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SITUATION IN EASTERN EUROPE

Report by the Committee of Political Advisers

PART I - SUMMARY

I. FACTORS AFFECTING SOVIET POLICY

The main events since May which affected conditions in the orbit as a whole were the Moscow Government crisis at the end of June and Marshal Zhukov's removal from the Soviet leadership in November. Although these developments no doubt reflected a variety of disagreements among the Soviet leaders, the precipitating factor seems to have been internal. Consequently one would not expect any basic change of policy in major international issues, including those affecting the satellites. There has, in fact, been some change of tone in that the USSR has shown greater intransigence since the crisis, in such matters as German reunification and disarmament. In his speech on the occasion of the fortieth anniversary of the October Revolution moreover, Khrushchev constantly spoke of the world as being divided into two camps, without making the slightest reference to the neutralist nations.

2. Emphasis continues to be laid on the unity and the economic strength of the Soviet bloc. The USSR finds for political as well as economic reasons that it has to continue in its policy of economic assistance and decreased exploitation of the satellites. A degree of economic decentralisation is apparent within the satellites, somewhat different in form, but basically in line with the aims of Khrushchev's prescription for Russia.

3. Khrushchev has long been associated with the "de-Stalinisation" campaign and with a policy of rapprochement with Yugoslavia. But the strong line currently followed in the USSR against "revisionism" exemplified by Khrushchev in his 6th November speech, and his earlier patronising references to Yugoslav errors during a visit to Prague in July, do not encourage the view that he will look with favour on the growth of ideological liberty within the satellites. The situation in this respect, was not modified by the Khrushchev-Tito meeting in August. Tito's sudden decision not to visit Moscow for the fortieth anniversary celebration of 7th November, suggested that Zhukov's dismissal has introduced a note of uncertainty in USSR-Yugoslav relations.

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4. The events of 1956 in Eastern Europe constituted a warning for all Communist régimes, including Yugoslavia. For the USSR, prudence seems to dictate a period of stocktaking and consolidation in Eastern Europe after such major upsets as the Polish and Hungarian events of 1956 and the Moscow Government crisis of June 1957. It has become increasingly clear that Chinese influence supports current Soviet policy wherever the stability of Communist régimes in Eastern Europe is in question. There is little doubt, even after the overthrow of Zhukov, that the Soviet Government will pursue a policy of the strong hand in Eastern Europe, i.e. of intervention whenever any serious threat to Soviet control appears. Although the Soviet Union continues to accept a lesser degree of "control" over Poland, the policy of the strong hand would, in the last resort, be applied there also.

5. For these various reasons it would seem that any "liberalisation" in the satellite countries will be economic rather than political.

II. SUMMARY OF CONCLUSIONS

6. Although the changes in the Soviet leadership may originally have stimulated hopes in Poland and elsewhere of a more liberal policy towards the satellites, there is no reason to believe that the basic principles of Soviet policy have altered. The changes which have taken place in such satellite régimes as Roumania and Bulgaria have not altered their basic character. The Soviet leaders will do their best to immunise the satellites against political infection from Poland and Yugoslavia.

7. In economic affairs, there will be continued emphasis on increased production and closer co-operation of the bloc. In view of the part played by economic discontent in the Polish and Hungarian events of 1956, further cautious measures may also be taken to permit some improvement of living conditions with the satellites.

8. The Soviet and Yugoslav leaders have an interest in maintaining a modus vivendi in the doctrinal sphere. While ideological differences remain, Tito has taken a number of steps to draw nearer to Moscow, notably in recognising the Pankow régime. However, Zhukov's disgrace following his visit to Yugoslavia and the stir caused in Moscow by the Syrian affair would appear to have raised doubts in Marshal Tito's mind as to the wisdom of Khrushchev's policy and the stability of the Kremlin team of leaders. Moreover, Marshal Tito cancelled his visit to Moscow for the fortieth anniversary of the October Revolution on a rather unconvincing pretext. Gomulka, for his part, has certainly taken advantage of Soviet consent to his meeting with Tito to enhance his own prestige, and presumably therefore his chances of remaining in power, by securing Tito's recognition of the Oder-Neisse line and by the announcement of Polish-Yugoslav economic and cultural agreements and of possible security consultation. Poland, in any case, would still appear to be one of the major concerns of

Moscow: the most important passages in Khrushchev's speech on 6th November refer implicitly to that country. In stressing the need to fight against "revisionism" and against "national communism" and in affirming that the line taken by the Soviet Communist Party in industrialisation and collective farming was the only true one, Khrushchev obviously intended to warn the Socialist camp and the Poles themselves of the danger of the line adopted in Poland since October, 1956.

