evidence of East Berlin's assertiveness over the past year is considerable:

- In late 1983, Honecker said that deployment of new Soviet missiles in East Germany "caused no joy" there. East German rhetoric continued to emphasize dialogue with the West, often in contrast to Soviet statements. In July, for instance, the East German party newspaper toned down anti-Western language in the communique of a Pact ideology secretaries' meeting.

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- East Germany joined the Soviet-led boycott of the Los Angeles Olympics, but without lending strong propaganda support and with some signs of disgruntlement. [redacted]

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- At least since West Germany made its first DM 1 billion loan guarantee in mid-1983, East Berlin has pursued good relations with Bonn more avidly than it has expressed fidelity to Moscow's East-West line. Party and state leader Honecker's pledge to "limit the damage" to East-West relations caused by INF deployments was followed by a string of intra-German agreements, the meeting of Honecker and West German Chancellor Kohl at the funeral of former Soviet President Andropov, and a second large loan. This all led up to weeks of Soviet pressure against the East German course, including tough public criticism in *Pravda*, before Honecker finally postponed his trip to West Germany. East Berlin continues to signal to the West Germans that

- Despite chilly US-Soviet relations, the East Germans have signaled new interest in improved relations with Washington. In February 1984 they gave Assistant Secretary of State Burt a high-level reception, and in June they sent high-level representatives to the US Embassy's celebration of the 10th anniversary of bilateral diplomatic ties. [redacted]

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Although there are persuasive reasons for concluding that the apparent East German-Soviet differences of the past year are real, it cannot be ruled out that they may be sham. East Berlin's apparent differences from

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Moscow on East-West issues could be a tactical move intended to further divisions within NATO. If this were the case, the appearance of divisions within the Warsaw Pact would be intended to encourage the West Germans and other European NATO members toward special relationships with East European countries that could complicate NATO's decisionmaking. [redacted]

Numerous East German officials, however, including diplomats, foreign policy experts, and party secretaries Axen, Haerber, and Naumann have acknowledged various difficulties with Moscow, [redacted] The warm intra-German atmosphere that drew fire from Moscow, moreover, had real costs for East Berlin in raising popular expectations of steps East Berlin was unwilling to take. The regime was unlikely to have incurred such costs just to pull the wool over Western eyes. [redacted]

Reasons

We believe East Germany's new assertiveness reflects an increased self-confidence arising from the country's performance over recent years and from a number of external factors. East German leaders have reason to be satisfied with their success in maintaining relative domestic tranquillity and economic stability during recent years. Despite the potential disruptive influences of events in Poland and of the anti-INF campaign in West Germany, the party remains firmly in control. It is even reasserting a degree of influence over Protestant church activities that it had let lapse during 1983 because of the Luther Year ceremonies and the need to show tolerance for the autonomous peace movement the church sheltered. [redacted]

At the same time, East Berlin was weathering external financial difficulties much better than most of its East European neighbors. By the time of the first "jumbo" loan from West Germany in July 1983, for instance, East Germany had already weathered the worst of its debt service crunch and was inspiring renewed confidence among bankers. In the aftermath of the Solidarity period, East German leaders probably also saw themselves as more important to the Warsaw Pact. The huge Soviet-East German

Mukran ferry project,¹ for instance, demonstrates Moscow's need for links to East Germany other than through Poland. [redacted]

East German leaders probably were encouraged to test their room for maneuver by developments in Moscow. Former Soviet leader Andropov's suggestion in a February 1983 *Kommunist* article that East European experiences and, implicitly, views could be as valid as Soviet ones and his friendly meeting with Honecker in May of that year may have contributed to East Berlin's desire to move forward in its relations with West Germany. The confusion about the Soviet leadership situation later that year and the perceived weakness of General Secretary Chernenko since then may also have led the East Germans to believe that they could and should take some risks in pursuing Pact policy and interests as they saw them. [redacted]

The East Germans also understand that the appearance of disagreement with Moscow, by giving an opening to those in the West who wish to practice policies of differentiation, may help ensure their continued access to Western financing and technology. In the face of increasing economic demands from the Soviets and the need for industrial modernization, this consideration may have some weight. East Berlin may also be trying to protect itself from a future East-West debt crunch by cultivating an image that distinguishes it from its allies. [redacted]

