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# Outlook For Eastern Europe in 1990

Interagency Intelligence Memorandum

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NI IIM 90-10001  
February 1990

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# Outlook For Eastern Europe in 1990

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*The following intelligence organizations coordinated  
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February 1990

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## Outlook for Eastern Europe in 1990

- *1990 will be a year of transition from revolt to reform in Eastern Europe, but for the most part it will not be the year for implementing tough reforms.*
- *Despite de-Communization throughout the region, Communists will retain sufficient power in some places to remain serious potential obstacles to reforms, particularly in Romania and Bulgaria.*
- *Hungary and Czechoslovakia will force the removal of Soviet troops in 1990; Poland and East Germany will probably put Moscow under increasing pressure for a substantial drawdown by the end of the year.*
- *The transition to democratic polities and market economies will be most steady in Czechoslovakia, Hungary, and East Germany; Poland, Yugoslavia, and Bulgaria will have rough sledding; and Romania and Albania could well be in for still more violence.*

## Eastern Europe



## Key Judgments

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1990 will be the year of transition from revolt to reform in Eastern Europe, but for the most part it will not be the year for tough reforms. Poland, however, has taken the plunge, and its experiment will be a bellweather of toughminded reform in Eastern Europe.

The year will also see substantial but uneven de-Communization throughout Eastern Europe. Elections will remove Communists from office, reform programs will dismantle the institutional vestiges of old regimes, and Communist Party memberships will evaporate through confiscation of party property, abolition of mandatory dues, and co-opting of personnel into new civil bureaucracies and private enterprises. Still, Communists will retain substantial power—especially in Romania and Bulgaria—and could create serious obstacles to far-reaching reforms.

There will be growing demands for removal of Soviet troops from Eastern Europe, especially in Hungary, Czechoslovakia, and Poland. Soviet forces in East Germany will also come under more serious public pressure.

Implementation of economic reforms in *Poland* will beget still more rapidly rising prices, layoffs, and factory closings. At the same time, it is highly unlikely that a sufficient social net will be in place and operating during most of the year. Workers caught in the squeeze will take to the streets, precipitating labor unrest, some violence, and the Solidarity government's most crucial test to date.

The opposition in *Hungary* will dominate the National Assembly that will be elected in March; the Socialists (former Communists) will at best become a junior partner in a coalition.

Chances are better in *Czechoslovakia* than in any other East European country that measured progress toward a stable democratic society can be sustained during 1990. Although reform-minded Communists remain in the government—and stand a good chance of participating in a coalition after elections—the balance will shift decisively in favor of independents, Socialists, and representatives of the People's Party.

*East Germany* will remain adrift between discredited Communists and fractious opposition groups until after the March elections, and the post-election era will feature substantial and rapid movement toward merger with West Germany.

Politics in *Romania* will be increasingly polarized over much of 1990, with the governing National Salvation Front facing a worsening crisis of legitimacy and the nation living under a continuing threat of intimidation by Ceausceau-era secret police who have been absorbed into the new Interior and Defense ministries. Surfacing economic problems, notably a sharp downturn in industrial production, will force the Romanian leadership to begin serious economic reform late in the year.

The transition to non-Communist rule in *Bulgaria* will be fixed in the May legislative elections, but follow-on reforms of the military, security services, and economy will boost the potential for widespread unrest and violence.

*Yugoslavia* continues to sail perilously close to national disintegration, with long-building ethnic tensions and economic problems reaching catastrophic proportions. However, there is reason for optimism. Much hinges on implementation of the parliament's newly enacted economic reforms, especially on the government's resolve in 1990 to restrain subsidies and control monetary policy, on the emergence of a multiparty political system, and on efforts to hammer out a new constitutional relationship among the country's ethnic groups.

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# Discussion

Communism has collapsed in Eastern Europe, and in its wake the political and economic fabric of the region is unraveling. A new generation of reform-minded leaders are struggling to clear a regional landscape that is littered with the wreckage of centrally planned economies. At the personal level, old loyalties are meaningless; formerly safe assumptions about the future are now dubious. Lifelong habits of obedience are suddenly invalid; patterns of anticipatory obedience have been disrupted. Surviving rumps of Communist regimes are beleaguered by unmistakable symptoms of systemic collapse; their supporters frenzied by fear of irrepressible change. The salient fact about Central and Eastern Europe, as one pundit recently put it, is that now "nothing is settled;" nothing fundamental or lasting has been changed by four decades of Soviet domination, and every aspect of Eastern Europe's future is open.

## What Are the Key Questions and Issues?

The rapid pace of events in Eastern Europe during the past year have underscored the need to examine the prospects for orderly change in the countries of the region—including Albania—over the next year. In addition to identifying overarching themes that will be reference points for analyzing developments, such an assessment should also organize a country-by-country discussion around the following issues and questions:

- How far have key players and groups come in efforts to make democracy work; how far will they get? What are the chances that progress toward democracy and pluralism might be undermined by factionalism, resurgent nationalism, and/or economic collapse?
- What factors or forces encourage a reasonable/measured evolution of reform? What factors—recalcitrant Communist parties, secret police, bureaucracies, discredited leaders—will retard progress?

- How will the army and security services—at least partly discredited everywhere—fare over the next year? Will there be purges, major organizational changes, significant reductions in forces among the old security apparatuses? How trustworthy are they now; how capable of counterrevolution?
- What are the prospects for significant anti-Soviet and anti-Warsaw Pact agitation in any of the reforming countries of Eastern Europe?

## Major Themes for the Next Year

The evolution of Eastern Europe will occur in the context of larger processes of change—the economic and political integration of Western Europe, the dramatic shift in the texture of NATO relationships, changes in Soviet-East European relations, and the unification of the two Germanies. Change in the East will interact to an extent with these external processes, shaping them and being shaped by them. Moreover, although the pace and particulars of reform will vary from country to country, certain transnational themes will unify the experience of the region over the next year. These include the following:

- *The edifying part is over; the tough decisions and actions are ahead.* As the heady spectacle of toppled Communist dictatorships gives way in 1990 to the grim responsibilities of creating a new future, some reform regimes will delay, and others might falter.
- *The year 1990 will be one of transition from revolt to reform in Eastern Europe, but for the most part it will not be the year in which tough reforms are undertaken.* A new East European proverb says that "it's easier to make democracy than bread." The next six to 12 months will be a period of political

Chances (Low, Moderate, or High) for Sociopolitical Instability,  
Through March 1990

	Rapid Inflation		Introduction of Currency Convertibility		Introduction of Market Reforms	
	Likelihood of Occurrence	Likelihood of Causing Instability	Likelihood of Occurrence	Likelihood of Causing Instability	Likelihood of Occurrence	Likelihood of Causing Instability
Bulgaria	Moderate: May pickup with cuts in subsidies and wage controls.	Low: Possible strikes.	Low: Long-term goal	Low	Moderate: Agricultural sector privatization in January 1990	Moderate: Possible Unemployment
Czechoslovakia	Low: Food supplies adequate to ward off strikes.	Low	Low	Low	Low	Low
East Germany	Moderate: Consumer goods and foods	Moderate: Possible strikes.	Moderate: Increasing pressure due to new currency exchange laws.	Moderate	Low: Regime now favors market reforms and joint ventures legalized. Only minor change in time frame of reform.	Low
Hungary	High: Utilities, energy, and food.	Moderate: Possible strikes.	Low: Any change will be evolutionary over several years.	Low	Moderate: Few developments until after election in March.	Moderate
Poland	High: Food and other consumer goods.	High: Continued strikes.	High: Partial convertibility of zloty took effect 1 January 1990.	Moderate	High: Package adopted by Sejm.	High: Unemployment established at 3 to 5 percent; loss of real income established at 25 percent.
Romania	Moderate: Agricultural liberalization.	Moderate: Possible strikes.	Low: Priority is low on agenda of new government.	Low	Moderate: Included in New Government's program.	Moderate
Yugoslavia	High: A 27,000 percent annual rate. New anti-inflation program.	High: Continuing strikes.	Full convertibility of dinar as of 1 January 1990, now pegged to deutsche mark.	Low: Reserves ample to buffer next 90 days.	Moderate: Attempt to reform markets.	Moderate

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Shortfalls in Consumer Non-Durables		Reduction of Soviet Energy Deliveries		Shortfalls in Domestic Energy Production	
Likelihood of Occurrence	Likelihood of Causing Instability	Likelihood of Occurrence	Likelihood of Causing Instability	Likelihood of Occurrence	Likelihood of Causing Instability
High: Continuing shortages in many commodity categories.	Low	Low	High: 80 percent of oil comes from USSR	Moderate: Temporary outages and rationing already occurring.	Moderate
Low	Low	Low	High: Over 90 percent of oil comes from USSR.	Low	Low
High: Influx of hard currency led to buying spree on home market, aggravating shortages.	Moderate: Possible strikes	Low	High: 70 to 95 percent of oil comes from the USSR.	Moderate: Lagging coal output. Limited linkages to West Germany power grid.	Moderate
Low: Food reserves adequate.	Low	Moderate: Some delays in deliveries. New sources making up difference.	Moderate: Over 90 percent of oil comes from the USSR.	Low: Little domestic output.	Low
High: Food; Possible strikes as farmers withhold grain from market.	High	Moderate: Significant delays in deliveries due to Soviet production and delivery problems.	Moderate: Greater dependence on coal.	Moderate: Declining output and continuing strikes by coal miners.	Moderate
High: Shortages of everything if stockpiles run low.	High: Volatile situation makes strikes likely.	Low	High: USSR supplies 25 percent of Romanian oil.	High: Declining oil and gas production.	High
Low: Reserves could finance imports	Low	Low	Moderate: 50 percent of oil supplies come from the USSR.	Low: Not a problem area.	Low

Chances (Low, Moderate, or High) for Sociopolitical Instability,  
Through March 1990 (continued)

	External Finances: Debt Crisis		Internal Finances: Cutting Taxes and Subsidies	
	Likelihood of Occurrence	Likelihood of Causing Instability	Likelihood of Occurrence	Likelihood of Causing Instability
Bulgaria	High: Growing debt, W. Bankers nervous, 40 percent debt service ratio. Rescheduling likely.	High: Could force cut in imports.	Low: With new budget in 1990 government may not have political will to cut subsidies and deficit.	Low: Possible unemployment.
Czechoslovakia	Low: Strong financially.	Low	Low: Likely to continue conservative policies.	Low
East Germany	Moderate: Strong reserves but debt rising; mixed evidence on amount of debt.	Moderate	High: Began trimming subsidies—15 percent of budget.	Moderate: Possibility of unemployment.
Hungary	High: No final agreement on IMF standby.	Moderate: IMF standby policies could provoke consumer unrest.	High: Cuts in consumer subsidies.	Moderate to high: Possible unemployment.
Poland	Low: Rescheduling promised; aid packages and stabilization fund eased crisis.	High: Creditor imposed austerity could break social consensus.	High: Likely tax shortfall	High: Cuts in subsidies may cause consumer unrest and strikes.
Romania	Low: Debt for reform paid.	Low	Low	Low
Yugoslavia	Low: Debt reduced by \$3 billion last year. However, loss of tourism or worker remittances could turn current account surplus into a deficit.	High: Could fuel inter-republic bickering.	Moderate: Attempts to balance the state budget	Moderate

### *Prospects for Economic Performance*

*Economic performance in Eastern Europe during the next six months will strongly affect political stability and the need for Western assistance.*