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PART II - COUNTRY BY COUNTRY STUDIES

YUGOSLAV RELATIONS WITH THE SOVIET BLOC

9. Tito's relations with the Soviet Union began to improve again in April, 1957, and continued to do so as Khrushchev's power increased. These relations were consolidated after the Kremlin shake up in June by the meeting of Khrushchev and Tito in Rumania in August. At the same time, Yugoslavia has made a point of keeping its relations with bloc countries, including the USSR, on a bilateral basis. This was illustrated by the fact that the Yugoslav delegation was not associated with the Declaration published on 22nd November by the Soviet bloc communist parties.

10. The Soviet-Yugoslav rapprochement has resulted in (a) the virtual cessation of ideological polemics and of bloc attacks on Yugoslavia; (b) the resumption of postponed Soviet economic credits; (c) tacit Soviet approval for bilateral Yugoslav contacts with bloc régimes; (d) active Yugoslav support for Soviet foreign policies in certain instances; and (e) Yugoslav exhortation to the West (notably Tito's article in a recent issue of Foreign Affairs) to place more credence in the USSR's peaceful intentions.

11. Yugoslavia's recognition of the Oder-Neisse line, and still more the de jure recognition of the Pankow régime constituted striking evidence of Tito's closer alignment with Moscow. The dismissal of Marshal Zhukov immediately after his visit to Yugoslavia in October, and the unexpected strength of the Western reaction to his recognition of East Germany, however, appear to be occasioning second thoughts by Tito as to the extent to which the rapprochement can be carried without damaging Yugoslav interests. It remains to be seen how far Yugoslavia will, in fact, pursue the independent policy which Tito professes.

12. In the wake of Soviet-Yugoslav developments, Yugoslavia's relations with some of the countries of the Soviet bloc, particularly Poland and to a lesser extent Rumania, have shown improvement. With respect to Yugoslav-Polish relations, the Tito-Gomulka meeting showed the desire of the participants, acting within the framework of a normalisation of Yugoslav relations with the Soviet bloc, to take advantage of, as well as to support, Khrushchev's more flexible policies in Eastern Europe.

13. Yugoslavia gave qualified endorsement to the principle of the Rumanian proposal for a Balkan conference which would also include Bulgaria, Albania, Greece and Turkey. The proposal is similar to the scheme, given impetus by Poland and East Germany, for a "sea of peace" in the Baltic. Indeed the Polish press has linked the Baltic and Balkan proposals as part of a common effort to achieve an all-European security system.

14. Tito's interest in a Balkan entente reflects Yugoslav political aims in the area and his advertised dislike of the division of Europe into opposing blocs. Moscow favours the proposal as a way of drawing Yugoslavia closer to its security system and away from the existing Balkan Pact, with the hope perhaps of eventually weakening Greek and Turkish ties to NATO. It is worthwhile noting in this respect that Tito has subsequently declared that he will not attend any "Balkan Conference" from which Greece and Turkey will be absent.

POLAND

15. Once the fever of the "October days" had subsided at the very end of 1956, the Gomulka régime managed to achieve a certain balance. It was, however, an unstable balance, for it rested on a misunderstanding.

16. On the one hand, Gomulka was regarded by the great majority of his compatriots as the hero who had obtained the independence of his country and who had personally guaranteed a more liberal policy in the intellectual field (freedom of the press), as well as in the field of religion (compromise with Cardinal Wyszynski), and the national economy (dissolution of collective farms).

17. On the other hand, he was still the Communist in whom the Soviet Government had in the end shown its confidence (reluctantly and as an expedient) on 19th October, more deliberately on 15th November at the time of Gomulka's visit to Moscow. Moreover, Chou En-lai had, since 16th January, been able to induce Gomulka at least to pay lip service to "proletarian internationalism".

18. The pursuit of a more liberal policy in Poland was seen to be hard to reconcile with a renewal of closer relations between Poland and the Soviets. Closer relations, however, were essential, particularly since the outcome of the Hungarian tragedy was bound to dash any hopes entertained by the Polish people of political and military support from the West.