Although the East German leadership operates by consensus, there is some reason to believe that differences with Moscow have caused internal strain. Observers of East Berlin continue to report rumors of "neoconservative" views among East German leaders, meaning dissatisfaction with aspects of policy that displease some Soviets, such as the wave of emigration in 1984. [redacted]

¹ The project involves construction in East Germany of six large ferries, each with a capacity of up to 103 railcars and 12,000 tons of cargo, as well as building piers, railyards, and support structures at both ends, for a service in the Baltic Sea between Mukran on East Germany's Ruegen Island and Kleipeda, Lithuania. [redacted]

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Some level of success in dealing with the Soviets remains a make-or-break test for Honecker, particularly in view of East German officials' generally realistic appraisal of their dependence on Moscow. He has not yet failed that test, however, and seems firmly in place. His international travels have somewhat restored his image as a statesman, and recent approving references to him in the Soviet press suggest that he has nearly completed his fence-mending in Moscow. The only current point of contention may be Honecker's desire to visit Rome early this year

[Redacted]

Virtually any significant change in the Soviet leadership situation could influence East Berlin's assertiveness. Even under the present leadership, East Berlin's room for maneuver can be limited by Soviet reactions to the public statements of West German politicians. Bonn's linkage between its second "jumbo" loan guarantee for East Berlin last July and East German travel concessions, for instance, increased Moscow's doubts about Honecker's projected trip. It was not the facts of the deal, moreover, but the suggestion of strong West German influence on East German policy that seems to have affected Moscow.

[Redacted]

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Outlook

The self-confidence revealed by East Germany's recent assertiveness is likely to persist. Indeed, East Berlin leaders seem to believe that their country has somehow "come of age." East Berlin has clearly shown tactical flexibility, for instance, in accommodating to Soviet desires since September without foreclosing options for the future. There is no doubt that East German assertiveness remains subject to events in Moscow, but it appears that East Berlin's restraint is no longer something Moscow can assume.

[Redacted]

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Whatever the degree of assertiveness in the future, we expect it to be most apparent in the field of East-West, and particularly intra-German, relations. In relations with the Third World, East Germany is accustomed to gaining favor by supporting Soviet objectives. Its only significant interests there—trade and raw materials supplies—are unlikely to require East Berlin to change its habit. In intra-German relations, by contrast, any of several low-level agreements between Bonn and East Berlin could be concluded,² and we expect some of them in the second half of 1985 unless Soviet-US relations are chilly and Moscow takes the initiative to prevent them.

Rescheduling Honecker's postponed trip to West Germany, however, would be virtually impossible before late 1985 and unlikely until well into 1986.

[Redacted]

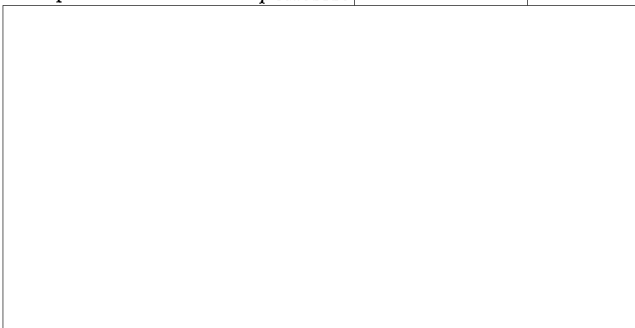
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**Hungary:
Kadar Ponders His Future**

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Speculation is growing in Budapest about major leadership changes that will occur at the Hungarian Communist Party Congress in March. Some claim that the 72-year-old Kadar will retire completely or assume a less demanding post than First Secretary and play a senior statesman's role. Barring a sudden decline in his health, we believe Kadar will continue as party chief but realign the leadership in a way that will set the stage for grooming a successor. None of his potential successors would be likely to deviate much from the economic reforms and relatively relaxed political style that have been hallmarks of his regime, but none would have Kadar's experience, prestige, or shrewdness. A new leader would probably have more difficulty withstanding Soviet pressure to adopt more orthodox policies.