*The following countries are in the approximate order of their likely success:*

- *Czechoslovakia has inflation under control, external debt of manageable size, and a credit rating second only to East Germany among the East European countries. It needs to loosen economic links to the Soviet Union.*
- *Hungary has severe inflation problems. Rapid reform and attendant austerity could cause unrest. But the economy already has a comparatively large private-sector with substantial ties to the West, which can be built upon.*
- *Bulgaria's economy is deep in the doldrums, and its international creditors are worried. Reform is moving slowly; commitment to reform—either by leadership or the public—is yet to be tested.*
- *Yugoslavia has rampant inflation, although current policies show signs of slowing it. Ethnic and*

*regional disputes hamper meaningful economic reforms. Debt relief is possible, but large-scale Western aid is not likely.*

- *Romania's economy is in disarray, with no clear plans for revamping it. Stores of food and goods previously slated for export provide only a temporary cushion. Romania has made a good start on land and small enterprise reform. The ouster of Ceausescu provides welcome relief from the draconian debt repayment.*
- *Poland's economy is in terrible shape and will remain so during the next six months at least, despite ambitious reform efforts. Poland has a huge debt and the worst credit rating in Eastern Europe. Labor unrest is likely when reforms begin to bite harder.*
- *East Germany is in desperate trouble, with continuing emigration, work force demoralization, and likely delays in FRG assistance driving the economy toward collapse. Officials anticipate a 5-percent annualized decline in national production in the first quarter.*

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consolidation and democracy building—of sorting out, jockeying, coalition building, intriguing, maneuvering, stabilizing, and a certain amount of score settling. It will also be an era of substantial preparations for eventual implementation of reform programs. But, except in Poland, most emerging regimes will delay the wrenching and politically dangerous economic restructuring until late in the year or until 1991.

- *Poland is the pioneer, and its experiment will be a bellwether of tough-minded reform in Eastern Europe. But even in Poland the political showdown over austerity and increased joblessness will probably come late in 1990. Nowhere else in the region is*

*the austerity challenge so great as in Poland. To an extent, other countries of the region are waiting to see whether Solidarity sticks to its decision and what political price it pays for its courage.*

- *No population in Eastern Europe has yet voted for economic reform—that is, for austerity—but most will face this test in 1990.*
- *Substantial de-Communization of Eastern Europe will take place in 1990. Elections will remove Communists from office, reform programs will dismantle the institutional vestiges of old regimes, and Communist Party memberships will evaporate*

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through confiscation of party property, abolition of mandatory dues, and co-opting of personnel into the new civil bureaucracies and private enterprises. Former Communists and Communist hardliners will, however, do their best to retain influential positions in the bureaucracies—potentially a serious obstacle to implementing reforms, particularly in Romania and Bulgaria.

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*Poland*

Population (1989): 38.2 million

Major ethnic divisions: Poles 98.7 percent

Government

*System: A hybrid government headed by non-Communists but guaranteeing continuing Communist control over the security and defense establishments.*

Leading political figures

*Head of state: President Wojciech Jaruzelski,*

*Head of government: Premier Tadeusz Mazowiecki*

*Others: Lech Walesa, Chairman of Solidarity*

*Status of Communist Party: At the Communist Party Congress in January 1990, the party transformed itself into the Social Democracy of the Polish Republic. A small group of reformers broke away and formed a separate party named the Social Democratic Union.*

Economy

GNP (1988) (US dollars)

*\$276.3 billion (calculated from purchasing power parity ratio)*

*\$7,270 per capita (37 percent of US GNP per capita)*

*GNP annual change 1985: 0.9 percent, 1986: 2.7 percent, 1987: -1.7 percent, 1988: 2.1 percent*

*Hard currency trade and payments (1988) (millions of US dollars)*

*Exports: \$ 8,310*

*Imports: \$ 7,242*

*Current account balance: \$ -551*

*Gross debt: \$37,900*

*Reserves: \$2,990*

Major Reforms

*Accomplished or well under way:*

*Freedom of the press, political affiliation, religion, and assembly.*

*Rapid and broad-based economic restructuring aimed at establishing a full-fledged market economy and a capitalist financial system.*

*Abolition of secret police and factory and paramilitary militias.*

*Initiated:*

*Reductions in military spending.*

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## Poland: Everyone's Test Case

### The Dynamics of Political Reform in 1990

*Promised political reforms are well under way in Poland*, with basic freedoms of press, religion, assembly, and political association either already enshrined in law or under draft for parliamentary approval later this year. Dismantling of the instruments of former Communist social control is well advanced, and radical de-Communization of Polish society is substantially past the midway point. During 1990, Polish leaders will lead the way in Eastern Europe toward significant marketization of Poland's economy—shedding the last characteristics of Stalinist state apparatus—constitutional changes, and ratifying a new civil society based on traditional Polish values of family, nationality, and church.

The strains of this transformation—notably as the government moves forward with implementation of its already passed economic restructuring program by mid-year—will probably accelerate the formation of distinct political interests or parties from within the politically diverse Solidarity movement. One of the most significant of these will be Solidarity's trade union wing, which, at the factory level, may eventually oppose government policies and could ally in some instances with the remnants of the official unions, the OPZZ. Over the longer term, this may prove a healthy evolution toward democracy, and, even in the near term, these groups/parties will be able to work together on important issues. But, initially, it could slow and complicate the implementation of reforms.

Implementation of the government's economic reform program within the first six months of 1990 will, at least initially, result in rapidly rising prices and may be followed soon thereafter by massive layoffs and some factory closings. Without a marked downturn in inflation by the end of spring, workers caught in the lurch of austerity will probably resort to strikes designed to stop living standards from falling further. These will pose the year's most serious challenge to the Mazowiecki government.

Widespread labor unrest and the breakdown of its current legislative consensus on reform would force the Mazowiecki government to back away from full

implementation of economic reforms, delaying some moves until 1991 and beyond. It could also lead to the formation of a new Solidarity government and demands for new national elections. One major consequence of this would be to dampen the already slow-to-materialize enthusiasm of foreign investors, although it is also true that massive unrest would discourage investments even more.

A Polish face-off over austerity would set the stage for desperate feats of political gymnastics in 1990; notably *a bold effort by Mazowiecki to wring a significantly larger infusion of foreign assistance from Western backers*, targeted at coping with unemployment and shortages of consumer goods.

### Progress Toward Economic Reform

The Polish Government has chosen rapid reform over gradualism, believing that the incremental policy changes of the past have been wholly inadequate to the task of transforming Poland into a modern economy. The public's complaints about rising prices will continue to increase. Polish leaders are well aware of the political dangers they will face as the economy lurches fitfully out of its protracted coma, but no one can predict very precisely just how long this transition period will last or how wrenching the transformation will be. There is corresponding uncertainty about the amount of Western aid that will be needed. But, since the development plan is premised on receiving billions of dollars' worth of grants, loans, technical assistance, and debt relief, this amount is large and will probably increase in 1990 substantially above the amounts already offered.

*Inflation will be a constant barometer of the government's performance.* Should inflation still be high after midyear, it would indicate serious trouble for the future of reform.

### The Military and Security Services

Over the next six months to a year, *austerity and popular hostility will cut the Polish internal security forces to the bone.* The same forces of austerity will also force additional cuts in defense spending, and, as

politics becomes more fractious, the military budget will become a more popular target of politicians eager to show that the budget ax spares no sacred cows. Warsaw has moved to disband the factory and paramilitary militias; while desperate elements of the former secret police and militias may try to exacerbate public unrest, they probably do not represent a threat of counterrevolution to the Solidarity government.

#### **De-Communization**

Public pressures will cause Mazowiecki to continue to replace Communists in the state bureaucracy, and *local elections scheduled for April will remove thousands of Communists from local centers of power.* By yearend, Communist influence in the Polish bureaucracy and the party's ability to disrupt operations will be sharply reduced.

#### **Outlook for Relations With Moscow and Anti-Sovietism**

*Despite fairly good relations between the Solidarity government and Moscow, ties will probably deteriorate in 1990.* Warsaw will move to separate the Polish and Soviet militaries. Polish officials have already abolished the position of political officer in the military and will move in 1990 to reinforce the depoliticization of the armed forces.

If Moscow continues to stonewall Polish demands for increased economic assistance—notably delays in debt repayment and credit on energy purchases—Polish officials will build a fire under their rhetoric of Soviet responsibility for Poland's economic mess and the issue of the Katyn murders. Poles also resent the fact that Soviets occupy scarce housing and low-level flights by Soviet aircraft. *As the Czechoslovaks and Hungarians force the Soviets out, pressure on Warsaw will increase.* Nonetheless, Warsaw is unlikely to

let relations deteriorate to a dangerous level, because it will continue to see value in a Soviet security guarantee in the face of a uniting Germany. Moreover, the Polish public's preoccupation with domestic economic troubles will preclude a significant attack on relations with Moscow.

#### **Crunchpoints and Milestones for 1990**

The Solidarity government will face *two crucial deadlines in 1990—an agreement date with the IMF in February (letter of intent has already been signed) and local elections, now set for late April.* The first will be relatively easy. Having passed the bulk of economic reform legislation late last year and negotiations having apparently succeeded, Mazowiecki is well positioned to come to terms with the Fund in February on the particulars of a standby loan agreement.

Local elections will be a more crucial test for the government. Elections—which will replace over 100,000 Communist hacks with Solidarity loyalists and anti-Communists—will occur at about the time that voters begin to feel the hardest blows of economic reforms. Depending on how Solidarity factions play them, the elections could become a national referendum on austerity and the performance of the government and a national outcry against the pace of reform. The legislative runup to the elections will also test the Solidarity consensus, because it will require a multitude of important decisions on how to revamp and revitalize regional and local government in Poland—a subject that will engage the vital interest of every fledgling party, notably Rural Solidarity.

More important, perhaps, the spectacle of local elections will merge with other factors in a midyear political dynamic that will probably cause the government to move general elections (now set for 1993) up to late this year or very early in 1991. The following reasons would figure in this move:

- Local elections will excite political appetites to white-hot intensity, setting up a rising chorus of demands for carrying the cleansing process back to the *national* level.
- The collapse of the Communist Party has undermined the legitimacy and durability of the Round-table Agreement on which the complexion of the current legislature rests. Besides, some early indications notwithstanding, President Jaruzelski has failed to build his credibility or prestige; the recent specter of their president singing *The Internationale* apparently was more than most Poles could stomach and revived memories of the Martial Law regime.
- Moreover, Poland will not "fall behind" the other countries of Eastern Europe, all of which will hold general elections in 1990. Poles will demand to maintain their coveted stature as the vanguard of political reform in the region.

## *Hungary*

Population (1989): 10.6 million

\$8,660 per capita (44 percent of US GNP per capita)

Major ethnic divisions: Hungarians 96.6 percent, Germans 1.6 percent, Slovaks 1.1 percent

GNP annual change 1985: -2.5 percent, 1986: 2.2 percent, 1987: 1.0 percent, 1988: 1.1 percent

### Government

System: Former Communist state well along in transition to Western-style liberal democracy.

Hard currency trade and payments (1988) (millions of US dollars)

### Leading political figures

Exports: \$ 5,837

Head of state: a president to be elected in March/April 1990

Imports: \$ 5,322

Head of government: Prime Minister Miklos Nemeth

Current account balance: \$ -600

Others: Rezso Nyers, Chairman of the Hungarian Socialist Party (HSP); Imre Pozsgay, member of the Presidium and likely HSP candidate for president; Jozef Antall, Chairman of the Hungarian Democratic Forum.

