IT WAS AN UNBELIEVABLE scene: thousands of East and West Germans celebrating together in the early hours of November 10, 1989, many atop the Berlin Wall chipping away pieces of it as souvenirs of the night the East German government lifted all restrictions on travel to the West. Nearly 200 East Germans had been shot trying to cross that wall since it was built in 1961.

It was not the first amazing picture to emerge from Eastern Europe. Ever since 1985, when Mikhail S. Gorbachev came to power in the Soviet Union, the headlines coming out of Moscow have made jaded Soviet-watchers sit up and take notice. Instead of Communist propaganda, they were reading uncensored complaints about the Soviet system by Soviet citizens. By 1987, Gorbachev’s ambitious plans for restructuring the Soviet economy and democratizing the political system had optimistic Western analysts predicting radical change in the U.S.S.R.

By the end of 1989, even many diehard skeptics were confessing to astonishment. The first contested elections in Soviet history had been held in March, complete with noisy campaigning and upset losses by some of the party’s handpicked candidates. At the new Congress of People’s Deputies, delegates criticized one major government or Communist party institution after another—including Gorbachev himself—while an estimated 200 million Soviets sat glued to their sets watching the televised proceedings. By the end of the first session of the Congress, the U.S.S.R. had its first embryonic opposition group, the Inter-Regional Group of People’s Deputies.

In Eastern Europe (see map, p. 11) the Communist bloc’s first non-Communist government took office in Poland in August 1989.

Hungary’s Communist party dissolved itself two months later, declared the country a republic and rewrote its constitution. Hungary had already started tearing down the barbed-wire Iron Curtain along its border with neutral Austria in May; East Germany completed the job six months later.

It is impossible to overestimate Soviet leader Gorbachev’s personal importance to all of these changes. Skepticism about his motives has given way to a widespread sense that why he is encouraging reform matters less than how those reforms are transforming the U.S.S.R., Eastern Europe—and relations with the U.S. “Today,” says Foreign Policy editor Charles William...
Maynes, "the debate is not about whether he is for real, but about whether he will succeed, whether we can, or should, help him, and most of all, whether even if he disappears tomorrow the reforms that he has initiated can ever be rolled back."

The New York Times has pronounced the cold-war era ended; others think such a watershed is at least within reach and are calling on the U.S. to adjust its Soviet policy accordingly. Still others warn that Gorbachev's political future is by no means certain. In the past year, he has had to deal with worsening economic conditions, paralyzing whether he is for real, but about whether even if he appears to disapper, whether he is for real, but about whether even if he appears.

GREAT

A society on the ropes

"Economic restructuring," Gorbachev has written, is "an urgent necessity." The Soviet economy had ground almost to a halt by 1985, leaving a country with the military credentials of a superpower and the internal workings of a Third World nation: "Upper Volta with rockets," as one saying goes.

This was not always the case. Joseph Stalin achieved rapid growth for a while by centralizing all economic activity in the 1930s, enabling him to direct all available resources into heavy industry as the first step in a crash modernization program. While much of the world was mired in the Great Depression, the Soviet gross national product (GNP) grew 8-9% a year, and economic growth continued at impressive rates well into the 1950s. Thereafter the growth rate slowed, and by the end of Leonid I. Brezhnev's 18-year rule in 1983, it was down to less than 2% a year. Soviet farmers (20% of the Soviet Union's 289 million citizens, more farmers than in all the Western industrialized countries and Japan combined) produce less than one quarter of what Western farmers do. A third of Soviet produce rots in the fields every year because of inadequate roads, transportation and storage facilities. Only heavy government subsidies keep food prices low, and chronic shortages of even the most basic daily necessities are a fact of Soviet life.

Outside of military and space programs, most goods and services produced in the U.S.S.R. are of poor quality and outmoded. (In a single month, exploding Soviet-made televisions caused 90 apartment fires.) Industrial equipment and machinery are old; raw materials such as coal and oil are becoming more costly to extract and are used wastefully. There is little technological innovation: the world revolution in computers and telecommunications of the 1970s and 1980s has bypassed the Soviet Union, where personal computers and even hand calculators are still rarities.

What Soviet citizens do have is a system that guarantees the majority a job, a place to live and subsidized food. But the poor quality and meager choice of consumer goods has created what Gorbachev has called "a gradual erosion of the ideological and moral values of our people." Soviet consumers are sitting on piles of rubles, worth $30 billion by some estimates, because there is nothing to spend them on. Social and physical ills have multiplied. Alcoholism affects an estimated 17 million, most of whom are men. Related to this is a high divorce rate. Life expectancy is declining and the infant mortality rate is among the highest in the world—four to five times that in the West—due largely to the poor state of health care. Some 30% of Soviet hospitals do not have sewage systems; many lack running water. Health problems are aggravated in many places by polluted air and contaminated water.

Glasnost

Gorbachev has staked his career on reversing these trends without destroying the economic security that the Soviet system provides for its citizens. At the 27th party congress in late February 1986 he laid out a plan to achieve "a new quality of growth: an all-out intensification of production on the basis of scientific-technical progress." He promised to double Soviet industrial output and GNP by the end of the century. To accomplish this, his first task was to energize the Soviet people and enlist their help. This required changing the "party line" which for years claimed that all was well, suppressing facts that proved otherwise. Gorbachev believes the "discrepancy between the reality and the proclaimed policy" had "bred public passivity and disbelief in the slogans being proclaimed." This situation had to be changed before he could restart the stalled economy. With glasnost, meaning roughly openness or public airing, Gorbachev widened the limits of permissible debate in the Soviet Union to levels unimaginable a few years ago. Newspapers and television report the news rather than party propaganda. Reporters attend weekly press briefings on levels of crime (which had not been reported since 1933), alcoholism and poverty—social ills that Communist society was supposed to have eliminated. Government critics voice their opinions on subjects that would have meant a jail sentence not long ago. Soviet citizens—and the rest of the world—have also been given their first look at official statistics on the size of the army and the defense budget, until now closely guarded state secrets.