19. The most Poland could hope to receive from the West was some of the economic aid of which it stood in such great need, and without which it is doubtful whether Poland could maintain a certain degree of independence in relation to the USSR. The economic situation was very bad indeed and, faced as it was with the danger of military intervention, by the Soviets, the disruption of production and the emergency of social disturbances appeared to be most threatening for the future of the Polish régime.

20. It was on the basis of the Soviet desire to avoid a conflict of the Hungarian type in Poland and of Gomulka's anxiety to allay the fears of his powerful neighbour by offering solid pledges of his faithfulness to the alliance, that a compromise was reached along the lines of the Soviet statement

on 30th October, 1956 (economic concessions to Poland granted on the occasion of Gomulka's visit to Moscow, agreement of 17th December on the conditions governing the stationing of Soviet troops, repatriation agreement of 25th March, 1957).

21. Gomulka's authority over the Catholic population of Poland is closely related to Cardinal Wyszynski's attitude towards the Communist leader (compromise between church and state announced in the communiqué of 8th December, 1956; appeal by the bishops to electors on 16th January; sermon by the Cardinal on 6th October, 1957, urging students to remain calm and to concentrate on their studies). In the country districts, there is also a relationship between Gomulka's popularity and the liberality of his farming policy.

22. Within the Communist Party in Poland, there is active hostility to the church and to any concessions to it and to the peasants. Moscow echoed this hostility, especially at the beginning of the year, with fairly open attacks in PRAVDA on the church and on a farming policy which favoured the KOULAKS. Gomulka seems able to withstand these onslaughts, however, but the fact that he tolerates, if he does not encourage, the activities of the PAX group, foreshadows difficulties which may jeopardise the compromise reached between the Polish catholic church and the régime.

23. Within the Party, Gomulka has progressively reduced the influence of the Stalinist opposition to the point that, while it still has nuisance value, it no longer threatens activity to unseat him. Liberal elements ("revisionists"), never strong in the Party apparatus, have lost strength pari passu with the decline of the Stalinist threat to Gomulka. The Party purge, authorised by the Central Committee's Tenth Plenum (24-26 October) will afford Gomulka an opportunity to get rid of his most troublesome opponents. Within the Party, Gomulka appears to have aligned his policy more closely with that of Moscow.

24. An unruly urban population quick to revolt, and the fact that economic conditions remain bad, make the situation worse by their interaction. There have been sporadic strikes and, for reasons of political necessity and at the risk of aggravating inflation, the leaders have had to agree to wage increases which, moreover, they lose no opportunity of denouncing in their speeches as unreasonable. These strikes have not so far involved any political issues and are, at any rate for the time being, largely prompted by considerations of an economic nature.

25. The possibility that a workers' demonstration may one day give rise to serious disturbances must not be dismissed. The chances of such an occurrence would be particularly great if the demands of labour happened to coincide with agitation by the liberal intellectuals. The comparative case with which publication of the newspaper Po Prostu was prohibited (on 5th October) seems to indicate that Gomulka will manage

to avert this danger. He is nonetheless obliged to exercise more rigid control over the press in order to keep within well defined limits the "tolerance" which constitutes the original feature of the Polish Communist régime.

26. In essence, the Gomulka régime stands because Gomulka appears preferable to possible alternatives. Those who are dissatisfied with his failure to realise the hopes of October 1956 find him better than a return to Stalinist or Soviet-imposed leaders. The Stalinists are unlikely to regain their control although Gomulka has been brought to make certain concessions to them. The Soviet Union and Poland's bloc neighbours find Gomulka more palatable than a breakdown in Poland's social fabric and/or another bloodbath of the Hungarian type.

THE SOVIET ZONE OF GERMANY

27. There has been little change in the position since December, 1956. The Soviet zone remains what it has been for the last eight year: an area whose population is definitely hostile to the Communist régime and whose economic balance is precarious.

Domestic policy

28. At the end of last year, the Grotewohl-Ulbricht régime seemed to be recovering, though with difficulty, from the Hungarian experience. Several attempted strikes were reported as well as a certain agitation among the students. Here and there, intemperate language was used. The régime decided to take measures to counter the deviationism manifested in intellectual circles. In spite of the counter-measures taken by the régime, the agitation has persisted in the universities, particularly those of East Berlin and Leipzig, whose courses have several times been boycotted by their undergraduates.

