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European Review



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10 October 1986

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European Review [Redacted]

25X1

10 October 1986

	<i>Page</i>		
Briefs	Italy-Libya: Implications of the Fiat Sale [Redacted]	1	25X1
	United Kingdom-France: Final Evaluation for an AEW Aircraft [Redacted]	1	
	[Redacted]		25X1
	[Redacted]		25X6
	[Redacted]		25X1
	Poland: Safety Concerns Delay Nuclear Power Program [Redacted]	3	25X1
	Yugoslavia: Foreign Exchange Laws May Be Revised [Redacted]	4	25X1
Hungary: Authorities Ban Literary Journal [Redacted]	4	25X1	
Bulgaria: Continuing Economic Troubles [Redacted]	5	25X1	

Articles

25X1

[Redacted Article Content]

25X6

[Redacted Article Content]

Secret

[Redacted]

25X1

[Redacted]

25X1

Eastern Europe-China: Party Ties Likely [Redacted]

17

25X1

[Redacted]

Soviet General Secretary Gorbachev's recent overtures to Beijing have bolstered prospects for reviving Sino-East European party relations. Visits this fall to Beijing by the party leaders of Poland and East Germany give further impetus. Unlike Moscow, however, Beijing does not see party relations with Eastern Europe as leading to reestablished party ties between China and the Soviet Union. Nor does the PRC want to upset Sino-US relations by giving the impression that Beijing is reassessing its ties to the West. For its part, Eastern Europe supports Moscow's move to reduce tensions within the Communist world and hopes improved relations with China will yield economic benefits. [Redacted]

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Poland: Legislating Against Dissent [Redacted]

19

25X1

[Redacted]

Since the abolition of martial law three years ago, the Jaruzelski regime has been amending old laws and passing new legislation to restrict dissent. The new restrictions have been used to conduct university purges, make preventive detentions before important anniversaries, and carry out widespread arrests of persons engaged in illegal printing and distribution of underground publications.

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[Redacted]

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25X1

Viewpoint

Hungary: Observations From a Summer Abroad

[Redacted]

21

[Redacted]

25X1

Economic News in Brief

27

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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European Review [Redacted]

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Briefs

Italy-Libya

Implications of the Fiat Sale [Redacted]

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The Italian firm Fiat hopes it has cleared the way for participation in US defense contracts by convincing Libya to sell its 14.5-percent share of the automaker. In a deal completed in mid-September, Fiat purchased one-third of the Libyan shares and a consortium of bankers—led by the Deutsche Bank—acquired the remaining shares for resale on the secondary market. Tripoli accepted the current market price of \$3.1 billion for its shares although it had demanded a much higher price when Fiat first offered to buy back the shares last May. [Redacted]

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Profits from the sale will bring Libya's reserves to last year's level, and Tripoli may have decided to accept the market price now to reduce the impact of a possible Italian freeze of Libyan assets. The Italian Government probably hopes the sale will smooth Italian-US relations. The sale also removes one obstacle to Italy's adoption of stronger measures against Qadhafi-backed terrorism, although Rome will still be constrained by the 2,000 Italian workers in Libya and by the nearly \$1 billion Tripoli owes Italian companies. [Redacted]

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United Kingdom-France

Final Evaluation for an AEW Aircraft [Redacted]

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The UK Defense Ministry has announced that it has closed bidding for the Royal Air Force's new airborne early warning aircraft (AEW), reducing contenders to the British Nimrod fitted with a radar made by Britain's General Electric Company and the US-manufactured E-3 AWACS. According to the US Embassy, both contenders have been requested to submit final proposals by mid-November, and a Defense Ministry decision is expected in December. France, which is interested in acquiring three such aircraft, will participate in the evaluation of the two contenders and may consider a joint procurement option. [Redacted]

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London may hope that a joint Anglo-French evaluation, especially if it leads to a decision by both nations to buy AWACS, will help mute criticism that the Thatcher government too often favors US manufacturers for military procurement. A joint purchase also would demonstrate London's commitment to increased European defense cooperation and would probably bring down the unit cost of either system. The French have long pushed for an airborne early warning aircraft to fill gaps in their air defenses but probably cannot field a French-built system before 1993. [Redacted]

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**Poland****Safety Concerns Delay Nuclear Power Program**

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Work on Poland's first nuclear power plant was halted for several months this summer, probably due to increased safety concerns in the wake of the Chernobyl disaster. Following the Soviet mishap, some 3,000 Polish citizens petitioned parliament to temporarily halt nuclear power plant construction, and Polish scientists warned that planned safety systems were inadequate. A parliamentary commission, citing limits on domestic coal production and energy imports from the Soviet Union, reiterated the importance of nuclear power but promised that safety concerns were a priority. Last month, the Council of Ministers ordered a review of blueprints for the plant, and Polish nuclear power officials announced that fire prevention equipment and monitoring devices would be upgraded. According to a regional party newspaper, Polish nuclear experts rejected poor quality cement deliveries and have noted quality problems with Polish steel and electrical cable.