Gross debt: \$18,000

Reserves: \$ 1,870

### Major Reforms

Well under way:

Abolition of party organizations in factories, civil service, and the armed forces.

Status of Communist Party: After reformers in the Hungarian Socialist Workers' Party (HSWP) reorganized the party, renamed it the Hungarian Socialist Party (HSP), and renounced the party monopoly of political power, those in the original party who objected to all this formed a separate new party called, again, the Hungarian Socialist Workers' Party. The original HSWP numbered more than 700,000 members; the HSP can muster only 70,000 members, the new HSWP only 80,000.

Initiated:

Free elections and the creation of a multiparty system.

Abolition of security police spying on Hungarian citizens.

Promised:

Attempt to secure the withdrawal of Soviet forces from Hungarian territory.

### Economy

GNP (1988) (US dollars)

\$91.8 billion (calculated from purchasing power parity ratio)

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## Hungary: Everyone's Best Bet

### The Dynamics of Political Reform in 1990

The "apparatus coup" of 1988 against Janos Kadar initiated a tortuous process of self-transformation in his Hungarian Socialist Workers' Party. But, far from finding strength and legitimacy in renewal, the badly fractured Communists have lost ground to an assortment of reform parties and pressure groups. Combined Socialist Party and Socialist Worker Party (formerly Communist) membership now stands at no more than 140,000, and the Communist's vote-getting potential is reduced to considerably less than the parliamentary majority they confidently expected to command at the outset of reform. Legalized opposition groups now include 11 full-fledged political parties—dominated by the Democratic Forum coalition and the Free Democrats—several dozen well-defined interest groups, and hundreds of smaller, mostly single-issue pressure groups. As a result:

- *The opposition will dominate the National Assembly that will be elected in March, and the best the Socialist Party—the legal successor to the former Communist Party—can hope for is to become a junior partner in a coalition government. This will further jeopardize the presidential prospects of Socialist reform leader Imre Pozsgay—who is fading fast as a favorite to win the forthcoming (March-April) presidential balloting.*
- *Nonetheless, the opposition is in disarray. The Democratic Forum, expected to win the most seats in the parliament, is beset by differences among its disparate groups and is only slowly developing a concrete program. It is now highly vulnerable to a challenge—which will develop during the first months of 1990—from the Free Democrats.*

*Electoral politics—mostly the maneuvering of coalition formation—will dominate the first half of 1990. Although a broad consensus exists that Hungary must move toward a market economy and must impose significant restraints on government spending, there will be no speedup of economic restructuring and budget austerity until late spring at the earliest. In fact, the political mix will probably be so volatile even after elections—as shaky coalitions learn to live*

*together—that real efforts in the direction of reform will only come late in the year or, perhaps, early in 1991. Nonetheless, the legislative groundwork for radical economic restructuring and further political liberalization of Hungarian society has been laid, thanks to the headstrong Hungarian National Assembly, defections from Communist ranks, and the brinkmanship of Premier Nemeth.*

### Progress Toward Economic Reform

Budapest's current economic problems—characterized by Europe's highest per capita debt, high interest payments, inflation, and general business malaise—will endure well into the 1990s. The government has let past IMF financial targets slip, and it has yet to tackle many of the underlying structural problems inherent in its heavily subsidized economy.

*Thus far, Hungary's financial situation has become increasingly precarious because of backsliding on the government's 1989 economic reform and austerity programs and heavier-than-expected Hungarian spending abroad. Hungary and the IMF recently reached agreement on a draft letter of intent for a new standby loan, but Hungary has lost so much credibility in commercial credit markets that approval of the loan may not unleash enough commercial credit to finance Hungary's annual debt service requirement—about \$3 billion.*

*If government and public-sector reforms are implemented, they will entail the closure of more than 50 insolvent state enterprises, a doubling of unemployment to about 100,000, and substantially higher inflation. Social unrest could result. If Budapest hesitates further in attacking the underlying structural causes of its economic malaise, the costs will be even higher, among them: increased inflationary pressures, eventually more jolting reductions of government subsidies, escalating government deficits, deteriorating relations with the IMF and potential Western financial backers, and rescheduling.*

*Reforms themselves will cause extreme discontent and, in the short term, lower living standards and increased threat of public protests. Poverty is*

widespread in Hungary—even if most observers fail to take note of it—in part, the result of several years of more than 15-percent inflation. To date, Hungarians have used their newfound freedoms to stay out of politics and work at two and even three jobs. As both internal and external pressures force the country toward the grim prospect of further belt-tightening, Hungarians of every political stripe will come off the sidelines and into an increasingly contentious political arena.

#### **The Military and Security Services**

*An interministerial group has apparently completed its task of considering ways to pare down the security functions of the Interior Ministry, to make police organizations more subordinate to regional and local authorities, and to reduce the foreign intelligence apparatus. The first months of 1990 will probably show slow but steady progress toward implementing many of these reforms.*

Hungarian reformers have moved vigorously to immobilize the old levers of social repression, most importantly, to disband the "Workers Guard." Nonetheless, members of the old secret police were caught recently eavesdropping on opposition parties, underscoring the resilience of security organizations.

#### **De-Communization**

*In 1990 a new Hungarian government will be able to build on legislation that has abolished political party organizations from factories, the civil service, and the armed forces. These laws have set the stage for a more profound elimination of Communist influence*

throughout Hungarian institutions than in any other former Soviet Bloc country, notably the gradual replacement of Communist loyalists with apolitical and opposition personnel in both key and rank-and-file positions. The pace of this process will be slow, but it will certainly pick up after spring elections. The electoral performance of Communist and Socialist candidates in both the parliamentary and presidential balloting will set the tone for the campaign.

#### **Outlook for Relations With Moscow and Anti-Sovietism**

*Opposition victory in forthcoming elections will quicken the rhetoric of withdrawal from the Warsaw Pact and will energize demands for Hungary to join West European institutions. There will be an increasing potential for anti-Soviet demonstrations—especially among the young—if Moscow proves intransigent on the withdrawal of its troops.*

#### **Crunchpoints and Milestones for 1990**

The important milestones of 1990 will be elections—parliamentary contests set for March and presidential balloting that will follow—perhaps in April or May. These contests will shape up as a judgment on the future role of the Communist Party in Hungarian politics and as referendums on the pace of economic reform.

*Czechoslovakia*

*Population (1989): 15.7 million*

*Major ethnic divisions: Czechs 64.3 percent,  
Slovaks 30.5 percent, Hungarians 3.8 percent*

*Government*

*System: In early transition from Communist  
state to promised Western-style democracy.*

*Leading political figures*

*Head of state: President Vaclav Havel*

*Head of government: Premier Marian Calfa*

*Others: Alexander Dubcek, Chairman of the  
Federal Assembly*

*Status of Communist Party: In disrepute and  
disarray since the Jakes regime was overthrown  
in the "Velvet Revolution" in late 1989.*

*Economy*

*GNP (1988) (US dollars)*

*\$158.2 billion (calculated from purchasing  
power parity ratio)*

*\$10,140 per capita (51 percent of US GNP per  
capita)*

*GNP annual change 1985: 0.7 percent, 1986: 2.1  
percent, 1987: 1.0 percent, 1988: 1.4 percent*

*Hard currency trade and payments (1988) (mil-  
lions of US dollars)*

*Exports: \$5,132*

*Imports: \$5,247*

*Current account balance: \$ -353*

*Gross debt: \$6,500*

*Reserves: \$1,590*

*Major Reforms*

*Accomplished or well under way:*

*Abolition of spying by security police on  
Czechoslovak citizens.*

*The paramilitary militias to be controlled by  
the government.*

*Freedom of the press, assembly, political af-  
filiation, and religion.*

*Initiated:*

*Free elections in June and a multiparty politi-  
cal system.*

*Negotiations intended to lead to withdrawal  
of Soviet forces from Czechoslovak territory.*

~~Confidential~~

### Czechoslovakia: Can the "Velvet Revolution" Continue?

#### The Dynamics of Political Reform in 1990

*Chances are better in Czechoslovakia than in any other East European country that measured progress toward a stable democratic society can be sustained during 1990.* Nonetheless, accomplishing this will depend heavily on improvement in the economy—most of which will probably await the sorting out of political relationship in forthcoming elections. Relative to other East European countries, economic problems in Czechoslovakia are not acute; growth is a sluggish but regionally respectable 1 percent, and the nation's external debt is the lowest in Eastern Europe, except for Romania. This means the new government will have some breathing space to prepare for an all-out assault on economic backwardness—probably in 1991.

The collapse of the Jakes regime and dramatic advent of reform government under Civic Forum have set the stage for a year of political consolidation and Communist implosion in 1990. Thirty-eight political parties have already emerged and will challenge the Communists for dominance in parliamentary elections set for 8 June. Civic Forum has announced that it will contest the elections as a "parent" of numerous groups, but minor factionalism will probably produce a multiparty system in Czechoslovakia, even before the balloting.

*Although reform-minded Communists remain in the government—and stand a good chance of participating in a coalition after elections—the balance has shifted in favor of independents, Socialists, and representatives of the People's Party.* Communist newcomers in the Cabinet include three avowed "market economists"—one a self-styled "Friedmanite." Non-Communists have replaced Communists in most key ministries—including the Ministry of Interior—and three Communist ministers have quit the party, including Prime Minister Calfa. In 1990, Civic Forum-dominated government—which has pledged no Communist "witch hunt"—will nonetheless gradually root out Communists from sensitive bureaucratic posts. Many Communists have already been dumped from the two provincial governments and will probably have only a minority role, if any, in government after the elections in June.

#### Progress Toward Economic Reform

Having undergone during the last 50 years the greatest economic decline of any developed nation, *Czechoslovakia is now considering a program of far-reaching economic reform, albeit not as rapid a transformation as Poland and not right away.* With inflation under control, a fairly manageable foreign debt, a relatively skilled labor force, and credit rating second only to East Germany, Prague has some of the makings of successful economic reform. It will eventually need to accelerate growth, abolish the waste and inefficiencies that come with its outmoded command economy, and restructure its obsolete heavy industries. It would be wise to take significant steps in this direction in 1990, and some basic reforms will be implemented in the first half of the year. But Premier Calfa has implied that substantial reforms would have to await the election of a new government—no earlier than the spring.

#### The Military and Security Services

President Havel's handpicked Interior Minister, Richard Sacher, *has already embarked on a reform of the security organizations, but government officials worry publicly that the secret police are burrowed so deeply into government and society that they will be difficult to ferret out.* The People's Militia—the Communist Party's paramilitary security force—was disbanded in December. Civic Forum has pledged that the secret police will no longer spy on Czechoslovak citizens and has disbanded the Interior Ministry office in charge of domestic investigation. On 2 February the government dissolved the Security Service. Despite some probable resistance, the residue of the security services are no longer capable of mobilizing a counterrevolution.

*The Czechoslovak military—70 percent conscript, professionalized, and reportedly widely sympathetic to Civic Forum's agenda—has kept a low profile in the transition to non-Communist government, and it will do so in the future.* The former Communist government decided early in 1989 to reduce the manpower of the Army substantially by November of this year; they plan to reduce their troop strength by 50,000 to 60,000 in the next year and to scrap several hundred tanks. The Calfa government will probably



accelerate these changes, and it will cut even more from the defense budget. The government has already reduced the length of service for conscripts from two years to 18 months.