The official version of Soviet history is being reexamined. Blame for the country's problems has been publicly heaped on Communist party officials, both living and dead. Brezhnev is in posthumous disgrace for sending the U.S.S.R. into its "years of stagnation." Nikita S. Khrushchev, Brezhnev's reform-minded predecessor who had been a "nonperson" since his 1964 odster, has been restored to a place of honor. Stalin, whose economic success was achieved through terror and the murder of millions during the forced collectivization of agriculture and the purges of the 1930s, is accused of "enormous and unforgivable" acts of lawlessness. Even Vladimir I. Lenin, the founder of the revolution, has come in for some criticism (though not yet by the top Soviet leadership). The rewriting of history is moving so fast in the U.S.S.R. that spring history exams had to be canceled in 1988 because Soviet textbooks had not caught up.

Books, films and plays critical of the Soviet government, banned for years, are being published, and a number of imprisoned dissidents have been released and encouraged to participate in
the growing debate. Physicist Andrei D. Sakharov, back from exile in Gorki, now represents the Soviet Academy of Sciences in the Congress of People’s Deputies.

Glasnost has gained Gorbachev the enthusiastic support of many intellectuals, who have stumped for his reforms. But the resulting debate over means and ends has led to challenges to the authority of the Communist party and Gorbachev himself. One well-publicized letter, printed in the daily paper Sovetskaya Rossiya in 1987, harshly attacked Gorbachev and glasnost for undermining authority and demoralizing the Soviet population, especially its youth. In the fall of 1989, Gorbachev himself lashed out at a prominent editor for adding to discord by giving too much coverage to his radical critics.

Economic reform

During the first two years of the reform program, Gorbachev cracked down on laziness and inefficiency in the workplace. He stiffened penalties for absenteeism and drinking on the job, and made vodka harder to find and more expensive to purchase.

In 1987, Gorbachev turned to the structure of the economy itself. In the Soviet system, the central planning agency passes party directives to scores of different economic ministries, which tell the tens of thousands of local enterprises what and how much to produce. The emphasis is on quantity; there are few incentives for improving quality. State-set prices bear no relationship to actual value, so supply and demand are continually out of balance.

Perestroika, or restructuring, is intended to free the Soviet economy from the stranglehold of central planning. Since the Law on the State Enterprise went into effect in January 1988, the Soviet Union’s 37,000 largest factories (which produce about 60% of total output annually) have, in theory, been self-financing and self-administering. Managers who turn a profit can in principle decide how to spend it; managers who fail lose raises and bonuses; and plants that consistently lose money may be shut down.

The plan has not worked as advertised, and output has fallen throughout the Soviet Union as factories try to adjust to new rules and old supply problems. Plants that lost money gave out raises and bonuses anyway, adding to deficits and driving up inflation, now running at 6–8%.

The 1988 Law on Cooperatives, encouraging the creation of a legal private sector to meet consumer needs, has been more successful. By the end of 1988, roughly 2 million Soviets were working for some 50,000 nonstate businesses, which accounted for about 1% of GNP.

Gorbachev is also betting on privately run farms to eliminate some of the inefficiencies of Soviet agriculture. New legislation will let farmers lease land from the state for 50 years or more, retain their profits in return for paying a tax, and pass their holdings on to their children. As an incentive to produce more, farmers are now paid in foreign currency.

The quality of goods and services cooperatives turn out is higher than that of state enterprises, and so are their prices. Their handsome profits, even after being taxed at rates of up to 90%, have provoked intense resentment. Gorbachev has not been able to talk most Soviets out of this “wage-leveling mentality,” despite his insistence that “work, and work alone, should be the criterion for determining a person’s value, his social prestige and his material status.”

Sticker shock

People are tired of waiting for Gorbachev to keep his promise that reforms will make things better. “Brezhnev brought us to the edge of the abyss,” goes one joke, “and Gorbachev is taking a giant step forward.” U.S. estimates show that the Soviet economy grew by only 1.5% in 1988, and shortages of consumer goods are worse than they have been in 30 years.

Gorbachev announced in 1989 that he would cut Soviet defense spending 14.2% and put the money toward the production of consumer goods. He warned of “unpopular, probably tough and even painful measures” ahead—possibly wage controls and rationing. But he has postponed price reform until at least 1991, and most Western economists do not believe perestroika can succeed without it: unless prices accurately reflect costs and give people an incentive to produce, there will always be shortages and bottlenecks in the economy. If those shortages continue to worsen, warns Soviet economist Nikolai Shmelev, “in two to three years there will be complete destruction of the consumer market.”

Democratizatsiya

Gorbachev does not believe economic reforms will work without the “wholesome, full-blooded functioning by all public organizations.... In short, we need broad democratization of all aspects of society. That democratization is also the main guarantee that the current processes are irreversible.”

Democratizatsiya has already produced revolutionary results. In March 1989, the country elected delegates to the new Congress of People’s Deputies in the first secret-ballot, multicandidate elections in Soviet history. In one Leningrad district, 34 candidates campaigned for one seat. In more than 20 cases, prominent candidates running unopposed failed to receive the 51% vote required for election.