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Warsaw probably will have to seek additional outside technical assistance—possibly from East Germany or the West—to address safety concerns and alleviate materials shortages. Despite the delays and mounting costs of the plant under construction, plans for Poland's second nuclear power plant are moving forward. Nonetheless, Polish officials do not expect nuclear power to contribute significantly to Poland's energy supply before the year 2000.

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Yugoslavia

Foreign Exchange Laws May Be Revised

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Yugoslav officials appear increasingly convinced that the controversial foreign exchange laws passed last December after a major political struggle are not working and may have to be changed. From the outset, leaders and businessmen from the northern trade-oriented republics have criticized the legislation—the heart of which is a requirement that exporters turn over all hard currency earnings to a federally administered “market.” Both Premier Mikulic and a deputy trade minister in public statements have left the door open to eventual changes. The southern regions—which initially pushed for the new system in hopes of gaining greater access to foreign exchange—are likely to acquiesce to some changes over the next year as they discover they have even less access to hard currency than before.

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The problem with the new laws, according to critics, is that they decrease the incentive to export to the West and are less efficient in allocating foreign exchange than the “gray” market that flourished under the old system. Regional officials note that exporters have been slow to remit earnings and say privately that firms and banks are “hiding” foreign exchange through “creative” accounting methods. The Federal Government estimates that of \$6 billion earned in the first eight months of 1986 only \$320 million reached the official market. US diplomats report that importers face growing difficulties in obtaining foreign exchange. Moreover, many exporters can no longer increase their profits through gray market sales of foreign currency and have seen their earnings fall. At the same time, inflation has made domestic sales more attractive.

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The fate of the laws ultimately may depend on Belgrade’s ability to meet obligations stemming from its roughly \$19 billion hard currency debt. The disincentive to export in the new system almost certainly has contributed to the recent deterioration of Yugoslavia’s trade balance with convertible currency markets—Belgrade recorded a \$1.1 billion deficit in the first six months of 1986, nearly double the \$683 million deficit registered during the same period last year.

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Hungary

Authorities Ban Literary Journal

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The closure this summer of the literary journal *Tiszataj* for publishing a poem that implicitly accuses Hungary’s current leaders of betrayal for helping crush the October 1956 revolution reflects the regime’s anxiety at the approaching 30th anniversary of the uprising. This is the first time in recent years that the relatively benign Kadar regime has taken such harsh reprisals against a legitimate journal for critical commentary. This action, which a source of the US Embassy recently said was appealed by the regime-sponsored Writers Union, is a clear warning to the literary community to avoid unauthorized interpretations of the 1956 events. The authorities have used unusual force several times this year to break up demonstrations or confiscate dissident literature in an apparent effort to set clear limits to nonsanctioned activities prior to the revolution’s anniversary.

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The regime's unusually severe response to *Tiszataj's* transgression may also have been prompted by the journal's strong nationalist orientation. It has long been an outlet for so-called populist writers, who have focused on the plight of Hungarian minorities in neighboring Romania and Czechoslovakia, a cause that has wide appeal in Hungary and has even forced Budapest to protest Prague's and Bucharest's alleged mistreatment of their Magyar populations. The authorities may fear that the populists are now turning to the heretofore taboo issue of the 1956 uprising and its aftermath and even joining forces with dissidents who have been consistently critical of the role played by current leaders in the revolution.

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The affair also highlights divisions within the party over how to handle touchy subjects such as 1956. Embarrassed party officials told US diplomats that they acted quickly to revoke the journal's license because the editorial board is composed of party members. Some elements of the party, particularly young members, tend to favor removing the ban against open discussion of the topic, according to US Embassy officers. The party's senior members, however, some of whom participated in the events of 1956, remain opposed to unfettered discussion of the uprising and defensive about their own activities during that time.