#### **De-Communization**

The Calfa government has not yet moved to confiscate Communist Party property, nor has it blocked the collection of party dues. However, the party itself is dissolving into its splinter tendencies, with radical reformers disgruntled with the pace of reform leaving to form other left-of-center parties. The Communist trade union is also collapsing and will be replaced soon by an independent trade union structure, possibly based on strike committees that have sprung up throughout the country. In other spheres, ideological education has ended in the military and schools. On 30 January, Communists lost their majority in parliament.

#### **Outlook for Relations With Moscow and Anti-Sovietism**

Civic Forum now accepts that Czechoslovakia must remain in the Warsaw Pact, but this commitment will probably be eroded in 1990, perhaps in the direction of Hungarian-style quasi-neutralism. New Foreign Minister Dienstbier has virtually declared the presence of Soviet troops illegal on the basis of a treaty exacted under the duress of the Warsaw Pact invasion

of 1968. The 75,000 Soviet troops in Czechoslovakia will eventually leave—perhaps not completely in 1990—and the second, decisive round of negotiations to accomplish this began in February.

Thus far, Czechoslovaks have not vented much anger at the continued Soviet presence—only small demonstrations outside a Soviet barracks and in areas of troop concentrations. If second-round negotiations on the removal of the Central Group of Forces appear to lag, however, the Soviet troop presence could become a more important election issue, and Soviet forces would become the targets of greater and more volatile public hostility.

#### **Crunchpoints and Milestones for 1990**

The new Czechoslovak Government has set for itself an *end-of-February deadline for wrapping up legislation guaranteeing freedoms of press, assembly, political affiliation, and religion*. Czechoslovaks will take meeting this deadline as evidence that the progress achieved in the elevation of Havel and Dubcek is being consolidated in the further dismantling of the Communist regime's controls over society. Meanwhile, all-important parliamentary elections, which will ratify the transfer of power to non-Communist parties, are set for early June.

*East Germany*

Population (1989): 16.6 million

Major ethnic divisions: Germans 99.7 percent

Government

System: Former Communist state being run by reform Communists who have set free elections for 18 March 1990.

Leading political figures

Head of state: Office of president to be established

Head of government: Premier Hans Modrow

Others: Gregor Gysi, Chairman, PDS  
Lothar de Maiziere, Chairman, CDU  
Ibrahim Boehme, Chairman, SPD-OST  
Wolfgang Schnur, Chairman, Democratic Awakening

Status of Communist Party: The Socialist Unity Party has formally renounced its constitutional monopoly of political power; renamed itself the Socialist Unity Party—Party of Democratic Socialism December 1989.

Economy

GNP (1988) (US dollars)

\$207.2 billion (calculated from purchasing power parity ratio)

\$12,480 per capita (63 percent of US GNP per capita)

GNP annual change 1985: 3.1 percent, 1986: 1.5 percent, 1987: 1.8 percent, 1988: 1.8 percent

Hard currency trade and payments (1988) (millions of US dollars)

Exports: \$10,129

Imports: \$9,215

Current account balance: \$873

Gross debt: \$20,030

Reserves: \$9,010

Major Reforms

Accomplished or well under way:

Termination of ideological education in schools and military units.

Freedom of travel.

Abolition of press censorship.

Initiated:

Significant steps toward "market socialism," including reduced subsidies for inefficient state enterprises, substantial access of foreign investors, and some privatization of property.

Disarming and abolition of the secret police and factory militia.

Promised:

Prosecution and punishment of corrupt officials from the Honecker regime.

~~Confidential~~

## East Germany: Crashing Westward

### The Dynamics of Political Reform in 1990

The GDR is adrift between the discredited Communist-led regime and fractious opposition leaders. Even the formation of an unstable coalition between Communists and opposition leaders will not prevent the government from slowing to a crawl. Communist efforts to whip up public fears of resurgent neo-Nazism have failed to produce much concern. Meanwhile, despite greatly increasing assistance from West German counterparts, leaders of the opposition groups are proving incapable of organizing a coordinated election campaign and of espousing a program that fully reflects the clear agenda of East German voters.

The weak position of the Communist-led government and parliament and the strong focus on electoral politics mean that *economic and social reforms will continue to lurch forward uncertainly until a stable government takes hold later in 1990 or de facto unification with the FRG occurs*. Meanwhile, Prime Minister Modrow, who had argued for a go-slow approach, now appears resigned to fundamental reforms, including massive transfers of state firms to private ownership, decentralization, and reliance on market forces. So far, Communists have backtracked on existing central plan production quotas and have initiated an "experiment" that gives selected state enterprises substantial operating freedom and financial autonomy. As of mid-January, the government committed itself to breaking up the large industrial combines and to allow most forms of joint ventures. A democratically elected government in March will accelerate this approach. Efforts to keep the economy functioning on an even keel will be battered, however, by a steady rate of continued emigration (now at about 3,000 per day) among skilled workers and technicians.

The election campaigns, which should come under full steam in February, will feature three issues: internal democratization (including the future of the Communist Party), economic reform, and unification of the two Germanies. In addition to the Communists, who will be marginalized in the elections, the parliamentary contests will pit candidates of the former fellow

traveling parties—Liberals, Christian Democrats, and National Democrats—against representatives of the various groups within the New Forum and Democratic Awakening, including the revived Social Democratic Party. Among the opposition groups, the SPD-East—beneficiary of substantial aid from West German Social Democrats—appears poised to emerge from the balloting with the largest group in the legislature, possibly even a majority.

The situation at ground level in East Berlin and other major centers of opposition will remain volatile, at least until summer. Opposition groups and non-Communist parties can exclude the Communists from a postelection government, especially if they can reduce their fragmentation and form even moderately stable electoral coalitions and establish sympathetic contacts with the large numbers of disaffected voters in East Germany. At this point, there is a growing likelihood that the parliament and government that emerges after March will be fractious and incapable of taking decisive action. It will represent views that are at least partly at odds with the rapidly evolving aspiration of the East German masses, and thus will face almost immediate public pressure to move rapidly toward merger with the FRG. In this scenario:

- The spring will see accelerating public demands for a unity referendum and continued government drift.
- West German leaders would emerge as political leaders of East Germans as well, and revolving-door ministries would underscore the divisions in the coalition.
- Such an unstable coalition would be even more dependent on West German government and party support and more likely to view unification as the only way to stabilize the economy.

The political landscape is marked by absence of leadership and of the ability to face the current problems effectively. *The issue is now whether the elections will produce a GDR capable of sustaining a new treaty relationship (Vertragsgemeinschaft) with the Federal Republic or lead to a situation in which emigration continues, government remains ineffective, and the only solution is quick unification under the administration of West German authorities.*

### Progress Toward Economic Reform

The year 1990 will also feature an acceleration of the process, already substantially underway, of forging an intricate web of economic relationships between East Germany and West Germany, leading to economic unification. The GDR already stands in a position of dependency to the FRG, and this dependency will grow. At the public-sector level, Bonn and East Berlin will continue to integrate their economies, particularly the telecommunication, railroad, highway, and energy transmission links that will be the substance of de facto unification, well in advance of formal political confederation.

East Berlin will work out a program for instituting a "social" market economy in the first quarter of 1990. But it will face tough slogging in sticking to an austerity budget and in moving against insolvent state enterprises.

While East Berlin struggles to reform one of the more centralized economies in Europe, it has one large advantage over its neighbors—the West German connection. West Germany will furnish upward of \$10 billion in aid over the next several years, and it is already providing much technical assistance. In addition to the clear benefits of FRG financial help, there are powerful incentives that accompany that aid. Chancellor Kohl continually emphasizes the necessity of market reforms as a condition of continued help. In the longer term, the prospect of becoming a part of Europe's strongest economy—with improved access to the EC's integrated market after 1992—will spur and reinforce the GDR's resolve to persevere with economic reform, even when inevitable problems arise.

### The Military and Security Services

*The political atmosphere in the GDR is volatile, but it now appears that all sides are committed to an orderly transfer of power to the parliament and government that will emerge in March.* Still, potential reactionary forces—particularly the security police—may conspire to stage provocations or to thwart reform. Nevertheless, the entire National Defense Council—the supreme command of the military and security services—has resigned, and the Main Political Administration—the Communist Party's institutional control of the military—has been removed and

will not be replaced. For its own reasons, the discredited SED continues to stress the threat of a rightwing "putsch," and the opposition remains anxious about a secret police counterrevolution.

The armed forces are facing serious deterioration:

- Virtually no young East German wants to serve in the Army; upward of 50 percent of conscripts may fail to report for duty in March.
- There is a pattern of desertion to the West.
- Echoing the recent Swiss referendum, there are some popular calls for abolition of the Army.
- More seriously, there is growing pressure of the type familiar in the West on issues of noise pollution, maneuver damage, and military training, including the notion of alternate service.

Despite these pressures, the Army leadership has kept the military out of politics. The Army cannot be used for population control; conscripts will not shoot at civilians.

### De-Communization

*The process of transferring the civil service and military leadership to non-Communist control has hardly begun.* Although a new elected government will probably move deliberately in this direction, replacing Communists could lead to serious clashes and sabotage of the administration.

After the March elections, any new government will come under relentless public pressure to put former high officials of the Communist regime on trial for corruption and abuse of power. New and inflammatory revelations will revive public anger and easily provoke outbursts of violence.

### Outlook for Relations With Moscow and Anti-Sovietism

With minor exceptions, Gorbachev may remain fairly popular among opposition leaderships and groups, and the 380,000 Soviet troops stationed in East Germany have not been a target of massive public hostility. Nonetheless, opposition leaders have said that *no* GDR government would agree to accept the residual Soviet force after a Conventional Forces in Europe

agreement. Provocateurs may try to precipitate clashes, and the forthcoming election campaigns will probably feature some anti-Warsaw Pact rhetoric and vocal demands for a speedy withdrawal of Soviet forces. Under mounting public pressure, the new government will probably urge Gorbachev to begin immediate negotiations—a la Czechoslovakia—on the timetable for Soviet withdrawal.

**Crunchpoints and Milestones for 1990**

Parliamentary elections, now set for 18 March, will mark the important political transition for East Germany in 1990. Follow-on local elections, still set for May, will feature a further and equally significant erosion of Communist power. In between—perhaps in April—it appears increasingly likely that there will be a referendum on German unity.