The new Congress met two months later to elect a president and 542 representatives to the revamped Supreme Soviet. In proceedings that lasted a week instead of an anticipated few days, delegates grilled Gorbachev and attacked sacred cows like the army and the secret police (KGB). The Congress elected party chief Gorbachev to the presidency but only after one delegate, “to set a precedent,” nominated himself for the job. Under the new rules, the president has sweeping powers but is limited to two five-year terms.

The Supreme Soviet, formerly a rubber stamp for the party leadership, is now the U.S.S.R.’s main legislative body. One of its first moves, in July
1989, was to reject six of the party’s proposed candidates for top ministerial jobs.

The party in trouble

The upshot of all this has been a decline in the influence of the traditional power centers, the Politburo and the Communist party itself. The party’s humiliation in the March elections and the delegation of many of its powers to elected bodies have weakened its authority. Enrollment of new members fell by 20% in 1988; membership in the All-Union League of Communist Youth, the Komsomol, has dipped even more sharply, as thousands of young Soviets have joined independent political groups. Gorbachev cannot have meant glasnost to undermine his power base, but he has been unable to stop it. Many Soviets are beginning to call publicly for amending the constitution, which gives the party a “leading role” in Soviet society, and for a multiparty system.

The dangers inherent in the combination of expanded freedom to protest and worsening economic conditions were graphically illustrated last summer when almost 500,000 miners walked off the job in the U.S.S.R.’s two largest coal-producing regions, angered by shortages of soap and decent food, poor housing and dangerous mine conditions. It cost the Kremlin an estimated $8 billion in concessions to get the miners back to work. More miners walked off the job in October, defying a 15-month strike ban.

The Soviet empire

GORBACHEV has preached his gospel of glasnost and perestroika to help “the Soviet peoples” achieve “a single destiny.” But the Soviet Union is a multietnic state, and as Moscow has loosened controls from the center and encouraged the expression of grievances, many of the different groups within Soviet borders have used the new atmosphere to pursue their own agendas. Between the beginning of 1988 and mid-1989, violence due to ethnic unrest had claimed well over a hundred lives, and Moscow’s control appeared to be slipping.

Before the founding of the Soviet state in 1918, the Russian empire had grown over 400 years to embrace a wide variety of peoples. Many of the more than 100 nationalities that make up the Soviet Union have preserved their histories, cultures, religious traditions and languages to a significant extent. Soviet Central Asians, especially in the south, are mostly Muslims. Estonians may pretend not to understand if they are addressed in Russian. The Catholic Church in the Ukraine and Lithuania retains ties to Rome whereas most Soviet Christians in this officially atheistic state are Eastern Orthodox.

Every Soviet leader since Lenin has had to deal with the “national question.” To enlist the minorities’ support against the czars, Lenin talked of national self-determination. Once in power, he declared the new nation a “federation of Soviet republics founded on the principle of a free union of the peoples of Russia.” The republics were divided along national lines, but, despite a clause in the constitution guaranteeing republics the right to secede, there was nothing “free” about the union: all were brought under Moscow’s control between 1918 and 1922.

While keeping a tight rein on the non-Russian republics politically, Lenin encouraged them to preserve their languages and cultures. Over the years, this policy tended to produce educated elites who could articulate minority interests.

During the Stalin years, many of those pressing for fuller autonomy for the republics were killed or sent to Siberia. Entire national groups, such as the Meskhetian Turks who were moved from Georgia to Uzbekistan, were forcibly relocated.

Brezhnev’s way of dealing with the nationality problem was to declare it solved and to leave local party leaders pretty much to their own devices. With Moscow’s controls loosened, corruption ran rampant.

Gorbachev has cracked down on corruption and has adopted the formula of “a strong center and strong republics,” hoping to gain the support of the republics for perestroika. But Gorbachev’s political reforms have encouraged regional leaders to vent their grievances openly. Says Yulian Bromley of the Institute of Ethnography at the Soviet Academy of Sciences, “Perestroika destroyed the old mechanisms of keeping people quiet, but it hasn’t created a mechanism of its own to prevent turning democracy into anarchy.”

The national groups’ demands are as varied as their circumstances and histories. Some want greater autonomy or even independence from Moscow; others want more economic help. Some are involved in age-old ethnic feuds with neighbors; others want to return to the homes Stalin forced them to leave. A common grievance is environmental pollution.

The Baltics—Estonia, Latvia and Lithuania—were absorbed by the U.S.S.R. in 1940 as a result of a secret protocol to the 1939 Nazi-Soviet pact, the existence of which Moscow denied until mid-1989. The Baltics have a strong West European orientation, highly developed economies and the country’s most sophisticated indepen-
dent political organizations, known as popular fronts. 

Hoping to secure the Baltics’ cooperation on perestroika, Moscow legalized the Popular Front of Estonia in 1988. It became the model for similar fronts in Latvia and Lithuania, which have spearheaded fast-growing nationalist movements. All three republics have been promised a significant degree of economic autonomy effective January 1990.

Not content with these concessions, many in the Baltics are demanding full independence. On August 23, 1989, the 50th anniversary of the Nazi-Soviet pact, thousands of people linked hands to form a 400-mile-long chain across the three republics. Local elections, scheduled for 1990, are expected to result in a rout for local Communist parties by popular-front candidates.

The Caucasus is home to Georgians, Armenians and Azerbaijanis, as well as many smaller groups. Clashes between mostly Muslim Azerbaijanis and Christian Armenians in the autonomous region of Nagorno-Karabakh have cost over 100 lives and created a flood of refugees. Last summer, the extremist Azerbaijani national front blockaded the railway that is Armenia’s lifeline. To end the blockade, the Azerbaijani Communist party was forced to grant the front unprecedented concessions, including the right to secede from the U.S.S.R.