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Bulgaria**Continuing Economic Troubles**

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Bulgarian economic growth in key sectors during the first half of 1986—the crucial first year of its Ninth Five-Year Plan—was below the mark even for the government's modest targets, and it is now unlikely that the country can meet its economic goals for the year. Poor performance in the critical areas of agriculture and energy production will have serious repercussions throughout the Bulgarian economy. The country's deteriorating trade situation will almost certainly lead the regime to expand its now modest Western debt.

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Party leader Todor Zhivkov, who turned 75 on 7 September, will not hesitate to make scapegoats of top economic officials if the economy does not turn around. He has repeatedly removed economic planners during his 32-year rule—including formerly close allies—and has often reshuffled the planning bureaucracy to deflect criticism and promote the appearance of reform. Continued poor economic performance could affect the political fortunes of several of Zhivkov's potential successors—probably boosting Party Secretary and Politburo member Alexandrov at the expense of Economic Council Director Doynov.

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**Eastern Europe-China:
Party Ties Likely**

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Soviet General Secretary Mikhail Gorbachev's recent overtures to Beijing have bolstered prospects for reviving Sino-East European party relations. Visits this fall to Beijing by the party leaders of Poland and East Germany give further impetus.

The landmark events on the road to reestablishing party ties have been the working visit by Poland's Wojciech Jaruzelski last month and the impending state visit by East Germany's Erich Honecker. Each is party chief as well as head of state, making the visits the highest level contacts with China in more than 20 years by the East European parties that follow Moscow's foreign policy lead.

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Unlike Moscow, Beijing does not see party relations with Eastern Europe as leading to reestablished party ties between China and the Soviet Union. The Chinese have been expanding economic and political relations with Eastern Europe for several years as part of their "independent foreign policy" of reducing tension with the Soviet Bloc and expanding relations with developing countries to balance China's opening to the West. Beijing hopes to increase its influence in Moscow's backyard and to encourage both East European independence of Moscow and East European-West European detente. China does not, however, want to upset Sino-US relations by giving the impression that Beijing is reassessing its ties to the West. For its part, Eastern Europe supports Moscow's move to reduce tensions within the Communist world and hopes improved relations with China will yield economic benefits as well as lead to greater Soviet diversity in dealing with the various East Bloc regimes. Ironically, the effort has produced some friction among the East European allies over which one should set the pace.

Jaruzelski stopped over in Beijing for a three-day working visit as an add-on to an earlier scheduled visit to Mongolia and North Korea. Jaruzelski met with top Chinese state and party officials, including Deng Xiaoping, Premier Zhao Ziyang, Head of State Li Xiannian, and Party Chief Hu Yaobang. Zhao, Li, and Hu have accepted invitations to visit Poland and invited Jaruzelski to return on a formal visit. They also signed a cultural and scientific agreement. Honecker, who was invited for a longer stay, will be the official guest of both Hu and Li and probably will sign one or more economic cooperation agreements.

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Honecker, who considers himself Moscow's most valuable ally and revels in state visits abroad, must be furious with Jaruzelski for diminishing the uniqueness of his own trip. Western diplomats in Beijing also report that the Chinese were irritated at Jaruzelski and believe they were tricked by the Soviets, who knew that China could not turn down the Polish request. Consequently, the Chinese stopped short of reestablishing full party-to-party ties during Jaruzelski's visit.

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Unprecedented Visits

Statements by several Chinese and East European officials in recent months suggest that they have been preparing to reestablish party relations suspended since the Sino-Soviet break of the mid-1960s. ¹

Gorbachev's overtures to China in his Vladivostok speech of 28 July underscored Moscow's effort to reduce tensions with Beijing, and this conciliatory mood could facilitate the normalizing of Sino-East European party relations.

Chinese Motivations

Beijing has stepped up its efforts to strengthen political and economic ties to Moscow's East European allies ever since Hu announced China's "independent foreign policy" at the 12th Party Congress in September 1982. We believe the Chinese seek to:

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¹ For purposes of this analysis, Eastern Europe refers only to East Germany, Poland, Czechoslovakia, Hungary, and Bulgaria. China already enjoys party ties to Romania and Yugoslavia; Albania does not have party relations with either China or the Soviet Union.

- Encourage East Germany, Poland, Czechoslovakia, Hungary, and Bulgaria to emulate Romania in pursuing foreign policies less subservient to Moscow.