Kadar's Options

Elevation to a senior statesman's role might appeal to Kadar as a means to preside over a smooth transition of power and secure his political legacy and place in Hungarian history. Kadar would not be the first East European leader to take such a step. More than a decade ago Yugoslavia's Tito, then in his mid-seventies, created a collective party executive and took on what was supposed to be a less demanding supervisory role.

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Kadar also might opt for a party presidency as a way to concentrate his energies on guiding Hungary through particularly difficult times. The government must carefully balance the new economic reform program, replete with uncertainty and decentralization, with the need for central management of resources to improve the balance-of-payments picture. Meanwhile, the heavy foreign debt repayment schedule and continuing dependence on imported energy and other raw materials render the Hungarian economy extremely vulnerable to external shocks. At the same time, the changes in the Kremlin's geriatric leadership—and the potential for more—have injected an air of uncertainty into Budapest's relations with Moscow.

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Budapest thrives on political gossip, and the amount of speculation normally goes up every time a party congress approaches. During the months preceding the congresses in 1975 and 1980, Budapest was rife with speculation about Kadar's departure and other leadership changes. Some of it, as now, probably originated with people trying to breathe life into their personal ambitions. But time has made Kadar's succession a real issue, and there is reason to believe, as some reports indicate, that Kadar wants to address it in a sensible, orderly fashion before his health deteriorates.

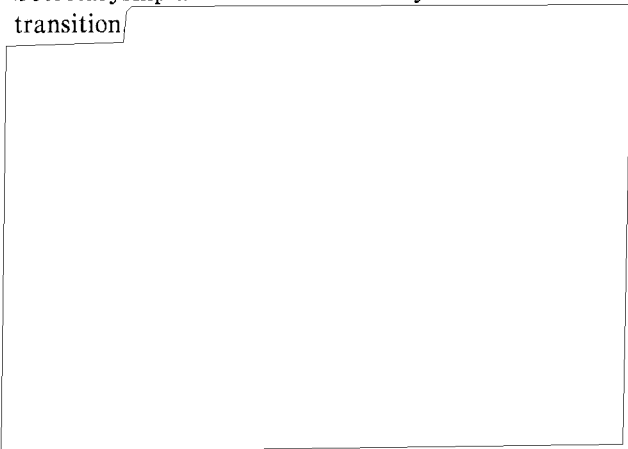
In our view, the assumption of a senior statesman's role would have serious drawbacks for Kadar. It would not be easy for a man long accustomed to holding the reins of power to step back from the arena of daily politics. In addition, the Hungarian Party chief might be wary of any new arrangement in which a designated heir apparent could threaten his authority. We suspect Kadar would prefer to avoid these pitfalls. The guidelines for the party congress recently published by the Central Committee give no hint of coming changes in the party's structure or

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statutes that probably would be required to create a new position for him. [redacted]

Instead, Kadar may choose to retain the First Secretaryship and move more slowly toward a transition [redacted]



The Contenders

[redacted] today's leading contenders to succeed Kadar include Ferenc Havasi and Karoly Nemeth, who are both Politburo members and party secretaries, Politburo member Laszlo Marothy, and party secretary for international affairs Matyas Szuros. As party secretary for economic affairs, Havasi, 55, is closely associated with the economic reform program, which has long been the focal point of Hungarian politics. On the negative side, he has relatively little experience in other policy areas. [redacted]

Nemeth, 64, has been the number-two man in the party for more than a decade. Moreover, his long tenure as secretary for cadre affairs has given him the opportunity to build a network of supporters throughout the party bureaucracy. He appears to lack the stamina and verve demanded of a party leader, however, [redacted]

[redacted] Marothy, an ambitious politician who won a Politburo seat at 38, is Kadar's favorite for the succession. Marothy, however, suffered an apparent demotion last month when he lost his job as head of the Budapest party organization and was appointed to

a lesser post as one of several deputy premiers. We believe that Marothy's chances to win the party leadership in the near future have been seriously damaged but that at his age he has plenty of time to recover. [redacted]