29. One of the factors dominating the general political situation in 1957 was the stability of the team in power. The position of Ulbricht - apparently never very seriously threatened - was quite unaffected by the ousting of the Molotov-Malenkov group. On 23rd June municipal elections provided an orthodox 99% of votes for unopposed candidates. Pankow's Stalinists thereby demonstrated that they had the situation well in hand. However, it suffices to quote one figure to reveal the true situation in the Eastern Zone: during the first ten months of the year, 192,000 refugees arrived in West Berlin and the Federal Republic.

30. During the past year, Pankow's leaders have exerted their efforts in three main directions:

(a) Decentralisation of administrative services. It was natural that the East German leaders should seek to follow the example set by the Soviets, although the Eastern Zone seems even less fitted for such an operation than other Communist countries.

(b) Efforts to remedy short-falls in foreign trade and the adverse trade balance. During the last 18 months, unfulfilled delivery promises made by this zone to its trading partners, even in the east, have been piling up. This has given rise to a situation described as "unhealthy" by the leaders, and seems to have earned them rather bitter reproaches from the Soviets.

(c) Financial reorganization. On 13th October, Pankow ordered the exchange of the currency in circulation. This lightning-stroke does not appear to have been aimed, as claimed, at "Western speculators" but rather at "sterilising" the very large amounts withdrawn from the normal channels of circulation by the population of the zone. At first sight the régime seems to have dealt a hard blow at the peasants and at the small private industrialists whose existence it has hitherto tolerated.

31. Compared with these subject of major concern, the régime of the Eastern Zone has been unable, during the last six months, to show the population many causes for satisfaction; the introduction of the 45-hour week has not changed the customary "voluntary surpassing of standards" and a better harvest cannot be taken to indicate an early end to rationing. It was announced in July that the second half of the year would again be beset with serious difficulties as regards supplies of industrial raw materials. Thus, as in the past, the economic life of the Soviet Zone remains precarious.

International position of the Soviet Zone

32. During the last six months, the international relations of the Soviet Zone have been strengthened by the visits of Gomulka and Khrushchev to East Berlin as well as by Yugoslavia's decision to recognise the Pankow Government.

Relations with Poland

33. Never very cordial, these relations became frankly bad in November, 1956. They remained strained until the end of March. However, in April, 1957, agreement was reached by both countries regarding the working of five lignite mines; early in June, the SED press again spoke of the capacity which the Soviet Zone, Poland and Czechoslovakia would together command if they drew together into a closer association; on 18th June, Gomulka and Cyrankiewicz paid an official visit to East Berlin.

34. Although this visit did not dispel party and doctrinal differences, it nevertheless improved the relations between the two régimes. It was agreed that they would combine their efforts to make of the Baltic Sea a "peace zone". There also seems to be better prospects of economic co-operation (new Kombinats).

Relations with the USSR

35. From 7th to 14th August, Khrushchev and Mikoyan, for their part, also visited East Germany and for the fourth time in two years were able to have long conversations with Pankow's leaders. During these meetings, the Soviet leaders reiterated their determination to assist the economy of the Soviet Zone and to refuse to bargain over the reunification of Germany.

Relations with Yugoslavia

36. From November to May, 1957, the relations between Pankow and Belgrade were extremely bad; violent attacks on the Yugoslav leaders by Ulbricht; breaking-off of trade negotiations in January; deferment of the aluminium plants projects and of the proposed establishment of a trade mission in Yugoslavia. In March and April, the Soviet Zone press was still decrying Marshal Tito's attitude in sharp terms.

37. However, in May, Pankow's press completely ceased its attack on Yugoslavia and Ulbricht sent Marshal Tito a telegram of congratulations for his birthday.

38. In August after the Tito-Khrushchev meeting and the visit of Khrushchev to Berlin, Grotewohl proposed the establishment of diplomatic relations. Talks held in Belgrade on October 10, on the basis of Grotewohl's letter and Tito's reply of October 3, resulted in the formal announcement on October 15 of the agreement to establish diplomatic relations. On October 19 a trade and payments agreement was signed which envisioned a five-fold increase in 1958 trade over expected 1957 levels.

39. In any case, it would probably be a mistake to interpret Tito's gesture in terms of the bilateral relations between Yugoslavia and the Soviet Zone, but in those of the mutual relations between Yugoslavia and the Soviet bloc as a whole. It was no doubt believed by Moscow and Pankow that this gesture would bring about a "chain reaction".