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EUR ER 86-023
10 October 1986

Secret

- Promote Beijing's long-range vision of a multipolar world in which China, Japan, and a united Europe enjoy greater autonomy from the superpowers.
- Further legitimize Chinese modernization efforts both at home and within the Communist world by sharing experiences with reform-minded Hungary.
- Develop alternative sources for acquiring Soviet technology and markets for Chinese products. [redacted]

China, in our judgment, does not view strengthened party ties to Eastern Europe as paving the way for party relations with the Soviet Union. [redacted]

East European Motivations

Eastern Europe, in contrast, supports Moscow's efforts to use improvements in Sino-East European ties to promote Sino-Soviet reconciliation. We believe that the East Europeans hope as well that a diminution of the bitter factionalism that has plagued the Communist world since the two giants split in the mid-1960s might increase Soviet tolerance of diversity within Eastern Europe. The East Europeans also see China as a potentially vast market for their industrial goods and a supplier of raw materials and light manufactures. [redacted]

Each East European country—especially East Germany—has its own agenda with a broad range of political and economic objectives. On the political side, Honecker has striven to raise East Germany's profile in international affairs and to present himself as a Central European statesman and political interlocutor as sought after as West German Chancellor Helmut Kohl, who visited Beijing in 1984 and hosted Hu in Bonn this past June. Similarly, we believe Jaruzelski welcomes the boost to his international image arising from being the first East European party head (with the notable exception of Romania's Nicolae Ceaucescu, who has always been a foreign policy maverick) to visit China. Even Bulgaria's Todor Zhivkov, in the past critical of Chinese reforms, recently met with a visiting Chinese official of ministerial rank and discussed expanding trade. The East European party leader most likely to visit China next is Hungary's Janos Kadar. According to Embassy sources in Budapest, Kadar may be planning such a trip even though he loathes flying. In

any case, the Hungarians would welcome the opportunity to develop relations with another reform-oriented Communist state. [redacted]

East Germany has served most often as Moscow's East European stalking-horse in developing economic and political ties to China. Sino-East German government relations in many areas have expanded at an increasing tempo since 1983. Honecker's visit thus caps a series of exchanges in the past year—the highest level in more than 25 years—in which three East German Politburo members holding government posts have met with Hu during visits to Beijing.



Outlook

We believe China will gradually normalize party relations with all of Eastern Europe, which should lead to increased senior party exchanges and attendance at one another's party congresses. China is scheduled to convene its next party congress in 1987, and the East Europeans will hold theirs in the early 1990s. Party ties will complement existing government and economic relations, which will also continue to develop at an increasing rate. At the same time, the East Europeans will be on guard against Chinese efforts to use them against the Soviets. Honecker, for example, visited Moscow in early October, presumably to discuss, among other things, his forthcoming trip. For its part, Beijing will seek to reassure the West—and Washington in particular—that party relations with Eastern Europe do not foreshadow similar ties to Moscow. Deng and other senior Chinese leaders have recently stressed that any progress in Sino-Soviet relations depends on major Soviet concessions on Cambodia. [redacted]



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**Poland: Legislating Against
Dissent**

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The Polish Government has used the period since the abolition of martial law in July 1983 to amend old laws and pass new restrictive legislation to limit dissent. Moreover, it has not been deterred by domestic criticism. For example, church protests over revision of the liberal education law in 1985 were brushed aside by the government. The regime has privately told its critics the new harsh laws will not necessarily be broadly implemented but are intended as a warning that the regime has the legal tools to use against troublemakers. The new restrictions have been used to conduct university purges, make preventive detentions before important anniversaries, and carry out widespread arrests of those involved in the illegal printing and dissemination of underground publications.

The brunt of the new legislation is aimed at dissidents. A special criminal liability law and changes to the penal code increase the power of judges to speed up the trial process, to impose sentences immediately—especially when the accused is caught in the act—and to waive trials without appeal for a greater number of offenses. Other changes include harsher jail terms, fines, confiscation of property, changes in the parole procedure, and travel restrictions. General Baryla, the Politburo and Secretariat member in charge of security, announced earlier this year that more law-and-order legislation is being prepared.

**Clamping Down on Educators, Students,
and the Media**

Amendments to the 1982 Higher Education Law provide for greater central government control over university activities. The Minister of Science and Higher Education is given authority to ensure teachers take a loyalty oath before employment, reassign troublesome instructors, and approve university election lists. Other changes allow rectors to call in police to stop protests—which are now grounds for expulsion—give the party's national student organization the exclusive right to represent

students and require the revision of university charters to conform to a new model statute. In November 1985 the regime purged 70 university professors and is currently conducting a nationwide teacher verification program to be completed by the end of 1986.