Szuros, 51, whose future appears to be bright, may gain a Politburo seat at the party congress. A former Ambassador to Moscow and East Berlin, he has spent his entire career as a foreign affairs specialist and only gained his party secretary position a year ago. He appears to enjoy Kadar's favor, but he now seems too junior and too inexperienced to be a serious contender for the party's highest office. [redacted]

Kadar's successor must, of course, have Moscow's blessing. Since Chernenko came to power, the Kremlin has shown little enthusiasm for Hungarian economic policy, which could reduce Havasi's chances. Szuros could also encounter difficulty in securing Soviet favor. During the past 18 months, he has written several public statements asserting the primacy of Hungarian national interests over responsibilities to the Soviet Bloc. [redacted]

[redacted] Another change in the Soviet leadership, however, could again affect Moscow's attitude toward potential replacements for Kadar. Soviet party secretary Gorbachev, for example, is rumored to be more favorably inclined toward Hungarian economic reform. [redacted]

The Impact of Leadership Change

We do not expect that any of Kadar's potential heirs would place Hungary on a radically different course. Kadar has used his long tenure in office to eliminate opponents gradually from leadership posts. Consequently, all of the leading succession candidates are loyal Kadar lieutenants who seem to share his basic views and who are closely associated with his policies. More important, none of the contenders is likely to reverse policies that have made the Kadar regime one of Eastern Europe's most successful and popular governments. [redacted]

On the other hand, Kadar has proved extremely adept at gauging the level of Soviet tolerance for Hungarian

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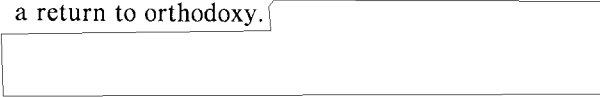
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political and economic liberalism. Not only does he enjoy high prestige as the Warsaw Pact's senior statesman, but he also seems to have Moscow's trust and forbearance as the man whose controversial policies rebuilt Communist rule in Hungary after the 1956 catastrophe. A less experienced and less effective successor will be less able to protect the Hungarian experiment against any Soviet pressure for a return to orthodoxy.



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The Call for a Worldwide Communist Party Conference

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A leading Czechoslovak Communist paper, at Moscow's behest, has recently echoed East German, Austrian, and Latin American Communists' calls for a worldwide meeting of Communist parties. The proposal is likely to draw support from the Spanish—who, until recently, were against such a meeting—and French parties, but the Japanese, Italians, and Yugoslavs remain opposed. A worldwide conference is unlikely for the next few years, but some regional meetings are possible. The Soviets are probably pushing for a worldwide conference because they see significant propaganda advantage in convening a conclave that would project the image of international Communist unity and provide a platform for attacking US nuclear policies.

A Forum for the Soviet Line

The *World Marxist Review* Conference held on 4-6 December in Prague was the latest of its regular conclaves. The parties usually agree on a theme beforehand in order to minimize divergent interests, but invariably Moscow inspires cooperative parties to introduce a theme on the floor of the conference that has not been coordinated in advance. Disagreements usually start at the outset of deliberations over the *Review's* quality and content, since there is a basic contradiction between the journal's mandates to respect the independence of each party and to support proletarian internationalism—a code term for loyalty to Moscow.

The bitterest dispute usually erupts over the themes pushed by the Soviets. In 1977 Eurocommunists clashed with pro-Soviet parties over Soviet leadership of the world workers' movement and Moscow's proposal to convene a world party conference. In 1981 both the theme of the meeting—criticism of China—and the renewed “spontaneous” call by the Czechoslovak delegation for a world conference occasioned considerable dissent. A second Czechoslovak proposal to establish an executive committee of the editorial board to serve as

spokesman between meetings led West European representatives to accuse the Soviet Union of attempting to reestablish hegemony through a permanent organ reminiscent of the Cominform. The Italians subsequently threatened to suspend their *World Marxist Review* representation.

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Parties Unite on Struggle for Peace Somehow . . .

The debate over the unplanned theme during the 4-6 December meeting was characteristically heated, illustrating vast differences in regional Communist priorities. Moscow proposed “the danger of nuclear war” as the central theme and termed the prevention of the militarization of space as critical. Latin American representatives reportedly wished to emphasize “the struggle against imperialism,” and the West Europeans insisted on the primacy of “the struggle against unemployment.” According to the Czechoslovak press, the Soviet topic carried the day and the conference emphasized that all Communists—above all, those from the Socialist countries—must unite to “develop an action program . . . [and] . . . act as organizers of the mass peace movement.”