CZECHOSLOVAKIA

40. Czechoslovakia is still the model satellite because of its internal political stability and its relatively flourishing economy. The Czech leaders are fortunate in that the Stalinist policy of forced industrialisation affected the comparatively advanced Czech economy less adversely than the economies of the other satellites. By Eastern European standards the Czech economy is healthy, although subjected to strains.

41. A few concessions have been made in the post-Stalin period, notably in the continued relaxation of police terror, but there has been no genuine liberalisation, and students and writers have been firmly controlled. Both pressures and incentives continue to be used to encourage collectivisation.

42. From the outset the Czechoslovak Communist Party put an original interpretation on the theory that Socialism can be reached by different roads. In effect, what the Czechoslovak leaders said was: "We could not agree more, and the road Czechoslovakia has freely chosen ... lies in the wake of the Soviet Union."

43. The events of 1956 had unfavourable economic consequences for Czechoslovakia. The Polish crisis in particular seriously affected coal supplies at a time when Czechoslovak output was not keeping pace with planned increases. Deliveries of bauxite from Hungary were also interrupted by the fighting and disorganization in that country. To help Czechoslovakia overcome some of these difficulties, especially in view of its prominent role in the penetration of underdeveloped countries, the Soviet Union has agreed to increase its shipments of certain needed raw materials in 1957.

44. Although the Prague Government's policy has not changed, there has been a very small but progressive reduction of the causes of friction in daily life. Concessions to Slovak particularism, revisions of the code of criminal law and the slackening of police supervision have helped to create a more tolerable situation. The Czechs are speaking with less restraint and are less hesitant to attend the receptions given by Western missions. The arts and the theatre show signs of freeing themselves progressively of their shackles, and pre-war bourgeois authors are coming into their own once more. It is among the intellectuals that signs of opposition are most likely to appear.

45. The Czech leaders appear to be confident of their ability to stay in power. Their confidence has been increased by the unqualified public endorsement given them by Khrushchev during his visit to the country in July. The régime has been helped by certain stabilising factors such as the absence of Soviet troops, comparatively good economic conditions, and the cautious nature of the Czech people. The lesson of Hungary and the repeated official warnings that Soviet forces would intervene in case of trouble also serve to keep the Czechs quiet.

HUNGARY

46. The consequences of the revolution still dominate Hungary policy. The Budapest Government is dependent on Moscow to remain in power, just as the economy itself is dependent on financial aid from the USSR. While civil order has been restored and a degree of economic stability achieved, the régime has won

no support among the Hungarian people who remain bitterly hostile to the Soviet occupation of Hungary and the Soviet controlled régime. There are apparently factions within the Party hierarchy which result in a continuing struggle for leadership. At the moment, however, Kadar's position appears safe due to Soviet support. Such support could, of course, be withdrawn at any time.

47. At home Kadar's attempts to consolidate his régime have only resulted in a small number of additional supporters and even these seem to consist mainly of careerists. The only field in which the Hungarian authorities really have achieved notable success is in that of repression.

48. The recovery of the economy has continued, but it is beset with difficulties stemming mainly from the dual and contradictory political necessity of raising the standard of living while rehabilitating the capital equipment industries.

Attempts to Consolidate the Régime at Home and Abroad

49. To add credibility to a legal fiction, the parliamentary session of 9th and 13th May was used by the Government to confirm a posteriori, the legal continuity of the régime and to prorogue Parliament, without elections, for a period of two years.

50. The parliamentary session also put an end to attempts to broaden the Government. The arrest of several political leaders, and particularly of Bibó, leader of the National Peasant movement, had moreover almost put an end to these attempts at the end of March. It would seem that the only means Kadar now has of consolidating his position without recourse to Soviet support is by bringing more technicians into the Government, in furtherance of a policy first introduced in May. He would thus be following the apolitical trend of certain circles. However, there is nothing to indicate that Kadar is in favour of or can adopt this policy.

51. The parliamentary session also confirmed the defeat of the "die-hard" Rakosists; twelve of them, including Rakosi and Gerö, were deprived of their seats. The head of the Government and his supporters endeavoured to follow up this success, foreshadowed in March by the welcome given to Kadar in Moscow, by displaying in several speeches a certain lack of deference for dogmatic Communists. It must at least be recognised that the Government has had to allow some degree of freedom to penetrate into certain sections of every day life in Hungary. Furthermore, and this is of even greater importance, Nagy's policy with respect to craftsmen and peasants (particularly as regards compulsory deliveries) is still applied, though its scope, it is true, is being progressively decreased.