## **Bulgaria**

Population (1989): 9.0 million

*Major ethnic divisions: Bulgarians 85.3 percent, Turks 8.5 percent, Gypsies 2.6 percent, Macedonians 2.5 percent*

### **Government**

*System: Communist state in transition toward promised socialist democracy.*

#### *Leading political figures*

*Head of state: Petur Mladenov, President of the State Council*

*Head of government: Andrey Lukanov, Premier and Chairman of the Council of Ministers*

*Others: Head of Bulgarian Communist Party: Aleksandur Lilov, Chairman of the Supreme Party Council Presidency*

*Status of Communist Party: Longtime strongman Todor Zhivkov and his close supporters were removed from office in November 1989 in a bloodless coup by party moderates and liberals trying to remain in control by volunteering to make the sorts of political and economic changes being forced on Communist parties in other East European countries.*

### **Economy**

GNP (1988) (US dollars)

*\$67.8 billion (calculated from purchasing power parity ratio)*

*\$7,510 per capita (38 percent of US GNP per capita)*

*GNP annual change 1985: -3.0 percent, 1986: 4.8 percent, 1987: -0.2 percent, 1988: 1.8 percent*

*Hard currency trade and payments (1988) (millions of US dollars)*

*Exports: \$2,674*

*Imports: \$3,147*

*Current account balance: \$ -692*

*Gross debt: \$7,570*

*Reserves: \$371*

### **Reforms**

#### *Initiated:*

*Guarantee of constitutional rights of ethnic minorities*

*Short-term economic reforms, including significant privatization of property.*

#### *Promised:*

*Abolition of the constitutional guarantee of the Communist Party's leading political role.*

*Free elections (in May 1990). National legislature to be elected.*

*A new constitution to be drafted by that legislature.*

*Dissolution of the secret police and tighter controls over security operations of the Interior Ministry.*

*Gradual transition to a free market economy.*

### **Bulgaria: Will Reform Continue To Come From Above?**

#### **The Dynamics of Political Reform in 1990**

The Bulgarian political terrain has shifted dramatically since former Foreign Minister Mladenov led his "top down" coup against Todor Zhivkov, and it will shift still further toward democratization throughout 1990. Mladenov's early strategy of containing dissent by sponsoring a process of gradual change on the Soviet model has failed to keep pace with the unexpectedly rapid growth of opposition forces, including an independent trade union. *Opposition groups and a dissident element within the Communist Party were energized by Zhivkov's downfall, and they have seized the initiative—throwing the Communist leadership on the defensive and stampeding Mladenov into quick concessions.*

In the campaign for spring elections, increasingly well-organized and bold opposition groups will challenge the Communist government to make good on promises of political reform, including passage of a multiparty democratic election law and equal access to media. Nonetheless, the Communist Party will probably retain a substantial role in the postelection government. The opposition will continue to resist pressure from the regime to join a coalition government for fear of being implicated in the country's worsening economy and of damaging their popularity before elections. They will push for quicker dissolution of the former regime's instruments of social control—notably the security police.

#### **Progress Toward Economic Reform**

Bulgarian governments, both before and after the elections, will move to stabilize the country's faltering economy, but they *are unlikely—especially before the elections—to undertake fundamental reforms.* The principal objective of government in 1990 will be to ensure supplies of consumer goods and food—probably resulting in more foreign debt. Beyond this, however, the Mladenov government is reportedly prepared to lay the groundwork for sweeping changes by sponsoring a land reform law permitting extensive privatization of agriculture, a liberalized foreign investment law, and budget cuts that would reduce subsidies to some state enterprises.

#### **The Military and Security Services**

*The Bulgarian military and security are unreconstructed, but public pressures for elimination of the secret police will build in the first months of 1990.*

The Lukanov government has already moved toward reconstructing the role of the secret police by repealing Article 273 of the criminal code—one of the main statutes defining and outlawing antistate acts. Still, it is not clear whether the announced disbanding of the dreaded Sixth Directorate—which monitors and controls dissent—has been carried out. This is likely to become a cutting-edge issue of the government's relations with the opposition on the current roundtable talks, as the election approaches. Moreover, present indications are that the Bulgarian military leadership at least sides with the concept of Communist Party self-reform, and, since mid-January, laws have been enacted to "depoliticize" the armed forces.

#### **De-Communization**

Change in the Bulgarian Communist Party is assuming the now familiar East European pattern of self-reform. Party reform is proceeding slowly, as the moderate leadership tries to introduce changes in the face of opposition from hardliners and demands for more sweeping reforms from the rank and file. Mladenov has already purged the party leadership of Zhivkov stalwarts and replaced city and regional officials with presumably reform-minded incumbents. There were further, wide-scale purges of Central Committee members at the extraordinary congress in early February. The regime will come under increasing pressure from radical Communists to denude the party of everything from the past that threatens its survival in a more open polity, including its name, ideology, practices associated with democratic centralism, and the present leadership. Failure by the party leadership to sponsor more radical changes could lead to a split and to the formation of a separate Socialist party.

Opposition parties will press during the first months of the year for significant gestures toward ending the Communist monopoly of the political system. Meanwhile, public demonstrations demanding the resignation of the Communist Party could escalate, adding

more incentives for Communist reformers to dump the baggage of the past. After the May elections, radical de-Communization will become a continuing concern. A key target of anti-Communist reformers in both the preelection and postelection periods will be control of the Interior Ministry.

**Outlook for Relations With Moscow  
and Anti-Sovietism**

Bulgarian reformers appear determined to maintain good relations with Moscow, and the non-Communist opposition has so far refrained from overt anti-Sovietism, only going so far as to support relations on an equal footing.

**Crunchpoints and Milestones for 1990**

Continuing roundtable talks with the opposition and increasing political activism will set the stage for elections in May. *Mladenov's efforts to give a Gorbachevian shine to the Communist image could pay dividends in the legislative elections, when balloting will nonetheless probably produce a government with a majority of non-Communists.* But the Communists (especially certain Communist leaders) will retain a significant amount of popular support and may get 30 to 40 percent of the vote.



## Romania

Population (1989): 23.2 million

Major ethnic divisions: Romanians 89.1 percent,  
Hungarians 7.8 percent, Germans 1.5 percent

### Government

*System: Early in transition from Stalinism. The new interim government (pending promised free elections) is run by the National Salvation Front (NSF), a self-appointed coalition of non-Communist political activists and former Communist officials who had fallen out with Ceausescu.*

### Leading political figures

*Head of state: Ion Iliescu, President of the Council of the National Salvation Front*

*Head of government: Prime Minister Petre Roman*

*Others: Dumitzu Mazilu, Vice President of the Council of the National Salvation Front*

*Status of Communist Party: The rigidly repressive regime long headed by Nicolae Ceausescu was overthrown in a bloody rebellion that peaked on Christmas weekend 1989. Communists still dominate the government apparatus, although many of the old regime's most repressive regulations have been abolished; NSF leaders continue to say soothing things about instituting democratic reforms after the remnants of the security forces loyal to the Ceausescu regime have been neutralized.*

### Economy

GNP (1988) (US dollars)

*\$151.3 billion (calculated from purchasing power parity ratio)*

*\$6,580 per capita (33 percent of US GNP per capita)*

*GNP annual change 1985: 1.3 percent, 1986: 5.8 percent, 1987: 1.1 percent, 1988: 2.1 percent*

*Hard currency trade and payments (1988) (millions of US dollars)*

Exports: \$7,280

Imports: \$4,480

Current account balance: \$2,600

Gross debt: \$1,900

Reserves: \$580

### Major Reforms

*Accomplished or well under way:*

*Freedom of religion and association.*

*Legalization of political parties and establishment of a multiparty political system.*

*Abolition of secret police.*

*Initiated:*

*Freedom of the press; public access to state-owned media.*

*Market-oriented economic reforms, including privatization of some property.*

~~Confidential~~

## Romania: Sorting Out the Christmas Revolution

### The Dynamics of Political Reform in 1990

Romania's governing National Salvation Front (FSN) faces a worsening crisis of legitimacy. It has been unable to consolidate popular and intellectual support or curb the rising tide of anti-Communist sentiment and anxiety about its political ambitions. Although the FSN bowed to popular pressure and agreed to share power with the opposition parties before the May elections, it retains control. If the FSN and the opposition are increasingly polarized, it will be difficult to form an effective preelection coalition government demanded in street protests.

*The FSN's position will continue to be especially undermined by indications it has absorbed elements of the hated Ceausescu-era secret police—the Securitate—into the Defense and Interior Ministries and is using them to promote its interests:*

- There is mounting evidence that sections of the Securitate—including the infamous Troops Command—and their staff-level officers have been retained intact.
- Orchestrated proregime rallies in late January suggested some Securitate involvement.
- The small number of arrests of Securitate suggests the former repressive apparatus is being protected by officials at the highest levels of the military and government.

The FSN will also use its control of the media to promote its chances of winning a majority in forthcoming parliamentary elections, but heavyhanded practices would provoke a massive backlash. The watchdog Group for Social Dialogue will keep pressure on the FSN to share power and resist the temptation to rig elections that have now been postponed by a month.

### Progress Toward Economic Reform

Despite considerable natural resources and negligible debt, most experts believe *Romania faces years, if not decades, of struggle to overcome the systemic problems resulting from previous decades of mismanagement and corruption.* Romania's sudden revolution, moreover, has not yet brought forth a concrete plan for economic reform.

Sorting out the political implications of the revolt in December will dominate the Romanian political scene for at least the first half of 1990, but *surfacing economic problems—notably a sharp downturn in industrial production—probably means that a new Romanian leadership will be forced to begin serious economic and financial reform late in the year.*

Among its first acts, the FSN lifted the ban on foreign borrowing and diverted to domestic consumption the consumer goods that Ceausescu had restricted for export. These two measures and the release of energy from industrial to consumer use should permit Bucharest to improve the lot of ordinary Romanians marginally for a few months and help forestall serious public unrest until after the elections. Eventually, however, when stocks run low, industry stagnates, and export earnings needed to purchase energy and new capital equipment dry up, the government will probably have to reimpose restrictions and borrow heavily from the West. Romanians would see this as backtracking on the gains of the revolution, and unrest would be increasingly likely.

### The Military and Security Services

*The Romanian military is well positioned to assume power if there is a collapse of public order or if Romanians attempt to overthrow the FSN before elections.* Rank-and-file opposition opposes military intervention, but some of the opposition leaders apparently favor a military takeover to the present political arrangement. Although it is now reluctant to step in, a significant deterioration of the economy and growing social unrest could cause the Army to intervene as a self-styled agent of national reconciliation. Meanwhile, both the Army leadership and the public will continue to mistrust the FSN for having integrated Securitate personnel into the Interior and Defense Ministries, and opponents of the FSN will assess the military's zeal in hunting down the Securitate as a key indicator of its support for continued reform.

### De-Communization

*Opposition suspicions and anxieties continue to focus especially on the FSN as a crypto-Communist group.*

Although the FSN has appropriated property of the now defunct Communist Party, it has refused to share such assets with other parties.

#### **Outlook for Relations With Moscow and Anti-Sovietism**

The absence of Soviet troops and the relatively positive role that Moscow played in the events of last December probably obviate the development of strong anti-Sovietism in the next year. Moreover, the new government has demonstrated a desire to reverse Ceausescu's legacy of international isolation, including improved relations with Moscow and Budapest. Still, Romanian nationalist feeling runs high, and this could eventually lead to strong public demands for the return of Bessarabia and anti-Hungarian incidents.

#### **Crunchpoints and Milestones for 1990**

Public and leadership *attention is focused on parliamentary elections set for 20 May, the only fixed point in 1990 that presently matters in Romania*. The FSN, despite public qualms about its domination by Communists and ex-Communist officials, is well positioned to command a majority or near majority in balloting for legislative seats. Opposition parties—some of them throwbacks to the pre-Ceausescu era—have demanded the FSN's resignation after its announcement on 23 January that it will run in the upcoming election and have called for the formation of a new, broad-based provisional government. Among other issues, critics will attack the FSN's slow start at democratizing Romanian society—despite its anti-Communist rhetoric—its weak record on dismantling the Communist Party, its ominous control of the media, and its lethargic attitude toward hunting down the Securitate.