Georgia has also been the scene of violent nationalist and ethnic unrest. On April 9, 1989, Soviet troops killed 20 nationalist demonstrators and injured hundreds more in the capital, Tbilisi. And in July 1989, 20 more people died in clashes between Georgians and Abkhazians, who want to secede from Georgia. There have also been tensions between Georgians and Azerbaijanis living in Georgia.

Soviet Central Asia has the largest and fastest-growing minority in the Soviet Union, some 50 million Muslims. Unemployment is high, there are chronic food shortages and the infant mortality rate is twice the nation’s average. Overirrigation from the Aral Sea—once the fourth largest lake in the world—and pollution from chemicals used in growing cotton, the region’s largest crop, have caused serious environmental deterioration and related health problems. Organized corruption and violent crime are rampant.

Already the poorest region in the U.S.S.R., Central Asia is growing poorer and blames its backwardness on Moscow’s neglect. Alma-Ata, Kazakhstan’s capital, exploded with rioting and looting in 1986 when Gorbachev added insult to injury by replacing a Kazakh party leader with a Russian as part of his anticorruption drive. Economic grievances also sparked rioting by Kazakh youths in June 1989.

Just a week earlier in Uzbekistan, Ukrainians, and the Turkish Meskhetian minority, moved there by Stalin in 1944, clashed, resulting in nearly 100 deaths, 1,000 injuries and the destruction of 400 homes. Some 16,000 Meskhetians had to be evacuated for their protection.

Closest to home

In the heartland of the U.S.S.R. live the Ukrainians, Belorussians and Moldavians. Moldavians have been agitating to have Moldavian adopted as their official language. The Ukraine, the second most populous of the U.S.S.R.’s republics and the most important agricultural and industrial region, now has a fast-growing nationalist movement, known as Rukh (Ukrainian for movement). By the time its first congress met last September, Rukh already had 270,000 members, many of whom were calling for independence.

Ethnic Russians account for just over 50% of the Soviet population. Although they still dominate the U.S.S.R. politically, culturally and socially, they fear they are on the verge of losing their cultural dominance along with their majority status, and resent Moscow’s attentions to the non-Russian republics. Russians moved to other republics by Stalin also feel discriminated against by local authorities. In August 1989, thousands of Russians in Estonia staged a series of strikes protesting a local law that would have prevented many of them from voting or running for office. Under pressure from Moscow, Estonia repealed the law two months later.
At the far right of the Russian movement is an organization called Pamiat (Russian for memory), notorious for its Russian chauvinism and strong anti-Western, anti-Semitic views. Although Gorbachev has called for "profound reform" of the Soviet federal structure, he has not said what he means—beyond ruling out secession—and the Kremlin continues to respond to crises on an ad hoc basis. If Moscow’s control of the republics continues to weaken, many worry Gorbachev may feel compelled to crack down. That could mean the end of political reform.

**Eastern Europe**

The events that are now taking place in the countries of Eastern Europe concern the countries and peoples of that region. We have no right, moral or political right, to interfere in events happening there. —Mikhail Gorbachev, October 25, 1989

With these words, Gorbachev officially reversed the Soviet Union’s expressed right to use force to maintain its East European empire. That policy was articulated by Brezhnev in 1968, after the Soviet Union invaded Czechoslovakia to halt it’s invasion of Czechoslovakia to halt its democratic movement. Agreements reached with the U.S., Britain and France in effect recognized Soviet dominance in the region, but called for free elections. Moscow reneged on those and instead converted Bulgaria, East Germany, Hungary, Poland, Romania and Czechoslovakia to “people’s democratic republics” under tight Soviet control.

Along either side of the Iron Curtain that sealed Eastern Europe off from non-Communist Western Europe, the cold war hardened into a military standoff. Fearful of further Communist expansion, the Western countries—the U.S., Canada, Belgium, Britain, France, Luxembourg, the Netherlands, Norway—denied, Iceland, Italy and Portugal—banded together in 1949 in the North Atlantic Treaty Organization (NATO), a military alliance paralleled by Moscow when it created the Warsaw Pact in 1955. (Its members are Bulgaria, Czechoslovakia, the German Democratic Republic [GDR], Hungary, Poland, Romania and the Soviet Union.) The U.S.S.R. reinforced its leadership of the “socialist commonwealth” through the Council for Mutual Economic Assistance (CMEA, or Comecon), founded in 1949.

Maintaining control of Eastern Europe has been Moscow’s primary foreign policy goal ever since. The Soviet-led bloc provides the U.S.S.R. with a buffer zone between it and potential Western aggressors. It keeps ethnic tensions that had caused innumerable wars in the region over the centuries under control. And the presence of other Communist regimes modeled after its government in Moscow and loyal to it gives the Soviet state legitimacy.

Until Gorbachev, the Soviet Union generally did not tolerate political liberalization in Eastern Europe that threatened either the dominance of national Communist parties or their participation in the Warsaw Pact. (The exceptions were Yugoslavia, which broke with Moscow in 1948, and Albania, which formally withdrew from the Warsaw Pact in 1968.)

Eastern Europe has witnessed recurring rebellion against Communist rule, often sparked by economic hardship. On two occasions, Soviet troops invaded to restore order: in Hungary in 1956 and Czechoslovakia in 1968.

Today Eastern Europe’s socialist economies suffer from many of the same maladies that afflict Soviet socialism—low productivity, consumer goods shortages, inefficient industries. In recent years, the quality of the manufactured goods Eastern Europe sells to the Soviet Union has declined while the cost of Soviet energy and raw materials needed to produce them has skyrocketed. Increasingly, the bloc has become a burden to Moscow.

