

~~Top Secret~~

6.2(d)



NR Record

HUNGARY: Reformers Pushing Economic Ties to West

A party-government economic advisory committee led by reform-minded Politburo member Nyers is pushing for major reorientation toward the West of the troubled Hungarian economy. The committee will recommend seeking associate membership in the EC after 1992, reducing trade with the Eastern Bloc, and settling all trade with the USSR in dollars within two to five years.

3.3(b)(1)

The program will also call for lifting remaining restrictions on private enterprise and for moving faster to reduce subsidies and close insolvent enterprises.

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Comment: The report is likely to spark considerable public debate, especially the recommendations on expanding the private sector and cutting subsidies, in part because of increasing popular pressure to ease austerity. The committee probably leaked details of its recommendations to build momentum for broader economic and political liberalization, and it may be trying to gain support for its program in the West, including US economic assistance. It is not clear, however, whether the committee has faced thorny near-term problems like making the forint convertible or improving the competitiveness of Hungarian manufactures, and the EC is not likely to welcome a bid for association.

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