## Yugoslavia

Population (1989): 23.7 million

*Major ethnic divisions: Serbs 36.3 percent, Croats 19.7 percent, Muslims 8.9 percent, Slovenes 7.8 percent, Albanians 7.7 percent, Macedonians 5.9 percent, "Yugoslavs" 5.4 percent, Montenegrins 2.5 percent, Hungarians 1.9 percent*

### Government

*System: A federation of six Communist republics (and two technically autonomous provinces) that exercise considerable independence under a weak central government whose leaders serve short, rotational terms. The system was designed to cope with the historical animosity among the various Yugoslav ethnic groups and, in particular, to constrain the national power of the Serbs, the largest group. The prosperous northern republics Slovenia and Croatia are politically more liberal than the rest of the country.*

### Leading political figures

*Head of state: Janez Drnovsek is the current President of the Collective State Presidency; his one-year term expires in May 1990*

*Head of government: Anto Markovic, President of the Federal Executive Council*

*Others: Slobodan Milosevic, President of Serbia, a charismatic, nationalistic populist who champions policies promoting Serbian hegemony over Yugoslavia*

*Status of Communist Party: The regional branches of the League of Communists of Yugoslavia (LCY) control the governments of the six republics and two autonomous provinces, but the LCY branches in Slovenia and Croatia are supporting local government plans to hold free elections in which other parties will participate.*

### Economy

#### GNP (1988) (US dollars)

*\$154.1 billion (calculated from purchasing power parity ratio)*

*\$6,530 per capita (33 percent of US GNP per capita)*

*GNP annual change 1985: 0.6 percent, 1986: 3.8 percent, 1987: -0.5 percent, 1988: 0.1 percent*

#### Hard currency trade and payments (1988) (millions of US dollars)

Exports:	\$9,624
Imports:	\$10,212
Current account balance:	\$2,210
Gross debt:	\$19,800
Reserves:	\$2,298

### Major Reforms

#### Initiated:

*Market-oriented economic reforms, including curbs on spending, tighter controls on monetary policy, stabilization of exchange rates, and reduced subsidies to some enterprises.*

*Abolition of the Communist Party monopoly and the formation of a multi-party political system.*

#### Promised:

*Direct elections with secret balloting.*

### Yugoslavia: Can It Hold Together Long Enough to Reform?

#### The Dynamics of Political Reform in 1990

*Yugoslavia continues to sail perilously close to national disintegration, with growing strains between republics and long-building economic problems reaching catastrophic proportions.* The country's chronic problems have grown more acute recently, in the wake of strengthening reform movements in other East European countries. In the past year, the efforts of Serbian strongman Milosevic to increase his personal power have driven Communist parties in the other Yugoslav republics toward reform, in an effort to tap popular support for their opposition to Serbian machinations. The League of Communists of Yugoslavia (LCY) called for a multiparty system and the elimination of the LCY's political monopoly at its January congress, before breaking up in disarray. Even conservative Serbian leaders needed to bolster their position by backing multiparty elections, and the clear trend in Yugoslavia, including Serbia—is the proliferation of dissident groups determined to pressure for democratic reforms analogous to those undertaken in Poland and Hungary. Croatia and Slovenia are planning free elections for the spring.

The outcome of Slovenian and Croatian elections, the evolution toward substantial democratic reforms in Bosnia, Montenegro, and Macedonia, and the spread of opposition political parties, even in Serbia, point toward a year of increasing ferment in Yugoslavia and increased strains between its rival ethnic groups. Serbian leader Milosevic's influence will probably wane because he is a hardliner and will not be able to adjust to the multiparty system that will emerge. Moreover, adoption of a multiparty system could further damage already strained ethnic relations by allowing more parochial leaders to be voted into office.

#### Progress Toward Economic Reform

During the last week of 1989, the Yugoslav Federal Assembly passed an economic reform package calculated to stay the country's hyperinflation—then about 60 percent per month—by introducing a new currency, stabilizing the exchange rate, reducing generous subsidies to moneylosing state enterprises, and tightening up on Belgrade's notorious loose monetary

policy. Record hard currency reserves suggest the government can stabilize the exchange rate for some time and probably temporarily dampen inflation, but its long-term prospects for success will depend on the government's ability in 1990 to restrain subsidies, control monetary policy, and maintain the wage freeze.

Flies in the new economic ointment will include ill-disciplined officials who refuse to hold the line on wage increases, a central bank with almost no monetary discipline, unions that have no intention of swallowing the government's austerity program, and largely autonomous regional governments that disregard reforms agreed to in the Federal Assembly.

Passage of the economic reform program does, however, open the way for a new round of negotiations with the IMF on a standby loan—probably with an agreement in the first months of 1990. The IMF has demanded action to implement the reforms as a precondition for the loan, and this could precipitate a spring clash between the government and unions. As with everything that happens in Yugoslavia, such confrontation will take on unmistakable colors of interethnic hatreds, predictably between Serbs and Slovenes.

#### The Military and Security Services

The Yugoslav military—which has a legitimate political role—has increased its involvement in politics during the past year, and this trend will continue in 1990. The military leaders are strongly centralist/federalist in their thinking, and they have become the linchpin of the loose coalition of leaders who are the bulwark of Yugoslav federation. With the disintegration of the LCY and introduction of a multiparty system, the military is now one of the few Pan-Yugoslav institutions still existing.

Meanwhile, the Yugoslav security services (SDB) are weakening through decentralization. In general, this trend will play in favor of increased regionalism and diminished federal loyalty.

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#### De-Communization

Yugoslav society has already been "de-Communized" to a large extent by a series of reforms adopted between 1951 and 1989. Belgrade's planned move toward a multiparty political system will invariably mean a significant decline of Communist infrastructure and influence at the regional level. Constitutional amendments submitted by Markovic to the Federal Assembly will be adopted in coming months, beginning the process of creating a national multiparty system.

#### Outlook for Relations With Moscow and Anti-Sovietism

*Improving relations with both Moscow and the West will continue to be foreign policy imperatives in 1990.* Ties to the USSR have reached their warmest level in decades under Gorbachev, and the Yugoslavs will work to continue this trend. The only area of strain that might increase tensions in 1990 is Yugoslavia's \$2 billion trade surplus with the Soviet Union, but Moscow will probably not make concessions—such as increased oil and raw materials deliveries—to redress the trade balance.

#### Crunchpoints and Milestones for 1990

Of Yugoslavia's six republics, *Croatia and Slovenia are planning multiparty elections for the spring, and Montenegro, Bosnia, and Macedonia will probably follow suit by the end of the year.* Most of these contests will force Communist backs to the wall; some will invariably signal a dramatic decline of Communist political influence at the regional level. Moreover, economic belt-tightening over the next year will create a succession of confrontations between the Markovic government and both regional and Army leaders.

Yugoslavs will also be debating a new Constitution this year (separate from Markovic's reform amendments). This could lay the groundwork for a new ethnic power-sharing arrangement that would improve stability. Agreement is not likely soon, however.

*Albania*

Population (1989): 3.2 million

Economy

*Major ethnic divisions: Albanians 96 percent*

*GNP (1988) (US dollars)*

Government

*\$2.8 billion (calculated from purchasing power parity ratio)*

*System: The last Stalinist state in Europe.*

*\$930 per capita (5 percent of US GNP per capita)*

*Leading political figures*

*Head of state: Ramiz Alia, Chairman of the People's Assembly and First Secretary of the Albanian Workers Party, the only legal party.*

*Hard currency trade and payments: data not available*

*Head of government: Adil Carcani, Premier and Chairman, Council of Ministers*

*Total exports (1986): \$428 million (est.)*

*Others: Mrs. Hoxha, widow of former head of state and party Enver Hoxha*

*Economic situation: The state owns the means of production. Most economic activity is centrally planned and administered. Limited and ineffectual reforms have been implemented in recent years. Economic development has been greatly hampered by a policy of self-reliance and a refusal to borrow from international lenders.*

*Status of Communist Party: Evidently still in firm control but possibly rent by factional dispute between supporters of Alia and supporters of Hoxha.*

Major Reforms

*(None under way or even promised.)*

~~Confidential~~



### Albania: Can Stalinism Survive?

Despite the regime's obvious willingness to use brutal measures to suppress dissent, *chances are just better than even that 1990 will be the year of Albania's awakening*. Opposition groups, centered in the schools and universities, have already clashed with the Alia government. Moreover, there is apparent wavering on the issue of reforms within the Communist Party, reportedly divided between hardliners led by the widow Hoxha and comrades gathered around President Ramiz Alia, who appears to recognize the need for some political and economic reform.

Albanians are hearing and seeing unprecedented snatches of the truth of events in Eastern Europe and the USSR via Yugoslav and Italian media. Their own state-controlled media reported accurately the overthrow of the Ceausescu regime in Romania. Such exposure to successful, popular ferment elsewhere is almost certain to encourage still more homespun dissent.

The Albanian military and security services have often demonstrated a ruthless loyalty to the dictates of the party; they will repress dissent in 1990 with the same verve as in the past. This promises to make the showdown, when it comes, a Romanian-style bloodletting.

## Outlook for US Interests in 1990

*Prospects appear good for the consolidation of democratic gains in Eastern Europe during 1990 and for the continued transition to more open, Western-oriented societies.* Publics are mobilized and apparently united around democratic programs. Leaders are increasingly demonstrating their commitments to democratic values and Western models of reform. Parliaments and new institutions are showing surprising quickness in learning the techniques of operating modern mass democracies.

*Nonetheless, the problems confronting reformist governments in Eastern Europe are staggering, and, despite current enthusiasm, reform may falter.* For the most part, the mass public has not been heard from in elections, especially in the Balkans and Hungary. In Poland, just 15 to 20 percent of young people voted last June. Even so, commitments to democracy are far stronger than to economic reforms. Even with substantial economic aid, the inevitable lengthy period of austerity will foster opposition and unrest, and this may induce leaders to back away from rapid reform. It remains to be seen whether any East European country will be technically and financially able to provide an effective "safety net" for workers who lose their jobs as a byproduct of reform.

False starts and wrong turns are inevitable, particularly when leaders do not yet fully understand or accept the role of free markets. For example, policies under the rubric of "stabilization" may take on the substance of price controls and business regulation. "Antimonopoly" rules imposed on national organizations may still leave regional monopolies that face neither competition nor clear market signals. Wealth bred of entrepreneurial success may inspire new and stifling taxation.

Given these future problems, together with the well-recognized current lack of resources and economic institutions, it is highly likely that reassessments of needs for assistance will appear during the next six months, mainly from Poland but also from Hungary, Czechoslovakia, and Romania. This is virtually a "best case" scenario, distinct from the real

possibility of more urgent crises—hyperinflation, acute loss of reserves, or civil disturbances—in any of the East European countries.

Although these problems enhance the need for Western aid, the process of reform will accelerate the region's integration into the world economy, particularly if Western countries continue to tie their aid to further reforms and market opening. Membership in various economic organizations, such as the European Free Trade Association, GATT, IMF, and the World Bank are future mileposts of such integration.

Efforts to mobilize international support for democratizing East European governments—in particular, IMF assistance, debt rescheduling, and stimulation of foreign investment—will cripple the already shaky and apparently shifting Allied consensus on technology transfer to Eastern Europe. Despite recent US concessions, reforming non-Communist governments and their economic allies in the West will pressure COCOM for near total relaxation of its restrictions. Pressures within COCOM, especially from the West Germans, will force the pace of decontrol and will raise the prospect of dramatically increased unilateral disregard of COCOM restrictions.