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Serious differences among the participants made it unlikely that they would subsequently agree on a unified plan of action. Czechoslovak Central Committee staffer Ivan Hlinka admitted in an article published in Bratislava *Pravda* that the Japanese Communists “diverged from the course.”

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... but Disagreement on a Worldwide Conference

It was in this atmosphere of disagreement that pro-Soviet parties, almost certainly at Moscow's behest, raised the issue of holding the first worldwide Communist conference since 1969. Not surprisingly, the delegates at Prague did not reach a consensus. The communique did not mention renewed calls for the conference made publicly and at the meeting by Latin American, Austrian, and East German delegates.

Writing in the 8 January Bratislava *Pravda*, Hlinka added a Czechoslovak voice to the calls for a global conference and also implied support for prior regional meetings.

While the French, Spanish, and other parties have staunchly opposed similar proposals in the past, the current lack of a Eurocommunist front may mean that the Italian and Japanese Communists will emerge as the major opponents of a meeting. The Yugoslavs are also likely to pose objections. After the December meeting, they and the Italian Communists restated publicly their rejection of a worldwide conference, reflecting their longstanding belief that Moscow and its surrogates would use such a gathering to restrict other parties' independence. On 13 December a leading Italian Communist openly opposed the "untimely and impractical" idea, a day after *Borba*, a semiofficial Yugoslav daily, criticized the "persistent repetition" of "outdated" ideas.

The staunchly independent Japanese Communist Party (JCP) in December, as at previous *World Marxist Review* meetings, opposed the proposed global conference because of inevitable Soviet control over its proceedings.

[Redacted]

The Japanese criticism of the Soviets in Prague provided evidence that recent bilateral contacts between the JCP and the Soviets have not narrowed differences on approaches to the international Communist movement.

After the Prague Conference

The small, pro-Soviet Austrian party has endorsed a worldwide Communist party conference. Although there has been no further indication of West European backing, we expect the Portuguese and Greek Communists and some minuscule hardline West European parties, factions, and splinter groups to support a global meeting and to criticize the Eurocommunists. Pro-Soviet minorities in the Finnish, British, Belgian, and Dutch parties almost certainly would like to use a meeting as a tool in their struggle to replace Eurocommunist majorities in their party leaderships or to create new parties altogether. Splits in these parties, while destructive of Communist unity, could at least provide Moscow with more reliable organs in Western Europe for "peace" propaganda.

The Spanish Communists appear to have changed their minds since the Prague meeting.

[Redacted]

The party leadership strongly desires to blunt the growth of (and Soviet support for) a rival pro-Soviet Communist party that has attracted important defections from the older group. Nevertheless, the older party's leaders are trying to attract moderate ex-Eurocommunists back to the fold and are unlikely to take an active pro-Soviet role. They probably would be relieved if Italian Communist opposition to the meeting scuttled it.

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Like the Spanish Communists, the French party—silent so far on the proposal—is less likely than the Italians to oppose a worldwide Communist meeting. Although French party boss Marchais—who acted for a while like a Eurocommunist—declared at the 1976 Berlin conference of European Communist parties that further such conclaves were unnecessary, the French party in 1980 convened a meeting of European parties that endorsed Soviet security policies.¹ [redacted]

Moreover, Marchais is struggling to preserve his leadership in preparation for his party's congress in February. He and pro-Soviet hardliners currently holding sway on the Politburo might promote an international conference to undermine Eurocommunist dissidents who advocate greater independence from Moscow and closer ties to other West European parties. [redacted]

A French delegation to any meeting would support Moscow on major East-West issues. Nevertheless, party leaders know that their support for the Soviet invasion of Afghanistan and for martial law in Poland contributed to the party's precipitous decline at the polls. Thus they might stress for public consumption that they retain the right to an independent road to socialism. [redacted] French delegates to an October meeting sponsored by the World Peace Council (a major Soviet front organization) supported the Italians in blaming both superpowers equally for the arms race. [redacted]