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There is also evidence that the regime is planning further legislation to tighten controls over the careers of university-trained professors.

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the regime is considering draft laws requiring one year of compulsory employment in the socialized sector for people exempt from military service.

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Moreover, graduates of vocational state-run schools or universities would be required to work in state-run enterprises or institutions for 10 years or repay the government for their education. Returning emigres would be subject to the same law; students visiting the West would be required to leave a deposit with the government to ensure their return. The current job verification policy, according to the official press, is partly aimed at forcing teachers back to the schools and out of more lucrative positions in the economic sector.

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New censorship and press laws further centralize control of the media, especially print journalism. Licenses are required for the use of all printing, recording, and film operations. Copiers, stamps, and seals must be registered and use permits are required. The 1982 law on dissemination of false information causing grave damage to Poland carries a sentence of five years imprisonment and remains part of the new penal code.

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Weakening Workers' Rights

Amendments to the Trade Union Act in July 1985 eliminate the possibility of union pluralism. In addition, the unions are empowered to allocate housing, health, and vacation benefits. Former Solidarity members have had strong representation on some self-management councils.

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EUR ER 86-023
10 October 1986

Secret

Status of Polish Restrictions

Students, Educators, Writers	Workers	General
Measures in effect in 1983 that have been maintained or expanded		
Leadership boards of associations can be replaced temporarily pending elections.	Can be forced to wait six months before changing jobs.	Chairman of State Council may introduce state of emergency in part or all of Poland if internal security threatened.
Student organizations must be registered or approved.	Those who leave job without permission can be paid lowest wage permissible in new position.	Anyone organizing or conducting an illegal action is liable to three years' imprisonment.
Censorship extended to art and photographic exhibits, trade union publications, and scientific and academic papers.	"Shirkers" face six months' to two years' imprisonment or can be assigned to labor-short sector.	Anyone disseminating tape recordings or films containing "false information that may cause grave damage to Poland" is liable to five year's imprisonment.
		Anyone in an organization dissolved or refused legal status liable to three years' imprisonment.
		Citizens subject to military courts for "serious crimes against the state."
New measures		
Minister of Education given sweeping powers to appoint professors, ensure loyalty oath taken, and reassign troublemakers. Also approves university election lists and can expel students.	Union pluralism abolished.	Accelerated trials, police can act as prosecutors; pretrial arrest mandatory; power to waive trial without appeal; habitual offenders ineligible for parole.
Independent student bodies and self-government eliminated.	Government-backed trade unions given powers at enterprise level to control social housing and health benefits.	Summary courts can try cases of unlawful assembly or "incitement to commit a crime."
Police can enter university grounds without being summoned.	Labor Code amended to limit workers' rights and enhance role of management.	Search without warrant permitted.
Licenses required for printing, recording, and filming.	Managers can increase workweek from 42 to 46 hours.	Payment of fines by third parties, including church, banned.

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Parliament is currently considering amendments to the Labor Code that will further weaken workers' rights. The proposed changes, according to the US Embassy, require workers to wait longer than six months before changing jobs, ban normal pay raises for those who quit previous jobs or were fired, and maintain the regulation that those who leave jobs without permission can be paid the lowest permissible wage rate in a new position. The Council of Ministers has also approved an increase in the workweek at the discretion of management from 42 to 46 hours.

Passage of the Labor Code has been delayed until December. Further revisions may be in the offing. The temporary requirement that job applicants must present a labor certificate from a previous employer may be permanently codified in law. Work "shirkers" still face the possibility of imprisonment, but this law has not been widely implemented, according to Embassy reporting.

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Hungary: Observations From a Summer Abroad [redacted]

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Viewpoint

[redacted]

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The typical tourist's impression of Hungary is that of a land of plenty smoothly avoiding the difficulties that trouble so much of Eastern Europe in the 1980s. The first few days a visitor spends in Budapest seems to confirm this opinion. There are no lines outside the stores, which display a variety of Western consumer goods in their windows. There are many restaurants and cafes and even a few Western-style nightclubs that offer entertainment long into the night. Food is plentiful and sold in numerous markets and from many sidewalk stands. The shoppers who stroll down Budapest's pedestrian shopping district are well dressed in a Western style, and the streets are crowded with traffic. The new houses and apartment buildings rising in the Buda hills would fit in some of the best suburbs of Vienna or Munich. [redacted]

cities, one is just as likely to see horses used for farm transportation as tractors or trucks. True, much of the bounty on display in Budapest is meant for the Austrian and West German tourists who converge on the city in the summer, but the ready availability of these goods serves only to heighten the expectations of Hungarians. [redacted]

