

ORIGINAL: ENGLISH/FRENCH  
31st October, 1957

NATO SECRET  
WORKING PAPER  
AC/119-WP/94

COMMITTEE OF POLITICAL ADVISERS

SITUATION IN EASTERN EUROPE

Note by the Secretary

Attached is the draft report which was prepared by the Expert Working Group which met at the Palais de Chaillot, 21st-23rd October, 1957.

2. It is proposed that the first discussion of this report should take place in the Committee on Tuesday, 19th November. It would be helpful if proposed amendments could be circulated to all members of the Committee in advance of that date.

(Signed) LUCILLE M. PEART

Palais de Chaillot,  
Paris, XVIIe.

NATO SECRET

SITUATION IN EASTERN EUROPE

PART ONE: SUMMARY

I. FACTORS AFFECTING SOVIET POLICY

1. The main event since May which affected conditions in the orbit as a whole is the Moscow Government crisis at the end of June. Although this crisis 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.

2. Emphasis continues to be laid on the unity and the economic strength of the Soviet bloc. The USSR now finds for political as well as economic reasons that it has to relax its policy of exploitation of the satellites, in line with its declaration of 30th October, 1956. A degree of economic decentralisation is apparent within the satellites, in conformity with Khrushchev's prescription for Russia.

3. Khrushchev has long been associated with the "destalinisation" campaign and with a policy of rapprochement with Yugoslavia. But the strong line currently followed in the USSR against "revisionism", and Khrushchev's patronising references to Yugoslav errors during his 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.

4. For the USSR, prudence seems to dictate a period of stock-taking and consolidation in Eastern Europe after such major upsets as the Polish and Hungarian events of last summer and the Moscow Government crisis of June. It has become increasingly clear that Chinese influence supports current Soviet policy in Eastern Europe. The fact that Marshal Zhukov now has a voice in the Presidium will tend to reinforce the policy of the strong hand in Eastern Europe, i.e., of intervention whenever any threat to Soviet control appears.

5. For the above reasons it would seem that the effect of the Moscow changes is in the direction of a stricter policy towards the satellites, and that any "liberalisation" 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 some satellite régimes 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 the unity of the bloc. In view of the part played by economic discontent in the Polish and Hungarian events of 1956, cautious measures may also be taken to permit some improvement of living conditions within the satellites.

8. The Soviet and Yugoslav leaders have an interest in seeking 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. At the same time, however, Gomulka has 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 consultations.

PART TWO: 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. In October, Marshal Zhukov paid a visit to Yugoslavia.

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; 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 and of his willingness to pursue this policy at the risk of damaging his relations with the West. In the light of these developments, it remains to be seen now how far Yugoslavia will, in fact, pursue the independent policy which Tito professes.

12. In the wake of these Soviet-Yugoslav developments, Yugoslavia's relations with the Satellites have improved perceptibly. 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 endorsed 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.

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. 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 emergence 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 entire 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, there is active hostility to the church and to any concessions to it and to the peasants. At the beginning of the year, more especially, PRAVDA made fairly open attacks 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. The logic of the situation has gradually alienated Gomulka from the left-wing liberal intellectuals (the "die-hards") with whom, moreover, he has naturally little sympathy, and has thus led him to attack on two fronts since he must also combat the so-called Stalinist elements (MAROLIN group). The latter do not appear to constitute a great danger for the moment, although Gomulka still had trouble with them at the IXth Plenum in May. Greater danger probably lies in the passive resistance which the conservatist bureaucracy of the Polish Communist Party continues to offer to Gomulka when what he needs more than ever is a unified and dynamic Party, to keep a hold on the people now that it has recovered a measure of freedom so long denied to it. As time passes, the economic difficulties and the concessions with Gomulka had had to make to Moscow are undermining his popularity.

24. The unruly character of the urban population, quick to revolt, is enhanced by the lack of improvement in economic conditions and helps to make the latter still worse. The US loan of 99 million dollars granted on 7th June, 1957, is not sufficient to refloat the Polish economy. 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.

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 ease 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.

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26. A year after the assumption of power by Gomulka, his régime is still lacking in stability. It is not yet possible to foresee whether it will grow stronger, or along what lines it will develop. However, the fact that this régime still exists and holds its own within the Soviet bloc remains a source of instability and confusion.

27. Despite a certain loss of popularity there is no doubt that Gomulka is still regarded by the majority of his fellow-countrymen as the right man in the right place, the man who has proved his ability to come to an understanding at one and the same time with the Russians, the Americans and the Polish Church.

28. Western economic aid to Poland should be calculated to avoid strengthening the Soviet bloc, and to take advantage of those factors which may work towards a weakening of Poland's dependence on the USSR.