Gorbachev is gambling that if he gives East European governments the freedom to experiment with their economic and political structures, they can revive their listless economies and become an asset instead of a liability to the Soviet Union.

The vanguard

Leading the charge toward change are Poland and Hungary. At the start of the Gorbachev era both were in serious economic trouble, with declining standards of living, inefficient industries and heavy national debt. Today, while still facing daunting economic problems, both are on the road to a multiparty political system and a market economy.

Poland has always been the most troublesome member of the Communist bloc. The crisis that ended with the imposition of martial law in 1981 was sparked by the deterioration of the Polish economy after 1976. Workers, backed by the powerful Catholic Church and liberal intellectuals, banded together to create the independent trade union Solidarity, representing some 10 million Polish workers and headed by Lech Walesa. The union forced the party into concessions during a wave of strikes in 1980, but was outlawed a year later when martial law was declared. Solidarity went underground, and the economic situation continued to worsen.

Today, Poland has an inflation rate of over 100%, a debt of nearly $40 billion and, in the words of The Economist (London) magazine, “an archaic industry remarkable mainly for its capacity to pollute.” Store shelves are nearly empty.

In early 1989, facing economic disintegration, labor unrest and growing pressure from Solidarity leaders, the Communist party agreed to hold semi-free elections in the spring. It also restored Solidarity’s legal status in exchange for a promise that the union
would help secure popular cooperation for economic reforms.

In the June 1989 parliamentary elections, the Communist party lost almost every seat open to contest, retaining control of a minority in the lower house only because of pre-agreed election rules that guaranteed it a majority. It was nevertheless unable to form a government when two smaller parties defected to the Solidarity side in August. To break the deadlock, the party asked Solidarity to form a government, and it became the first Communist party to permit itself to be turned out of office.

Poland’s new non-Communist prime minister, responsible for the day-to-day running of the government, is Solidarity leader Tadeusz Mazowiecki. Gen. Wojciech Jaruzelski (who barely won the parliamentary vote needed) is president, which among other things gives him the power to dissolve parliament and call for new elections at any time. The rules specify that his successor be chosen by a fully popular vote. The Communist party still controls the defense and interior ministries, and therefore the country’s army and police.

The new government is carrying out a radical plan to turn Poland rapidly into a market economy, through subsidy cuts to reduce the deficit, privatization of industry and, eventually, a currency fully convertible with that of other nations. It has devalued its currency to soften the impact of sudden price rises and has appealed to the International Bank for Reconstruction and Development (World Bank), the International Monetary Fund (IMF) and Western countries for considerable financial help and emergency food aid to cushion the effects of these reforms, which are bound to make a bleak economic situation even worse before things begin to get better.

Most affected by the austerity measures is the working class, Solidarity’s main base of support. Workers can afford fewer basic goods as inflation spirals upward, and many will lose their jobs as the new government moves to close down unprofitable businesses. Some analysts have suggested that economic hardship will cost Solidarity its support and pave the way for the party to regain control of the government.

Hungary’s 1956 rebellion was triggered by government inaction in the face of a slide in the Hungarian standard of living. János Kádár, who took over after the Soviet tanks withdrew, recognized the need for economic reforms to prevent future explosions. His solution, known as “goulash communism,” was the first experiment with a partially decentralized economy by a Communist country. Limited private enterprise was encouraged, and the government by and large stayed out of the private lives of individuals.

Hungary’s economy prospered, compared with much of the bloc, until the mid-1980s, when it began to feel the crunch of a mounting debt to the West and rising consumer shortages. Hungary today has a 20% inflation rate, rising unemployment, a debt of $21 billion—Europe’s highest per capita—and a falling standard of living. Today one out of three Hungarians lives below the official poverty line. It has the highest suicide rate in the world, and has among the highest rates of alcoholism, divorce, abortion and heart attacks.

Much of the blame for Hungary’s economic troubles was heaped on Kádár, who was ousted in May 1988. Political and economic changes since then are pointing Hungary in the direction of a democratic, free-market country. The 1988 Law on Economic Association permits anyone to set up a joint-stock company, limiting risk to individual entrepreneurs, and Hungary has

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**East Germany**

Richest, strongest bloc member. In November 1989, new government under Egon Krenz opened borders to West, and promised free elections in attempt to stop flight of best and brightest of 16.6 million population.

**Czechoslovakia**

Once a major industrial power, economy stagnant, although food shelves still well stocked. Anti-reform party chief Milos Jakes forced out in November 1989. Of 15.6 million population, 63% Czech, 31% Slovak.

**Hungary**

East-bloc reform leader, with Poland. Moving toward multiparty system with free parliamentary elections in 1990 and more-market-oriented economy. Now a republic; Communist party remodeled on social democratic lines.

**Poland**

First bloc country to oust Communist government. Tadeusz Mazowiecki, Solidarity leader, counting on West to cushion effects of economic reforms. With 38.2 million, most populous bloc nation, second poorest.

**Romania**

Nicolae Ceausescu, most repressive East-bloc leader, presides over poorest of the six. Independent foreign policy, persecution of minority Hungarians, opposition to reforms has antagonized Moscow.

**Bulgaria**

Over the years, the most loyal, docile Soviet ally. Todor Zhivkov, 78, hard-line leader for 35 years; announced plans for cosmetic economic and political reforms during 1989; ousted that November.
opened the first stock exchange in Eastern Europe.

In October 1989, the Communist party renamed itself the Hungarian Socialist party. It has rewritten the country’s constitution, transforming it from a socialist state run by the Communist party to a democratic, constitutional republic with “the values of both bourgeois democracy and democratic socialism.” The new constitution legalizes opposition parties, guarantees human and civil rights and confers separate powers on the judiciary, executive and legislative branches of government. The Republic of Hungary’s first multiparty parliamentary elections are scheduled for early 1990.