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In short, Hungarian society is a mixture of contradictory and confusing features, a Communist country in which great wealth, substantial freedoms, and a good measure of satisfaction with the country's leader coexist with considerable poverty, police repression, and an increasing potential for political instability. It is also a society about which the leadership is very much concerned. [redacted]

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Economic Problems

Hungarian officials admit freely that they are concerned about the potential consequences of the country's economic difficulties. Hungary's high debt service obligations, outmoded industrial base, and uncompetitive export sector, among other factors, have contributed to economic stagnation throughout the 1980s. Individual Hungarians have suffered because wage increases have not kept pace with inflation during this period. Consumers stare at the prices of goods in shop windows, shake their heads, and walk on. Most find it necessary to take second jobs just to maintain their standard of living, and many have given up hope of seeing an improvement in living standards in their lifetime. This problem is compounded by the fact that not everyone is suffering equally from the stagnation. Those who have the skills and entrepreneurial spirit needed to succeed in the "second economy" (accepted private activities) or the "third economy" (blatantly illegal activities) can prosper. These people can build a new home without waiting for a state-built home, drive high-priced Western cars, shop in the costly Western-style boutiques, and eat in the most expensive private

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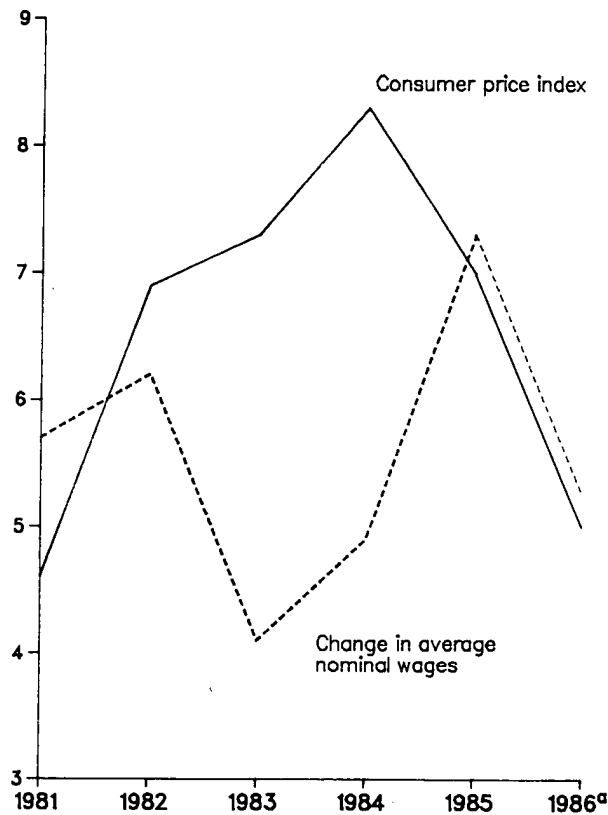
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These initial images, however, conceal as much as they reveal. The new homes that look so impressive on the outside can develop cracks and plumbing malfunctions as quickly as they do elsewhere in Eastern Europe. [redacted] told me that the wait for an apartment in Budapest is now 10 years. The grocery markets are not able to maintain a consistent supply of some foods, and an indifferent food-processing industry ruins some of the goods that are available. Budapest's working-class districts are home to individuals who are obviously not affluent or attached to Western styles. The stores stock goods that are too expensive for working-class Hungarians to buy, and many restaurants feature meals that would cost an average worker a fifth or sixth of his monthly wage. The vast income inequalities that the country suffers from are readily apparent on the streets of Budapest, as the many who can barely afford an East German-built Trabant are passed by the few who can afford a BMW. Outside the large

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Hungary: Average Wages and Inflation

Percentage change over previous year

^a 1986 plan targets

Source: Official Hungarian Statistics

restaurants in Budapest. Indeed, their willingness to flaunt their prosperity is a major cause of the social tension that the regime is so worried about. The mass of Hungarians who are cut out of this new prosperity don't understand who these wealthy people are or how they make their money. Many suspect that the nouveaux riches resort to political contacts or corruption to get ahead.