In several East European countries, moreover, the transition to democracy may misfire in 1990, creating power vacuums that stymie progress toward further political and economic reform. Instead of promoting the evolution toward stable democracies, elections in Romania and elsewhere may well produce only unstable coalitions and inherently weak and directionless minority governments. The onset of chronic political instability—perhaps accompanied by outbreaks of ethnic violence—could raise the specter of military takeover in some places. The United States and its Western Allies would be faced with a decision of whether or not to lend international support for non-Communist military governments as a means of restoring order and preserving the option of a later transition to civilian democracy.

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# Appendix

## East European Political Parties and Pressure Groups

### Poland

#### Center-Right Parties

Agrarian Parties: All support conservative social legislation, nationalism and private ownership. All claim legacy of the prewar Polish Peasant Party.

#### *Polish Peasant Party, PSL (known unofficially as PSL-"Wilanowska")*

Founded: December 1989.

Membership: Unknown—1,200 delegates attended founding congress.

Program: Rejects Rural Solidarity Union, saying leadership is too close to leftwing Solidarity faction. Rejects PSL-Rebirth because of its former association with the Communist Party.

#### *Polish Peasant Party—Solidarity*

Not yet officially founded, expected to call first congress shortly.

Membership: To be determined.

Program: Political wing of Rural Solidarity.

#### *Polish Peasant Party—Rebirth*

Founded: November 1989.

Membership: About 500,000

Program: Formerly a docile coalition partner of the Polish United Workers' Party (PZPR) and known as the United Peasant Party. PSL- Rebirth is now trying to assert itself as a legitimate representative of private farmers.

#### Other Center-Right Parties

##### *National Party*

Founded: Resumed activity, July 1989.

Membership: Unknown.

Program: Strongly Catholic, critical of Mazowiecki government programs, saying these will fail to develop Poland's food self-sufficiency.

#### *Christian National Union*

Founded: October 1989.

Membership: Unknown.

Program: Center-right marriage of Christian Democratic and nationalist political traditions. Closely tied to Catholic Church.

#### *Young National-Liberal Movement*

Founded: December 1989.

Membership: Unknown.

Program: Appears to be youth wing of the Christian National Union.

#### *Congress of Liberals*

Founded: Before November 1989.

Membership: Unknown.

Program: "There is no freedom without property rights." Establishing contacts with liberal parties in Italy, West Germany, Great Britain, the United States, and Canada.

#### *The Labor Party*

Founded: Just prior to June 1989.

Membership: Unknown.

Program: Christian Democratic, closely associated with Catholic Church.

#### Center Parties

##### *Democratic Party*

Founded: 1938.

Membership: Estimated at 140,000.

Program: Formerly in coalition with the PZPR, the Democratic Party is trying to reassert its authority as a strong liberal, free market-oriented party.

#### *Democratic Youth Union*

Founded: December 1989.

Membership: 8,000 to 9,000.

Program: Support of democratic reforms and free market economy with strong social welfare net.

#### **Center-Left Parties**

##### ***Polish Socialist Party***

Founded: 1989.

Membership: Unknown.

Program: Rejects "socialist dogma." Wants to establish Swedish model of Social Democracy in Poland.

##### ***The July 8th Movement***

Founded: Fall 1989.

Membership: 500 to 1,000.

Program: Seeking to create an entirely new democratic left-wing party in Poland, thereby abolishing the PZPR.

##### ***Social Democracy of the Republic of Poland (formerly the Polish United Workers' Party)***

Founded: 1948.

Membership: Unknown.

Program: Generally supports democratic reforms and introduction of market forces in the economy. Headed for a sharp decline as a political force.

##### ***Union of Social Democrats***

Founded: January 1990.

Membership: 150 to 160.

Program: Breakaway Party of Communist reformers, led by official with close ties to Solidarity.

#### **Left-Wing Parties**

##### ***Polish Socialist Party-Democratic Revolution***

Founded: December 1989.

Membership: Unknown.

Program: Opposed to current program of sweeping reprivatization of the economy, bankruptcy and threat of unemployment. Wants to rebuild a new order of social justice in cooperation with the nations of Eastern Europe.

#### **Hungary**

##### ***Hungarian Socialist Party (HSP)***

Founded: October 1989 (legal successor of former ruling Hungarian Socialist Workers' Party).

Membership: 50,000.

Program: Reform Communism.

##### ***Hungarian Democratic Forum (MDF)***

Founded: 1987.

Membership: 20,000.

Program: While the national leadership seems committed to Western liberal values, the group's support in the countryside comes largely from populists with a nationalistic agenda.

##### ***Association of Free Democrats***

Founded: November 1988.

Membership: 6,000.

Program: The Free Democrat's program is built on classical European and Hungarian liberalism; it is the group's uncompromising anti-Communism that has reportedly been at the root of its growing popularity, however, particularly among unskilled workers.

##### ***Christian Democratic People's Party***

Founded: 1945 (revived May 1989).

Membership: 3,000.

Program: The Christian Democrats seek to promote religious freedoms and the improvement of public and private morals. Their platform calls for the guaranteed protection and security of families, pensioners, the disabled, and the unemployed.

##### ***Association of Young Democrats (FIDESZ)***

Founded: March 1988.

Membership: 6,000—many on university campuses.

Program: FIDESZ is an active and effective voice for Hungarians under age 35. Many members support the establishment of a bourgeois Western democracy.

##### ***Independent Smallholders' Party (ISP)***

Founded: 1930 (revived November 1988).

Membership: 4,000—a quarter of whom joined before 1948.

Program: The ISP's platform gives priority to agrarian reform, but it also calls for accelerated economic reform, expansion of the private sector, and a greater focus on environmental issues.

***Hungarian Social Democratic Party***

Founded: 1919 (revived in February 1989).

Membership: 15,000.

Program: A West European-style social democratic party; factional infighting, however, has hampered efforts to attract a mass following and prevented the party from making inroads in recent National Assembly elections.

***Hungarian People's Party***

Founded: February 1989.

Membership: Unknown.

Program: The People's Party claims devotion to the problems of people in the countryside and to preserving the rural way of life, but it has not yet outlined a comprehensive approach to Hungary's problems.

***Hungarian Socialist Workers' Party (HSWP)***

Founded: 1956 (at a congress in October 1989, the party was reorganized and renamed as the Hungarian Socialist Party. A group of traditional Communists—including former General Secretary Karoly Grosz—met and revived the original party in December).

Membership: 100,000.

Program: Traditional Marxism-Leninism; party leaders continue to think of themselves as the true representatives of Hungary's working class.

***Hungarian Independence Party***

Founded: 1947 (revived in April 1989).

Membership: Unknown.

Program: The Independence Party's program emphasizes the rights of the individual. It calls for tax relief, the reprivatization of agriculture, and the decentralization of economic decision making.

***Hungarian Green Party***

Founded: November 1989.

Membership: Unknown.

Program: The Greens stand for a free people and a healthy environment. They have promised to work for minorities and against poverty and violence.

**Czechoslovakia**

***Czechoslovak Communist Party (CPCZ)***

Founded: 1921.

Membership: Unknown.

Program: Reform Communism.

***Czechoslovak People's Party***

Founded: 1918, primarily Roman Catholic and rural based; was token minority party in CPCZ-dominated National Front 1948-89.

Membership: Unknown.

Program: Christian democracy, economic reforms, noninterference of state in church matters.

***Czechoslovak Socialist Party***

Founded: 1897 as National Socialist Party; operated as token minority party under CPCZ domination, 1948-89.

Membership: Unknown.

Program: Political pluralism, market economy, rehabilitation of post-1948 emigres.

***Czechoslovak Farmers' Party***

Founded: 2 December 1989.

Membership: Unknown.

Program: Promotion of agricultural interests.

***Czechoslovak Social Democratic Party***

Founded: Prewar party forced to merge with CPCZ in 1948, reestablished 19 November 1989.

Membership: Unknown.

Program: Political pluralism, social security, intellectual freedom.

***Czechoslovak Green Party***

Founded: 9 December 1989.

Membership: Unknown.

Program: Environmental protection, pluralistic democracy, market economy, international cooperation, arms reductions.

***Czechoslovak Democratic Initiative***

Founded: Former dissident group, founded as party 11 November 1989.

Membership: Unknown.

Program: Liberal democracy, individual rights, rehabilitation of post-1968 emigres.

***Christian Democratic Party***

Founded: 26 December 1989.

Membership: Unknown

Program: Christian democracy, independent trade unions, private enterprise.

***Republican Union***

Founded: 30 December 1989.

Membership: Unknown

Program: Private enterprise, free market economy.

***Slovak Communist Party (CPSL)***

Founded: Separate party during World War II but operated under CPCZ direction; in late 1989 sought greater independence.

Membership: Unknown

Program: Reform Communism.

***Freedom Party***

Founded: 1946 as token minority party under CPCZ domination; based in Slovakia.

Membership: Unknown

Program: To be set at extraordinary congress on 13 January 1990.

***Democratic Party***

Founded: Formerly (1948-89) Slovak Revival Party; resumed prewar name at extraordinary congress on 10 December 1989; based in Slovakia.

Membership: Unknown.

Program: Parliamentary democracy.

***Democratic Socialist Party***

Founded: 30 November 1989; based in Slovakia.

Membership: Unknown

Program: Political pluralism, economic reforms, individual rights, social justice.

**East Germany**

***Party of Democratic Socialism (PDS)***

Founded: 1946 as the Socialist Unity Party of Germany, renamed in February 1990.

Program: Democratic socialism; supports market principles with long-range central planning and retention of a large state-owned sector; rule of law. Supports improved intra-German relations, and now supports unification under certain circumstances (neutrality).

**Former Bloc Parties**

***Christian Democratic Union (CDU)***

Founded: 1945.

Program: Supports confederation and eventual unification of two Germanies. Wants "socially and ecologically compatible" market economy, disarmament.

***Liberal Democratic Party (LDP)***

Founded: 1945, renamed in February 1990.

Program: Supports gradual confederation of two Germanies, leading to eventual unification within European context. Supports market economy that "guarantees social and ecological security," and disarmament.

***National Democratic Party of Germany (NDPD)***

Founded: 1948.

Program: Supports some form of German confederation, eventual unification. Wants undefined economic reform, liberalization of GDR society.

***Democratic Peasants' Party of Germany (DBD)***

Founded: 1948.

Program: Had done the least to distance itself from PDS, but recently rejected electoral alliance with the Communists.

**Major Opposition Groups and Parties**

***New Forum (NF)***

Founded: September 1989.

Program: Broad-based independent political association for political discussion supporting grassroots and "extraparlimentary" democracy, environmental protection, demilitarization, new constitutional/election law, and "socially and ecologically aware" market economy. Supports German confederation in context of European integration.

***Democratic Awakening (DA)***

Founded: September 1989, as a political party in December 1989.

Program: Social market economy, ecological awareness, German unification.

*German Social Union (DSU)*

Founded: January 1990.

Program: Supports parliamentary democracy, social market economy, respect for human rights, environmental protection, and German unification. Operates primarily in southern East Germany.

*Democracy Now (DJ)*

Founded: September 1989.

Program: Independent movement supporting free elections, disarmament, eventual German unification and neutrality, social market economy, environmental protection.

*Social Democratic Party (SDP)*

Founded: October 1989.

Program: Parliamentary democracy, environmental protection, social market economy, German unification.