52. However, these victories over the upholders of Rakosism are far from decisive; Nagy and his followers are now looked upon as traitors while the "Rakosi-Geroe clique", which has now become merely the "old gang" is to-day only accused of "serious errors". Though, in the Central Committee of the Party, the Rakosist element, represented by Rovai, is still a minority, at local level the old "Stalinist" teams are again beginning to emerge. A number of sincere Nagists have so far refused to re-join the Party, whose present membership (350,000 to 400,000 as against 100,000 in January) includes a large proportion of "carcerists", a fact admitted by the leaders themselves.

53. In their relations with neutralist and Communist countries, the Hungarian leaders have continued their efforts to ward Western accusations as well as seeking to renew contacts and obtain economic assistance. Speaking, it can almost be said that Kadar and his team must justify the confidence placed in them by Russia by winning the support of the leaders of the Communist parties in other countries failing that of the Hungarian people. Judging by the brief references in their press, there seems to be little goodwill in the matter of "footing the bill" for the 1956 revolution. Although ostensibly in favour of the Kadar régime, Gomulka's attitude shows great reserve, and to cite an example, he refrained from crossing into Hungary on his way to Belgrade. Furthermore Tito's few statements in support of Kadar can only be attributed to the need for closer relations with the USSR.

54. A year after the revolution, the Kadar Government remains as isolated in its own country as it is in the outside world.

Police repression and bringing public opinion under control

55. By innumerable convictions and traditional police methods, the Government has managed to repress any open manifestation of hostilities since the Spring. These methods have not had any appreciable effect on the true feelings of the population and the only noticeable result has been the return to the fold, from physical necessity, submissiveness or the desire to prevent the rise of the Rakosists, of a few members of the intelligentsia.

56. The effectiveness of this oppressive action is not helped by police excesses which can only serve to increase the hostility of the people. Furthermore, the various classes and political sectors were so intermingled during the revolution that it must often be difficult to proceed against some of the most notorious offenders without compromising the position of prominent office-holders (which would seem to be one of the reasons why the Nagy trial has not yet begun).

57. Then again, however ruthless the policy of repression, it cannot be applied to the whole country systematically. An active spirit of resistance remains latent in such circumstances. It is true, however, that the abolition of the Worker's Councils, the disbanding of associations of intellectuals and the measures taken against the universities and churches strengthen the government's hand.

Economic Policy

58. Since April, slow progress has been achieved in the field of economic recovery. Certain problems, such as that of the shortage of personnel in certain sectors, have been partially solved. Other difficulties remain, the chief of these being under-employment among young people owing to the falling off in industrial production, the shortage of raw materials and threat of inflation.

59. Purely economic considerations should induce the Hungarian leaders to slow down the capital equipment industries in favour of agriculture and light industry, as well as to promote trade with the West. However, the Budapest Government is at present forced by political considerations to keep the market well supplied with consumer goods and at the same time to give priority to the development of those industries whose products will make possible the eventual viability of the economy and the repayment of the loans from the East which fall due within 10 years.

RUMANIA

60. The Rumanian régime has adjusted itself to the vicissitudes of Moscow policy with the minimum of dislocation. The dismissal in July 1957 of Chisinevski and Constantinescu from the Politburo were due in the main to long-standing personality conflicts between them and Party First Secretary Gheorghiu-Dej rather than to conflict over basic policy.

61. Although some political prisoners have been released, police controls have always been effectively maintained, and indeed have been intensified since the Hungarian rising. There was apparent trouble among the Hungarian minority in Rumania at the time of the Hungarian revolt, but matters were quickly brought under control. A very firm grip is being maintained on the intelligentsia and students, and there is no sign of open challenge to the régime.

62. On the economic front, there were slight increases in welfare benefits at the time of the Hungarian rising. These were followed by promises in December of increases in minimum wages, by the cancellation of compulsory deliveries of agricultural products (apart from meat and wool), and by measures of economic decentralisation in trade. During the summer of 1957, stringent measures were, however, imposed in the field of labour and social discipline. Measures to curb private trading still further were introduced.