Despite the problems associated with the private sector, it seems unlikely that the regime will be able to cut back on private activities unless it is willing to endure the economic dislocation that this would entail. The private sector provides the economy with an important source of dynamism and fulfills many service needs that the state sector cannot. It also provides an important safety valve to absorb those who will need to find alternative work if the regime continues with its plan of restructuring the state sector.

Although an occasional rumor of a work stoppage by disgruntled workers reaches the US Embassy, the harried populace for the most part expresses its resentment verbally and in private. Still, officials point out that this is Hungary's first experience with anything other than continuous improvement in living standards since 1956, and no one is quite sure how people will react, especially if conditions do not improve in the coming years. Indeed, top economic policy makers are already trying to prepare the populace for the announcement of the 1987 plan, which does not include an increase in living standards among its provisions.

Political Uncertainties

These economic problems and resulting social concerns come at a time when the political and economic decision making process appears almost paralyzed by confusion and indecision. Some officials complain that party leader Kadar is no longer interested in governing or capable of making the hard decisions that must be taken if Hungary is to climb out of its economic doldrums. This may be a part of the problem, but it is probably not the most important and is surely an oversimplification of the political and ideological disarray that characterizes Hungarian society.

The political confusion seems to me to be a logical outgrowth of Kadarism, that style of leadership in which the party has permitted, indeed encouraged,

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nonparty members and institutions to play a more active role in the political process and the economic system. This longstanding tendency has been intensified in recent years as the regime has sought to improve its legitimacy to make up for the damage done by the stagnating economy. The leadership has, among other things, introduced a new election format, spoken about enhancing the role of the National Assembly, introduced worker-management councils in enterprises, encouraged the trade unions to change their traditional role, announced new responsibilities for the Chamber of Commerce, and decentralized the local administrative structure—all within the last five years. []

One gets the impression that the central authorities, either following some master plan or simply reacting to events, spin out new responsibilities and new rights for these institutions without giving careful thought to how the changes will be implemented or to their ultimate cumulative effect. To this point, it is clear that the officials in control of these various organizations often don't seem to understand their new duties or disagree with them and do nothing to implement them. In some cases, it seems that managers simply cannot keep up with the rapidly changing policy directives. The net result is the spread of confusion, indecision, and a sense of drift throughout the political and economic systems. For example, no one in Hungary seems to understand exactly how the enterprise council reform is to work, or what it has meant to enterprise operation thus far. The managers of a shoe cooperative argued for 10 minutes among themselves in trying to explain to me how they were elected by the co-op workers before the party secretary silenced them with his views on the matter. The director of the Chamber of Commerce was unable to explain to me how his organization would represent the interests of enterprise managers, a task that was recently assigned to the Chamber by the Council of Ministers. These clearly were not deliberate attempts to withhold information but real signs of puzzlement and disorganization. []

This sense of confusion extends even to the role of the party itself. A party historian told me that the party is the ultimate coordinator of interests in society, meshing and refining the demands of social groups as

expressed by other institutions. The party does not favor any of these interests, I was told, but measures them against the interests of society as a whole. The leaders of these other organizations are uncomfortable with the lack of clear guidance that this passive role of the party presupposes, and with the prospect of advancing interests that may be at odds with party policy. At the same time, local party officials seem uncertain of their responsibilities and each apparently defines them according to his own preferences, further adding to the confusion. For example, newspaper and journal articles appear in Budapest that suggest serious consideration is being given at the highest levels to having the party "withdraw" from the economic system, particularly at the enterprise level. A party official in one of the outlying counties told me, however, that this is an "extreme view" and that the party is only encouraging other institutions to become more involved than they have been in the past, while the level of party activity remains the same. []

Ideological Ambiguity

This same confusion extends to ideology. There are no longer any clear distinctions between policies that are considered ideologically legitimate and those that are not. Everyone seems concerned with the income inequalities that plague society, but general agreement is lacking on what constitutes ill-gotten gains. Budapest officials tend to focus their ire on blatantly illegal activities, such as land speculation, while the more orthodox officials in outlying areas point to such things as privately operated boutiques as examples of improperly achieved income. []

The party historian admitted to me that Marxism-Leninism holds little relevance for contemporary Hungary. The regime sees the more vague concept of socialism, defined simply as a type of political and economic organization that favors certain policy goals above others, as its guiding philosophical concept. Yet even this idea is being modified from its traditional meaning to make it more relevant to the current scene, and its claims more realistic and less utopian. Thus, the theory of socialism is being changed to fit reality in the hope that Hungarians will accept it as a

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political and economic system that can solve certain, but not all, basic human problems. In the meantime, this doctrinal confusion contributes to the feeling of drift and indecision that permeates society.

