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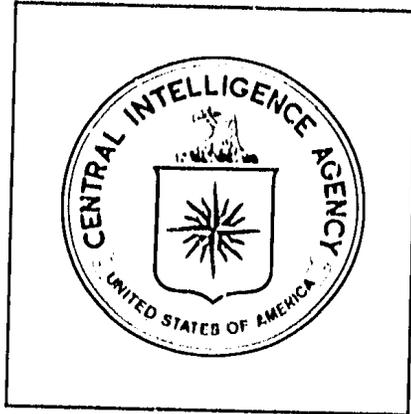
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STAFF NOTES:

Soviet Union Eastern Europe

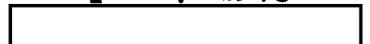


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SOVIET UNION - EASTERN EUROPE



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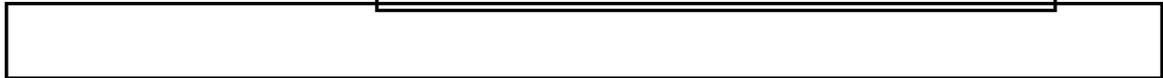
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Soviet Drought Could Have Political Repercussions

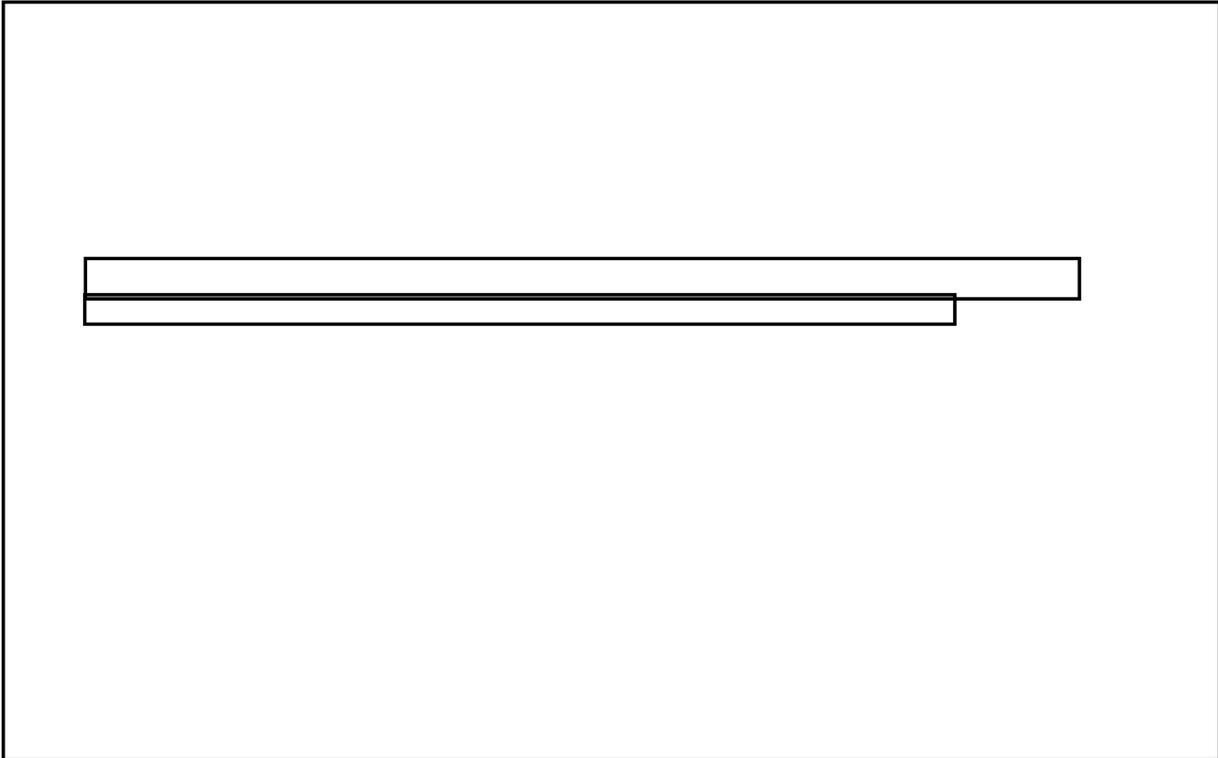
The severe drought in the USSR and the reduced prospects for this year's crop will smudge the leadership's economic record and could eventually-- though probably not immediately--end in a search for a scapegoat. Dmitry Polyansky seems made to order for that role. He has already suffered one serious demotion from first deputy premier to minister of agriculture in the aftermath of the disappointing 1972 harvest; but, because of his Politburo membership, he is still the senior government official in the field. His functional rival, Party Secretary for Agriculture Kulakov, works well with General Secretary Brezhnev and, all other things being equal, Soviet scapegoats are usually found in the government rather than in the party.

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The timing of a move against Polyansky--assuming one is made--is unclear, but foreign and domestic considerations would seem to argue against any immediate action. The Soviet Union would presumably prefer to re-enter Western grain markets later this year before revealing that its harvest problems were serious enough to cause the ouster of a Politburo member. Moreover, the need for a scapegoat lies in the future.

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Hungary: Consumer Price Increases

The Hungarian leadership has been avoiding substantial consumer price increases for political reasons, but now appears ready to move forward in this sensitive area.

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[REDACTED] Kadar's refusal to raise prices this spring has been criticized by some Hungarian economists. They claim that Kadar was presented with solid statistical evidence of the need for increases, but refused to act for fear of removing the gloss from the party Congress in March and the parliamentary elections in June. Now the regime has apparently decided to increase some prices in August and perhaps again in January. The finance minister said the August price hikes will include a 25-percent boost in energy costs and a 10-15 percent rise in certain basic consumer items.

Economic conditions in the West may well affect the timing of the announcement of price increases. Pricing boss Csikos-Nagy said the regime prefers to make the announcement while inflation rates in the West are high, thereby implicitly shifting responsibility to the West. The regime obviously hopes that such a tactic would help to keep it and the Soviets from being faulted. The Soviet insistence on higher prices for oil and other products imported by Hungary have in fact hit the country hard.

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East German Chemical Industry
Off to Good Start for 1975

The East German chemical industry performed well in the first half of 1975, overfulfilling its six-month plan by 1.3 percent. Plans for the year call for an increase of 8.9 percent over 1974. Impressive production increases over the first half of 1974 are reported for nitrogen fertilizer (16.8 percent), potassium fertilizer (10.3 percent), polyvinyl chloride (3.7 percent), synthetic fibers (8.4 percent), and synthetic silk (8.9 percent).

Major additions to capacity during the first half year included two Western-supplied plants. A second ammonia plant went into operation at the Piesteritz Nitrogen Works. The 1,360-ton-per-day plant was built by Japan using US technology and is supplied by Soviet natural gas. A 300,000-ton-per-year ethylene plant at Boehlen, built by Austria and Belgium, began operation in February and has been supplying ethylene to Czechoslovakia by pipeline since March.

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