63. Economic ties with Moscow were reaffirmed after the rising in Hungary and the Soviet Union granted Rumania some much needed assistance in the form of credits and the cancellation of debts. Soviet grain bridged the gap between last year's bad harvest and the current good crop.

64. The Hungarian rising put an end to the few cultural contacts which Rumania had started to develop with the West, but the Government seems interested in resuming them.

65. Rumania merits close attention mainly on account of the special rôle it may be called upon to play in the Balkan area. As between the USSR and Yugoslavia, Rumania can play a useful intermediary rôle, partly because of geographical and historical factors, but also because in Gheorghiu-Dej the Soviet Union has a suitable instrument for an approach to Tito.

66. It was in Rumania that Khrushchev and Tito met early last August. The Rumanian Government which shortly after (10th September) advised those concerned of a project to convene the heads of the Balkan Governments to a conference.

BULGARIA

67. The dismissals of Tchankov, Terpechev and Panov which followed closely on the Moscow crisis of June reflected personal rivalries rather than any genuine ideological issues.

68. Before the end of 1956, Terpechev and Panov had already been relieved of all their responsibilities. At that period, Tchankov had lost his post of President of the Committee for the Plan. Zhivkov, First Secretary of the Party, himself stated quite clearly in July that the Politburo had been considering the case of Tchankov for the last two months. Chervenkov certainly played a leading part in these changes but his present position is once again in some doubt; after being absent from Sofia during the summer "for reasons of health", in November he resumed his office of Minister of Culture.

69. Since, however, the Bulgarian government is unable, at any level, to conduct a policy independent from that of Moscow, the competition of the team of leaders is a minor problem.

70. The meeting in Rumania between Khrushchev and Tito in August caused a certain change of attitude in the Bulgarian press towards the relations between Bulgaria and Yugoslavia. There have in addition been Bulgarian overtures towards Greece and Turkey. The President of the Bulgarian Council, Mr. Yugov, in an interview granted on 22nd August to a Greek journalist, brought up such questions as the settlement by Greece and Bulgaria of several frontier disputes, the signature of an agreement on the control of animal diseases and the protection of forests, etc.

71. While Bulgarian propaganda took up the aggressive Moscow line against Turkey during the height of the Syrian-Turkish crisis, the Bulgarian régime continued to declare its readiness to improve relations.

72. With regard to the United States, the Bulgarian Government has indicated an interest in the resumption of diplomatic relations but has not shown any willingness to withdraw the accusations against United States Minister Heath which caused the rupture of relations in 1950.

73. Slight improvement in living standards have been reported as the result of economic concessions and Soviet aid, but inadequacy of urban housing and unemployment - estimated at 150,000 or some 15 per cent of the non-agricultural labour force - remain serious problems. ZHIVKOV in his recent interview stated that about 10,000 Bulgarian young men are working temporarily in the USSR this year.

ALBANIA

74. The only two permanent elements in Albanian policy are the internal strength of the régime, which has renounced none of the specifically Stalinist dictatorial methods, and Albania's complete dependence on the Soviet Union. The Albanian rulers may be expected to continue their Stalinist methods of control over the country and their complete subservience to any group that may be ruling in the Kremlin.

75. Following the improved Soviet-Yugoslav relations, initiated by the meeting between Tito and Khrushchev in Rumania, the Tirana government has had to agree to co-operate with the Yugoslavs in seeking concrete ways of improving relations between the two countries. Nevertheless, fear of Yugoslav domination by Hoxha and Shehu is such that any improvement of relations with that country will be effected only on the condition that the Yugoslavs do not interfere in the internal affairs of Albania. Meanwhile, the Albanian leaders may be expected to continue their efforts to improve relations with Italy and to achieve a reconciliation with Greece, despite the fact that there has been little, if any, affirmative reaction in Athens to Tirana's proposals.

76. Albania, an endemically poor country, has been and is expected to remain for the foreseeable future an economic liability to the Soviet orbit. Last April Moscow cancelled an Albanian debt of \$105 million and granted the country new credits, including 31 million rubles in the form of foodstuffs. This credit, plus a good harvest, appears to have made possible the abolition on November 1 of the rationing system in that country. By and large the economic situation in the country appears to be better at present than at any time since the end of World War II, although the standard of living is still extremely low in comparison with that in other Eastern European countries.

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