Local Politics

Last year's competitive Council election, coupled with a decentralization of authority from county to local level, and the confusion that has immobilized institutional life in the country, have led to some interesting and important developments in local politics. For example, a new tax law, designed to fund municipal projects such as schools and swimming pools, requires that a majority of the households in a taxing district approve the expenditure of funds for each specific project. This means that local officials must now be more solicitous of voter opinion and must work to build a consensus behind their policy proposals.

Local council meetings have become more contentious since the competitive elections, and these local bodies have more control over the expenditure of funds than

ever before. The Patriotic People's Front (PPF)—the body that, among other things, organizes the parliamentary and local elections—now plays a major role in ensuring the accountability of these local officials. County and city officials told me that the PPF organizes meetings of voters three to four times each year at which elected councilmen must report on their activities and that it has the power to organize special referendums to determine popular support for controversial council decisions. The councilmen must also report to the PPF itself upon demand.

Conclusions

The leadership is in a difficult position. It has unleashed the forces of political and economic change but is reluctant to see these changes run their course. Although the party has tentatively assigned new roles and tasks to old institutions, it has yet to emphasize that officials will not suffer sanctions if they make use of their new authority to advocate policies that run counter to those favored by the party. The party has

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also permitted market forces to influence economic activity to some extent but has been reluctant to rationalize the economic system as a whole.

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Far from promoting social stability, these limited and contradictory reforms have served to undermine the regime's credibility by presenting to the populace an image of indecisiveness and confusion. Not following through on these reforms may be as counterproductive in the long run as not having tried them at all. Remaining caught somewhere in the middle between encouraging words and real structural reform can only serve to sharpen existing social problems as the gap between the regime's words and deeds grows wider with each new policy announcement.

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Yet moving off center will be no easy task in itself. Most officials must realize that Hungary is on the verge of a political succession and will be unwilling to undertake new responsibilities and their attendant risks until that issue is resolved. The party leaders themselves, recognizing that Kadar's rule is drawing inevitably to a close, may not be doing all they could to enforce the recent policy changes for fear of becoming too closely identified with a particular policy. Finally, the omnipresent concern about Soviet attitudes toward further reform acts as an instinctive brake on moving too far and too quickly.

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Hungary's leaders face some difficult choices, and a protracted period of argument among those who have different policy priorities is likely, especially after Kadar passes from the scene. It seems, therefore, probable that Hungary will be characterized over the next several years by more drift and confusion during which much is said about further reform but little is accomplished. The decade of the 1980s has changed Hungary from a textbook example of how to deftly reform a Communist system into something more open and rational to a textbook example of how difficult and risky it is to enact meaningful structural reform in an East European state.

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Economic News in Brief**Western Europe**

Finland reportedly to increase aid to Nicaragua by some 25 percent next year . . . \$5 million is 3 percent of Helsinki's development assistance . . . gesture to domestic left and USSR despite US criticism.

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USSR reportedly buying 1 million tons of EC soft wheat . . . EC, responding to US subsidy program, boosted subsidy, making net price \$80 per ton—some \$10 less per ton than US price . . . determined to retain Soviet market share.

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France likely to offer Egypt highly subsidized wheat prices . . . probably will threaten to reduce subsidies on flour sales unless Egypt buys wheat . . . market fifth largest for US exports.

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UK Home Minister Mellor praised Bolivian and Colombian antinarcotics efforts during regional trip . . . announced more antinarcotics aid, plans to urge EC partners to follow suit . . . first official offer of increased European aid since Blast Furnace operation in Bolivia.

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Eastern Europe

Romania signed agreement with Western banks to reschedule \$800 million due this year and next on debt rescheduled during 1982-83 . . . still short \$200 million this year . . . controls on imports, draconian consumer austerity to continue.

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Press reports Hungary activated third reactor at nuclear power plant at Paks . . . plant will generate about one-third of domestic electricity . . . fourth reactor due next year . . . shows commitment to nuclear program despite Chernobyl accident.

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Yugoslav trade union chief opposing Belgrade's commitment to eliminate subsidies for unprofitable firms . . . union earlier criticized government wage controls . . . possibility of union-government clash over new economic legislation growing.

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