THE SOVIET ZONE OF GERMANY

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

Domestic policy

30. 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, inflammatory 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.

31. One of the factors dominating the general political situation in 1957 was the absolute permanence 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 the contrary Pankow's "Stalinists" tried to prove that they had the situation well in hand by organizing, on 23rd June, municipal elections which were carried through in the most orthodox style (99% of votes for unopposed candidates). However, it suffices to quote one figure to reveal the true situation in the Eastern Zone: during the first eight months of the year, more than 100,000 refugees arrived in West Berlin.

Economic situation

32. 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 notes 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 of the small private industrialists whose existence it has hitherto tolerated.

33. Compared with these subjects 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

34. 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

35. 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.

36. 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

37. 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

38. 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.

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

40. In August after the Tito-Khrushchev meeting and the visit of Khrushchev to Berlin, Grotewohl proposed the setting-up of diplomatic missions in the two capitals. Tito's acceptance of this proposal was announced on 3rd October, a few days after the despatch of a trade mission from the Soviet zone to Belgrade.

41. In any case, it would probably be a mistake to interpret Tito's gesture in terms of the bilateral relations between Yugoslavia and of 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 Pankov that this gesture would bring about a "chain reaction".

#### CZECHOSLOVAKIA

42. 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.

43. 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.

44. 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."

45. The events of 1956 had economic consequences for Czechoslovakia. A large proportion of its raw materials have to be imported, and the Polish crisis seriously affected its supplies of coal at a time when its own output was declining.

46. The Czechoslovaks have been able to assert that their contribution towards aid to the countries of the Middle East and the Far East had often been equal to that of the Soviet Union, and therefore proportionately much greater. They were in an even better position, after the events of the autumn of 1956, to stress that inadequate deliveries of Polish coal, Hungarian bauxite, or Soviet Iron ore did not help Czechoslovakia in its rôle of supplier of capital goods to the Communist world and the under-developed countries.

47. To help Czechoslovakia to overcome these difficulties, the Soviet Union has agreed to let it have large quantities of iron ore, cereals, aluminium and stainless steel during 1957. By doing so it will moreover be achieving one of the aims of its present policy, which is to integrate more closely the economies of Eastern Germany, Czechoslovakia and the U.S.R.

48. Difficulties with the bloc and Czechoslovakia's commitments towards the under-developed countries are a strain on the country's economy. Investments are falling off, power supplies are inadequate and productivity is low. If Czechoslovakia's contribution to the

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Communist world continues to exceed what it receives, the standard of living of the Czechoslovaks will be adversely affected. Minor economic concessions to increase productivity may therefore prove necessary.

49. 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 Slav particularism, revisions of the code of criminal law and the slackening of police supervision have helped to create a feeling, as yet slight, of freedom. The Czechs are speaking with less restraint and no longer hesitate to attend the receptions given by Western missions. The arts and the theatre show the most distinct 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.

50. Developments are not impossible in Czechoslovakia, but for the time being, as a year ago, there are no clues as to whether there is any likelihood of the régime becoming more relaxed.

51. 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 reported official warnings that Soviet forces would intervene in case of trouble also serve to keep the Czechs quiet.

#### HUNGARY

52. The consequences of the revolution still dominate Hungary policy. The Budapest Government is dependent on Moscow to remain in power, just as the country itself is dependent on financial aid from the USSR. But the docility of the Kadar Government towards Moscow is in contrast to the persistent hostility of the people. Hence the constant ambiguity of the actions of the Hungarian authorities, who must in all circumstances present the outside world with a completely orthodox picture of themselves, but who for domestic purposes must sometimes try to pass themselves off as nationalists. This ambiguity is not lessened by the fact that in some cases there is an apparent lack of co-ordination between the administrative and the police authorities, some departments being, it would seem, directly linked to high-level Party agencies and the Soviet army of occupation, whereas others are staffed in part with non-political officials. Moreover, it is not at all certain that Kadar and his executives, any more than the supporters of Rakosi feel sure of Moscow's support.

53. Hampered as it is by the country's dependence on the Soviet bloc and by the hostility of the people, Hungary's policy bears the stamp of rivalry between factions none of which, taken alone, has any strong influence. The other Communist countries indeed, seem to attach very little importance to the Government's actions, and Kadar's efforts to renew contacts with them are perhaps his only initiatives.

54. At home, Kadar's attempts to consolidate his régime have only resulted in a small number of additional supporters and even these seem to have come round to his side mainly through the fear if not the conviction that there is nothing more to hope for from the West. The only field in which the Hungarian authorities really have a free hand is in that of repression and of bringing public opinion under control.