The antireformers

Not all East European countries were enthusiastic about reform. The governments of the GDR, Bulgaria, Czechoslovakia and Romania resisted change and suppressed opposition; but three out of four had buckled by late November 1989.

Although the GDR enjoys Eastern Europe’s highest standard of living, that has not prevented large numbers of East Germans from wanting more. By early November 1989, 167,000—1% of the population—had left the country; some estimate that a full 10% of all East Germans has applied to leave.

Many emigrants told reporters they were seeking political freedom. But the East German economy has also become a factor: East German economic growth in real terms (accounting for inflation) has dropped to 1% a year, despite some $2 billion a year in trade and aid from West Germany.

The population is well educated and knows, thanks to West European television (which East Germans alone among Communist East Europeans see), that its neighbors to the West are much better off. Experts say that the mass emigration to the West has hurt East Germany’s economic prospects badly: most who are leaving are young and skilled, and there are estimates that they may cost the GDR the equivalent of about $179 million in lost productivity. Hundreds of thousands of East Germans who stayed behind staged huge demonstrations in the days following East Germany’s 40th anniversary, demanding reforms. The unrest led to a government shake-up in East Berlin, the GDR’s capital, in mid-October, when Erich Honecker (77) was retired and fellow hard-liner Egon Krenz took over. On November 9, Krenz lifted all restrictions on travel to the West; some 40,000 East Germans crossed the Berlin Wall that weekend, though most returned home afterward.

In Bulgaria, it is said, there is no word for “pluralism.” Traditionally the U.S.S.R.’s closest ally, the government of Todor Zhivkov (78) had difficult relations with Moscow during the Gorbachev years because of Zhivkov’s opposition to reform. He was forced out of office on November 10, 1989.

Bulgarian debt is not large—$6.3 billion—but debt-servicing absorbs 36% of its export earnings a year. Bulgaria, too, is plagued by food and energy shortages and a declining standard of living. The government in Sofia has come under fire not only in the West but from its bloc neighbors for its campaign of forced assimilation and religious repression of its Turkish minority, some 300,000 of whom were either driven out of the country or fled during 1989.

After the Soviets invaded in 1968, ending the reform program under Alexander Dubček known as the Prague Spring. Czechoslovakia offered its citizens what they call “salamis for submission”: a relatively high standard of living in return for political submission. It worked well until the Czechoslovak economy, too, began to slow down and the pace of change in neighboring countries overwhelmed the hard-line Czechoslovak leadership under party chief Milos Jakes.

On November 14, 1989, the government lifted restrictions on travel to the West. Three days later, it responded brutally to a peaceful demonstration by some 25,000 students in Prague. That sparked a week of daily protests involving hundreds of thousands of Czechoslovaks from all walks of life, and on November 25, Jakes and the rest of the party leadership resigned.

Elated but not satisfied, millions of Czechoslovaks shut down the country two days later in a nationwide strike, calling for democratic reforms. The party gave in almost immediately to two central demands: that it give up its monopoly on power and admit non-Communists to the government.

The opposition, small and tightly repressed until the Jakes regime fell, is short on leaders and experience: best known is playwright Vaclav Havel. Karel Urbanek, Jakes’ successor, is no radical reformer. The speed of the November events has made everyone gun-shy about predicting the future, but many are hopeful that Czechoslovakia’s relative economic health will help it make the transition to democracy.
Romania is headed by Nicolae Ceaucescu (71) and his family. It is one of the most repressive regimes in the world, and its people live in Eastern Europe’s most miserable conditions. Ceaucescu paid off all of Romania’s heavy foreign debt—$21 billion—in 1989, but at the expense of its citizens, who have lived with severe food and fuel rationing for years. In a country that used to export agricultural products, a common Romanian joke runs, “If we had a little more food, it would be like wartime.” The low and still-falling standard of living provoked rioting in the city of Brasov in November 1987 that the government crushed.

Romania’s leadership considers it “unnecessary to restructure.” It has denounced Gorbachev’s reforms and censored all references to glasnost and perestroika. The government has plans to raze whole villages and force inhabitants to move into “agro-industrial centers,” allegedly to increase agricultural efficiency. Critics suspect the policy is part of a pattern of discrimination against Romania’s Hungarian and German minorities. Such policies have earned Romania not only Western criticism lately, but that of its East European neighbors, especially Hungary. Romania rejects any “inadmissible interference” in its affairs by outsiders.

Prospects

Gorbachev’s pledge of noninterference in Eastern Europe has encouraged reformers there, but they caution that their efforts will fail without Western help. They need aid to offset the impact of austerity measures on strapped consumers and to buy their new governments time to make reforms succeed.

The U.S. and Western Europe have expanded their economic relations with Hungary and Poland, as well as the U.S.S.R. Joint ventures with Western firms are now legal in those countries, and the number of such enterprises is climbing, especially in Hungary, where terms are most favorable. Lending, by individual countries as well as the IMF, has begun to increase again, after falling off during the 1980s when East Europeans found themselves unable to pay their debts from the 1970s. During their economic summit meeting in Paris in the summer of 1989, the seven major non-Communist industrialized powers agreed to have the European Community coordinate food aid for Poland as a reward for political reforms and as encouragement to move further toward a market economy. West Germany has pledged the most—$1.9 billion.

End of an era?