Outlook

A worldwide Communist conference remains a prospect for the distant future, since there are enough Eurocommunist and independent parties to prevent anything approaching a global meeting with an agreed agenda. A major obstacle yet to be faced is whether to invite the Chinese. The decline of Eurocommunism, however, increases the likelihood that most West European parties would attend a regional meeting, although participants are unlikely to assemble until they can agree on at least general guidelines toward peace, unemployment, and other issues. [redacted]

¹ The Italian, Yugoslav, Spanish, and other parties embarrassed Marchais by boycotting the conference; he almost certainly would be delighted if the Italians in particular were isolated this time [redacted]

The Soviets probably would exploit a conference because they wish to activate the peace movement. That is probably more important to Moscow now than Communist unity. They furthermore believe they are less vulnerable than Western governments to public "peace" pressure. Nevertheless, neither global nor regional meetings would suffice to increase Soviet influence significantly—much less establish Soviet control—over the West European peace movement, a complex web that includes organizations increasingly inclined to blame both superpowers equally for international tensions. [redacted]

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Economic News in Brief

Western Europe

Paris Sends a Strong Signal: The government has replaced the head of Renault to emphasize that **national companies are expected to be profitable by the end of the year** . . . Renault had a bad year in 1984 and has dropped from Europe's largest auto producer in 1983 to sixth last year . . . the new chairman, Georges Besse, is fresh from saving the nationalized metals company Pechiney by drastic cost cutting; at Renault, however, he will face the increasingly militant Communist-dominated CGT union which is looking for another victory after its success in derailing flexibility negotiations in December. []

IMF Program in Portugal: Beginning in January **Lisbon raised prices for government-controlled goods and services** by an average of 19 percent . . . Lisbon had promised the IMF to take this step last year to cut subsidies and to limit growth of the budget deficit . . . quarterly increases of some prices will be essential to restore state enterprises' financial health and ensure that the government deficit does not surpass Lisbon's target. []

Socialization of Greek Industries Promised: Prime Minister Papandreou has vowed again, as he has since 1981, to socialize key industries such as mining, shipping, steel, and those engaged in foreign trade . . . over 100 financially weak firms are already under partial state management . . . **private investment likely to continue falling** as businessmen fear Athens will nationalize all private industry. []

EC Wine Trade: EC has decided to request **GATT panel proceeding against US Wine Equity Act**, according to diplomatic reporting . . . the decision reverses Community's earlier policy to await Act's implementation and possible antidumping petitions by US grape growers . . . action was pushed by France and Italy and was intended to warn United States not to restrict imports of EC wine. []

Eastern Europe

Progress on Polish Debt: Warsaw recently initialed an **agreement with the Paris Club** to reschedule about \$11 billion in principal and interest that came due between 1982 and 1984 . . . terms include an 11-year rescheduling with a five-year grace period . . . the Poles, however, almost certainly will not be able to pay the \$1 billion required by the agreement this year because of other financial commitments . . . Warsaw will lobby the Western governments for new credits and renew efforts to tie repayment to credits. []

Yugoslavia's Rescheduling Negotiations Bog Down: Third-round meetings in January between Belgrade and its commercial creditors stalled over **Belgrade's unwillingness to compromise**, according to US Embassy reporting. . . Major obstacles remaining include the structure of consolidation, interest rates to be charged, and the criteria for future IMF supervision . . . Belgrade's rigid stance may be due to the need to appease domestic hardline critics and is likely to continue to complicate rescheduling negotiations. []

Bulgaria Encourages Part-Time Employment: The Council of Ministers recently issued a decree facilitating part-time and flexible time employment for housewives, students, and retired people . . . decree aims to improve **stagnating labor force growth** and to help reconcile family and job commitments for women . . . the new edict is unlikely to solve Bulgaria's more serious problems with quality control and low productivity growth. []

Czechoslovakia's Campaign for Self-Sufficiency: Prague's **attempt to increase food supplies** is on course . . . second straight record grain harvest has led to strong agricultural performance in 1984 . . . will reduce import demand from Western suppliers of grain and high-protein feedstuff in 1985. []

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