55. 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

56. 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.

57. 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.

58. The parliamentary session also confirmed the defeat of the "die-hard" Rakosists; twelve of them, including Rakosi and Geröe, 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.

59. 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-Geröe 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 Revai, 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 "careerists", a fact admitted by the leaders themselves.

60. With the uncommitted and Communist countries, the Hungarian leaders have continued their efforts to defend themselves against the accusations, levelled at them in the West, to renew contacts and to obtain financial aid. Generally 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, Comulka is careful not to obtrude and, to cite one instance, 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.

61. 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

62. 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.

63. The effectiveness of this repressive action is being hindered by the excesses of the police themselves, which can but 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).

64. 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 help the Government's action.

Economic Policy

65. 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 under-employment among young people owing to the falling off in industrial production, the shortage of raw materials and existence of inflation.

66. Purely economic considerations should induce the Hungarian leaders both to impose durable restrictions on consumption and 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 only those industries whose products will make possible the reimbursement of the loans from the East which are repayable within 10 years. It would seem that, in spite of the apparent paradox, the USSR, which has direct control over supplies for Hungary's basic industries, is forcing the Budapest authorities to adopt an economic policy which will add to the difficulty of maintaining the internal stabilisation of Hungary in the medium and long run.

#### RUMANIA

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

68. 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 by the Government, backed by Russian troops stationed in the country. A very firm grip is being maintained on the intelligentsia and students, and there is no sign of open challenge to the régime.

69. On the economic front, there were slight increases in welfare benefits at the time of the Hungarian rising. These were followed in December by promises 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.

70. 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.

71. 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.

72. 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.

73. It was in Rumania that Khrushchev and Tito met early last August, and it was the Rumanian Government which shortly after (16th September) advised those concerned of a project to convene the heads of the Balkan Governments to a conference.

BULGARIA

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

75. Before the end of 1956, Torpechev 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 as he has been absent from Sofia for several months for "reasons of health".

76. The Bulgarian Government is unable, at any level, to conduct a policy independent from that of Moscow. This, of itself, makes the composition of the team of leaders a minor problem.

77. 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.

78. As regards Turkey, however, Bulgarian policy has had to go into reverse in conformity with the aggressive Moscow line against Turkey over the Syrian dispute.

79. 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.

80. 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 civilian 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. The total of Bulgarian workers sent to the USSR may be considerably higher.

ALBANIA

81. Albania was very slow to apply the teachings of the 20th Congress and did so only superficially. As early as April 1957, however, on the occasion of the visit to Moscow of an Albanian delegation led by Hodja and Shchu, the Soviet leaders, with one eye on their Yugoslav policy, apparently advised the Tirana Government to play down its attacks on its neighbour. Following the flight of General Plaku to Yugoslavia and the conviction of four former Communist leaders, the position within the Party and the Albanian

Government was still very confused in June. Special safety measures were taken in Tirana, and the members of the Government and of the Civil Service, to say nothing of the Protocol Section, became inaccessible even to the diplomats of certain satellite countries.

82. The eviction of Malenkov and Molotov, which was of course immediately approved in Tirana, where the press and the radio sang the praises of Khrushchev and Bulganin for the first time in Albania, could only aggravate the difficulties of the Albanian situation.

83. Although the meeting arranged in July between the Soviet, Yugoslav, Albanian and Bulgarian leaders does not seem to have resulted in the reconciliation probably hoped for by Moscow, it did at least lay the foundations of a resumption of relations between Tirana and Belgrade.

84. Following the improved Soviet-Yugoslav relations achieved by the meeting between Tito and Khrushchev in Rumania the Tirana Government has had to adapt its policy to the realities of the new situation.

85. The relations between the two countries still seem to be improving owing to the ostensible goodwill which the Albanians are compelled to show towards Yugoslavia, now that the latter is on so much better terms with the USSR.

86. It is clear, however, that within the Party and the Albanian Government the position is still unstable. Hodja and Shehu remain in office, but the possibility of changes in the Albanian leadership cannot be completely ruled out.

87. 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, without whose assistance the country could not live.

88. It is hard to see today in what direction Albanian policy can develop, hampered as it is by the improvement in Soviet-Yugoslav relations. The Moscow Government, in order to assuage the rivalry between Tirana and Belgrade, is perhaps planning a certain rôle for Albania within the context of the Balkan co-operation envisaged by the Albanian proposal. It can only be noted that the Albanian leaders are more anxious than ever to achieve a reconciliation with Greece, despite the refusal by the Athens Government of Stoica's invitation.