For 40 years, East-West relations have been on a roller coaster, alternating between periods of tension and relaxation. Stalin’s death in 1953 was followed by a thaw, when the Korean armistice was signed and Soviet troops withdrew from a neutralized Austria. The thaw ended abruptly with the Soviet invasion of Hungary in 1956. That period of serious tensions culminated in 1962, when the U.S.S.R. placed nuclear missiles in Cuba, within striking distance of the U.S. The crisis brought the superpowers to the brink of nuclear war. Both sides recognized the importance of avoiding a repeat performance and relations improved. They signed the hot-line accord, guaranteeing rapid communication during a crisis, a treaty to ban nuclear testing in the atmosphere, underwater and in outer space (1963), and an agreement to prevent the spread of nuclear weapons to other countries (1968).

Détente, or a lessening of tensions, picked up speed during the 1970s, as West Germany and the Soviet Union signed treaties on the status of the divided city of Berlin and other issues that had periodically threatened the peace. The superpowers negotiated two treaties on strategic nuclear weapons (1972 and 1979), and 35 nations signed the Helsinki Final Act of the Conference on Security and Cooperation in Europe in 1975, in which the West agreed to accept the existing postwar boundaries in Europe in return for Communist promises to make improvements in human rights.

Détente foundered in the late 1970s on the divergent views of Washington and Moscow on the arms race. Soviet involvement in the Third World and Soviet human-rights policies at home and in Eastern Europe. It ended when the Soviets invaded Afghanistan in December 1979; the coup de grace was Soviet support for the imposition of martial law in Poland two years later.

Soviet policy changes

Some Western observers of Gorbachev’s “smile offensive” worry that today’s thaw may prove as transitory as its predecessors. But a growing majority is beginning to think this thaw may last. Faced with the imperative of getting his Soviet house in order, Gorbachev appears to have decided to eliminate as many bones of contention with other states as possible, both to save money and perhaps convince the West to pitch in with economic, technical and managerial help for perestroika.

On military issues, Moscow has pushed for arms-control agreements with the U.S. that will make it safe for the Soviets to shift funds away from defense into other areas that need it desperately. In the process, he has made concessions that would have been unimaginable a few years ago. In the treaty eliminating intermediate-range nuclear forces (INF), signed by Gorbachev and President Ronald Reagan in December 1987, Moscow said yes to much that it had previously rejected in U.S. proposals, including visits by U.S. experts to Soviet military bases to verify compliance with a treaty. For nearly 40 years, the Kremlin had adamantly opposed on-site inspections.

After signing the INF treaty, Moscow kept up the peace offensive by announcing in December 1988 that it would unilaterally cut its active military forces by 500,000 troops and 10,000 tanks. Of these, 50,000 men and 5,000 tanks would come from Eastern Europe, where Soviet strength in man-power, tanks and artillery has long been the major concern of Western defense planners. Gorbachev began pulling troops out of Hungary and East Germany in April 1989.
On regional issues, the Soviets have also surprised the West. Not only did the Soviets withdraw their last troops from Afghanistan in 1988, after nine years’ occupation, but they now admit the invasion was illegal. Almost certainly under pressure from Moscow, Vietnam promised to pull its forces out of neighboring Cambodia (see Topic 4). Moscow also participated in talks during 1988 that led Cuba to withdraw its troops from Angola. And Gorbachev has supported a strengthening of the role of the United Nations in solving regional conflicts, and backed up his rhetoric by paying $225 million of the debt owed to the U.S.S.R.’s Third World clients were costing some $36 billion and $45 billion annually.

Moscow badly needs Western economic, technical and managerial assistance to make perestroika succeed. Until now, U.S.-Soviet trade has suffered because of the Jackson-Vanik and Stevenson amendments to the 1974 Trade Act, which punish Moscow for restricting Jewish emigration. The amendments deny most-favored-nation status to the Soviet Union and limit Export-Import Bank credits to finance Soviet purchases of U.S. goods. In the wake of increased emigration, there is now growing support in the U.S. for waiving the provisions of these laws, at least for a year.

Many Western analysts believe that economic considerations only partially explain Gorbachev’s foreign policy. Robert Legvold, director of the W. Averell Harriman Institute for Advanced Study of the Soviet Union at Columbia University, believes Gorbachev’s actions also reflect a new Soviet perception of national security in the modern world, where military power has limited applications. “Security,” Gorbachev declared at the 27th party congress, “is increasingly a political function that can be accomplished only by political means.” He is the first Soviet leader to talk about the relationship of national security to “mutual security.” “Less security for the U.S. compared to the Soviet Union,” he said, “would not be in our interest since it could lead to mistrust and produce instability.” The Soviets are also downplaying the importance of the struggle between capitalism and socialism—ending with socialism’s triumph—as the main dynamic of international affairs.

Other analysts remain doubtful that much has changed beyond Moscow’s desire to rescue its economy. Deeds, they claim, have not so far matched words. They say support to client states has not fallen off appreciably (Moscow still spends some $10 billion a year supporting its friends in Central America); defense spending is still high, and, by some estimates, if arms production continues at present rates, Moscow will still be outproducing the U.S. in weapons well into the 1990s. Soviet espionage, including the pirating of Western technology, has actually increased, according to the Administration. Some conservatives conclude from the above that Moscow is only seeking a breathing space (peredyshka) before it returns to its aggressive ways.

**U.S.-Soviet relations**

President George Bush approached U.S.-Soviet relations cautiously. More than three months elapsed before Bush made his first major policy statement, in which he declared that “the U.S. now has as its goal much more than simply containing Soviet expansionism—we seek the integration of the Soviet Union into the community of nations.” Bush also said that “promises are never enough” and that Moscow would have
to earn a new relationship with the U.S.