**Other Opposition Groups and Parties**

*Greens Party*

Founded: November 1989.

Program: Supports environmental protection, supports some form of German confederation but rejects near-term unification.

*United Left*

Founded: September 1989.

Program: Established as independent trade union, but has evolved into independent political association supporting parliamentary democracy, independent trade unions, environmental protection. Rejects Western-style capitalism, German unification.

*Initiative for Peace and Human Rights (IPHR)*

Founded: February 1986.

Program: Protestant-affiliated opposition group initially established to call attention to East German human rights abuses and to campaign for disarmament. Has in recent months placed greater emphasis on social and political reform.

*Independent People's Party (UVP)*

Founded: December 1989.

Program: Supports parliamentary democracy, environmental protection, demilitarization. Supports German unification.

*German Forum Party (DFP)*

Founded: January 1990 as offshoot of New Forum.

Program: Supports roughly the same program as New Forum, but believes realization of goals possible only through creation of a political party.

*The Carnations (Die Nelken)*

Founded: January 1990.

Program: Marxist party advocating reestablishment of traditional Communist social, political, and economic principles. Opposes German unification.

*Free Democratic Party of the GDR (FDP-GDR)*

Founded: January 1990.

Program: Supports social market economy, environmental protection, disarmament, new election law. Favors German confederation, does not rule out eventual unification within European context.

*Party for the Reunification of Germany (PWD)*

Founded: November 1989.

Program: Apart from support for German reunification, the PWD has yet to announce a political program.

**Bulgaria**

*Bulgarian Communist Party (BCP)*

Founded: 1919.

Membership: Approximately 900,000.

Program: Reform Communism; introduction of *glasnost* and *perestroyka* to Bulgaria. Relinquished constitutionally guaranteed leading role.

**BCP "Alternative Socialist Organization" Faction**

Founded: December 1989.

Membership: Size unknown; composed of radical reformers, former dissidents, intellectuals.

Program: Radical reform socialism; resignation of BCP Central Committee, caretaker leadership to prepare for March party congress.

**Bulgarian Agrarian People's Union**

Founded: 1899.

Membership: Approximately 120,000.

Program: Long subservient to the BCP, its new leadership wants to contest elections on an equal basis. A faction, the *Nikola Petkov Bulgarian Agrarian Party*, also seeks rehabilitation of Agrarian figures persecuted by Communists in the late 1940s, as well as more rapid reforms.

**Union of Democratic Forces of Bulgaria**

Founded: December 1989.

Membership: Coalition of about a dozen dissident groups, including *Podkrepa*, the independent trade union, environmentalist group *Ecoglasnost*, the *Bulgarian Workers' Social Democratic Party (United)*, and others.

Program: Abolition of BCP's monopoly of power; resignation of the BCP's Politburo and Central Committee; free elections; depoliticization of the army, militia, and judiciary; minority rights; legalization of private property; religious freedom; and the concerns of the individual groups.

**Radical Democratic Party**

Founded: December 1989.

Membership: Unknown.

Program: No further information.

**Christian Republican Party (located in Plovdiv)**

Founded: December 1989.

Membership: Unknown

Program: No further information.

**Bulgarian Workers' Social Democratic Party (United)**

Founded: December 1989.

Membership: Unknown

Program: No further information.

**Romania**

**National Salvation Front (FSN)**

Founded: December 1989 (some evidence of earlier underground existence).

Membership: Over 100 members, with an executive board. Key figures are reform Communists, such as former UN Ambassador Silviu Brucan and President of Romania Ion Iliescu, former Communist Party Secretary, as well as former diplomats, technocrats, cultural figures.

Program: Transitional body assembled to address immediate problems, establish political pluralism, raise living standards. Plans to run candidates in May elections.

**The Liberal Party**

Founded: December 1989.

Membership: Unknown.

Program: No further information.

**The Party for Rebuilding (possibly Romanian Resurrection Party)**

Founded: December 1989.

Membership: Chairman Ion Matei, chemistry teacher. No information on number of adherents.

Program: Unknown; 18-point manifesto.

**Magyar Democratic Union**

Founded: December 1989.

Membership: Ethnic Hungarians.

Program: Protection of rights of all ethnic minorities, cooperation with the Romanian majority. Chairman is former candidate Communist Party Central Committee alternate member Geza Domokos.

**Ecological Movement (not formally a party yet)**

Founded: January 1990.

Membership: Scientists and writers.

Program: Environmental issues, support of FSN's program while reserving the right to criticize it.



*Romanian Democratic Party*

Founded: December 1989.

Membership: Anti-Communists numbering in the "hundreds."

Program: Freedom of press, religion, opinion, reprivatization of the economy and establishment of small businesses, especially in consumer and service sectors.

*Group for Social Dialogue (not formally a party)*

Founded: December 1989.

Membership: Intellectuals and FSN members such as Doina Cornea, Culture Minister Andrei Plesu, other longtime dissidents.

Program: Informal watchdog group formed to ensure that FSN is not dominated by Ceausescu-regime Communists.

*National Christian Peasant Party/Christian Democratic Party (PCNT) (both merged)*

Founded: December 1989.

Membership: Intellectuals and clerics such as Doina Cornea, Catholic Bishop Ioan Robu, Orthodox Bishop Justinian. Also includes minority intellectuals and FSN members.

Program: Nationalistic, Christian values, defense of workers, peasants, intellectuals, environment. Plans national congress on 2 February. President of emigre organization Ion Ratiu intends to run for office.

*National Peasant Party*

Founded: December 1989 (suppressed in 1947).

Membership: Prewar party members, such as former deputy secretary general Corneliu Coposu, hoping to attract a younger following. Coposu claimed that the membership was two million strong in 1947. Cooperating with *National Liberal Party* to field common slate in April elections.

Program: Mixed, market-based economy along French lines. Would welcome King Michael back as constitutional monarch.

*Association of Former Political Prisoners (not a party)*

Founded: January 1990.

Membership: Former political prisoners.

Program: Investigate Ceausescu-era crimes, seek reparations for ex-prisoners. Size of movement is unknown.

*Romanian Communist Party Faction*

Founded: December 1989.

Membership: "Initiative group" of party members, size unknown.

Program: Support for the FSN, free elections, extraordinary party congress to dissolve the Romanian Communist Party and turn its assets over to the FSN.

*Printers and Journalists' Trade Union*

Founded: December 1989.

Membership: Printers and journalists; size unknown.

Program: Independent trade union.

*Yugoslavia*

*League of Communists of Yugoslavia*

The only constitutionally recognized political party in Yugoslavia. Operates in reality like a federation of republican parties, some of which have allowed an increasing measure of official and unofficial pluralism, varying by republic. Croatian and Slovenian parties are contesting multiparty elections in the spring. Fourteenth Party Congress, 20-23 January.

*Association for a Yugoslav Democratic Initiative (AYDI)*

Seeks to be an all-Yugoslav organization. Insists that its aim is to transform Yugoslavia into a fully democratic state but that it is not itself a political party. Now has chapters in all republics and provinces. Major figure in Croatian Chapter is Branko Horvat, President of the Council. Serbian chapter has not been able to register.

*Slovenia*

*United Democratic Opposition of Slovenia (DEMOS)*

Joze Pucnik, President. New umbrella group to contest the spring 1990 Slovene elections. Includes five groups: the SDA, SDU, and Christian Democrats, with the Greens and SPA. Advocates sovereignty for the Republic of Slovenia, demilitarization of Slovenia, parliamentary democracy, and respect for human rights and freedoms.

***Slovene Democratic Alliance (SDA)***

Hubert Pozarnik, President.

Founded: January 1989; first congress: Maribor, June 1989.

***Slovene Social-Democratic Union (SDU)***

Joze Pucnik, President.

Program: Declaration, Mladina, February 1989; not allowed to hold a founding Congress. Lost many members during 1989 leadership battles.

***Slovene Christian Democrats***

Viktor Blazic, President.

Founded: November 1989.

***Slovene Peasant Alliance (SPA)***

Ivan Oman, President.

Founded: Spring 1988.

***Green Movement***

Dr. Dusan Plut.

Founded: June 1989. Most politically motivated of the Greens in Yugoslavia: "for a green Slovenia, Yugoslavia, Europe, for a green planet."

***Slovene Christian Socialist Movement***

Founded: Ljubljana, May 1989.

***"For Freedom of Thought in the World"—ZSMS***

Joze Skolc, President. The old Slovene Youth Federation, which left the federal youth league in November, then declared itself an independent political party. Plans to field candidates in the spring. ZSMS: New name, old acronym.

***Croatia***

***Coalition of Croatian Alternative Associations***

Slavko Goldstejn (of the SLA).

Umbrella organization, organized in early February; so far includes SLA, HKDS, Greens, HSS, and SDSH. HDS will probably join.

***Croatian Democratic Community—Hrvatska Demokratska Zajednica (HSZ)***

Franjo Tudjman, President. Most nationalist and potentially the most powerful of Croatia's alternative political groups. Has not received official permission to operate. The biggest group, with more than 100,000 members worldwide. Gets support from various sources, including Croatian emigre groups. Sometimes referred to as Croatia Democratic Alliance.

***Croatian Democratic Union (HDS)***

Dr. Vladimir Veselica. Offshoot of Tudjman's HDZ; but with less nationalist agenda. Like HDZ, the name is sometimes rendered "... Alliance," which is actually closer in this case.

***Croatian Social-Liberal Alliance (SLA)—Hrvatski Socijalno Liberalni Savez (HSLS)***

Slavko Goldstejn, President of Alliance. Program declaration, March 1989; founded May 1989. Has SAWP acceptance.

***Croatian Socialist Alliance***

Founded: 26 December 1989 from the old party front organization (SAWP). Announced intent to independently contest the spring elections.

***Croatian Christian Democratic Union (HKDS) Green Alliance***

Head: Zoran Ostric. Came under fire at meeting of Greens in October for delays in forming the group officially.

***The Green Action (Split)***

Zeljko Rogosic.

Founded: October 1988—grassroots action group.

***Croatian Peasants Party (HSS)***

***Social-Democratic Party of Croatia (SDSH)***

Dr. Anton Vujic, President.

Founded: 16 December 1989. Name is sometimes Union or Alliance.

*Serbia*

*The Democratic Party*

Dr. Kosta Cavoski.

Founded: December 1989.

*The Democratic Forum*

Founded: 25 December 1989. Says it is not a political party but will support certain candidates at elections.

*Movement for a Democratic Renewal (PDO)*

Srbodan (Srba) Brankovic, Slobodan Antonic, Milutin Dzinovic. Grew out of the Serbian Youth Federation, split off in December and now in the process of forming a party.

*Vojvodina*

*Novi Sad Democratic Circle*

*Vojvodina Peasant Alliance*

Ruza Denes, President.

Probably the same as the Peasants League, Novi Sad.

*Alliance of Radical Democrats*

Oliver Novakovic.

Founded: Novi Sad, based in Belgrade, say they will be Yugoslav.

*Kosovo*

*Democratic Alliance*

Dr. Ibrahim Rugova (also chairs the Writers' Association).

*Bosnia-Hercegovina*

*Committee for Yugoslav Patriotic Initiative  
Green Movement (Sarajevo, November 1989)*

*Montenegro*

*Democratic Party*

Dr. Slobodan Vujosevic.

Founded: 15 December 1989. Montenegrin Assembly has given observer status.

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