Over the ensuing months, Moscow's proposals, combined with the political unrest within the U.S.S.R. and the measured Soviet reactions to it, led to an evolution in Administration thinking. At two meetings between Secretary of State James A. Baker 3d and Soviet Foreign Minister Eduard A. Shevardnadze, significant progress was made on arms control, and Bush believes that agreements on strategic nuclear weapons and conventional forces in Europe are possible within a year. The U.S. and U.S.S.R. have also signed an agreement on "The Prevention of Dangerous Military Activities," designed to forestall military maneuvers, such as border crossings, from accidentally triggering a war, and to block its spread should one break out. The two countries have also made progress on a treaty to ban chemical weapons (see Topic 5).

By the time Baker addressed the Foreign Policy Association in October 1989, the Administration had dropped its cautions tone and welcomed "a historic opportunity with the Soviet Union...to leave behind the postwar period with the ups and downs of the cold war...to make the change toward better superpower relations more secure and less reversible." To help perestroika succeed, Baker said that the U.S. stood ready to provide Moscow with technical and other assistance.

The Bush Administration's policy toward Eastern Europe has also changed, partly in response to congressional pressure. When Bush visited Poland and Hungary in July 1989, he promised $100 million in seed money to start private businesses—1% of the $10 billion Solidarity leader Walesa requested—and another $15 million to help clean up the environment. Since then, the Administration has raised its offer to $455.5 million and is pushing the World Bank to approve a $325 million loan and debt restructuring. Hungary will get $25 million for private enterprise and $5 million for the environment.

Baker also quietly reassured Shevardnadze that, although it supports the right of all people to self-determination, the U.S. would do nothing to add to the unrest in Eastern Europe and the Soviet republics. The speed of change in those areas persuaded Bush to meet with economic risk; nor should it deny the U.S.S.R. or East European countries loans or deals that would be profitable for U.S. firms. The credit rating of East European borrowers has dropped because they fell behind on debt-service payments on loans made in the 1970s. On the other hand, the Soviet Union has an excellent credit rating, making it a prime candidate for loans were it not for political objections.

1. Make economic concessions to help give Gorbachev and East European reformers time to get reforms working. The U.S. can lower the risk of a political explosion due to falling standards of living when reforms are first implemented and a repressive backlash by offering substantial loans and favorable trade terms. These would enable governments to cushion the impact of austerity measures by buying consumer goods to tide people over during the transition period. As a first step, the U.S. could waive the provisions of the Jackson-Vanik and Stevenson amendments.

2. Treat the U.S.S.R. and East European countries the way we would any other country. Western investors should "pursue profits, not politics," says Sen. Bill Bradley (D-N.J.). The U.S. should not subsidize the Soviet or East European efforts to provide consumer goods past the point of sensible economic risk; nor should it deny the U.S.S.R. or East European countries loans or deals that would be profitable for U.S. firms. The credit rating of East European borrowers has dropped because they fell behind on debt-service payments on loans made in the 1970s. On the other hand, the Soviet Union has an excellent credit rating, making it a prime candidate for loans were it not for political objections.

3. Tie economic aid to economic and political reforms. "The pressure of foreign debt has been one of the main things pushing Poland and Hungary toward freer markets...It would be foolish for Western governments to relax the pressure while most of the reforms remain on paper," says The Economist (London) magazine. Without making further free-market reforms, East European governments will not be able to put Western funds to any better use than they did previously. By the same token, rewarding economic and political liberalization should enable the U.S. to retain the economic leverage that will encourage further change, suggests Rep. Don J. Pease (D-Ohio).

4. Tie economic concessions to cuts in the Soviet armed forces. The U.S. should not increase the flow of funds to Warsaw Pact countries without explicit guarantees that Moscow will not spend the money on its military establishment and that it will reduce its defense budget, argues Judy Shelton of the Hoover Institution. Otherwise, the U.S.S.R. could well emerge in time with a stronger economy, a stronger military and an increased appetite for world aggression. With such assurances, the U.S. can expand trade and loans to the U.S.S.R. and its allies; it can also feel more secure about reducing its own defense budget, says former defense official Richard N. Perle.

Are the changes taking place in the Soviet Union and Eastern Europe irreversible? How can the U.S. help make sure the current trends in Moscow and in East-West relations prove more lasting than previous thaws?
FOR DISCUSSION

1. Suppose you are the secretary of state, trying to decide on whether or not to make fundamental changes in the approach underlying U.S. policy toward the Soviet Union. What factors would convince you that it was safe to do so? What factors would convince you that to do so would pose unacceptable risks in the event that Soviet policy abruptly changed course?

2. The U.S. has never recognized the absorption of the Baltic republics into the Soviet Union, and it favors self-determination for all peoples. Should it encourage the Baltics in their quest for autonomy or even independence? Why or why not?

3. What, if anything, do you think could prompt the Soviet Union to renege on Gorbachev’s pledge not to interfere in the affairs of Eastern Europe? What role can the U.S. play, if any, in preventing such an occurrence?

4. Some in the Soviet Union are urging Gorbachev to give himself emergency powers to help the Soviet Union through its current economic troubles and related political unrest so that reforms have a chance to take effect. What do you think of that idea?

5. Should the U.S. waive provisions of the Jackson-Vanik and Stevenson amendments? Why or why not?

6. What seems to you to be the biggest obstacle to reforming the Soviet economy?

7. What seems to you to be the issue with the most potential to topple Gorbachev from power?

SUGGESTED READINGS


“Gorbachev’s new thinking,” economic reform, politics, military policy and nationalities question.


For further in-depth reading, write for the Great Decisions 1990 Bibliography (see page 4).